The Third Terpercaya Advisory Committee Meeting was held in Ayana Midplaza Hotel with 30 participants. The stated aims of the meeting were to:

- Discuss and identify priority indicators of jurisdictional sustainability (with a focus at the district level);
- Receive advice from Advisory Committee members on taking the process forward;
- Determine whether ministries are able to provide data for indicators;
- Determine whether NGOs can test the indicators in their districts and assess data availability/collection.

**Discussion Summary**

**Remarks by the Delegation of the European Union (Michael Bucki)**

- After welcoming the participants, he provided some information about the recent news on the EU draft delegated act on determination of high indirect land-use change-risk feedstock and certification of low indirect land-use change-risk biofuels, open for consultation until 8 March.

- The draft act sets three criteria for low risk, which would be applied to oil palm production, which include:
  - Production by small holders,
  - Use of unused, including abandoned or severely degraded land, or
  - Biofuel produced as a result of productivity increases.

- The delegated act will come into force in 2021 and an implementing act will be issued to accredit schemes as means of proof of sustainability according to ILUC criteria.

- Terpercaya study could also become important in that context, by providing information on the above set of criteria for low-risk palm oil, as well as on other criteria and indicators seen as important by Indonesian stakeholders.

- He reminded that it is necessary to find a way to prove, with quality information, that production has transitioned towards sustainability for better market acceptance.

**Progress of the Terpercaya study (Jeremy Boardhead - EFI)**

- He reminded that this study focused on indicators of sustainability at district level is complemented by another important study led by the Trase initiative, on tracking the palm oil supply chains (for the market connection).

- Trase’s component looks at palm oil supply chain and information on palm oil trade from the port to the importing countries. Trase is working is to track from the port and back to the district and will not go back to the farmer level.

- Terpercaya’s jurisdictional approach led to identify 19 indicators, since the last Advisory Committee meeting and through various consultations. The indicators are still in a form of draft, covering different aspects of sustainability, e.g. economic, environment, social, and governance.
aspects.

- The idea is for each district to show progress towards sustainability, to trigger possible incentives to the district level, so that markets can source from and incentivize district toward sustainability.
- The approach is based in the legal framework, for each indicator.
- Webpage for the study, with all the latest documents, can be found: http://www.euredd.efi.int/publication/tracking-sustainable-palm-oil-and-defining-jurisdictional-sustainability
- There is a plan to have another AC meeting in April or June to discuss the final version of the indicators and Trase model.

Sustainability indicators for districts (Bernadinus Steni-INOBU)

- Before the presentation, there were documents in English and Bahasa Indonesia that had been shared prior to the meeting: Terpercaya briefing 3 and the annex of the draft indicators.
- Development of the process that has been done in an effort to identify indicators based on laws and regulations, SDGs, and stakeholder preferences. There are 3 dimensions discussed in the first and second meetings, namely, social, environmental, and economic dimensions. In the second meeting, there was a proposal to include the governance dimension.
- The description of the indicators includes the legal basis, related SDGs, methods of assessment, and data sources. In essence, indicators are developed on laws and regulations, components of the SDGs, regional authority and recognized best practices such as FPIC, and accountability issues related to data availability and district/provincial authority and responsibilities.
- The initial proposal had 38 indicators. Subsequently, based on the inputs of the central government (MoEF, MoHA and Ministry of Agriculture) and NGOs (WRI, SPSK, IDH, LTKL) the list was reduced to 19 indicators.
- See the list of draft indicators here: http://www.euredd.efi.int/documents/15552/460846/Terpercaya+Briefing+3+Annex+-+short+tables+final+text.pdf/7b8376f9-d799-9fd2-42d7-60b59e55c4d9

Social dimensions: FPIC, there are not many mentions under the legislation, but it is embedded into the standard; recognition of customary rights, conflict resolution and allocations for smallholders; as well as registration. The basis has not been determined as quantitative or qualitative.

