

**Terpercaya Advisory Committee
Session 2**

Minutes of Meeting

Date:	6 November 2018
Time:	09.00 – 12.00
Location:	Ayana Midplaza Hotel – Jakarta
Participants:	27 participants

Opening and Presentations

- The opening was made by the EU Delegation which reminded the Terpercaya study is meant to help districts to measure themselves on their pathway towards sustainability, to consolidate and simplify this information in a manner which can reassure and attract responsible market actors, and making sure it is done in a fair way that benefits to the participation and livelihoods of smallholders.
- Five presentations were provided during the meeting; at the start of the meeting, an update on the “Terpercaya” study including: 1) presentation on a practical guidebook on “Making the transition to sustainable agricultural production: a practical guidebook for district governments in Indonesia”; and 2) presentation on the draft framework for selecting indicators for sustainable districts “Indicators to track progress towards sustainability at the district level”.
- Two other presentations were made to provide insights from other similar initiatives working on indicators of jurisdictional sustainability in Indonesia and to comment on the indicators presented: a presentation by IDH on the “Verified Sourcing Area” (VSA) approach and a presentation by LTKL on “Defining Success for Sustainable Jurisdiction – Benchmarks and Approach: A discussion”. Finally, the last presentation was made by Global Canopy to update on the progress of Trase – the transparency initiative that is taking on the challenge of mapping the entire palm oil supply chains – with which Terpercaya collaborates.
- The purpose of the presentation on the Practical Guidebook was to highlight the content of the Guidebook that was shared previously to the participants and how the Guidebook could be used. The Guidebook contains of a simple, step by step guide for district governments to make the transition towards sustainability considering the devolved authority to district governments and the available instruments provided by Indonesia’s regulations. The Guidebook also provides an overview of the limitations faced by district governments and how they could try and overcome those limitations through partnerships. The Guidebook focuses on two pillars of sustainability namely environmental and

social pillars. The final version will include the governance and economic pillars. Comments and inputs for improvement are welcome as the Guidebook is a living document, and a proof of concept.

- The presentation on indicators aimed to suggest the framework for selecting indicators to track progress towards sustainability at the district level and also start an initial list of possible indicators. A detailed briefing (*Terpercaya Briefing n°2*) on this topic was provided in print to participants and is available for wider dissemination. The indicators that will be selected should be practical and four criteria of practical indicators proposed in the study are: 1) fitted to the existing mandates of district governments; 2) objectivity where indicators are not dependent on subjective assessments; 3) indicators for which data exists, can be collected and updated for all districts, not just pilots; 4) based on stakeholder preferences so that the indicators can be used for preferential sourcing and investment. The framework for identifying indicators combines three reference points: the Sustainable Development Goals (SDGs), the Indonesian laws and regulation, and the Principles and Criteria (P&C) from the main commodity certification schemes. The commonalities with the ISPO contributions to the SDGs were highlighted. Four dimensions of the indicators are social, environmental, economic and governance. Finally, all the indicators were classified into three groups as follows:
 - Basic Legality: District governments are required to implement laws related to sustainable and inclusive commodity production. Their failure to do so would put them in breach of national laws and regulations.
 - "Legality+" (this terminology being just a place holder): District governments comply with applicable laws and regulations, including those related to spatial planning, and have adopted supporting local regulations, tools or processes to fill identified gaps towards sustainability in the short to medium term (for example, five years). This category relates to actions or processes that districts are not necessarily obliged to undertake or complete yet, but for which they are encouraged still within the framework of the law.
 - Sustainability: District governments already meet the requirements of "Legality+" and, with the collaboration of market actors, non-government organisations, donors and/or incentives, they meet the highest standards.
- The third presentation on Verified Sourcing Areas (VSA) presenter further insights on possible indicators. The VSA works as an agreement between local public, private and civil society stakeholders (a multi-stakeholder coalition) that identifies the targets to be set for each of the five themes of the VSA Global Performance Standard and also additional targets that are important to the local context. Five themes of VSA performance standard are forest protection, good governance, labour, land tenure, and transparency. Some local targets could include productivity and smallholder inclusion for instance. The compact needs to cover one or more jurisdiction of substantial production capacity and be formalized in an MOU that covers at least the VSA standard themes and signed by a multi-stakeholder coalition. It should have a secretariat and resources available. Under the VSA system there is no fail or passed, as

long as they are committed to achieve a certain target that they promise. The model has been implemented in Juruena Valley in Mato Grosso for beef production.

