



Sustainable Palm Oil Governance

A Case Study Of Sustainable Palm Oil Certification In Indonesia

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ABSTRACT

In response to the unsustainable practice of palm oil plantation, several NGOs, palm oil companies and investors established the Roundtable Sustainable Palm Oil (RSPO) in 2004. This organization introduced a voluntary Certified Sustainable Palm Oil (CSPO) brand through a series of auditing processes of sustainable principle and criteria application in palm oil industry. Based on that backdrop, this study aims to examine how RSPO as private governance emerged, particularly in the Indonesian context. It also provides the explanation about RSPO characteristics as well as the advantages and its limitations. In addition, this study addresses how the Indonesian government relates to RSPO. The methodology of this study is qualitative which is based on secondary sources of data. It uses information such as from public and private reports as well as other sources of information including report from civil society organizations that involve in environmental and social issues within the palm oil sector. The findings of this research suggest that there are three explanations with regard to the RSPO emergence. First, it has been driven by government's low performance in handling issues concerning social and environmental impacts of palm oil industry in Indonesia. Second, the controversy about palm oil commodity advantage and disadvantage at international level has also stimulated RSPO establishment. Finally, the RSPO is enhanced by the cooperation between transnational corporations and NGO certification initiative. In terms of its advantages, RSPO brings a positive image for palm oil companies. However, RSPO also has several limitations. First, the RSPO has lack of accountability. Second, the RSPO is a costly mechanism. Third, RSPO has lack of legitimacy from the national stakeholder such as the Indonesian government and palm oil companies association.

Keywords: Sustainable, Governance, Certification, Palm oil

1. INTRODUCTION

Palm oil is one of important agriculture commodities for Indonesian economic development. Its proponents argue that palm oil sector has generated positive impact such as improving livelihood and poverty alleviation in Indonesia [1]. In terms of its economic advantage, palm oil is considered as the oil category that has the lowest production cost [2]. Indonesian government support to this commodity plantation expansion has been stimulated by high demand from domestic and international market [3]. Indonesia has been supplied more than 40% of market demand of palm oil and by 2016, the expansion of Indonesia palm oil plantation land has increased from 6,7 million hectares in 2007 to 11,6 million hectares [4].

However, large-scale palm oil sector development in Indonesia has also raised concern of its socio-

environmental negative impacts such as land conflict and biodiversity degradation [5]. For instance, Indonesia agrarian conflict data in 2012 showed that 119 of 232 land conflicts are correlated with the palm oil industry [1]. Palm oil plantation has also been responsible for 516 hectares deforestation in Indonesia during 2009-2013 [4].

In response to the unsustainable practice of palm oil plantation, several NGOs, palm oil companies and investors established the Roundtable Sustainable Palm Oil (RSPO) in 2004 [6] [7]. This organization introduced a voluntary Certified Sustainable Palm Oil (CSPO) brand through a series of auditing processes of sustainable principle and criteria application in palm oil industry [7]. RSPO has several central functions as follows: establishing guidance for sustainable management, authorizing and auditing of third-party verification, supervising third-party examination and

guarantying supply from certified sources by ensuring a secure chain of custody [6]. By 2017, RSPO has 1.349 members from 90 countries and certifies 2,5 million hectares area [8].

The certification of agricultural products such as RSPO is a global phenomenon and it becomes one of the alternative solutions for the low capacity of government in addressing socio-environmental impact of agricultural industry [9] [10]. RSPO also aims to supply increasing demand for sustainable palm oil without further damaging impact to biodiversity [11]. There are also other global certification governance in different sector beside palm oil industry such as Forest Stewardship Council (FSC) in wood industry, Roundtable on Responsible Soy (RTRS) and Marine Stewardship Council (MSC) which focus on sustainability issues in soy and fishing industry, respectively [12]. These voluntary governance have been labeled as private governance [13] or market-based instruments [9] which is defined as “set of norms, rules, and decision-making procedures that are made and implemented across borders through the activities of non-state actors” [14]. This category of governance has the ability “to establish institutions and to engage other actors in accepting and following rules relating to these very institutions, such as e.g. standards and procedures under a given certification scheme” [13].

