

Terpercaya study

Tracking progress to jurisdictional sustainability: Towards a shortlist of key indicators

A briefing submitted to the Terpercaya Advisory Committee for discussion

This is the third of a series of briefings published within the framework of the Terpercaya study on ‘tracking sustainable palm oil and defining jurisdictional sustainability at scale’, which was launched in April 2018.¹ It is implemented by INOBU and the European Forest Institute, with regular inputs from an Advisory Committee co-chaired by the Delegation of the European Union in Indonesia and the Coordinating Ministry of Economic Affairs of the Republic of Indonesia.

Background

The objective of Terpercaya is to help Indonesian districts and provinces gain better market recognition for their efforts to drive a shift towards sustainable commodity production across their jurisdictions. The study seeks to provide the jurisdictions and smallholder groups involved a pathway towards higher visibility in commodities markets, especially in the palm oil sector.

To this end, Terpercaya will illustrate a system capable of tracking jurisdictional progress to:

- Identify and reward best practices in front-runner districts
- Attract a second tier of districts capable of demonstrating improvements along the way, even if they are still years away from reaching an ambitious target of jurisdictional sustainability or jurisdictional certification (see figure below)

In this process, Terpercaya seeks to contribute to the broader debate in Indonesia on clarifying definitions of ‘jurisdictional sustainability’ and identifying pragmatic jurisdictional approaches that could be replicated.

The Terpercaya Advisory Committee discussed the relevance of identifying ‘Key Performance Indicators’ (KPI) that can track progress towards sustainability at district and provincial levels.² For market actors to use this information, KPIs must be usable across Indonesia, covering virtually all Indonesian districts. In addition, it should be possible to update them regularly, at least annually. Furthermore, given the central and irreplaceable role of district, provincial and central governments in the development of jurisdictional approaches, such KPIs need to build on Indonesian laws and regulations, as well as on the Sustainable Development Goals (SDGs).

An in-depth review of relevant Indonesian laws and regulations, as well as of relevant SDGs was completed and is presented in Terpercaya Briefing 2.³ This Briefing served as the basis to identify indicators that can best reflect the existing mandates and competences of local governments.⁴ An initial round of stakeholder consultations was conducted between November 2018 and January 2019 to identify the most relevant indicators and come up with a shortlist for more in-depth discussions.

An oil palm plantation in Jambi
Photo: Jenny Farmer, CIFOR



The Terpercaya Advisory Committee

Building a consensus on the indicators for measuring jurisdictional sustainability in Indonesia is a considerable challenge. It includes identifying not only what should be measured but also what can be measured, considering existing laws and regulations, as well as the mechanisms for collecting relevant data. The indicators also need to be relevant to a broad range of actors: the government, producing and purchasing companies, and civil society organisations, including farmers and indigenous peoples. To ensure that the indicators reflect the interests and aspirations of these diverse groups and can be effectively used, a multi-stakeholder Advisory Committee was established. It represents the major actors with an interest in sustainable commodity production. The sessions of the Terpercaya Advisory Committee are generally co-chaired by the Delegation of the European Union to Indonesia and Brunei Darussalam and by the Coordinating Ministry of Economic Affairs of the Republic of Indonesia.

Jurisdictional sustainability requires building on the authority of local governments. To understand the scope of authority of local governments, their constraints, and how these align with national policies and priorities, the study has engaged with various ministries. The Ministry of Home Affairs, the Ministry of Environment and Forestry, the Coordinating Ministry of Economic Affairs and the Ministry of Agriculture are represented on the Advisory Committee. The perspective of local governments comes notably through the Sustainable Districts Network (Lingkar Temu Kabupaten Lestari).

Producing and purchasing companies also have representatives on the Advisory Committee.⁶ This is also the case for civil society organisations, representing indigenous peoples and farmers, in particular the Alliance of Indigenous Peoples of the Archipelago (AMAN) and the Oil Palm Smallholder Network (SPKS). The Roundtable on Sustainable Palm Oil (RSPO) also participates in the Advisory Committee meetings to ensure the alignment with its own principles, criteria and standards. Finally, national non-government organisations, such as Yayasan Keanekaragaman Hayati Indonesia (KEHATI) and international non-governmental organisations, such as the World Resources Institute and the Sustainable Trade Initiative (IDH), are also represented.

