

Terpercaya study

Monitoring jurisdictional sustainability in Indonesian commodity production: Progress and next steps

Highlights

- Through a comprehensive multistakeholder consultation process, the Terpercaya study has developed 22 indicators for monitoring jurisdictional progress towards sustainable commodity production in Indonesia. The indicators represent the four main pillars of sustainable commodity production: the environment, society, the economy and governance.
- These indicators are based on Indonesian laws. They align with the Sustainable Development Goals, support the achievement of Indonesia's international commitments such as those made under the Paris Agreement on climate change, and complement existing systems for sustainable and legal commodity production including ISPO¹ and SVLK².
- The final consultation highlighted areas for more attention. These included: transparency; equity (in relation to gender, child labour and farmer legality); use of unproductive land; legal use of forest land; and defining a cut-off date for commodity related deforestation.
- Future priorities include testing indicators at the district level and supporting data collection, exploring institutional hosting options for Terpercaya, and discussing potential use of indicators to inform EU-Indonesia dialogues on sustainability and trade.

¹ Indonesia Sustainable Palm Oil standard.

² Sistem Verifikasi Legalitas Kayu – the timber legality assurance system operated under the Indonesia-EU Voluntary Partnership Agreement.

Introduction

The **Terpercaya study** led by the European Forest Institute (EFI) and Inovasi Bumi (INOBU) is assessing jurisdictional approaches to demonstrating sustainability of commodity production in Indonesia (see Table 1). The study takes its name from the Indonesian word *terpercaya*, meaning ‘trustworthy’, as it aims to generate credible information and analysis.

This briefing outlines how the project has developed a set of indicators to track progress towards sustainability, through a process involving input from the Indonesian Government, the private sector and civil society. It discusses next steps for testing and refining the indicators, and options for hosting and implementing the jurisdictional performance monitoring system. It ends by describing the potential for the system to promote sustainable commodity production and trade.

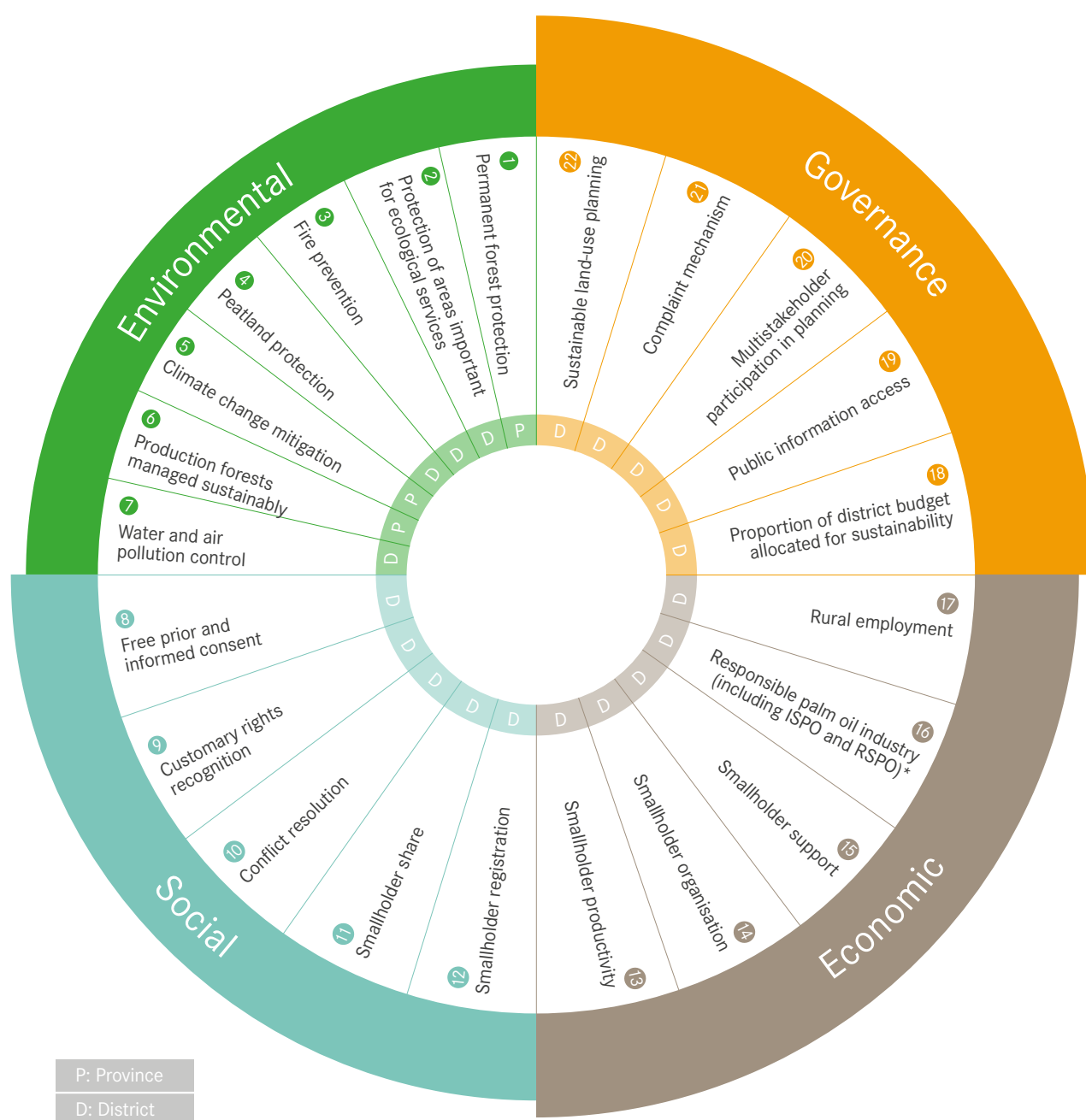
Table 1. What Terpercaya is, and what it is not

