How to make Independent Smallholder Certification Happen?

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Introduction: Challenges

About 10,956,231 Ha Oil Palm Plantation in Indonesia

OP Management

- Company: 6,404,377 (58%)
- Smallholder: 4,551,854 (42%)

Smallholder OP

- Independent: 3,439,864 (79%)
- Scheme: 916,233 (21%)

Sources: RSPO market data, Ditjenbun, Kementan 2014
Introduction: Challenges

Source: RSPO, 2016
Introduction: Challenges

- Up to 2016 approximately ± 384,594 ha of smallholder plantation need to replant (planting age > 25 years)

- In the next 25 years (2017-2041) is estimated 175,168 ha per year on average.

Source: Tree Crop Estate Statistics of Indonesia 2014-2016, Directorate General of Estate Crops
Introduction: Challenges

Costs of certification or plantation business?

- Plantation management/GAP
- Legality
- Environmental/Social impact assessments
- Institutional capacity
- Quality control systems
- Traceability
- Audits

How to maintain certification?
System needs for Scale

- A system that costs less and demands less in terms of technical capacity, but does not compromise the rigour of the standard
Strategies for Scaling: Suggested way forward

1) Linking Systems: Provide assurance on risks through legal compliance where possible
   1) use benchmarks/ Scorecards

2) Risk Based Approach:
   1) Assessment and assurance at jurisdiction/landscape level, and others at SH group level
   2) Simplified systems to demonstrate compliance
   3) Recognising step-wise approaches to full compliance

3) Target Selection and Aggregation
   1) Focus on advanced farmers to test and adjust system
   2) Institutional capacity development: Farmer group and Cooperative development/ strengthening
   3) Accepting self-assessments and internal audits as adequate assurance on compliance, linked to less frequent, less intensive external audits
Strategies for Scaling: Linking Systems

Advantage ITC based scorecard approach

- Generic ITC criteria accepted by many stakeholders
- Smallholder do not need to know about the certification system specifics
- Generic training can be applied for all prospective system users (ISCC, ISPO, RSPO etc.)
- Capacity building requires less resources, specific know-how and helps achieving economies of scale
- Training can be easily adjusted to amended criteria and add new elements
- Decisions for specific system do not need to be taken upfront
- Smallholders can determine their pace to become certification ready
Strategies for Scaling: Linking Systems

ITC based sustainability criteria allow efficient comparison between certification systems at one’s fingertips.
Strategies for Scaling: Linking Systems

Applying the scorecard approach allows flexible training of smallholders towards certification readiness.

Generic training and capacity building (independent of certification system)

- Mentoring implementation
- Internal CO audit
- Scorecard
- Verification by internal auditors
- >80%
  - Yes: Audit by certification body
  - No: Improvement actions

System specific certification (example ISCC)

- External audit
- ISCC certificate
- ISCC system requirements
Strategies for Scaling: Risk Based Approach

Recognise where risk is low and stable => streamline with process of external verification.

• Landscape/Jurisdictional level risk assessment
  • Make some safe assumptions about absence of risk without need for external verification
  • Focus verification on areas of significant risk,
• Rely on remote verification, using satellite imagery and 3rd party data
  • Reduce frequency of verification
• Make full use of self verification by SH group
• Accept stepwise compliance
Example landscape risk assessment/zoning Siting Tool & GRAS
The unique approach of the RSS is that it combines two components or ‘pillars’, both of which must be implemented.

- Combining demands from buyers for risk mitigation in supply chains with support to smallholders to help them improve their livelihoods and production.
Strategies for Scaling: Target Selection and Aggregation

- Institutional capacity => farmer groups (technical), Cooperatives (economic organization)
  - Access to agro input (KUD)
  - Access to information (KUD)
  - Credit / Insurance done by the cooperative (KUD)
  - Access to market (KUD)
- Plantation Management => Providing Extension Services
- Legality => Supporting dialogue with regional government
Which type of smallholders should ISCC target for inclusion?

1. **Advanced**: Those who are already compliant with P&Cs but lack the capability, opportunity and motivation to demonstrate it.

2. **Intermediate**: Those who might achieve compliance with modest investment over 1-2 years – a level of investment that could conceivably be justified by price premiums/avoided penalties.

3. **Beginner**: Those who might achieve compliance with greater investment ($300/SH +) over a longer period. (what would be the plan for bringing in the investment to cover extra costs and incentivise continued engagement?)

4. **Uncertified**: Those who are never likely to be in a position to comply with ISCC P&Cs and procedures (as currently framed), but nevertheless could significantly improve the sustainability of their production practices.
Roles for ISCC

1. **Convening stakeholders**
   1. Joining multi-stakeholder discussions for shared analysis & learning
   2. To agree common solutions to common problems
   3. Linking supply chain actors with sustainability initiatives

2. **Market access:** Here ISCC should have something to add in enabling secure access to reliable, lucrative markets for SH produce that complies with the standard.

3. **Support platforms for sharing knowledge** & awareness: GRAS, Guidance on GAP, Institutional development, Traceability

4. **Resourcing:** ISCC might provide some seed money for piloting change, but not at a scale to drive large scale transformation. The bulk of resources should come from investment by supply chain actors, including SHs themselves (probably with facilitated access to finance) and often from public funding through PPPs
Thank you for your attention