Indicators to track progress

Globally, the certification of sub-national jurisdictions according to the principles and criteria of commodity certification schemes is still in pilot phase.⁶ Therefore, during the consultations and discussions, stakeholders deemed more useful to track and reward progress towards jurisdictional sustainability, rather than just the attainment of it. This led to the definition of three levels of progress, to which all the Terpercaya indicators should relate.⁷ These levels avoid binary assessments (yes/no), even in relation to those governance aspects that are the hardest to measure gradually.

- **Level 1** would correspond to basic legality. Local governments are required to implement laws related to land use and sustainable and inclusive commodity production.
- **Level 2** was tentatively named 'legality +'. Local governments comply with applicable laws and regulations, have completed spatial planning, and have adopted supporting regulations, tools or processes to fill identified gaps towards sustainability in the short or medium term (five years for example).
- **Level 3** would be the closest to sustainability and correspond to best practice and clear advances towards observable sustainability outcomes.



Soil fertilisation in an oil palm plantation

Photo: Icaro Cooke Vieira, CIFOR

The figure below shows the possible distribution of local jurisdictions along the axis of progress towards sustainability. It is expected that the majority will be situated around levels 1 (basic legality) and 2 (intermediary level), with fewer districts distributed at the extremes (complete illegality and sustainability). The value of such assessments, with periodic updates, is to guide the delivery of specific incentives to encourage further progress. Over time, if incentives are tangible enough, the distribution of local jurisdictions could shift towards higher levels of sustainability (see the 2025 and 2030 illustrative curves in the figure below).

