

Briefing 9



The Terpercaya Initiative

Lessons learnt from the Terpercaya Initiative

Overview

Terpercaya is an inclusive, legitimate and nationwide system that tracks sustainable palm oil and defines district sustainability at scale across Indonesia. Hosted by the Ministry of National Development Planning (Bappenas), with support from the European Union (EU), it builds on national laws, reflects international commitments and complements existing sustainability certifications.

The system has evolved from an EU-funded **study** to monitor jurisdictional sustainability in Indonesian commodity production, launched in April 2018 and led by the European Forest Institute (EFI) and **Inovasi Bumi** (INOBU), into a foundation of the Keberlanjutan Sawit Malaysia dan Indonesia (KAMI) project. Launched in 2020, KAMI aims to reinforce EU-Indonesian and EU-Malaysian partnerships by supporting national processes and international dialogue on the sustainable use of natural resources, with a focus on palm oil.

This briefing discusses the processes involved in the development of Terpercaya and presents an overview of lessons learnt from its initial conception in January 2018 through March 2021.

Terpercaya: an approach to measuring the performance of local governments

Terpercaya is built on the premise that subnational jurisdictions play a crucial role in establishing an enabling environment for agricultural commodity producers to achieve sustainable production and obtain certification – which is currently the only readily available way to demonstrate sustainability in the supply chain. It is proposed as an effective way to measure the performance of districts in overcoming the challenges faced by producers, farmers and concessionaires as they work towards sustainability. These challenges include meeting the principles and criteria established by palm oil certification schemes, covering certification costs (particularly for smallholders), and addressing deforestation outside palm oil production areas. Measuring the sustainability performance at the jurisdiction level can accelerate impact at scale, promote efforts to resolve land tenure issues, and help ensure the inclusion of smallholders and indigenous peoples.

During the first phase of the Terpercaya Initiative (2018–2019), 22 jurisdictional sustainability indicators were selected through a multistakeholder process, with the aim of measuring sustainable and inclusive agricultural commodity production at district level (Table 1). The indicators are grounded in Indonesian laws and regulations. They can be grouped into environmental, social, economic and governance pillars. These indicators offer a mutually beneficial approach for actors across supply chains in producer and consumer countries.

Figure 1. The Terpercaya indicators. Source: The Terpercaya Initiative



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

The indicator selection process

The 22 indicators reflect the interests and goals of the diverse range of actors and key stakeholder groups involved in the Terpercaya Advisory Committee. Established following the initiative's launch, the Advisory Committee has had an open membership structure and anyone with an interest in sustainable commodity production can join. Participation in meetings has been based on widely distributed invitations.

Three Advisory Committee meetings and several focus group discussions were carried out to establish the indicators over the course of 12 months. The selection process took a multistakeholder, bottom-up approach to ensure that each indicator reflects the realities of palm oil production and district sustainability, while aligning to international commitments, such as the United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. The process was supported by analyses of relevant laws and regulations and sustainability standards, together with interviews with stakeholders. The selection of the indicators took into account the principles and sustainability criteria that are embedded in sustainability certification schemes, including the Roundtable on Sustainable Palm Oil (RSPO) and the Indonesian Sustainable Palm Oil (ISPO) standards.

Several considerations provided a basis for selecting the jurisdictional sustainability indicators:

- **Legality:** indicators should align with legal frameworks and policies, thus building on national priorities rather than imposing an alternative system and an additional burden.
- **Legitimacy:** indicators should be developed through multistakeholder consultation to ensure relevance to key target groups: central Government, district governments, the private sector, trading partners, civil society and consumers. For credibility, they must use objective, independently verifiable data.
- **Scale:** indicators should be appropriate to measure sustainability across all local jurisdictions. Availability of data for regular tracking and efficient data collection methods should be a key consideration.
- **Mutual benefits:** indicators should align with the SDGs to reflect values held by both producer and consumer countries.
- **Supportiveness:** outcome ('good') and process ('progress') indicators should be combined to underpin a stepwise approach aimed at incentivising progress instead of categorising current outcomes.
- **Complementarity:** indicators should supplement product-based sustainability certification by covering the entire jurisdiction, that is, all forest areas and all producers, including smallholders.