- The fourth presentation was provided by LTKL also to provide insights on the indicators presented based on the experience of interacting with district governments. Several inputs included:
 - How to ensure the implementation of the indicators at the subnational level? We need to find the reporting mechanism that is currently available and being used as the regular reporting system by the district governments. So, when someone needs to know about the performance of the jurisdictions, they can use the reporting system.
 - Who will verify the validity of the information presented? Will it be a certification body?
 - In terms of grievance, who will be responsible to handle grievance? Local governments of course would have conflict of interest to handle it. Is an independent committee required to handle grievance or should the structural relationship with the central government be used?

- The final presentation provided an update on Trase, with which Terpercaya collaborates to bring the market dimension. Trase researchers are working to map the middle section of commodity supply chain, from mills/districts to points of import in destination countries. The Trase system uses different independent datasets including shipments customs records, production data, asset-level information (e.g. mills, roads, etc) and metrics of jurisdictional sustainability to bring transparency to international commodity supply chains. The presentation served to explain the methods used, the building blocks of the Trase model for Indonesian palm oil, also providing an update on current data collection efforts.

Inputs and discussion on the Indicators

- The selection of indicators should pay attention to the distribution of authority between government levels. Considering the limitation of the authority devolved to the district governments, indicators should be developed both at the provincial and district levels. For instance, all districts within one province may have similar performance for the management of state forests in the districts considering it is the authority of the provincial governments. Furthermore, related to the SDGs and climate change, it is important to clearly define the distributed authority between government levels particularly when developing the indicators.
- In the Terpercaya study, there is a need to clearly differentiate between responsibility (which is usually shared between many actors) and accountability (which is the level where success or failure is measured, i.e. where information must be available and from which incentives, positive or negative could be propagated to other levels). It is clear that responsibility for sustainability on the ground is shared between many public and private, local and national actors; it is not just the responsibility of the district governments. Having recognized that, however, there is a practical need to place accountability

at only one level: in this context districts are viewed as the most strategic, pivotal, element on where to place the accountability and related (positive and negative) incentives.

- Multiple suggestions were made during the discussion regarding the presentation of the indicator table. The description about how the table should be read will also be useful to help the audience.
- The three classifications of indicators (legality, legality+ and sustainability) is considered useful as a step-wise approach. However, the concept of legality plus that does not exist in the government system as every action taken by the government should have the legal basis. The use of the expression “legality plus” may bring some confusion to some confusion and will be further consulted. A suggestion was made, for instance, to use the terminology “beyond compliance” instead of legality+. Another comment was on whether partnerships with stakeholders can or should also occur in efforts to meet the basic legality or legality plus, instead solely on the sustainability category. Distinction between "progress" versus "outcome indicators" was also discussed in this context.
- Currently the indicators are mainly related to actions or management plans that should be carried out by district governments. However, it is important not to lose sight on the end goal. For the environmental management, for instance, the end goal will be good quality of soil, air and water. Can the indicators capture this end goal by referring to the Environmental Law?
- Means of verification can be expanded. Means of verification could e.g. be added such as alternative livelihoods as one of the means of verification for performance on fire mitigation. The same comment was made with an example of the Indicator on “Improving Smallholder Productivity and Participation in Sustainable Markets”. The means of verification for this indicator is “smallholders database will be used to support smallholders ISPO certification”. This can be improved by including the productivity in the means of verification.
- Indicators for sustainability are similar with those already implemented by companies. The difference will be regarding the baseline and measurement of the performance in each indicator.
- The private sector is interested in the fact that this discussion leads (or would require) a prioritization process (of how to define and measure sustainability at district level) by the government.
- Incentives to districts can come from the private sector, but they could also come from fiscal transfer mechanisms.
- In the selection of indicators, it is also important to consider how to treat non-performance. So, if local governments are not meeting their promised targets, what will be the dispute mechanism and who could be blamed/sanctioned for the non-performance?
- How can the indicators contribute to the achievement of Indonesian targets to reduce GHG emissions?
- One important element of local government performance is related to the leadership and the turn-over of district heads. The leadership sometimes defines how progressive the districts will be. Yet it could hardly be captured by the indicators.
- How to ensure that the indicators do not leave behind districts that are not performing currently but bringing everyone towards meeting the targets? The development of the indicator should also ensure that local governments have the capacity to transition towards sustainability. The districts should have strong bureaucrats and also sufficient budget to be allocated for the transition.