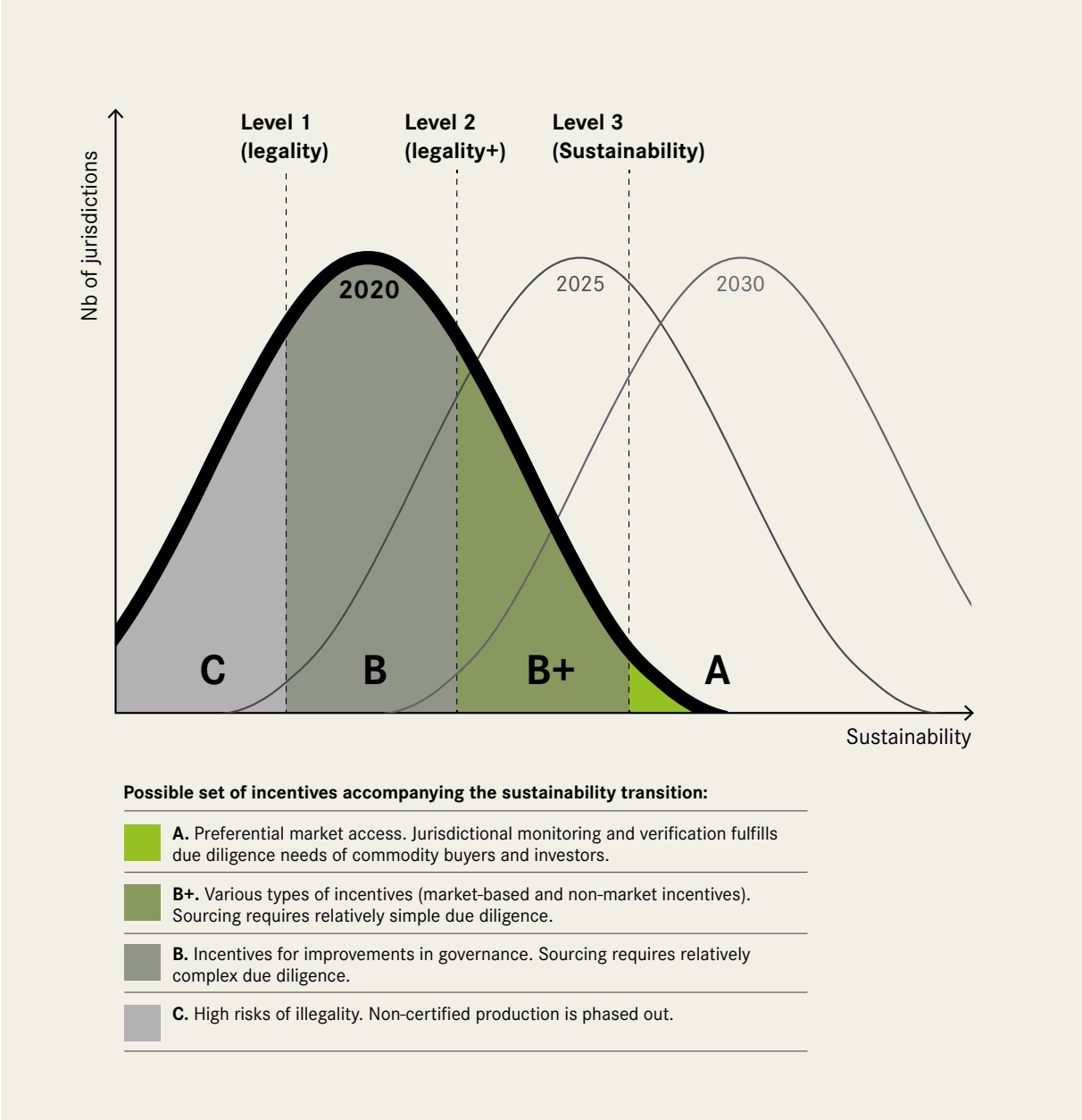


Figure: Jurisdictional pathways towards sustainability

An annex to this briefing presents a first draft shortlist of 19 indicators of jurisdictional sustainability. This annex is a living document that will be further reviewed and discussed by stakeholders.

The importance of taking into account the specific needs of smallholders has been raised in all Terpercaya discussions. This reflects the Indonesian Government's priorities in general, and the strengthening of the Indonesia Sustainable Palm Oil standard in particular. In principle, giving districts and provinces higher visibility and recognition in commodity markets works in favour of smallholders. In other words, the jurisdictional approach can be seen as a way to achieve 'group certification' of smallholders at scale. Beyond this general statement, the Terpercaya study made a specific effort to include smallholder-related indicators among the set of proposed indicators of jurisdictional sustainability. Out of the draft 19 indicators presented in annex, at least five directly and exclusively relate to smallholder conditions:

- **Smallholder productivity:** evolution of the average productivity of smallholders
- **Smallholder organisation:** number of functioning cooperatives per 1000 smallholders
- **Smallholder support:** number of agricultural extension programmes per 1000 smallholders
- **Smallholder legal registration:** proportion of smallholders mapped and registered
- **Smallholder share:** plantation area managed by smallholders in percentage of total plantation area

The other indicators proposed also relate to important issues for smallholders, such as those on the resolution of land and plantation conflicts, or on the recognition of customary rights. This shows that the proposed definition of jurisdictional sustainability is, to a significant extent, correlated with the general conditions of smallholders in a given jurisdiction.

The annex presents the indicators under the four dimensions of sustainability previously used in Terpercaya discussions, relating to environmental, social, economic and governance issues.

How is the connection to the market made?

Being able to track where progress towards sustainability has been happening at jurisdictional level is only part of the information needed to connect jurisdictions with responsible commodity buyers and investors. This information alone is of little use if market actors do not know where they source from, and if jurisdictions do not know where they sell. This is why Terpercaya is collaborating with the initiative Trase, Transparent supply chains for sustainable economies, which is developing a comprehensive tracking system for the palm oil sector in Indonesia. This system would be capable of tracking the supply chains connections that link individual palm oil-producing Indonesian districts to destination markets around the world. How the Terpercaya indicators and Trase data may be combined for useful analysis will be illustrated in a future briefing.



Rice plantation in Bali

Photo: Bertrand Duperrin

References

¹ See the European Forest Institute's Terpercaya study webpage: <http://www.euredd.efi.int/publications/tracking-sustainable-palm-oil-and-defining-jurisdictional-sustainability>

² Sessions held on 3 July and 6 November 2018.

³ See also the more detailed guidebook for sustainable districts – Making the transition to sustainable agricultural production: a practical guidebook for district governments in Indonesia: <http://bit.ly/terpercaya-draftguidebook>

⁴ In particular Law 23/2014 on Local Governments.

⁵ Such as Golden Agri Resources, Pepsico and Unilever.

⁶ Commodity roundtables, such as the Round Table for Responsible Soy and the RSPO are piloting initiatives for jurisdictional certification. In Indonesia, the Seruyan District in Central Kalimantan is one of the pilots for the jurisdictional certification of palm oil.

⁷ Terpercaya Advisory Committee meeting report, 6 November 2018.

Cover photo: Fresh palm oil fruit, Nanang Sujana, CIFOR

Disclaimer

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