



# Terpercaya study

## Tracking sustainable palm oil and defining jurisdictional sustainability at scale

Most global consumers rely on public or private certification/licensing schemes to ensure that the items they purchase are produced according to sustainability standards. Such schemes usually place the burden of proof on commodity producers, including farmers and other small-scale producers, without necessarily entailing price premiums on the demand side. In many producing countries, systemic issues also make it difficult and/or expensive for producers to meet the criteria of sustainability standards. These issues, such as land allocation or zoning that determines where crops can be planted legally, administrative procedures, fair and proportionate enforcement or official monitoring could only be addressed by the government and local authorities. In practice, sustainability certification therefore risks excluding small-scale farmers who lack the resources or skills to meet the costly standards of such certification schemes.

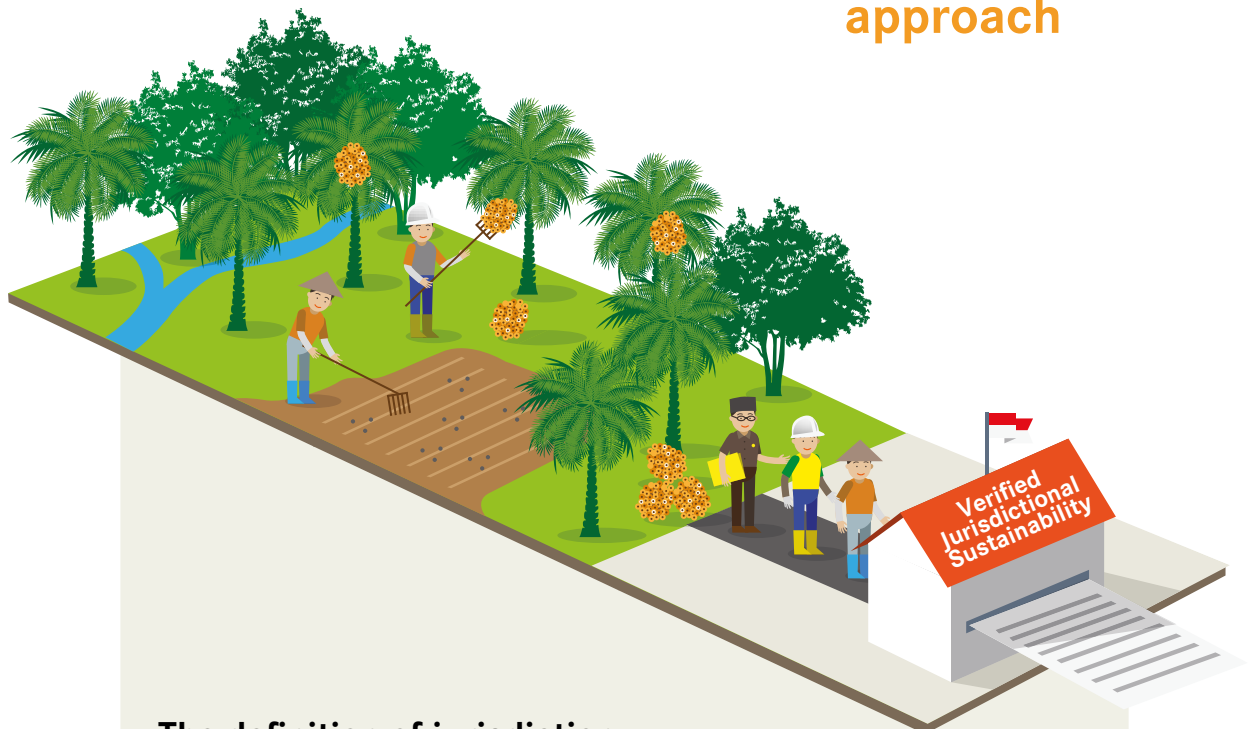
Simpler, more affordable and scalable, yet trustworthy, approaches may help, in complement to certification, which remains an important tool for many companies as well as a source of inspiration and best practice. A trustworthy system is built on transparency and easy, objective methods of verification. Measuring sustainability performance at the jurisdiction level, based on a few Key Performance Indicators (KPI) and a supply-chain tracking system, may be a first step, simpler and less costly way to ensure e.g. a reduction in deforestation from producing more and better agricultural products while also including smallholders and indigenous peoples in global supply chains. In contrast to farm level and supply chain initiatives, jurisdictional performance is the responsibility of subnational governments working in conjunction with agribusinesses, farmer groups and civil society.