Hysing [15] argues that private governance is considered as a manifestation of non-governmental capacity to govern without government authority. Yet, several studies have raised debate over private governance relationship dynamics with government. These studies contend that government also has important role in the emergence and diffusion of private governance [13]. This role can be seen from the action such as restricting, enhancing, facilitating and providing legitimacy to private governance [13][15]. Going further, the importance of state response is showed by unavoidable impact of private governance to social and economic development policies of the state, particularly in the South [16]. These discussions have highlighted the need to address how the government relates with the emergence of private governance initiatives.

In Indonesia, RSPO has not been the one and only certification of sustainable palm oil governance. In 2011, the Indonesian government established Indonesia Sustainable Palm Oil (ISPO) certification as one of policy mechanisms to govern palm oil sector at national level. In contrast to voluntary characteristic of RSPO, ISPO as a state certification is an obligatory regulation and creates its own standards of sustainable palm oil management. It aims to promote the compliance of palm oil sector development with laws and regulations in Indonesia [3].

However, while the establishment of ISPO by Indonesia government can be seen as the effort of

Indonesia to promote sustainability palm oil industry in Indonesia [17], it is also can be recognized as a response of Indonesia government towards private certification scheme of palm oil i.e. RSPO [18].

Based on the backdrop, this study provides a systematic review of the dynamics of sustainable palm oil certification governance in Indonesia. This study covers both of private and state initiative certification cases which aim to address the impacts of palm oil industry, particularly in the Indonesian context and addresses the following questions : Firstly, What is the nature of RSPO as private certification in palm oil governance? This question identifies how this private governance emerged in Indonesia. It elaborates its characteristics as well as the advantages and its limitations. Secondly, How does The Indonesia Government relate RSPO as private certification in palm oil governance? This question examines how The Indonesia Government has responded to the emergence of RSPO.

2. METHOD

The methodology of this study is qualitative which is based on secondary sources of data. It uses information such as from public and private reports as well as other sources of information including report from civil society organizations that involve in environmental and social issues within the palm oil sector. In addition, this study also examines the findings from several journals and articles that have focus in palm oil and private governance topics.

3. RESULT AND DISCUSSION

3.1. RSPO: The Emergence and Its Limitations

Nowadays, the change on consumer behavior shows awareness towards the importance of eco-friendly products. This awareness motivates consumers for being willing to compensate higher cost for qualified products [19]. Such consumers' awareness has also driven the increasing number of certification schemes which apply a sustainability principle. This condition, in turn, offers an incentive for a business sector to invent sustainable products.

In 2004, a number of stakeholders, that are linked to the issue of palm oil, such as non-profit organizations (World Wild Fund for Nature), food processing investors (Unilever, Migros, Sainsbury's, The Body Shop, Aarhus United UK Ltd, Karlshamns AB from Sweden), Pacic Rim Palm Oil Ltd from Singapore, Loders Croklaan from the Netherlands and palm oil corporations from Malaysia, established RSPO in Zurich, Switzerland [7] [20] [21]. This establishment was started with intensive discussions since 2002, and it is an effort to respond to environment and social

problems resulted from the negative impacts of palm oil industries. This certification aims “to promote the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue between its stakeholders” [21] [22].

RSPO develops a number of friendly environment and social life standards of conduct for palm oil production [1]. This certification scheme is voluntary and relies on a business-to-business mechanism to achieve members’ compliance in applying the management principle of sustainable industries of palm oil [23] [24]. Owners of palm oil plantations, who intend to obtain the RSPO certification, will be assessed by independent auditors and are able to extend the certification they have obtained after five years [23].

As Pacheco et al. [25] point out, the movement of anti-deforestations have started to be pioneered by consumer goods manufacturers since 2013. Such movement pushed the establishment of certification schemes which seriously take into account significant impacts of global economy to environment, including the management of sustainable palm oil commodity. The examples of such certification schemes are Council of Palm Oil Producing Countries (CPOPC), International Sustainability and Carbon Certification (ISCC) and European Sustainable Palm Oil (ESPO). Despite the aforementioned certification schemes, RSPO is a widely influential certification of palm oil certification in the world. The scheme influence can be seen from the increasing number of its members and that of palm oil plantations which have adopted the principles of sustainable management introduced by RSPO. In 2016, the number of RSPO members was 3444 and 21% of world palm oils have been certified by RSPO [26].

