
Future Roles of the State in Governing the Global Palm Oil Industry

Expert meeting

Grand Mercure Singapore Roxy Hotel, Singapore
26-27 August 2015

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This report presents the findings of an expert meeting that was organised on 26 and 27 of August 2015 in Singapore on 'Future Roles of the State in Governing the Global Palm Oil Industry'. The meeting was hosted by research centres and universities from Indonesia, Malaysia and the Netherlands. The meeting followed the Appreciative Inquiry Methodology and ended in the formulation of four strong ideas that foster the role of the state in the governance of the global palm oil industry.

Keywords: Global Palm Oil Industry, Governance, Appreciative Inquiry

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List of abbreviations and acronyms

CDI	Centre for Development Innovation, Wageningen UR
FSSK-UKM	Faculty of Social Sciences and Humanities of Universiti Kebangsaan Malaysia
Gol	Government of Indonesia
GoM	Government of Malaysia
IBCSD	Indonesian Business Council for Sustainable Development
IDH	Initiative for Sustainable Trade
InPOP	Indonesian Palm Oil Platform
IPOP	Indonesian Palm Oil Pledge
ISPO	Indonesian Sustainable Palm Oil
KPK	Corruption Eradication Commission
MJIIT-UTM	Malaysia Japan International Institute for Technology of Universiti Teknologi Malaysia
MPOA	Malaysian Palm Oil Association
MPOB	Malaysian Palm Oil Board
MPOC	Malaysian Palm Oil Council
MSPO	Malaysian Sustainable Palm Oil
PAP-WU	Public Administration and Policy Group, Wageningen University
PASPI	Palm Oil Agribusiness Strategic Policy Institute
POI	Palm Oil Industry
POIG	Palm Oil Innovation Group.
PORC-UTM	Palm Oil Research Center of Universiti Teknologi Malaysia
RSPO	Roundtable on Sustainable Palm Oil
SME	Small and Medium Enterprises
SPOI	Sustainable Palm Oil Initiative
VPA	Voluntary Partnership Agreements
Wageningen UR	Wageningen University & Research centre

Summary

This report presents the findings of an expert meeting that was organised on 26 and 27 of August 2015 in Singapore on 'Future Roles of the State in Governing the Global Palm Oil Industry'. Research centres and universities from Indonesia, Malaysia and the Netherlands hosted the meeting. The experts invited each avail of a relevant network in the palm oil sector and represent governments of palm oil producing and consuming countries, companies throughout the value chain, civil society organisations from Malaysia and Indonesia and the RSPO. Strong opinions and statements made during the meeting made it difficult to reach consensus amongst the participants and this impacted upon the results. The assumption of the appreciative inquiry methodology that was chosen to guide the discussions - ideas and perceptions of all participants help to co-construct a better future based upon a common understanding – did only partially work out.

Findings

1. Interviews held prior to the meeting emphasized the need to address issues related to existing sustainability standards, more fundamental issues beyond those standards and further strengthening of the governance by governments in terms of steering the sector, stimulating collaborative efforts with both the private sector and civil society actors and improving governance of the sector beyond state boundaries.
2. Eight factors explain the most successful experiences in the palm oil sector. These are about:
 - Governments showing the political will to include smallholders in the sector;
 - Good collaboration between different public sector organisations, those at national level and those at decentralised level;
 - Strong collaboration within the palm oil sector itself;
 - The palm oil sector's contribution to national development ;
 - The Governments of Indonesia and Malaysia continuously assessing consumer demand as an instrument to steer the palm oil sector;
 - A sense of urgency of the Government of Indonesia and the private sector to address land related conflicts;
 - Strong collaboration between Indonesian NGOs and the private sector;
 - Strong collaboration between the RSPO, the private sector and the Government of Malaysia.
3. Three dreams were formulated: One consists of all actors, both in palm oil producing and in consuming countries first of all trusting each other. Another is to stick to the motto 'protect, produce, provide and promote for prosperity' as the outcome of a sector that produces in a sustainable way and creates inclusive growth. The third dream wishes that sustainable palm oil becomes a global norm and that there is a global commitment to buy it.
4. Based upon these dreams eight strong ideas to foster the role of the state in the global palm oil industry were identified, four of which were further elaborated because they are expected to make significant changes in the sector. These are:
 - The introduction of area-based based approaches that facilitate amongst others the certification of smallholders, in which the state, international bodies, businesses and researchers will work together.
 - Palm oil consuming countries increasing their purchases of sustainable palm oil and accepting to work with similar policies as in place in the timber sector, such as the Voluntary Partnership Agreements between EU countries and producer countries.
 - Rationalisation of existing certification standards to reduce costs with the four biggest palm oil consuming and consumer countries working together.
 - Reaching a level playing field for all fats and oils to overcome discrimination of the palm oil sector by palm oil consuming countries.

For each of these themes participants have made a statement to take these ideas a step further.

1 Rationale, concepts, methodology and expert meeting process

1.1 Rationale

The INREF-SUSPENSE programme 'Towards Environmentally Sustainable and Equitable Palm Oil' is a research programme implemented by four chair groups of Wageningen University, and by the Centre for Development Innovation of Wageningen University and Research Centre (Wageningen UR). The two main objectives of this five year research program are (1) to identify sustainable pathways for the production, processing and governing of palm oil and (2) to enable different stakeholders to contribute to a more environmentally sustainable and equitable palm oil sector in a science-based and concerted way.

In the past three years Wageningen University and Research centre conducted interviews with key players in the palm oil sector and these highlighted the importance and timeliness of addressing the roles of the state in governing the global Palm Oil Industry (POI). The past years have seen the Roundtable on Sustainable Palm Oil (RSPO) and other non-state actors developing and applying principles and standards for sustainable palm oil production, whereas national principles and standards that are legally binding are being implemented. Interviewees emphasised the role of the state in ensuring an enabling environment for the sector to operate in a sustainable and inclusive way, and they welcomed the idea of taking part in an expert meeting with participants from different spheres from the world's top two palm oil producing countries, Malaysia and Indonesia.