Terpercaya explained	
What it is not?	<ul style="list-style-type: none">• Another certification scheme• A replacement for, or competition with, existing certification schemes
What is it?	<ul style="list-style-type: none">• A complement to existing certification systems to incentivise districts to establish an enabling environment for sustainable commodity production• A communication tool for showcasing sustainability at the district level, including progress towards the Sustainable Development Goals and commitments under the Paris Agreement on climate change• A (proposed) definition of sustainability at the jurisdiction level• A means of measuring and verifying sustainability at the jurisdiction level

Developing the Terpercaya indicators

Twenty-two indicators of jurisdictional sustainability (see Figure 1) were identified through a comprehensive legal and literature review, complemented by four meetings of the multistakeholder Terpercaya Advisory Committee, focus group discussions and expert consultations.

Figure 1. Terpercaya indicators for tracking progress towards jurisdictional sustainability



* Indonesian Sustainable Palm Oil and Roundtable on Sustainable Palm Oil standards.

The legal and literature review focused on identifying indicators that align with the social and environmental requirements of sustainable commodity certification schemes, the Sustainable Development Goals, and Indonesian laws and policies. The selection of indicators was also informed by the delegated authority of subnational governments in Indonesia and their responsibility to allocate government budgets and resources in relevant areas.

Development and agreement of the indicators took place through the Terpercaya Advisory Committee, which drew on representatives of the Indonesian Government, the private sector and civil society, including the Roundtable on Sustainable Palm Oil Production (see Table 2). Through four meetings of the Committee, a consensus emerged on the indicators and their potential use (see [Terpercaya Briefing 4](#) for more detail). Members of the Terpercaya Advisory Committee also identified some broad areas for more attention (see Table 3).

**Oil palm plantation
at the rainforest edge
in West Kalimantan,
Indonesia**

Photo: Nanang Sujana/
CIFOR



Finally, a jurisdictional sustainability performance index was proposed to simplify evaluation of districts. In developing such an index, individual indicators would be weighted to facilitate consolidation and evaluation of performance by achievement/progress category. This could provide simplified information to commodity buyers, consumers and consumer governments on identifying sustainable districts and also districts in need of support. Information would also be of use in informing district and national level government of progress in implementing laws and regulations.