The importance of the private governance position in the form of certification schemes of products is reflected from the increasing number of such schemes in the world. In 2017, a number of about 465 certification schemes spread in 199 countries which deal with commodity management in 25 industrial sectors [27]. In addition, the high demand of palm oils is another factor influencing the importance of palm oil management. For example, in 2015 the consumption of palm oil reached 60 million tons and is estimated to keep increasing into 240 million tons in 2050 [24]. This tendency obviously requires particular steps to anticipate the resulting impacts, including implementing the mechanism of product certification by involving non-government parties.

However, compared to other commodities, certification to products of palm oil has its own challenges. These challenges are, among others, caused by the insignificant contribution of palm oil products to such final products as foods or cosmetics so that it is

difficult for consumers to use certified products of palm oil [28].

In its 2016 impact report, RSPO stated that there are also several other challenges in adopting the mechanism of certification to support sustainable management of palm oil. The first challenge is the difficulty in influencing the market mechanism. Such challenge appears because particular countries or consumers do not regard the environment and social issues arisen from palm oil industry as problems. This condition makes some producers freely sell their products to such markets. In the Indonesian context, the main countries of destination from Indonesian export are China and India, in which these two countries compromise the issue about the implementation of the sustainability principle in the trading of palm oil commodity. Such compromise offers an opportunity for Indonesia to have markets for its palm oil commodity without having to prioritize certain attention to issues of sustainability inherent in the business process [24].

Secondly, palm oil is an environment-friendly commodity in comparison to other plants producing vegetable oils such as soy or sunflower seeds because palm oil need less fertilizer and pesticide. For this reason, replacing palm oil with others will lead to more damaging natural environment. Thirdly, a ban on palm oil will affect many people’s income, especially farmers in countries producing palm oil. The fourth challenge is that palm oil has distinctive flavor and texture which are not replaceable by other commodities, so that it is not easy to change consumers’ preference to products made of palm oils [24]. For the supporters of RSPO, the elaborated conditions have clearly stressed the dilemmas in the management of palm oil as a commodity, in which a total ban to palm oil will even create new social and environment problems. In the meantime, uncontrolled exploitation of palm oil is an extreme action which must be taken as a caution. In response to this situation, RSPO claims itself as the problem solution with which the economic and social benefits of palm oil can be obtained without having to sacrifice the principle of sustainable management [24].

3.1.1. Limitations of RSPO

This section describes some of the limitations of the RSPO as a form of private governance and the consequences of such limitations. This discussion becomes relevant to see the dynamics of RSPO implementation in the Indonesian context. Some limitations of the RSPO to be discussed include the following: lack of accountability, RSPO as a high cost certification scheme and legitimacy issues.

3.1.1.1. Lack of Accountability

Formally RSPO membership is divided into three categories: ordinary member, affiliate member, supply chain associates and honorary member. Ordinary member is an organization which activities have to do directly with the chain of palm oil supply which is classified into seven categories namely palm oil growers, palm oil processors and traders, consumer goods manufacturers, retailers, banks and investors, environmental or nature conservation NGOs, and social or development.

Meanwhile, individuals or organizations that have no direct relationship with the chains are called affiliate members. The next one, supply chain associates, consists of institutions which buy palm oil product with less than 500 metric per year and actively involves in the supply chains of RSPO - certified palm oil. The last category, honorary membership, is a membership given by Board of Governors to parties that give extraordinary or significant contribution to the RSPO. Although other members have the right to publish their memberships in RSPO, it is only the ordinary member that has a vote in RSPO General Assembly. Other types of membership do not have it and have limited information access based on the provisions set by RSPO Board of Governors [29].

The highest rank of decision making in RSPO is called general assembly, the meeting of RSPO members. In this forum, RSPO members are given opportunity to give input related to RSPO programs [22]. Meanwhile, RSPO management is run by executive board chosen by the general assembly for a 2-years working period [21].

The RSPO institutionalization is meant to gather a number of stakeholders of the palm oil industry. However, as the industry sector still becomes a dominant power inside the RSPO, some important decisions are made by the executive board silently. This situation makes smallholders underrepresented in RSPO. Meanwhile, in order to expand the application of the agreed standards, RSPO has taken a policy that allow producers and processors of palm oil to be the members of RSPO without an audit process, which is different from the previous procedures which was also set by RSPO. As the result, questions about credibility and legitimacy of this private governance scheme raise [8].