Wageningen University and Research Centre started the preparations of this expert meeting by inviting Research Institutes and Universities in Malaysia and Indonesia to organise the meeting together. Organisations that adhered to the idea are:

- The Palm Oil Agribusiness Strategic Policy Institute, Indonesia (PASPI);
- The Faculty of Social Sciences and Humanities of Universiti Kebangsaan Malaysia (UKM);
- The Malaysia Japan International Institute for Technology of Universiti Teknologi Malaysia (MJIIT-UTM);
- The Palm Oil Research Center of Universiti Teknologi Malaysia (PORC-UTM).

The expert meeting took place in Singapore on August 26-27, 2015. Its first aim was to identify visionary ideas on roles and instruments of the state in governing the global palm oil industry and in addressing sustainability challenges. Its second aim was to identify opportunities for further collaboration in policy dialogue, policy development and research development amongst different participants.

Key issues addressed were: the type of interactions needed between national governments and private sector governance arrangements and; the type of policy instruments needed beyond existing standards and policies to effectively solve sustainability challenges.

Some fifteen representatives of the Indonesian and Malaysian government, companies representing producers and buyers, civil society organisations from Indonesia and representatives from the Dutch Embassies in Malaysia and Indonesia discussed the above mentioned issues.

1.2 Governance defined

In line with Treib et al. (2007), governance is defined as 'societal steering and the coordination of interdependent actors' (groups). Governance also refers to the relationship between state interventions on the one hand and societal autonomy on the other hand. However, Treib et al. (2007) distinguish three main dimensions (policy, politics and polity), these are more applicable within a

country context than at the international level. Aiming for a governance concept to be used in the light of day-to-day practice in the palm oil sector Treib's dimensions have been slightly reformulated and an transboundary governance dimension was added. The relations between the state and society were hence described as follows:

1. Policy instruments that the state uses to steer the Palm Oil Industry (POI). This refers to the degree of flexibility rules and regulations have with regards to steering;
 - Are rules and directives legally binding or do they only provide suggestions or recommendations;
 - Do they describe rigid procedures and approaches for implementation or are they flexible;
 - Do they contain sanctions for non-respect or not?
 - Etc.
2. How, with whom and when rules and regulations for governing the POI are being decided upon;
 - The involvement of state and non-state actors in the formulation and implementation of policy instruments is one issue. Are only state actors involved, only non-state actors or do hybrid forms exist?;
 - How are decisions being made: by a few actors who decide on behalf of all actors (hierarchy) or are actors free to make their own decisions like in a market or network structure?;
 - How is the state organised? To what extent is decision-making being centralised at the central government or decentralised to local governments and what former state services have been privatised;
 - How formal or informal are the interactions between actors in the policy formulation or implementation process;
 - To what extent are decisions being made in a transparent way and are checks and balances in terms of accountability present?
 - Etc.
3. The following issues emerge when addressing governance beyond state boundaries. How to steer and what decision-making arrangements would be appropriate to manage:
 - Global and local concerns;
 - Transnational value chains;
 - Different perceptions about what good governance implies;

And what type of governance arrangements are needed?

- Polycentric governance arrangements? Then how would interactions and relationships between these different arrangements be structured and regulated? (meta-governance)
- Transnational – public/private partnerships?
- State governance arrangements?
- Private sector governance arrangements?

1.3 Methodology

Prior to the meeting CDI of Wageningen UR had interviews with all participants. Interviews findings were shared during the expert meeting and gave an overview of issues at stake in the palm oil sector and suggestions to improve its governance.

The expert meeting followed the Appreciative Inquiry (Cooperrider, Whitney and Stavros, 2007) methodology which is a facilitated approach to organizational and societal change that explores, “what is working well around here and how to build on it?” It is based on the assumption that in every group, sector or organization, something works well. It has been used by both the non-for-profit sector and private industry. It involves, in a central way, the art and practice of asking questions that strengthen a system's capacity to apprehend, anticipate, and heighten positive potential. It is based on two assumptions:

1. Organizations always move in the direction of the questions their members ask and the things they talk about;
2. Energy for positive change is created when organizations engage continually in remembering and analysing circumstances when they were at their best rather than focusing on problems and how

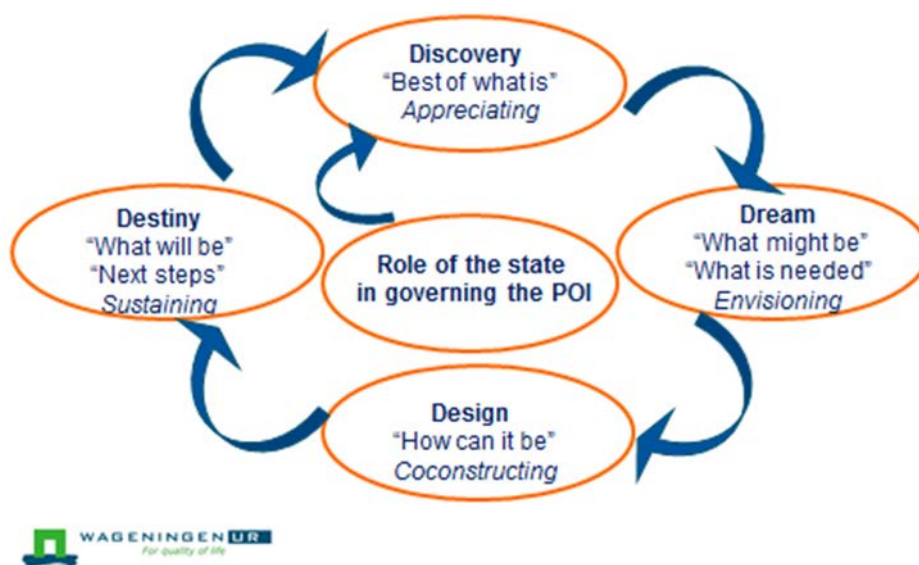
they can be solved. The approach invites organizations to spend time creating a common vision for their desired future and developing the images and language to bring that vision to life.