**Oil palm
smallholders
and workers
taking a break**

Photo: Icaro Cooke
Vieira, CIFOR

The data collection process

The indicators were used as a basis for the collection of data to measure the performance of district governments. From the end of 2019, the study team researched national datasets that were appropriate for wall-to-wall screening of all districts in Indonesia (see Annex 1). However, datasets were not available for at least four of the indicators including: i) water and air pollution control (indicator 7); ii) free prior and informed consent in applications for plantation permits (indicator 8); iii) multistakeholder participation in district planning (indicator 20); and iv) the complaint mechanism (indicator 21). Two indicators, public information access (indicator 19) and sustainable land-use planning (indicator 22), are labelled as ‘available with caveat’. Two other (sub)indicators are labelled as ‘partly available’: spatial planning (which contributes to indicators 1, 2 and 4) and farmer registration (which contributes to indicator 12). This means that national datasets were available but not in a format that could be easily used or analysed. For example, spatial planning data was available in a portable document format but not in a shape file format. Furthermore, not all districts had submitted farmer registration data to the national Government, although the data was available on a district level.

Access to information

Inobu and EFI have developed a user-friendly data platform so that stakeholders can access Terpercaya information. The objective was to create an information-sharing tool and functionality for grading districts to demonstrate the potential of the system. Stakeholders were invited to suggest improvements to the platform including:

- **District grading:** the platform should encompass grading based on indicator thresholds agreed among stakeholders.
- **Database connection:** once a data format for each indicator has been agreed, the data platform should be connected to the multi-year database with an interface included for users to enter data.
- **Crowdsourcing:** many stakeholders have suggested that the platform should have functionality to receive public data to complement Government data.

Integration into Government systems

The Terpercaya system could be integrated into the national Government's decision-making processes in the future, including development planning and budgeting, as well as monitoring and evaluation. In addition, district governments could draw on its information for self-assessment when formulating development plans and allocating budget. Once the Terpercaya system has been institutionalised, data for its indicators could be collected through mandated processes and regularly updated.

Discussions with the Indonesian Ministry of Home Affairs were initiated to mainstreaming Terpercaya through the Decrees of Home Affairs Minister 86/2017 and 18/2020, which stipulate the Regional Long-Term Development Plan and local government reporting. As the revision processes may be lengthy, the Ministry could issue a circular letter to raise districts' awareness of Terpercaya indicators. Furthermore, Terpercaya indicators have been considered by BAPPENAS as a way of selecting priority districts for special food security grants, which could support the collection of data related to opportunities for the community-based food security programme. Discussion on creating fiscal incentives for local governments to collect Terpercaya data may also lead to further uses for Terpercaya information.

Lessons learnt from the Terpercaya process

The Terpercaya Initiative has shown that building consensus on indicators to measure sustainability at the jurisdiction level is possible. However, there are now so many platforms for monitoring sustainability that stakeholders are suffering ‘platform-fatigue’. The Terpercaya system should therefore ensure that it offers genuine value to commodity producers and buyers. It should also distinguish itself as an effective means to achieve sustainability transitions.

In line with stakeholders’ needs, Terpercaya captures the complexity and regional diversity of palm oil production across the whole of Indonesia to reliably communicate district-level sustainability, particularly to the EU market. Additionally, in light of Terpercaya’s development as an Indonesia-EU collaboration, the system presents opportunities to provide information at the jurisdictional level in the context of anticipated EU regulation on commodities associated with deforestation and forest degradation. As a low-cost system that draws on ‘big data’ while requiring minimal human resources, Terpercaya could present an efficient way to inform on trade in legal and sustainable agricultural commodities.