Next, the accountability issue of RSPO is also related with land conflict resolution mechanism between RSPO and land owners which is called RSPO Complaints Panel that was established in 2009. Land owners can complaint on the trespass or violation done by an RSPO member company [8]. RSPO is believed to have a better complaint mechanism than other palm oil commodity certified scheme such as the availability of open and online information about the progress of complaint handling [30]. However, in fact, complaints panel often cannot give punishment or penalties to a RSPO member that violates the rules [21].

Besides, according to Pichler [21] RSPO tends to represents the interest and position of business groups because the process of standard arrangement and other decisions only involve companies and NGOs, without involving the government. This can be seen from the membership composition which is dominated by businessman. Moreover, Pichler also argues that the structure and the RSPO membership do not represent the actual actors who want changes on the power relation in the palm oil industry. Overall, RSPO actually represents actors who are in the value chain and represent the interest of palm oil commodity exporter in international market.

The problem of representation is also worsened with the low accountability to the company's commitment which is in downstream sector of the RSPO chain to buy RSPO - certified products. This situation has put the growers at a disadvantage because they will be the first parties that need to proceed the RSPO certification which is very complicated. This is different from the traders that are only required to be committed in using the products and they do not need to go through a set of tough certification audit. The criticism on RSPO accountability is getting stronger as there is no penalty given to RSPO members that violate the obligation [21].

3.1.1.2. RSPO, a costly certification

The RSPO certification process involves a third party that assesses the implementation of the RSPO standards. This process costs around \$20-\$25 per hectare [21] [22]. According to GAPKI in McCharty [6], the cost of certification is way too high comparing to the selling price of palm oil commodities that have been RSPO - certified. In addition to the cost, RSPO also charges annual certification fee for palm oil producers as much as \$1-\$3/ton Certified Sustainable Palm Oil (CSPO) [7]. The RSPO members from plantation groups not only complaint on the costly certification but also complaint on the production standards that are way too hard for them to meet. This has caused tension between businessmen and other RSPO members especially from NGO groups that think some of the plantation businessmen are not really serious in implementing the RSPO standards [31].

The cost problem not only influences the big scale plantation business but also has made the smallholders being marginalised from the international market although in 2008 RSPO has paid attention to their existence in its governance concept. [3] [32]. According to Brandi [33], marginalisation towards small scale farmers is due to two factors. First, the market form of palm oil kernel is monopsony and there is a tendency that the palm oil processing company prioritizes products from certified plantation. As the result, the harvest of smallholders cannot be absorbed by the international market which prefers certified products.

Second, another characteristic of private governance like RSPO is small scale farmers' dependency to the support from other parties for the fulfilment of capacity that they do not have such as managerial, finance, and agronomic [28]. For example, in order to meet the RSPO standards, they need additional fund to buy good quality seeds or to access additional tools to clear the land. Brandi et al. [28] also found that they often have limited knowledge about correct palm oil plantation techniques. Therefore, without a help from competent persons they cannot produce commodities that can be accepted in international market.

On the other side, in Indonesian context, the smallholder position in palm oil industry is crucial [33]. They contribute up to 40% of the total land in the country and produce 35% of total palm oil production in the national scale. So that, in the future, the private governance scheme like RSPO needs to create mechanism that accommodate smallholder characteristics for effectiveness of private governance performance in handling social and environmental problems caused by palm oil industry [28]

All these elaborated phenomena are in line with Pichler [21] who stated that RSPO not only could be seen as one mechanism built on the basis of consensus which is neutral in nature, but also an arena where a dynamic power relationships among actors exists and one of the manifestation is marginalisation of particular stakeholder element.

3.1.1.3. Legitimacy Problem

Pichler [21] points out that although it is voluntarily in nature, RSPO gains official legitimacy from European Union (EU) regulation which obliges the provision of the sustainable principles for biodiesel products that enter EU market. RSPO status has become more important after gaining recognition as one of certification schemes from RED (Renewable Energy Directive), an EU policy about the implementation of sustainable development principles [21]. However, as Pasqueira and Glasbergen in Burgos et al. [9] explain, the international representation does not automatically generate local power's involvement and support. This opinion is relevant with the RSPO condition that its legitimacy is challenged especially by stakeholders of developing countries. Colchester et al. [32] (2006) argue that one of causes of challenge is that RSPO put less concern on the direct interests of indigenous people, small farmers, trader association and other organizations representing palm oil industry worker's associations; instead it prioritizes the industry's interests.