Appreciative Inquiry distinguishes 4 major phases. Those are the phase of:

1. Discovery: The Appreciation of processes that work well;
2. Dream: The Envisioning of processes that would work well in the future;
3. Design: The Co-construction of processes that will contribute towards the realisation of the Dream;
4. Destiny (or Deliver): Sustaining these ideas and plans identified during the design phase.

This methodology is successful if participants all engage and participate actively throughout the process. The ideas and perceptions of all participants will help to co-construct a better future, based upon a common understanding.

4 steps in Appreciative Inquiry



The meeting was organised under Chatham house rule, implying that participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

1.4 Expert meeting process

The organising committee invited experts who are capable of introducing change within their own network as well as engaging with other networks. Besides this capacity, the experts represent the governments of palm oil producing and consuming countries, businesses throughout the value chain, civil society organisations from Malaysia and Indonesia and the RSPO.

Preparations started in September 2014 and sixteen experts accepted the invitation to participate, of which fifteen actually took part in the meeting. The final list of experts highlights the absence of Malaysian civil society organisations, as well as the minimal representation of consumer countries. Three experts from Malaysia, two representing the Netherlands and ten experts from Indonesia took part in the meeting.

From the start of the meeting the organisers sensed tensions between different actor groups, based upon positions already taken in the palm oil sector. These positions taken considerably hampered participants to carefully listen to each other and engage in a constructive process, which is a critical factor of success for the application of appreciative inquiry. Two private sector representatives decided

to not take part in the second day of the expert meeting. The process of the meeting influenced upon the outcomes presented below as well as the commitments made to take further action.

1.5 How to read the report

This report presents in a chronological way the findings of the expert meeting and the preceding process. The following chapter presents the interview findings and Chapter 3 describes the outcomes of the discovery, dream, design and destiny phase of the appreciative inquiry methodology. Conclusions can be found in chapter 4.

2 Interview findings

This chapter presents the findings of interviews held with all experts prior to the meeting. They addressed the following topics: A vision of a sustainable palm oil sector; changes needed with regards to existing standards and issues to be addressed beyond standards, and; governance needed to make the sector sustainable. Findings were presented at the beginning of the meeting.

2.1 What does a sustainable palm oil sector look like?

In very general terms, a sustainable palm oil sector produces outcomes for People, Planet and Profit in line with the 1987 Brundtland Report. Apart from these, experts from palm oil producing countries explicitly state that developing countries and poorer categories in society have the right to development.

2.2 What changes are needed with regards to standards?

The most frequently discussed standards are the Indonesian Sustainable Palm Oil (ISPO) standard; the Malaysian Sustainable Palm Oil (MSPO) standard, and; the standard of the Roundtable on Sustainable Palm Oil (RSPO). Many experts consider the RSPO standard as being driven by INGOs rather than by the sector itself. Eight persons stated that standards need to be enforced and some suggest creating multi-actor platforms to speed up their implementation.

Some five respondents mentioned that the alignment between standards is necessary to address a number of conflicting issues: Possibilities to do so exist under principle two of the RSPO standard and in the Indonesian Palm Oil Platform (IPOP) recently established by the ISPO.

According to five experts current standards and certification procedures are not accessible for smallholders because they are very costly.

Respondents have different opinions with regards of the number of standards that should be in place: Some state that different standards are needed to access different consumer markets; others prefer a limited number of standards that increase oversight and simplify certification procedures. Most experts agree that continuous improvements are needed to align standards with emerging debates related to forests, peatlands, smallholders and labour force.

2.3 What strategies need to be in place beyond standards?

Standards will only partially contribute towards the vision of a palm oil sector that produces social, environmental and economic outcomes. Fundamental issues need to be addressed which have been categorised into three clusters: consumer markets, smallholder inclusion and natural resource governance. A fourth cluster represents miscellaneous issues mentioned by fewer persons.

Consumer markets

The sector will become sustainable when the demand for RSPO certified palm oil at premium prices increases according to ten experts. Consumer labels in countries with high consumer awareness levels and distinct import tariffs for sustainable versus conventional palm oil in countries with lower consumer awareness levels, will help to increase this market uptake.

Five respondents mentioned the importance of creating a level playing field for all fats and oils as a strategy to prevent discrimination of one commodity against another in trade relations between producer and consumer countries.

Smallholder inclusion

Smallholder inclusion (mentioned by eight persons) and equal sharing of costs and benefits throughout the entire value chain (five persons) will also contribute to the envisioned outcomes.

Smallholder inclusion and in particular the intensification of yields per hectare requires a comprehensive support package which consists of securing land rights and access to agricultural inputs, finance, infrastructure, advisory and markets. Although smallholder inclusion has been on the agenda for a while, the issue needs to be addressed more systematically and structurally, because it remains the biggest challenge for both the GoM and GoI.

With regards to equality throughout the chain it is important to identify supply chain models and partnership relations that create win-win situations for both smallholders and other value chain actors, such as plantation owners in Indonesia.

Natural resources and climate change governance

In both Malaysia and Indonesia land governance is crucial in ensuring sustainable outcomes. Spatial plans with clear boundaries for agricultural, forest, industrial, housing land; the respect and enforcement of land tenure rights for communities and smallholders (be it under customary or national law) and; dispute settlement facilities that settle land related conflicts between concession holders, communities and smallholders are essential instruments to improve land governance. Policies and regulations of different ministries involved in delivering concession titles and deciding on land use need to be further aligned and coordinated.

Eight experts further reflected upon pledges made by a critical mass of private sector organisations for zero-deforestation and zero-peatland use in Indonesia: These efforts would make a significant contribution to sustainable sector, but are conflicting with existing regulations. Apart from these, some of the methodologies currently being developed to measure greenhouse gas emissions would jeopardise the right to agricultural development for both Malaysia and Indonesia.

Miscellaneous issues

Other strategies that contribute to a sustainable sector, but only mentioned a few times are:

- Foster zero-waste management technologies;
- Get the investment incentives right, including investment policies by banks.

2.4 Governance to make the sector sustainable

Ideas about governance for a sustainable sector are categorised into three sections in line with the description given in 1.2. These relate to steering by the government; how rules and regulations are being decided upon or governance arrangements, and; governance beyond state boundaries.