Collecting oil palm loose fruits

Photo: Icaro Cooke Vieira, CIFOR

The Terpercaya indicators represent a reliable and widely agreed compromise, based on Indonesian laws and regulations, international expectations (as stipulated in international sustainability-related frameworks and commodity certifications), and data availability. The wide range of indicators facilitates demonstration of progress in a range of key areas. For example, indicators 1, 2, 4 and 6 reflect progress in protecting forests and peatlands. Others address legal requirements related to the respect of indigenous peoples' rights (indicator 9), smallholder registration (indicator 12) and complaint handling (indicator 21). High levels of sustainability certification (as demonstrated by indicator 16) show good performance in terms of legal compliance and social performance. Other indicators, such as indicator 13 on smallholder productivity, and indicators 14 and 15 on farmer groups and farmer support, reflect smallholder wellbeing. Further, a range of governance indicators allow higher-level support to track sustainability.



**Truck collecting
and transporting
fresh fruit bunches**

Photo: Icaro Cooke
Vieira, CIFOR

The following sections outline other key areas in which lessons were learnt during the process of establishing Terpercaya.

Multistakeholder processes

Multistakeholder engagement has been a central component of the Terpercaya process. Different stakeholder groups from Government (including ministries and agencies), the private sector (including producers and buyers) and civil society organisations (including farmer and indigenous peoples' organisations, as well as commodity certification bodies) are broadly represented on the Advisory Committee. Four Advisory Committee meetings were carried out during the first phase (2018–2019), followed by a further five during the second phase (2019–2021). Convened by BAPPENAS, the meetings were attended by 63 organisations throughout the entire process, although not all organisations attended all meetings. On average, the meetings had the following composition: Government agencies (32%); commodity producers and buyers (16%); and non-governmental organisations, including indigenous peoples' organisations and voluntary certification bodies (52%).

Four districts were involved in the multistakeholder engagement process: Rokan Hulu in Riau province; Kotawaringin Barat and Seruyan in Central Kalimantan; and Morowali Utara in Central Sulawesi. Each district government was consulted throughout, including through one-to-one interviews with district officials and focus group discussions that involved various stakeholders in each district. The opinions of district governments were also contributed by Advisory Committee members, including Lingkar Temu Kabupaten Lestari – a consortium of 10 districts in Indonesia committed to sustainability – and the Ministry of Home Affairs, which is responsible for managing internal administration, including for provincial and district governments.

The process featured several key elements conferring a number of advantages:

- **Early engagement and broad representation:** engaging diverse stakeholders from the beginning of the process meant that different, or conflicting, interests could be expressed and resolved when selecting and designing indicators.
- **Supporting stakeholders to take initiative:** by embodying stakeholders' interests in the choice and design of the indicators and data platform, a sense of ownership and legitimacy was cultivated. This served to enhance the credibility of the system and ensure its promotion by the stakeholders involved.

The Terpercaya process started informally, yet greater formalisation became necessary as the process gained traction. Several options to improve the process were identified. First, the suggestion of instituting a governance structure including, for example, a central advisory committee or standing committee, along with several working groups with specific technical functions. Second, standardised structures and operating procedures to guide advisory inputs to dialogues on sustainability could be developed. These would allow participating organisations to reinforce their representation at meetings and ensure reporting back. Such steps could strengthen the initiative and support the wider implementation of efforts to reach mutual sustainability goals.

Government leadership

Although developed through a multistakeholder process, Terpercaya has been a Government-led initiative. Unlike voluntary standards, it needed to ensure engagement from – and acceptance by – Government stakeholders across numerous sectors to create the policy and regulatory environment for sustainability to be realised at a jurisdictional level in all defined aspects: economic, social, environmental and governance.

The Terpercaya indicators are linked to Government regulatory instruments and policies that align with the SDGs, Indonesia's Nationally Determined Contribution under the Paris Agreement, and the principles and criteria of certification schemes. The Terpercaya system can, therefore, strengthen other national processes that aim to achieve sustainability in palm oil production, such as the ISPO and the National Action Plan for Sustainable Palm Oil. A connection with Government is necessary to incentivise the changes required at national and subnational levels to facilitate the sustainable and inclusive production of commodities. In this context, the legal and regulatory framework determines not only permissible and proscribed activities and desired policy goals at the subnational level, but also the scope of activities that might be funded through available revenue streams.