The problems on RSPO legitimacy, especially from Indonesian stakeholders, has happened since the beginning of its establishment. The indicator of the low legitimacy is weak support from Indonesian plantation

entrepreneurs to the existence of RSPO. Although becoming an RSPO member in the beginning, GAPKI finally stepped down in 2011. According to McCharty [6] the step down was due to GAPKI dissatisfaction. GAPKI contended that RSPO had been dominated by NGO and put less concern on the interests of the palm oil entrepreneurs. Moreover, the disappointment was also caused by RSPO inadequacy to promote Indonesia's commitment on the implementation of sustainable development to the international market [3]. These dynamics has become a serious problem for RSPO's legitimacy in Indonesia because GAPKI is the biggest palm oil entrepreneur association in Indonesia which membership has reached 500 private and government palm oil companies and has a great influence on the policy making process [18] [3].

Next, the low demand from Indonesia domestic consumers on the sustained palm oil products also weakens the local stakeholder support to RSPO. These products are mostly preferred by consumers from the advanced countries. According to Sandoval et al. [19], the awareness of the consumers from advanced countries, such as Germany, Japan, the USA, and Nordic countries, of the environmental-friendly products makes sense as in these countries promotion on environment awareness has been started since a long time ago.

Legitimacy towards private governance can also be seen from the effectiveness in reaching the aims and support from stakeholders [35] (Schrapf in Biermann and Gupta, 2011). In the RSPO context, a study by Ruyschaert and Salles [7] show that although there has been an increase on the number of members, this mechanism is not effective in solving environmental issues in Indonesia, such as protecting the habitat of orang utan in Indonesia from palm oil expansion. Besides, the top down process of decision making with regard to determining conservation principles has neglected local situation such as the national law framework and local actor interest. This condition has caused very limited coverage and insignificant effect of RSPO in Indonesia [7]. This is against the RSPO aims i.e. to bring systematic changes on the palm oil governance in global level [21].

3.2. The Dynamics of The Indonesian Government Response

In the founding process, RSPO did not involve government of largest palm oil producing countries like Malaysia and Indonesia. However, in Indonesia, RSPO involved GAPKI (Indonesian Palm Oil Entrepreneurs Association) as one of main stakeholders in palm oil industry in the country. Due to their good relationship, the government gained information about RSPO from GAPKI [34] [16]. Hence, although excluded from the

standard formulation process, the government was indirectly involved and represented by GAPKI.

According to Wijaya and Glasbergen [16], in this stage rather than perceiving RSPO as a competitor in its regulation authority, the Indonesian government assumed that RSPO standardization and certification as a business matter only, therefore they considered not involving themselves. However, in the next stage, the Indonesian government was involved in the process of national interpretation formulation, a mechanism to adjust RSPO principles and criteria with the framework of Indonesian law and policy [34].

National interpretation formulation is a process which is designed by RSPO “to deliver pragmatic guidance to oil palm producers, processors, and other stakeholders of RSPO on how to implement the RSPO principle and criteria within producer country, and to ensure that the RSPO principle and criteria respect and in line with country law and regulations” [36] (RSPO, 2013: 1). For example, regarding the criteria of the minimum wage, RSPO would arrange it based on the law and policy framework in each country. Therefore, the implementation of minimum wage standard in Indonesia will differ from other countries such as Colombia and Malaysia [36] (RSPO, 2013). The arrangement of this mechanism involved several working groups from various types of national level groups comprising producers, of both big and small scale companies, supply chain and investors, environmental and social NGOs, and government representatives. In Indonesia, this national working group is called FORMISBI or Indonesia Sustainable Palm Oil Forum [37] (Sawit Watch, 2013).

Having no voice in RSPO General Assembly, the government showed their commitment by attending the national interpretation and got the opportunity to directly see the dynamics in RSPO meeting [13] [16]. Wijaya and Glasbergen [16] believe the Indonesian government wanted to get input about palm management which adopted sustainability principles. Knowledge or information about standards of sustainable management in palm sector would be used in the future by the Indonesian government to arrange a government-version of palm certification scheme. In addition, RSPO was expected to help Indonesian palm oil industry from negative campaigning by international NGOs.