Improving steering by the government, domestic level

Both private and public sector experts state that governments could play a leading role in ensuring smallholder inclusion as well as in land and natural resource governance that settle the debate on deforestation, peatland use and that solve land conflicts.

Also policies and regulations need to be effectively and efficiently implemented and enforced where necessary. Experts further observed that the translation of national policies and regulations into practice at local level merits more attention, including regular impact assessments that offer the possibility to self-improve.

Improving how rules and regulations are being decided upon, domestic level

Coordination and alignment of policies, laws, rules and regulations amongst public sector bodies

In both the GoM and GoI, improved departmental coordination of ministries and agencies charged with land and natural resources governance is needed. This would help to increase the compatibility of different policies and regulations. Also the coordination between different administrative levels¹, in line with the mandates that each of these governments has is needed. In addition to this these government levels would have access to both financial and human resources in order to intervene in an efficient and effective way.

Collaborative efforts with private sector and civil society

Smallholder inclusion and environmental concerns require the collaboration of both national and local governments, private sector and civil society actors. These actors could jointly decide about the best regulations and strategies to accelerate smallholder inclusion as well as address environmental concerns. Apart from this they could decide about concrete steps for implementing these strategies. The ISPO secretariat has taken the initiative to put in place the Indonesian Palm Oil Platform that could possibly resolve part of these issues. At sub-national level similar collaborative efforts could involve local communities and indigenous people. Also the private sector, through its Indonesian Palm Oil Pledge, aims for better coordination with the state and for regulatory reforms.

Governance beyond state boundaries

Government-to-government and multilateral governance

Whilst discussing the transboundary nature of the sector, many respondents would like to see a more prominent role to be played by multi-lateral organisations, such as the Asia Pacific Economic Cooperation, the FAO, UNDP, UNEP, UNFCCC, WTO and the UN Global Compact (which in fact is a partnership between the UN and the private sector). Their advantage is that they set the frameworks and guiding principles to address global issues without specifically targeting the palm oil sector.

Some experts suggest that the EU governance model for timber could serve as an example to negotiate Voluntary Partnership Agreements (VPA) for the palm oil sector between the EU and palm oil producing countries.

Government to government dialogue between palm oil consuming countries such as the EU, USA, China and India possibly could stimulate the market uptake of sustainable palm oil.

Clarifying how the ISPO and the MSPO standards contribute towards sustainable palm oil would also help to increase the uptake of palm oil, especially in those countries that host INGOs that continue to advocate for stronger environmental and social outcomes.

Government and RSPO standards

Many experts reflected upon the relation between the RSPO and the GoI and GoM. Most agree that there should be a constructive dialogue and that the RSPO can only become effective when structural issues are being solved by mandatory rules and regulations issued by Governments. For this to happen the role of the state within the RSPO could be further explored as well as the extent to which the RSPO and Governments could mutually build upon each other's standards. Others argue that a healthy competition between national and private standards will create a positive spiral towards a sustainable sector.

Self-governance by industry itself, business to business

Six persons stated that the industry itself is the biggest enabler committed to produce environmental, social and economic outcomes. The sector itself is addressing palm oil production in forests, high conservation areas and on peatland, as well as trying to generate positive outcomes for communities and small holders. Business-to-business arrangements are being established and the sector is lobbying the Government to address these issues as can be observed in the Indonesian Palm Oil Pledge (IPOP). According to some, INGOs catalysed this change and those INGOs continue working with the industry through the RSPO and the Palm Oil Innovation Group (POIG).

¹ Central, province and district level in Indonesia and central, state and districts in Malaysia

Other suggestions

Other suggestions for transnational hybrid governance arrangements consisted of creating convening spaces where; the governments of both producing and consuming countries, the sector and NGOs would engage in a constructive dialogue, and; where all actors involved in the broader fats and oils sector would come together to create a level-playing field for the palm oil sector in particular. Although some respondents are very positive about the catalyst role played by INGOs, others state that INGOs should stop attacking those frontrunner companies that comply with RSPO standards and stop spreading negative messages in consuming countries.

3 Appreciative inquiry findings

This chapter describes the results of the expert meeting. Findings are presented in line with the appreciative inquiry methodology. The first paragraph presents the topic under discussion, followed by a paragraph that lists the most important factors that explain best experiences ever obtained with regards to the role of the state in the global palm oil industry. The fore last paragraph presents three dreams based upon which eight strong ideas that foster the role of the state were identified. The last paragraph presents the elaboration of four of these strong ideas (design) as well as actors that committed to take these ideas a step further.

3.1 Topic under discussion

As the previous chapter concludes, a global sustainable palm oil industry would ensure a balance between profits, people and the planet, as well as recognize the right to development of poorer people and less developed countries.

The transnational character, the multitude of actors involved as well as the complexity of the issues at stake merit a further exploration into the role of the state in governing the sector. Therefore the meeting looked for brilliant initiatives that clearly position the state in the governance of the sector.

3.2 Discovery - Appreciating best experiences

Participants in three working groups identified their best experiences ever regarding the role of the state in governing the Palm Oil Industry sustainably and underlying factors that explained these experiences (see appendix 3). These are the following for the GoM:

- The GoM putting in place the structure of the Malaysian Palm Oil Industry as of the 1980s;
- Its introduction of sustainable palm oil standards for smallholders and medium producers, together with the MSPO standard;
- The introduction of an area-based certification approach.

The best experiences identified for the GoI are the following:

- Including smallholders in the Palm Oil sector development as of the 1980s;
- Contributing towards RSPO certification of independent smallholders;
- Launching the Indonesian Sustainable Palm Oil standard (ISPO);
- Strengthening the effectiveness of the Corruption Eradication Commission (KPK);
- GoI initially endorsing the Indonesian Palm Oil Pledge (IPOP).