- For social issues, it is also important to consider the fact that the existing regulation may not necessarily be perceived as fair for local farmers. Currently most farmers own only two hectares of land which is not sufficient to sustain their living. So, when we refer entirely on the regulatory framework as the basis, it is also important to consider that some regulations may not provide enough protection for small farmers.
- The need to also ensure that sustainability is integrated in the budgeting of the local governments so sufficient public fund is allocated to finance activities on the ground.

Inputs on the process

- With all the processes currently ongoing such as the National Action Plan on Sustainable Palm Oil, it is important to explain and socialize the findings of Terpercaya study (e.g. for group or district-base jurisdiction under the new ISPO?) In a way that is impactful but not intrusive of Indonesian sovereignty.
- The need to spend more time to discuss each of the indicators as iterative improvements for each indicator will be required.
- At the end, the indicators will be selected based on political choices and based on the consensus. The study is expected to be able to show indicatively the performance of a number (10-30?) of districts based on available data. Based on the data, the committee can then select the indicators and the benchmark based on consensus.

Next Steps

- Individual consultation and segmented meetings will be carried out by the contractor before the next advisory committee meeting to collect further feedback on indicators.
- Based on the discussions with the committee and other stakeholder groups, the indicators will be shortlisted considering in particular data availability.
- The next advisory committee meeting is scheduled in February to review the final shortlist. The meeting will also include testing indicators with real data and refining verifiers.
- The contractor aims to produce a report on an operational method of tracking jurisdictional progress towards sustainability in the second quarter of 2019.

APPENDIX 1.

TERPERCAYA MEETING PARTICIPANTS LIST

No	Name	Organisation
1	Sasmita Nugroho	Ministry of Environment
2	Midiati Edward	INOBU
3	Ofra Shinta F	INOBU
4	Bambang A.	FAO-ID
5	Zakky Hakim	Yayasan IDH
6	Mardani	AMAN
7	Insan Syafaat	GAR
8	Christien	Ministry of Agriculture
9	Seth Van Doorn	EU-Delegation
10	Reuben Blackie	PEPSICO
11	Michael Bucki	EU-Delegation
12	Gita Syahrani	LTKL
13	Arief Wijaya	WRI
14	Edison Siagian	Ministry of Home Affair
15	Riandi H	LTKL
16	Novia Widyaningtyas	Ministry of Environment
17	Dinik Indrihastuti	Ministry of Environment
18	Tiur Rumondang	RSPO
19	Binsar S.	KEHATI
20	M. Ichsan	KEHATI
21	Mansuetus Darto	SPKS
22	Achmad Adhitya	Unilever
23	Silvia Irawan	INOBU
24	Bernadisnus Steni	INOBU
25	Sri Purwanti	INOBU
26	Thomas Sembres	EFI
27	Helen Bellfield	Global Canopy/TRASE

APPENDIX II

AGENDA

Time	Activity	Speaker/Moderator
9.00-9.10	Opening remarks	Michael Bucki
9.20-10.00	Presentation: Indicators to track jurisdictional sustainability: <ul style="list-style-type: none"> - Practical guide for sustainable district - Proposed approached in Terpercaya 	Silvia Irawan (INOBU) Thomas Sembres (EFI)
10.00-11.45	Questions and Answers <ul style="list-style-type: none"> - Insight from LTKL network - Insight from IDH 	Bernadinus Steni (INOBU) Gita Syahrani (LTKL) Zakki Hakim(IDH)
11.45-11.55	Coffee break	
11.55-12.15	Presentation: Building blocks of Trase model for Indonesian palm oil	Helen Bellfield (Trase)
12.15-13.00	Questions and Answers	Bernadinus Steni (INOBU)
12.00-13.00	Lunch	

