KEY PERFORMANCE INDICATOR FOR SUSTAINABLE PALM OIL

A. **Introduction**

Indonesia is the largest palm oil producer in the world. Indonesia's palm oil industry represents both a significant threat and a significant opportunity to the realization of Indonesia's development objectives to reduce social gaps and to balance the use, availability, and sustainability of natural resources and the environment.

Indonesia's oil palm sector expanded from 1.34 million hectares to 11.3 million hectares under production between 1990 and 2015. This expansion has been linked to positive impacts on smallholder incomes, growth in national economic output, as well as adding value in other sectors of the economy. However, the expansion of the sector has also been a driver of high deforestation rates and peatland degradation across the archipelago. It is critical that palm oil production in Indonesia remains economically and environmentally sustainable to ensure its long-term future. Responding to this challenge, the Government of Indonesia has developed a regulation that requires all oil palm plantations to obtain Indonesia Sustainable Palm Oil (ISPO) certification.

Some medium and smaller scale palm oil plantations have been facing hurdles in obtaining ISPO certification. These difficulties could result from several challenges, including but not limited to lack of knowledge and capacity for the process of obtaining ISPO certification.

The Alliance for Sustainable Palm Oil (ASLI) has been developing a self-assessment tool, *Key Performance Indicator (KPI)*, for palm oil plantations to monitor and ensure that they are conducting palm oil practices in a responsible and sustainable way. The KPI has been developed based on a tiered approach, in which each tier represents a different level of requirement. Tier 1 is designed for small-sized plantation companies that have planted less than 3,000 hectares or do not have enough Fresh Fruit Bunch (FFB) yield ton per hectare to supply an integrated Palm Oil Mill with capacity up to 15 tons per hour. Therefore, plantation companies in this category usually do not have their own integrated Palm Oil Mills.

Tier 2 is designed for intermediate or medium-sized plantation companies that have more than 3,000 hectares planted area and have enough FFB yield ton per hectare to supply an integrated Palm Oil Mill with minimum capacity of 30 ton per hour.

Tier 3 is designed for plantation companies that have enough FFB yield ton per hectare to supply an integrated Palm Oil Mill with capacity of more than 30 ton per hour. Plantations in this category are expected to have complete facilities, infrastructure and human resources to obtain ISPO certification.

The KPI could help both large oil palm plantations and smallholders to gauge their sustainability level, and develop plans in compliance with sustainable palm oil requirements.

B. **KPI Development Process**
1. Collecting references

ASLI's KPI incorporates references from several existing sustainable palm oil standards, such as: CERES, IPOP Pledge, ISPO and RSPO. The result of information collection from these standards has become the KPI's baseline.

2. Consultation meetings

ASLI has conducted several consultation meetings involving Government of Indonesia through Coordinating Ministry for Economic Affairs and Civil Society Organizations which is focusing their activities in the field of environment and palm oil. These consultation meetings have been conducted to gather inputs for KPI content development at three levels; Principles, Criterions, and Indicators.

ASLI is currently in the process of conducting consultation meetings with the private sector and academicians. Through each steep of the consultation process, the KPI is revised accordingly.

3. KPI testing

ASLI plans to conduct KPI testing at one palm oil plantation owned by either a plantation company or a smallholder in Indonesia. The total time required to complete the KPI testing process will be no longer than 4 working days: 1 day workshop, 1 day self-assessment, 1 day self-assessment results review, and the last day for closing meeting. ASLI will provide the following assistance (activity number 1, 3 and 4) at no cost. The KPI testing process will include the following activities in sequential order:

1. ASLI will conduct a one day workshop for interested plantations on how to utilize the KPI as a self-assessment tool.
2. The selected plantation will perform their own self-assessment verification.
3. After the plantation has completed the self-assessment verification, ASLI will provide guidance and support for developing a self-assessment report.
4. ASLI will conduct a one day meeting with the selected plantation to finalize the report.

C. **KPI Content**

The KPI has been designed to be adaptable to both large- and small-scale companies. The KPI has the same standardized assessment format as the existing sustainable standard (ISPO, RSPO) which includes Principles, Criterions, and Indicators.

ASLI provides Guidelines and Checklists for the KPI. *Guidelines* are used to further explain indicators that may require additional description. *Checklists* contain questionnaires for the assessor while measuring compliance on the specific indicator.

ASLI's KPI uses a scaled measurement system from 0-2 for each indicator. The numbers represent the following:

- 0 = non-compliance
- 1 = partial compliance
- 2 = full compliance