The jurisdictional approach relies on new synergies between the authorities and the resources of different actors to achieve common goals. Local governments play a central role. Democratically elected local governments have both the authority and legitimacy to issue regulations and implement policies for sustainability. More importantly, local governments, unlike many other actors, have the authority to monitor and enforce sustainability laws and regulations.

*Jurisdictional performance is the responsibility of subnational governments working in conjunction with agribusinesses, farmer groups and civil society*

In decentralised Indonesia, district governments are responsible for providing public services and for coordinating socio-economic development at the subnational level. The new decentralisation law, issued in 2014, redistributed some of the authority of district governments to provincial governments, especially as related to forest management. District governments still have the authority to develop the agricultural development plan, issue licences for plantation companies, and to ensure that producers, including companies and small-scale farmers, cultivate the land sustainably.

## Jurisdictional approach



### **The definition of jurisdiction adopted by this study is as follows:**

A jurisdiction is an administrative area where a particular system of laws is applied. A jurisdiction is usually led by an authority that has the right and power to govern under this legal system. Regulations define the mandates and authorities in planning, budgeting and implementation of policies and programs that seek overall to improve the living conditions in the territory.

## About the study

The study “Tracking sustainable palm oil and defining jurisdictional sustainability at scale”, which is referred to as the Terpercaya study, is being jointly led by the European Forest Institute (EFI) and Inovasi Bumi (INOBU) and is financed by the Partnership Instrument of the European Union, through its Delegation to Indonesia and Brunei Darussalam. The word “terpercaya” means trustworthy in the Indonesian language and relates to the study’s purpose, which is to map and screen jurisdictional approaches, in order to generate credible information and analysis. It should inform and improve mutual understanding and trust for discussions on sustainability, trade and cooperation. A selection of interested stakeholders will be invited to provide input throughout the Terpercaya study.

*The word “terpercaya” means trustworthy in the Indonesian language*

**The objective** of this study is to help districts and provinces in Indonesia explore jurisdictional sustainability as a pathway towards clearer market visibility and incentives at their level, and for the smallholder groups that are involved. It aims to design and illustrate a system that could track jurisdictional progress to:

- Identify and reward front-runner districts; and
- attract a second layer of districts capable of demonstrating improvements well before they reach an ambitious target of jurisdictional sustainability or jurisdictional certification.

Terpercaya should help clarify definitions of “jurisdictional sustainability” in Indonesia and identify pragmatic jurisdictional approaches that could be replicated in order to secure global market acceptance and acknowledgement, eventually.

**The scope** of the study focuses on sustainability in agricultural commodity production at the district and higher levels (provincial and national). It will give particular attention to the palm oil sector and associated demands from markets for improved sustainability information. The initiative will also seek to inform major national policies related to climate change and sustainability including Indonesia’s Nationally Determined Contribution (NDC) to climate action, and current efforts to accelerate palm oil certification, through ISPO in particular.

Recent innovations in supply-chain information data processing and visualisation methods are becoming more quickly and cheaply available for tracking complex supply chains than was previously possible. The Terpercaya study will benefit from collaborating with the initiative “Transparency for Sustainable Economies” (Trase), which is working to establish a comprehensive tracking system for the palm oil sector in Indonesia based on diverse publicly accessible data sources. The Terpercaya study will assess to what extent the newly available information can help screening for market opportunities and for more cost-effective monitoring of the implementation of government policies and regulations while also providing higher market visibility for local supply chain actors.

# Timeline

This study will run from February 2018 until April 2019 (Graph 1). We encourage all stakeholders to participate by providing input and suggestions throughout the study period. Such active participation of the stakeholders will ensure the relevance of the Terpercaya study's results and messages.



## Key study questions

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1. Within the next two years, would it be possible to track sustainable palm oil and jurisdictional sustainability performance across Indonesia? How reliable would that system be?
2. Can we build a consensus among different stakeholders about best indicators for measuring jurisdictional performance? Are these indicators acceptable and appropriate for tracking the sustainability of palm oil?

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### Disclaimer

This briefing was developed by Inovasi Bumi (INOBU) and the European Forest Institute (EFI), with support from the Partnership Instrument of the European Union. The contents of this briefing are the sole responsibility of the authors and can in no way be taken to represent the views of the European Union.

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