Eight core factors were identified that explain why these experiences were the best ever:

1. *The political will to include smallholders* in the sector: The introduction of standards by both the GoM and GoI that foster the legal status of smallholders, including clarity on land titles; the GoI's policy to include smallholders in the sector as of the 1980, resulting in (certain) smallholders becoming middle-class citizens, and; the Indonesian initiative to support the RSPO certification of independent smallholders explain this factor;
2. *Good collaboration* between different public sector organisations, those at national level and those at decentralised level, was a key factor that explains set-up of the Malaysian Palm Oil structure, the success of the area-based certification process in Malaysia, the drafting of the ISPO and the KPK of Indonesia becoming more effective;
3. *Also good collaboration with the palm oil sector* explains that the Malaysian Palm Oil structure and the introduction of the ISPO standard are seen as good experiences;

-
4. The political decision taken in the 1980 to consider palm oil as an economic driver to *national development*: In the 1980s Indonesia formulated sector specific policies and provided financial instruments in favour of employment creation that led to an increase of its GDP. In the same period the Malaysian Government also invested in the set-up of a national palm oil structure;
 5. Both the GoI and GoM are continuously *assessing consumer demand* as an instrument to steer the sector, in particular assessing the most appropriate certification standards for each market;
 6. A sense of urgency by the GoI experiencing *many land related conflicts* and the private sector becoming tired of *corruption and bribery* has led to a more effective Anti-Corruption Agency. This is also influenced by the private sector becoming tired of corruption and bribery practices;
 7. A good collaboration between Indonesian NGOs and the private sector helped the GoI to endorse the Indonesian Palm Oil Pledge;
 8. *Good collaboration between the RSPO, the private sector and the GoM* helps to introduce the area-based certification process.

The following picture presents the relations between these experiences and the factors.

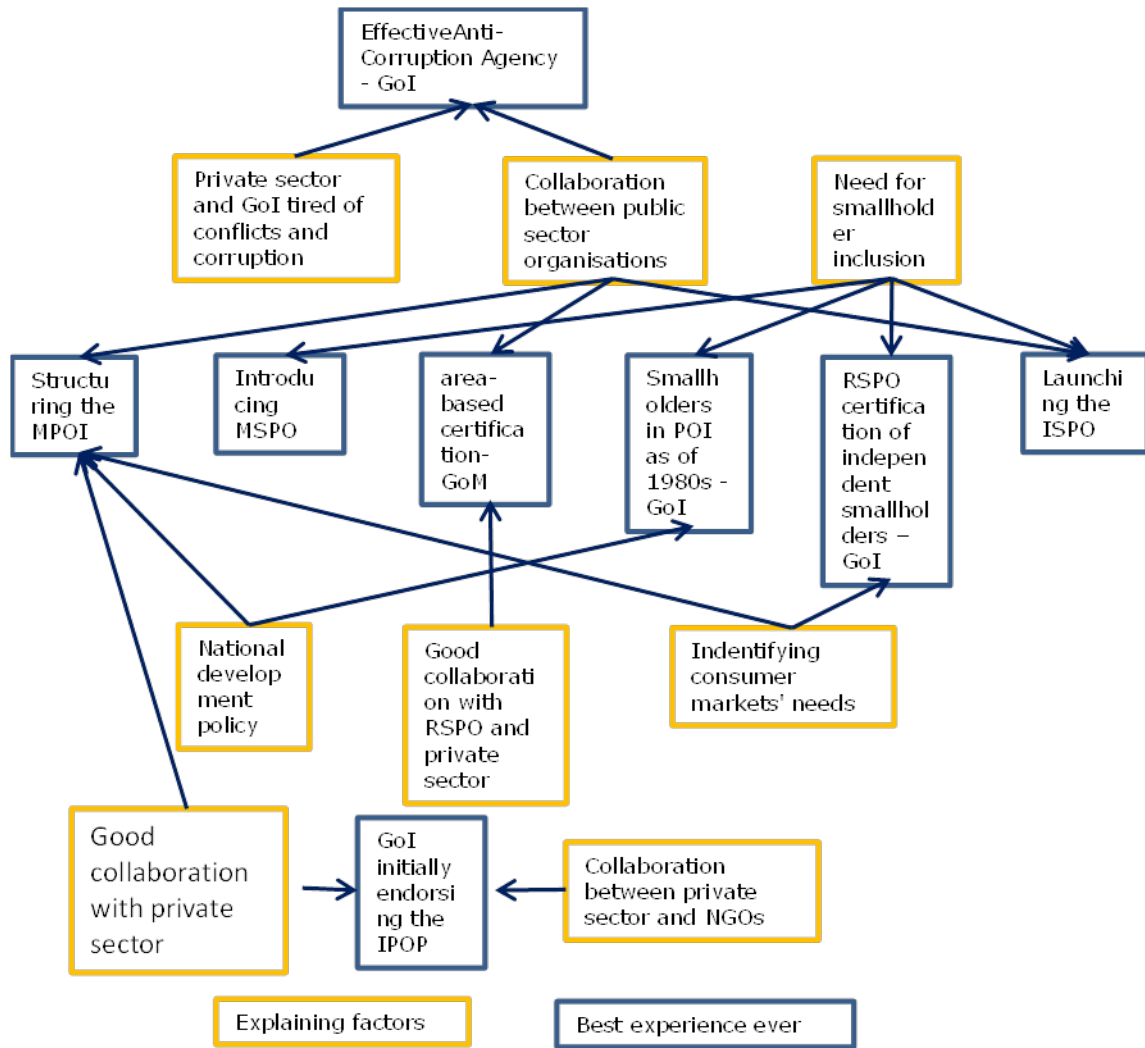


Figure 1 Relations between best experiences and explaining factors

3.3 Dream – Envisioning future roles of the state

After having shared each other’s best experiences as well as having analysed the factors that explain these experiences, participants started to envision the future roles of the state in governing the global palm oil industry that contribute to sustainability. These three dreams are described in this section.

3.3.1 First dream

A sustainable palm oil sector starts with actors trusting each other: ‘The international community is not trusting palm oil producers because they say that producers are destroying nature’. This international community comprises civil society organisations, consumers and academics, which associate palm oil production with the destruction of nature and climate change. Trust also implies that the standards used by palm oil producing countries are also those used by consuming countries and that a level playing field exists for all oils and fats with regards to standards used. Ultimately no standards would be needed, because countries mutually trust each other with regards to sustainability issues.