- Economic dimensions: farmer productivity, smallholder organizations, support for farmers, responsible industries, and rural employment.
- Governance dimensions: public information access, multi-party participation during planning, complaint mechanism. This part is the most challenging regarding the size of component verification and the legal basis to determine the performance.

Discussion with participants

- Measurement of indicator baselines and trends, e.g. forest cover and forest cover change in conservation and protection areas, is an area that needs to be discussed further. Currently, the plan is to update Terpercaya indicators annually although the difficulty of accessing information on some indicators, e.g. governance indicators, is recognised. According to interest from Advisory Committee members, efforts could be made to support further discussion on how forest cover change, encroachment and legality of oil palm cultivation are dealt with.
- Ministry of Agriculture, Directorate of Plantations (Dirjen Perkebunan) would welcome another round of meetings on legality and indicators relevant for ISPO; these processes could be better integrated.
- There is interest from major palm oil sourcing companies in determining why some districts are underperforming in relation to forest cover change and whether trends were influenced by policy
MEETING MINUTES

- Forest cover indicators should take into account the fact that some districts do not have much forest left and cannot therefore afford to deforest more land even at slowing rates. Terpercaya plans to make use of the subnational forest reference emissions level (FREL), which is based on a stock and flow approach, to address this concern.

- Because forests and the FREL are under the responsibility of the Ministry of Environment and Forestry and because forests are under the responsibility of provinces and not districts, province level information will be used to indicate the situation regarding forests in districts across the province although it may be possible to allocate indicators at the district level.

- The FREL has been accepted by UNFCCC and calculates emissions according to deforestation based on physical forest cover rather than change in land designation from state forestland (kawasan hutan) to non-forest. Peat is also included.

- A human resources indicator would help to show whether districts have sufficient capacity to manage transitions to sustainability.

- An environmental indicator covering air, soil and water pollution based on existing municipality regulation should be included in Terpercaya. Currently, 5 yearly reports are submitted to the Ministry of Home Affairs and also quarterly report from environment office (DLH) to the Ministry of Environment and Forestry.

- Terpercaya indicators should take into account the relative proportion of smallholders and corporations producing palm oil. For example, in Sumatra the palm oil industry belongs to the people but in Kalimantan to corporations. Terpercaya indicators include one covering smallholder share (indicator 9) so the distribution of ownership of oil palm plantations should be covered.

- Terpercaya indicators should take into account the percentage of expenditure on environment and governance at the local level and the actors involved as a means of indicating where profits are being shared and possible impacts on deforestation.

- Indicators related to finance and taxes should be included in Terpercaya. Information related to the following will be checked with the Ministry of Finance:
  - Government spending on environment,
  - Tax collection,
  - Distribution of revenues from extractive industries.

- Terpercaya should take into account different levels of capacity across districts

- Terpercaya should integrate with FoKSBI and the National Action Plan (NAP) on Sustainable Palm Oil and roadmaps at different levels.

- In relation to the new EU delegated act, there are Terpercaya indicators on smallholders, and productivity but not on unused/degraded land although spatial analysis done by CIFOR (Atlas of Borneo and Papua) indicates the status of forest cover and land degradation at the time of oil palm plantation establishment and a related indicator could be developed.

- The EU FLEGT Action Plan was the conceptual foundation for Terpercaya, which can be seen as an effort to create a system supporting similar outcomes but for palm oil. EU Delegation is funding and considering funding for several other pieces of work:
  - Once Trase and Terpercaya are developed there might be resources to do a screening of
districts including discussion with Malaysia on appropriateness of indicators. Launch of the ISPO regulation and the new moratorium will change the legal situation and Terpercaya indicators can be updated in accordance. There is also a need to consult with companies to ensure that Terpercaya indicators meet their requirements, and with CSOs in Indonesia, Malaysia and Europe and then later with China and India.