However, the tension started to happen when the Indonesian government stated their objections towards RSPO in 2010 in the Eighth International RSPO Conference [18]. In the forum, the government representatives questioned RSPO effectiveness and finally declared the ISPO (Indonesia Sustainable Palm Oil) plan, a certification for palm oil commodity founded by the government. Officially, they contended that voluntary mechanism in RSPO scheme was not

capable to address the unsustainable palm oil practice in Indonesia. In addition, the Indonesian government argued that “the members from Indonesia total only 74 companies including growers, processors, traders and NGOs. While the number of plantations in Indonesia exceeds 2000, there’s great concern over when sustainable palm oil can be achieved” [34].

Furthermore, Hospes and Kentin [18] conclude that the ISPO establishment is also generated by the exclusion of the Indonesian government in development process of the RSPO principles and criteria. The declaration of ISPO marked a new relationship between RSPO and government.

The Indonesian government efforts to strengthen its position in regulations of palm oil sector are supported by GAPKI that comprising the palm oil plantation companies in Indonesia. It stated that supports to ISPO reflected their disappointment to RSPO which was unable to accommodate the interests of palm oil plantation owners in Indonesia [18]. For example, while RSPO restricts the plantation of palm oil in peatlands area, ISPO gives approval for it. Hence, this approval meets the interest of palm oil plantation company that contends peatlands development restriction for plantation area as “a big burden to oil palm producers” [34]. This disappointment is also due to the RSPO decision making process which is dominated by non-growers element of the RSPO membership. As a consequence, GAPKI argue that “the burden to reduce or minimize negative effects was not evenly distributed among all of the chain actors and, instead, was largely placed on them. They also sensed that there was too little understanding and appreciation for palm oil production as an engine of economic prosperity for all” [18]. Even though ISPO did not guarantee higher price for ISPO - certified palm products, different from RSPO that offered premium price for RSPO-certified products, majority of Indonesian entrepreneurs completely supported ISPO [35].

3.2.1. ISPO: Strengthening State Roles

Nowadays, the change on consumer behavior shows awareness towards the importance of eco-friendly products. This awareness motivates consumers for being willing to compensate higher cost for qualified products [19]. Such consumers’ awareness has also driven the increasing number of certification schemes which apply a sustainability principle. This condition, in turn, offers an incentive for a business sector to invent sustainable products. Ensuring the sustainability of palm oil industry, Indonesia government has made ISPO standardization [17]. ISPO is a set of requirements arranged to improve the sustainability of the palm oil industry based on the prevailing regulation. It was stipulated on March 2011 in the regulation of the

Ministry of Agriculture about Indonesian Sustainable Palm Oil.

ISPO aims to ensure the implementation of the regulations pertaining sustainability of palm oil products and support commitment of the Indonesia Republic president to reduce greenhouse emission [5]. This support is given through the application of several principles and criteria of ISPO namely licensing system and plantation management; protection of primary forest and peatland; environmental management and monitoring; responsibility towards workers; social and community responsibility, society economic activity empowerment; and continuous business improvement [5]. The Indonesian Ministry of Agriculture planned to certify 70% of palm oil plantation in Indonesia with ISPO scheme by 2020 [36]. With the establishment of ISPO, it is expected that all palm oil industry actors in Indonesia would be more aware of the importance of producing sustainable palm oil products that are internationally competitive [37].

Indonesia government has attempted to promote ISPO in international forum in World Trade Organization (WTO) and Codex. Moreover, ISPO has become one of agreement points with other countries intending to import palm oil from Indonesia [18]. Another effort to make ISPO a credible, respected and internationally-accepted standard is by improving its legitimacy from ministry regulation to presidential regulation for easier implementation nationally. Besides, the government will strengthen ISPO institution by making it as an independent institution [38].