Apart from creating these trust relations, palm oil consuming countries should start listening to understand what is happening in producing countries. These two prerequisites and six strategic actions will make the sector more sustainable. These are:

1. The rationalisation of standards at global level: This relates to different standards being in use in the sector, like those of the RSPO, the Indonesian and the Malaysian government. It is essential that involved actors start to build upon each other's principles and standards by obtaining a consensus on the minimum requirements for Sustainable Palm Oil and make these requirements public. Both consuming and producing countries would commit to these standards. This would help the start of a transparent and continuous learning process for improvement;
2. Clarity over rights in palm oil producing countries: Local communities, indigenous people and the private sector will know what their rights are and therefore governments will proceed to regulatory reforms to clarify these. These reforms should be balanced, flexible and provide space for learning based upon best practices. Past experiences have shown that rigid regulatory reforms do not enhance the sector's learning capacity;
3. Negotiated agreements at national level. These should move from voluntary to mandatory agreements between the sector and the government, based upon best practices and experiences. The idea is that best practices not only inform voluntary agreements but should drive mandatory regulations as a means to upscale and institutionalise these best practices. Both innovations and the use of sanctioning power are part and parcel of negotiated agreements and their implementation;
4. Balanced business environment: The business environment should enable the efficient allocation of resources which would then lead to change. It is important that small, medium and big entrepreneurs cooperate and all remain economically viable;
5. Media, in particular in consumer countries should ensure a balanced coverage of the issues in the palm oil sector so as to redress the currently prevailing negative image of the sector at global level;
6. The ASEAN community should build a stronger alliance to show that it is committed to make the sector sustainable.

3.3.2 Second dream

A sustainable sector is one that is capable of producing in a sustainable way and creating inclusive economic growth. Its motto is to 'protect, produce, provide and promote for prosperity'. This will be realised by the following three strategies:

1. Sustainable supply shed: Several certification pilots in Malaysia and in Indonesia follow an area-based/supply shed and/or jurisdictional approach. This approach enables the creation of fully segregated supply chains and allows consuming countries to import 100 % sustainably produced palm oil. Several EU countries are currently asking for these segregated supply chains; Both local and national governments from producing countries would facilitate the implementation of these approaches, by providing the right incentives to the sector and creating the enabling environment. This entails amongst others; ensuring that palm oil is being grown in line with land use plans; ensuring clarity on land rights for both companies, smallholders, local communities and indigenous people and; transparency on licences and permits;
2. High productivity per hectare: Inclusive economic growth would amongst others be stimulated through the intensification of palm oil production per acreage. Smallholder inclusion requires a comprehensive support package that includes access to planting materials and other inputs; to advisory services with regards to good agricultural practices; to infrastructure such as roads, communication and mill facilities; to markets and finance. One actor alone, for example the state or the private sector cannot provide this package on its own; joint efforts are needed. Governments would orchestrate the delivery of these packages and engage with non-state actors to divide roles and responsibilities. The government itself could possibly provide advisory services and intervene in R&D, like is the case in Malaysia;
3. Rationalisation of standards and their adherence by the sector. The divide between the RSPO that has a private sector standard and the national standards need to be overcome. This requires a dialogue between governments and non-state actors. It would help establishing a global standard to be implemented by the sector and enforced by all government levels. Local governments who

are in charge of issuing licenses would have the necessary capabilities and financial resources to play their role in changing practice;

Standards should also enable SMEs to become certified. Apart from this smallholder support by the government will be important to foster their further inclusion in the sector.

In the end, debates about standards would become obsolete because sustainability would be mainstreamed into existing practices and adhered to by the industry. Traceability systems would then also enable that products can be traced back to the source and provide consuming countries and consumers with the guarantee of buying a sustainable product. Whereas the state would play a very strong role to prevent that free riders take advantage, in the very long run there would be no such role for the state.

3.3.3 Third dream

The third dream also is about sustainable palm oil becoming a global norm and that there is a global commitment to buy it like it was the case with past debates on contamination and quality issues.

(I)NGOs and private sector initiatives have been the very first drivers to address sustainability issues. However, to foster a sustainable palm oil sector, INGOs will have to start collaborating with the sector and in particular European NGOs need to clarify misperceptions about the sector to European consumers. Both (I)NGOs and the private sector will continue introducing innovations in the sector towards creating a globally accepted norm.

Based upon these innovations, governments of palm oil producing countries will further issue laws, regulations and related operational guidelines as well as enforce these. Apart from these; there will be no social conflicts over land rights because spatial planning becomes an effective instrument for allocating land; corruption will be eradicated; transparent licensing procedures will be in place, and; R&D will help to intensify palm oil production per hectare, as a means to protect the forest cover and to mitigate negative consequences for sustainability.

When these issues are being addressed, the ISPO and MSPO will be nationally and internationally recognised. Next to this international recognition consumer countries would put in place the right incentives to ban the import of unsustainable palm oil, provided that there is a clear and shared understanding from all actors about what sustainable palm oil is. Countries like China and India will have decided to purchase sustainable palm oil rather than continuing purchasing cheap palm oil for their people. Also consumers will have acquired the necessary understanding of sustainable palm oil and buy it.

3.3.4 Based upon these dreams, in the plenary session

The aforementioned dreams and the following plenary session helped to identify eight strong ideas to foster the role of the state in the near future:

1. Promoting an area-based/landscape / sustainable supply shed/ jurisdictional approach;
2. Ensuring smallholder inclusion through collaborate efforts, providing them with a full support package;
3. Palm oil consuming countries, reaching consensus on what sustainable palm oil is, and introducing the right incentives to purchase sustainable palm oil;
4. Increasing the transparency in licensing procedures;
5. Providing clarity on rights and obligations of the industry and SME, in particular in relation to land
6. The rationalisation of existing standards as a means to simplify certification procedures and decrease their costs;
7. Improving the perception of the sector amongst consumers;
8. Creating a level playing field for all oils and fats with regards to sustainability issues.