The longevity and effectiveness of the Terpercaya system (and other, similar systems) will be determined by several factors. These include: how effectively they are backed and strengthened through regulations that support essential functions (such as data collection); the cooperation of various Government agencies; and the value of the system in terms of social, environmental, economic and governance outcomes. Eventually, the system might be primarily supported by markets as an economically justified means of promoting trade in sustainably produced products.

Data availability

The availability of accurate, up-to-date data is a key determinant of success of Terpercaya. To avoid excessive costs, data collection at district level must be conducted through government agencies, such as the National Statistics Agency, and via the internal reporting mechanisms of line agencies. Cooperation is required to collect, collate and share the data needed to monitor performance against the indicators.

If data is unavailable for an indicator, a similar but alternative indicator might be selected for which data is available. If data is available at the district level but not reported to the national Government, a mechanism to collect the data through regular Government reporting processes should be established. For cases in which data collection relies on sporadic, voluntary or project-based initiatives, there is a strong likelihood that it will not be collected in the future. Therefore, alternative sources of data, or alternative indicators, should be sought. Data collected through these types of initiatives – or crowdsourced – could also be used for cross-checking and evaluation. Therefore, relevant capabilities could be integrated into the Terpercaya data platform.

Smallholders collecting oil palm fresh fruit bunches

Photo: Icaro Cooke
Vieira, CIFOR



Grading districts

To better communicate districts' progress towards sustainability, stakeholders should agree on thresholds for each indicator, based on regulatory, scientific and objective information on what constitutes sustainability. Currently, the Terpercaya data platform has a tool for users to set their own thresholds to illustrate the system's capabilities. Stakeholders have expressed interest in using a district grading system to assist companies in their purchasing decisions. Such a system could also help districts identify areas for attention. However, it would always need to be transparent and widely supported to avoid the risk of biased assessments and to discourage trade-offs among different elements of sustainability, which could remove the incentive for a district to progress towards sustainability in all its dimensions.

Accountability, assurances and claims

For the Terpercaya system to be accepted and used, it needs to be considered credible by companies and civil society. In this respect, additional elements need to be considered:

- A verifiable and accessible traceability system must provide clear information on the origin of produce and derivatives so that claims on the sustainability and inclusivity of commodity production are credible.
- A mechanism for auditing and verifying the data used in jurisdictional monitoring and supply chain traceability systems is required to assure users and third parties that the Terpercaya system is credible. As a national system, a sampling method could be considered, whereby credible auditors or verification bodies, civil society organisations and researchers could review and suggest improvements to the design and operation of the system.
- As a national system working on a district level, Terpercaya should allow the identification of individual producers, mills or smallholders, and collate information on their performance in relation to social and environmental standards. This would enable the implementation of appropriate measures to ensure that well-performing producers in poorly performing districts – and poorly performing producers in well-performing districts – are treated appropriately. Well-performing producers that are certified according to accepted standards could, for example, be permitted to continue to use their certification as proof to buyers, while remedial measures could be taken to improve the performance of poorly performing producers. To attain this level of functionality, districts could develop registries of producers, smallholders, mills and refineries within their districts, and collate information on their performance against environmental and social standards.