However, ISPO is not only an action of the Indonesian government to promote sustainable palm oil industry but also reflects the response of this government to the competition with global actors in palm oil industry. By establishing ISPO, the Indonesian government attempts to strengthen its role and authority in national palm oil sector governance. This idea is in line with Hospes and Kentin who conclude that “the launch of the ISPO particularly shows that the Indonesian government is re-positioning itself as a key actor in the sustainability governance of global commodities, developing its own standards, and building new coalitions and networks in the context of globalization” [18]. Similar opinion is stated by Bartley in Giessen et al. who argues that through its main power in making regulation, the Indonesian government has become a significant competitor for RSPO and “replaying their role in granting and enforcing citizens’ rights” [13]. The competition can be seen from the ISPO establishment that impacts directly on RSPO. Since the launching of ISPO in 2011, the grow of RSPO - certified areas has decreased gradually [13]. This competition has encouraged RSPO to keep improving and changing its work strategy. Responding to the objection of the Indonesian government, in the RSPO

conference conducted in 2011, it started to bring up the issue of the importance of government’s involvement in order to achieve the goal effectively [18].

The position of Indonesia government is also supported by GAPKI which rebuking RSPO existence. GAPKI believes RSPO is not a part of global interest but European countries; therefore, RSPO is only important for Indonesian businessmen willing to access European market. This also indicates the low legitimacy that RSPO gets from palm stakeholders in Indonesia [18]. Yet, GAPKI support to ISPO also determines a dominant discourse in the dynamics of ISPO establishment. As Wijaya and Glasbergen [16] have argued, GAPKI’s influence in ISPO can be illustrated by the focus to economic interests in ISPO design rather than social and environmental related issues.

Another debate is that ISPO establishment has to do with state authority in managing its internal problems. Wijaya and Glasbergen [16] point out that for Indonesia government RSPO is a form of advanced countries domination towards Indonesia through palm oil issues while ISPO is an effort to show national identity and commitment in dealing with environmental and social problems of palm oil commodities. The government view is also supported by GAPKI which states that palm oil is a part of national pride. With ISPO, Indonesia government challenges political authorities of palm oil governance of RSPO in Indonesia [34]. The rejection of Indonesia government and GAPKI has caused RSPO fail to create collective actions to address sustainable palm oil issue. This indicates the importance of state’s role to enhance regulation effectiveness in the public sector [39].

4. CONCLUSION

There are several explanations about the emergence of the RSPO emergence. First, it has been driven by government’s low performance in handling issues concerning people’s lives such as social and environmental impacts of palm oil industry in Indonesia. This inadequacy can be seen from the weak will of law enforcement, in addressing issues such as land conflicts, labor exploitation, land destruction and injustice of customary rights. Second, the controversy about palm oil commodity advantage and disadvantage at International level has also stimulated RSPO establishment. Finally, the RSPO is enhanced by the cooperation between transnational corporations and NGO certification initiative. In this sense, by cooperating in the RSPO establishment, NGOs could introduce new instrument of advocating social and environmental issues while corporations gain a good reputation from the consumers.

In terms of its advantages, RSPO brings a positive image for palm oil companies. By becoming members

of the RSPO, particularly from Southeast Asia, they will find it easier to access global markets such as Europe, which has so often raised the negative issue of oil palm development. However, RSPO also has several limitations. First, the RSPO has lack of accountability. This problem is demonstrated by weak sanctioning mechanism to members who do not fulfill their obligations. Second, the RSPO is a costly mechanism. The certification process requires many assessment activities and involves numbers of experts as the auditors. Obviously, this processing cost can only be afforded by big companies. Third, the international representation and support from the European Union to RSPO do not automatically generate local power's involvement and support to it. RSPO has been the subject of criticism with regard to its legitimacy from palm oil producing countries such as Indonesia and Malaysia. As a consequence, it has failed to create collective action in sustainable palm oil issue in Indonesia.

Although the Indonesian government was excluded from the standard formulation process of RSPO, it was indirectly involved and represented by GAPKI (Indonesian Palm Oil Entrepreneurs Association). The Indonesian government assumed that RSPO standardization and certification as an ordinary business process that would not bring impact to economic development in Indonesia. However, the next dynamic showed that RSPO has failed to gain its legitimacy from the national stakeholders such as the Indonesian government and Indonesian palm oil companies association. This challenge, among other things, has been caused by the exclusion of these national actors from the decision making process. In the next phase, The Indonesian government has responded to the emergence of RSPO by establishing its own certification i.e. ISPO. It can be concluded that the establishment of ISPO has strengthened the Indonesian government position in regulations of palm oil sector and competed the authority of RSPO.

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