After a voting procedure four ideas were selected for further elaboration in sub groups: participants agreed that these topics would help to make significant changes in the palm oil sector.

3.4 Design of ideas to foster future roles of the state and commitments made - Destiny

The four ideas selected for further elaboration were, 1) the promotion of an area-based/landscape / sustainable supply shed/ jurisdictional approach, 2) palm oil consuming countries purchasing sustainable palm oil, 3) rationalising existing standards and 4) reaching a level playing field for all oils and fats instead of only addressing sustainability issues in the palm oil sector. For each of these ideas a number of participants made commitments to bring these ideas a step further.

3.4.1 Area-based/landscape/supply shed/jurisdictional approach

A number of concepts, such as that of landscape, supply shed and jurisdictional approaches need further clarification. It is worthwhile that researchers investigate existing pilots, including their relation with existing policies, laws and regulations. A key question would focus on the further institutionalisation of such pilots. The Southeast Asian Rainforest Research Project (SEARRP) in Sabah has already started the analysis of a landscape pilot in this Malaysian state.

Governments, international bodies and businesses need to engage in this exploratory and learning process in order to take appropriate action for their further institutionalisation through laws, rules and regulations and other incentives.

Prerequisites that need to be in place for the successful implementation of area-based approaches in Indonesia consist of good land and natural resources governance and instruments that clarify land and concession rights as well as enforce these.

The first steps to be taken consist of further experimentation with these approaches involving all relevant actors at local level, and to identify the correct institutional scale of this approach: would this be the district or the provincial level in Indonesia, or the district, state or national level in Malaysia?

IDH, WUR and PASPI will take further action on this topic.

3.4.2 Palm oil consuming countries to purchase sustainable palm oil

The most important consumer countries at the moment are in order of importance Indonesia, India, EU, China and the US. The most important producing countries are Asian countries and in order of importance Indonesia, Malaysia and Thailand.

In line with the EU Forest Law Enforcement, Governance and Trade policy under which Voluntary Partnership Agreements (VPA) have been signed with timber producing countries, this group proposes to establish VPAs with palm oil producing countries. These VPAs should have a clear consumer label, stating that the product contains sustainable palm oil. Either the EU or Indonesia can take the lead in this initiative.

Several steps to conclude VPAs for palm oil are:

1. Reach consensus on what healthy and sustainable palm oil means. This implies that scientists conduct a meta-analysis of existing research to come with conclusions. Because both health and sustainability are actually part of a political debate both Occidental and Asian scientists will have to work together to overcome this divide between consumers and producers;
2. Raise consumer awareness the production of sustainable palm oil and its effects on health in order to create a more balanced image of the sector. This based upon the research findings of step 1;
3. Governments work towards the VPA and create the consumer label. The five palm oil consuming and the three palm oil producing countries could be linked to the consumer goods forum which is and industry based forum.

The Netherlands takes into consideration to start a discussion on VPAs with the EU and to start a consensus making process to define what sustainable palm oil is in consuming countries. The Palm Oil Research Center of Universiti Teknologi (Malaysia) is considering conducting research together with EU research institutes.

3.4.3 Rationalisation of existing standards

The governments of Indonesia, Malaysia, China and India will create a coalition of major producer and consumer countries to agree on a common standard for sustainable palm oil. These four countries are the biggest producers and consumers. Such a standard reduces certification costs, avoids consumer confusion and increases the commitment of all producers to grow sustainable palm oil. Nationally existing standards will be the starting point for coming to such an agreement.

The first step towards realising this idea is to table the issue with the above mentioned countries, with the GoI taking the initiative, or table the issue with the sub working group on palm oil between Indonesia and Malaysia.

If the coalition comes to an agreement then this will be interpreted by other countries as a statement of power, and the standards would possibly be adhered to.

The governments of Malaysia, Indonesia and the RSPO will seek mutual recognition of each other's standards and Indonesia will take the initiative.

3.4.4 Reaching a level playing field for all oils and fats

Overcoming discrimination by palm oil consuming countries who state that palm oil production is not done in a sustainable is a core issue to be addressed by palm oil producing countries. These countries state that the EU biofuel policy, import taxes by France and certification standards imposed by the EU/US countries are means to protect domestic markets and hence discriminatory measures according to WTO regulations: The WTO does not have an article that allows discrimination of imports based on sustainability grounds and that doing so is against the general agreement on trade and tariffs in the Marrakesh agreement. Overcoming discrimination requires four different actions:

1. Multi-track diplomacy, based on government-to-government discussions, be they bilateral, trilateral or multilateral. This diplomacy would also include stronger relations between producer countries in Asia. This initiative is explicitly government led;
2. Raise the awareness of consuming countries about some of these concerns around discrimination and unfair practices. This would be based upon a constructive dialogue. The governments of palm oil producing countries play a leading role in this;
3. To sustain the above mentioned actions, research on palm oil governance and policies that include 'trade wars' and 'global geo-politics' are important. This requires a further strengthening of academic linkages between Indonesia, Malaysia and major consumer countries. Relevant topics to be addressed include palm oil governance, trade wars, global geo-politics, and comparative studies on vegetable oils. Research should be grounded in critical social sciences;
4. Palm oil producing countries like Indonesia and Malaysia currently rely on legal expertise from the US. Building their own legal expertise is a key role of the government.

The Malaysia Japan International Institute for Technology of Universiti Teknologi will consider conducting research on trade barriers and geo-political issues in the palm oil sector as a means to support this initiative.

4 Conclusions

4.1 With regards to the process of the expert meeting

The process of the expert meeting did only partially fulfil the expectations of the organising committee. The appreciative inquiry methodology, which has proven to be successful in other contexts, did only partially contribute towards participants obtaining a common understanding and constructing a common understanding.

Interviews with all participants prior to the meeting and constructive interventions of members of the hosting committee did not prove fully helpful and during the meeting it became clear that already existing (national and international) differences in values, norms, principles and perceptions are causing a deadlock in the role states *can* play towards a sustainable palm oil sector.