Table 2. Composition of the Terpercaya Advisory Committee

Government	<ul style="list-style-type: none"> • Coordinating Ministry of Economic Affairs • Ministry of Environment and Forestry • Ministry of Agriculture • Ministry of Home Affairs
Private sector	<ul style="list-style-type: none"> • Pepsico • Unilever • Golden Agri-Resources
Civil society	<ul style="list-style-type: none"> • Indonesian Biodiversity Conservation Trust Fund (<i>Yayasan Keanekaragaman Hayati Indonesia</i>, KEHATI) • Oil Palm Farmers Union (<i>Serikat Petani Kelapa Sawit</i>, SPKS) • Roundtable on Sustainable Palm Oil (RSPO) • Sustainable Districts Forum (<i>Lingkar Temu Kabupaten Lestari</i>, LTKL) • Greenpeace • Alliance of Indigenous Peoples of the Archipelago (<i>Aliansi Masyarakat Adat Nusantara</i>, AMAN) • World Resources Institute (WRI) • The Sustainable Trade Initiative (IDH) • Auriga

Table 3. Stakeholder-identified areas for more attention

Area	Views of Terpercaya Advisory Committee members
Transparency	Transparency in governance is considered an essential component of monitoring and improving jurisdictional performance. Inclusion of a specific transparency indicator would allow this important aspect of governance to be tracked and incentivised.
Equity	Greater consideration should be given to equity in relation to issues such as gender equality, child labour and the legality of farmers according to the spatial plan.
Use of unproductive land	Consideration should be given to an indicator reflecting the ratio of productive vs unproductive areas within and outside forest land to encourage use of unproductive areas and reduce deforestation.
Legal use of forest land	Many oil palm plantations are in forest land and Terpercaya indicators could track progress with returning such land to its intended function through social forestry and other programmes.
Deforestation cut-off	To help distinguish ‘good’ versus ‘bad’ agricultural plantations, a cut-off date for deforestation could be defined: For any plantations on land deforested before that date, commodity production would be classed as ‘sustainable’. The year 2000 was proposed as a cut-off date given changes in Indonesia’s systems of governance at around that time.



A farmer picks red coffee cherries in a plantation in East Nusa Tenggara, Indonesia

Photo: Aulia Erlangga/
CIFOR

Testing, refining and implementing the indicators and monitoring system

The next phase of the Terpercaya project will test the 22 indicators to ensure that they are relevant and that data are available for objective verification. After the testing process, the indicators can be revised or changed as required. Guidance will then be produced to support districts in understanding and verifying indicators.

An Indonesian government institution would be best placed to host the jurisdictional performance monitoring system, monitor indicators and evaluate district performance. This would ensure that the indicators objectively reflect district-level sustainability and influence the district development process. A centralised data platform for collating and disseminating information on indicators, and providing a simple means to evaluate and compare jurisdictions would form a core feature of the system.

Indicators could be tied to national government planning processes, such as the medium-term development plan (Rencana Pembangunan Jangka Menengah Nasional or RPJMN), or to guidelines for the sustainable production of palm oil as a means of accelerating transitions to sustainability.

Terpercaya: A blueprint for the sustainable production and trade of palm oil

The Terpercaya project has been a comprehensive, multistakeholder process defining a blueprint for sustainable and inclusive commodity production and trade. The indicators are grounded in Indonesian laws and regulations and offer a mutually beneficial approach for both producer and consumer countries. The indicators and jurisdictional performance monitoring system provide incentives for district governments to improve their governance of land and forests, including through law enforcement, to ensure that deforestation and environmental degradation are reduced while local communities are equitably engaged and economic growth is protected. At the same time, the private sector would benefit from creation of a level playing field for all producers in a jurisdiction, while companies with commitments to sustainability may also benefit from access to production from smallholders as they are integrated into sustainable supply chains.

There is potential for the Terpercaya indicators and jurisdictional performance monitoring system to inform dialogues between the European Union and Indonesia on sustainable commodity production and encourage companies to source commodities from sustainable jurisdictions.

Cover image: Palm oil harvesters in Indonesia. Photo: Lucy McHugh/CIFOR

More information at info.terpercaya@efi.int

Disclaimer

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