- VCA4D project is currently assessing the social, environmental and economic values of palm oil at different stages in the supply chain.
- Another EU Delegation funded study is assessing public financing and distribution of tax revenues based on forest cover.
- A study on Indonesia’s FREL is also being supported given the importance of the FREL, which has strong credentials through Paris Agreement and a dedicated monitoring system. There will be a new FREL after 2020 and use of the FREL will allow emissions to be taken into account in Terpercaya in addition to forest legality related indicators.

- There is currently no signal as to whether districts will be assessed as a part of ISPO certification. The current list of Terpercaya indicators could be used as a checklist for districts and could contribute to SDG and ISPO monitoring. District level multi-stakeholder sustainability platforms supported by local government will be needed to support indicator collation and guide transitions to sustainability.
- An indicator on fair partnerships between communities and business should be included in Terpercaya. SPKS should be consulted for suggestions.
- An indicator on cultivation of degraded land should be included in Terpercaya.
- Efforts should be made to make consistent use of terms including ‘criteria’ and ‘indicator’ in Terpercaya documentation and it should be clarified whether the ‘responsible industry’ indicator will be just for smallholders as well as companies.
- Terpercaya will continue to discuss terms for different indicator levels of (Legality, Legality+ and Sustainability).
- LTKL secretariat is currently comparing indicators from different sustainability processes including RSPO jurisdiction, Terpercaya, IDH VSA, REDD+, CCBA sustainable landscape rating tool, ISEAL certification platform. A draft report has been circulated to districts and questions have been received on what demands there are in relation to forests and how forests will be monitored. Efforts are being made to clarify what is being assessed and why: is it about compliance or demonstrating district competitiveness? Incentives for districts could include: technical assistance, access to knowledge networks, market access, meetings with ministries, and support for district recognition, etc. Based on the next draft of their indicator assessment LTKL will determine what information is available to support associated monitoring and will conduct testing of indicators between June and November.
- With respect to customary rights recognition (indicator 7). Communal rights are recognised by law and so the question is not about legality but recognition. Land certificates are not currently recognised as proof of ownership and local government regulations are required but care needs to be taken regarding commercialisation of indigenous land, corporate involvement and politicisation of customary rights issues. The focus should be on protection of indigenous rights as a whole and not only recognition of land rights.
- Companies would probably be happy to purchase from districts based on Terpercaya indicators if
the indicators align with their sustainability standards although companies cannot buy from smallholders if they cultivate illegally, e.g. in protected areas so the area of production must be clear and indicators should show the extent of oil palm plantations in state forestland (commercial production and sale of palm oil produced within state forestland (including production forest as well as conservation and protection forest) is illegal and RSPO has zero tolerance, regardless of whether producers are smallholders or not).

• Several major companies declared adherence to sustainability principles at CoP 21 and are working with NGOs in Indonesia. How they would want to buy from districts and provide incentives would depend on the jurisdiction involved. Some large companies don’t source directly from smallholders but from refineries and could support smallholder hubs or work with others to source from particular jurisdictions, learning from REDD+ on benefit sharing.

• The public rather than environmental groups themselves would determine whether the forest related indicators are appropriate and acceptance would depend on M&E and transparency, particularly with respect to permit data given that many districts use their powers to issue permits.

• There will likely be a need to reduce the number of indicators.

• Terpercaya was initiated when the ISPO regulation was due to be launched but that has not happened and although it was not the initial intention and the ISPO and Terpercaya approaches differ (farm level + group certification vs district level), farm level certification will take many years and a jurisdictional approach could be an interim step.

Next Steps

- Consultation with district government to be held on 26/02 with LTKL
- Compiling data, especially data owned by government, to test the indicators.
- Next committee meeting will in April or June

Prepared by INOBU on February 20, 2019.
### List Participants

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MEETING MINUTES

Photos

Photo 1. Group photo

Photo 2. Opening from European Union – Michael Bucki
Photo 3. Presentation on district indicator – B Steni, INOBU

Photo 4. Feedback from participants