Annex 1. List of available datasets for 22 Terpercaya indicators

No.	Indicator	Year	Data required	National database
1.	Permanent forest protection	2019	The moratorium maps	Available
			Spatial plan	Partly available
			State forest area	Available
2.	Protection of areas important for ecological services	2019	Ecosystem essential area defined by Ministry of Environment and Forestry (MoEF)	Available
			Spatial plan	Partly available
			Areas of high biodiversity potential	Available
			High conservation value areas and high carbon stock areas of RSPO member companies	Not available
			Community initiatives on conservation	Not available
3.	Fire prevention	2018–2019	Burnt area	Available
4.	Peatland protection	2019	The moratorium maps	Available
			Spatial plan	Partly available
			Peatland hydrological unit maps	Available
5.	Climate change mitigation		Forest Reference Emissions Level (FREL)	Not available at district level. Another proxy could be consultation with MoEF to develop a new methodology to downscale the FREL targets from provincial to the district level
			Deforestation rate	Available from land cover analysis
6.	Sustainable management of production forest	Up to 2020	Timber concessions	Available
			List of forests certified by the Forest Stewardship Council	Not available
			List of forests certified under the Indonesian mandatory forest certification (<i>Pengelolaan Hutan Produksi Lestari</i> (PHPL))	Available
7.	Water and air pollution control	No data	Regional environmental statistics	Not available at district level

No.	Indicator	Year	Data required	National database
8.	Free prior informed consent (FPIC)	Up to 2020	FPIC form in the process of applications for plantation permits	Not available
9.	Protection for customary land	Up to 2019	Indicative map of social forestry	Available
			District regulation on indigenous people land rights	Not available. A proxy is to use MoEF's indicative map of customary land
			Customary land database from non-governmental organisations	Available
10.	Conflict resolution	2019	Number of Conflicts	Available
11.	Smallholder share	2018	1. Statistics of Estate Crops for Oil Palm Plantation	Available
			2. Statistics of Oil Palm	Available
12.	Smallholder registration	Up to 2019	1. Statistics of Estate Crops for Oil Palm Plantation	Available
			2. Statistics of Oil Palm	Available
			3. Farmer registration Data	Partly available
13.	Smallholder productivity	2018	1. Statistics of Estate Crops for Oil Palm Plantation	Available
			2. Statistics of Oil Palm	Available
14.	Smallholder organisation	Up to 2020	1. Registered farmer cooperation or group or association	Available
			2. Statistics of Estate Crops for Oil Palm Plantation	Available
			3. Statistics of Oil Palm	Available
15.	Smallholder support	Up to 2020	1. Statistics of Estate Crops for Oil Palm Plantation	Available
			2. Oil palm statistics	Available
			3. Number of extensions agent	Available
16.	Responsible industry	Up to 2019	1. RSPO certified smallholders	Available
			2. ISPO certified smallholders	Available
			3. Statistics of Estate Crops for Oil Palm Plantation	Available
			4. Statistics of Oil Palm	Available

No.	Indicator	Year	Data required	National database
17.	Rural employment	2019	1. People living under the poverty line	Available
			2. Total population by regions	Available
18.	Proportion of district budget allocated to sustainability	2018	Annual Government budget allocation at district level	Available
19.	Public information access	Up to 2020	Local regulation and a district head's decree on the appointment of public information officials. Alternative proxy is through collecting the following information: <ul style="list-style-type: none"> a. SOP of public information service b. List of public information c. Monitoring and evaluation results of the Public Information Commission 	Available with caveat
20.	Multistakeholder participation in district planning	Up to 2020	List of SOP related to community participation in the development of district midterm Regional Long-Term Development Plan and district government work plan	Not available. Another option is to ask district governments to submit the <i>Berita Acara Kesepakatan</i> (record of agreement), produced during the development process of Regional Long-Term Development Plan and district government work plan, as obliged in the Minister of Home Affairs Regulation No. 86 of 2017
21.	Complaint-handling mechanism	2019	Complete list of complaint mechanism of collecting and resolving complaints from the community	Not available. Another option is to ask district governments to fill in a survey (prepared by the Provincial Public Information Commission) that measures the quality of access to information in its jurisdiction
22.	Sustainable land-use planning	Up to 2020	Environmental Carrying Capacity Assessment and Environmental Protection and Management Plan documents	Available with caveat. MoEF is currently developing a platform for conducting online analysis. Once that system is well developed, it can be used as a data source

Cover image: Terpercaya Advisory Committee Meeting, February 2020. Photo: Inobu.

More information at info.terpercaya@efi.int

Disclaimer

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