

13 May 2015

## **Terms of Reference**

### **Consultant for RSPO Scoping Study on the Extent of Issues on FFB Legality and Traceability in Malaysia, Thailand, and Rest of the World**

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#### **1. Introduction**

In response to the urgent and pressing global call for sustainably produced palm oil, the Roundtable on Sustainable Palm Oil (RSPO) was formed in 2004 with the objective of promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.

Today, the total CSPO available in market is 12.3 million tonne (March, 2015) or about 20% of the total CPO global production.

This paper will outline the Terms of Reference of the Consultant for RSPO FFB Scoping study on the extent of issues on FFB legality and traceability.

#### **1.1 Background**

Within a relative short period, RSPO has been successful to deliver sustainable palm oil in the market place and demonstrate that sustainability is possible as well as feasible for the global palm oil value chain. Given its versatility in use, palm oil as a commodity has remarkable comparative advantages, including its productivity and price competitiveness, than other edible oils in the world. Worth noted, on the supply side Indonesia and Malaysia are the two countries holding the majority of the global market share.

Along the facts that the two countries, both government and private sector, have paid tremendous efforts to meet the demands in fulfilling sustainability requirements, fundamental challenges on the grounds remain. One of crucial challenges is that the plantation expansion by the growers, particularly by individuals or independent smallholders, has entered areas which legally are not zoned for agricultural cultivation. These areas include –but not limited to– national park, reserve forest and production forest; hence putting the FFB from these questioned areas likely or potentially to have ‘legality and traceability’ issue.

Furthermore, a number of processing facilities owned by RSPO members, direct or indirectly, have also involved in processing these FFBS. This situation has been exacerbated by the disparity of the own-plantation with the scale of processing facilities. There is situation when the supply from own-plantation is not sufficient to feed the installed capacity of the already running facilities (millers, crushers and/or refineries). In some cases this lead to some expansion by the outgrowers to fill the excess demand from the processors.

On the trading side, RSPO system currently acknowledges a number of schemes: identity preserved (IP), segregation (SG), mass balance (MB) and book & claim. The processors are being allowed to trade mix palm oil originated from either certified sustainable palm oil or the uncertified one through these trading systems. The mass balance is highly potential to pose a credibility risk, when, the uncertified palm oil portion derived from palm trees planted in high conservation value forest or inside protected areas.

The current RSPO supply chain audit to trace palm oil fruits produced from the nucleus and plasma scheme plantation. There is no system yet in place to trace the oil palm fruits derived from external suppliers (outgrowers). The traceability and legality of external suppliers are still in question mark.

This issue has affected the credibility of certified mills and RSPO members, who are supposed to uphold their sustainability standard. In order to seal the possible leakages of the RSPO standard, the external suppliers of either certified mills or RSPO producer members shall also be traceable and its legality can be proven. It is to ensure that the certified mills and RSPO producer members are in full compliance to the sustainability standard, as clearly defined in RSPO standard.

An appropriate approach should be taken into account to overcome this issue.

Under the RSPO P&C 2013, Indicator 4.1.4 states clearly the need for clear and consistent implementation and monitoring of 3<sup>rd</sup> Party sourced FFB.

In February 2015, RSPO has established the FFB Legality and Traceability Taskforce (herein after referred as FLTTF) to further improve the standard of palm oil supply chain system.

In order to identify the extent of issues on FFB Legality and Traceability, FLTTF would like to engage consultant(s) to carry out a scoping study as described below.

## 1.2 Objective

Under the auspices of RSPO, the Consultant(s) shall identify the extent of issues on FFB Legality and Traceability in Malaysia, Thailand & Rest of the World (Including but not limited to other palm oil producing countries i.e Africa, Latin America, Papua New Guinea/Solomon Island according to size of production).

The methodology used to carry out the tasks shall be discussed and agreed by the consultant and FLTTF.

## 2. Expected Output

The consultant is expected:

- To identify any issues with the Mass Balance system in the particular country with regards to legality and traceability of FFB in the supply chain where Palm Oil Mills may be receiving FFB from illegal and unknown sources.
- To carry out scoping and baseline assessment in order to determine challenges relating to FFB legality and traceability, including defining what constitutes legality and traceability within different countries as there is a growing concern that FFB from unknown sources are getting into the Mass Balance system.
- To analyze whether current national legislations are sufficient to address issues of Legality and Traceability (Adequacy of laws, regulations and its enforcement)
- For Malaysia and Thailand, the findings presentation shall include desktop study and field research. For Africa, Latin America, Papua New Guinea/Solomon Island, desktop study would suffice.

## 3. Timeline

In order to fulfill these tasks and meet the expected outputs, a timeline of one year i.e. July 2015 to Jun 2016 is proposed whereby the consultant shall provide quarterly updates to the FLTTF.

## 4. Proposal Content

All interested parties are to submit a full proposal containing:

- (1) Proposed team and expertise
- (2) Activities and methodology
- (3) Costs – including expected travel/expenses

Kindly send in your proposal and quotation together with curriculum vitae/company profile to Djaka Riksanto at [djaka.riksanto@rspo.org](mailto:djaka.riksanto@rspo.org).

The closing date for proposal: 31<sup>st</sup> May, 2015

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