4.2 With regards to issues to be taken up by participants

Whereas seven of the eight factors identified during the discovery phase explain positive experiences in the palm oil sector at *national level*, participants choose to design interventions related to *international issues*, rather than amplifying the positive experiences at national level.

The four issues that were chosen for further actions are:

1. Promoting an area-based/landscape / sustainable supply shed/ jurisdictional approach. Together with IDH, WUR and PASPI will take further action on this topic;
2. Palm oil consuming countries, reaching consensus on what sustainable palm oil is, and introducing the right incentives to purchase sustainable palm oil. No firm decisions were taken as to who will bring this idea a step further, although the Netherlands and the Palm Oil Research Center of Universiti Teknologi (Malaysia) are considering actions;
3. The rationalisation of existing standards as a means to simplify certification procedures and to decrease their costs. Indonesia will take the initiative to seek mutual recognition of the ISPO, MSPO and RSPO standards;
4. Creating a level playing field for all oils and fats with regards to sustainability issues. The Malaysia Japan International Institute for Technology of Universiti Teknologi will consider taking action to support this initiative.

4.3 Other commitments made

Apart from participants making commitments to address the four strong ideas that foster the role of the state general commitments were made which are the following:

- Publish outcomes of this meeting;
- Organise similar meetings with the state;
- First seek further validation of the ideas;
- Bring forward the idea of Voluntary Partnership Agreement;
- Provide academic input on landscape approach;
- Academics to support sustainability criteria;
- Disseminate/validate findings through ARPOS network;
- PASPI think tank to validate and disseminate outcomes of the meeting.

References

- Oliver Treib, Holger Bähr, Gerda Falkner (2007) *Modes of governance, towards a conceptual clarification*, *Journal of European Public Policy*, 14:1, 1-20, DOI: 10.1080/135017606061071406
- David L. Cooperrider, Diana Whitney, Jacqueline M. Stavros (2008) *Appreciative Inquiry Handbook, for Leaders of Change* : Crown Custom Publishing, Inc in Brunswick and Berrett-Koehler publishers, Inc San Francisco.

Appendix 1 Programme of the meeting

Wednesday 26 August

Time	Topic	Content
1h00 PM	Welcome	Welcome in the dining room
1h00 PM	Lunch in the Feast@East Buffet Restaurant	
2h15 PM	Getting started	<ul style="list-style-type: none">• Introduction to the programme• Getting to know each other• Presentation of findings interviews & Exploring governance
4h00 PM	Break	
4h14 PM	Appreciative inquiry and Phase 1 - Discovery	<ul style="list-style-type: none">• What is appreciative inquiry?• <i>Appreciating</i> best experiences regarding the role of the state in governing the Palm Oil Industry (working groups)
6h00 PM	Phase 2 - Dream	<i>Envisioning</i> future roles of the state in governing the global palm oil industry and governance arrangements (working groups)
7h30 PM	Dinner	

Thursday 27 August

Time	Topic	Content
8h30 AM	Presentation of findings	<ul style="list-style-type: none">• Getting started• Presentations of findings by working groups• Debate on future roles of the state in governing the global palm oil industry and governance arrangements
10h30 AM	Break	
10h45 AM	Phase 3 - Design	<i>Co-constructing</i> future roles of the state in governing the Palm Oil Industry <ul style="list-style-type: none">• Plenary brainstorm on best governance arrangements• Working groups
13h00 AM	Lunch in the Feast@East Buffet Restaurant	
14h15 AM	Presentation of findings	Presentation of ideas in plenary
15h30 AM	Phase 4 - Destiny	<i>Sustaining</i> these future roles of the state <ul style="list-style-type: none">• The way forwards towards realization the future roles of the state and best governance arrangements for the global palm oil industry
16h15 AM	Break	
16h30 AM	Closing	Conclusions on main findings and recommendations
17h00 AM	End	

Appendix 2 Terms of reference for sub groups

Topic under discussion

According to most experts in this meeting, a global and local sustainable palm oil industry would ensure a balance between Profits, People and the Planet, as well as recognize the right to development of poorer people and less developed countries.

The role of the state in governing the Palm Oil Industry towards sustainability merits further exploration, given the transnational character and the multitude of actors involved in the sector. We are looking for brilliant ideas and collaborative initiatives that clearly position the state in the governance of a sustainable Palm Oil sector and ensure sustainable outcomes.

In line with O. Treib et al (2007)², we define governance as 'societal steering and the coordination of interdependent actors' (groups). Governance also refers to the relationship between state interventions on the one hand and societal autonomy on the other hand. Main dimensions in these relationships are:

1. Policy instruments that the state uses to steer the Palm Oil Industry. This refers to the degree of flexibility rules and regulations have with regards to steering.
 - Are rules, directives and decisions made legally binding or do they only provide suggestions or recommendations;
 - Do they describe rigid procedures and approaches for implementation or are these flexible;
 - Do they contain sanctions for non-respect or not?
 - Etc.
2. How, with whom and when rules and regulations for governing the Palm Oil Industry are being decided upon?
 - In the first place this is about the involvement of state and non-state actors in the formulation and implementation of policy instruments. Are only state actors involved, only non-state actors or do hybrid forms exist;
 - In the second place, irrespective of these actor groups, how are decisions being made: by a few actors who decide on behalf of all actors (hierarchy) or are actors free to make their own decisions like in a market or network structure;
 - In the third place, how is the state organised. To what extent is decision-making being centralised at the central government or decentralised to local governments and what former state services have been privatised;
 - In the fourth place, how formal or informal are the interactions between actors in the policy formulation or implementation process;
 - In the fifth place, to what extent are decisions being made in a transparent way and are checks and balances in terms of accountability present?
 - Etc.
3. What about the role of the state in the governance of a transnational private sector? The following questions emerge when thinking about the governance of the global palm oil industry, which involves many states: How to steer and what decision-making arrangements would be appropriate to manage:
 - Global and local concerns;
 - Transnational value chains;
 - Different ideas about governance.

² Source: Oliver Treib, Holger Bähr, Gerda Falkner (2007) Modes of governance, towards a conceptual clarification, Journal of European Public Policy

And what type of governance arrangements are needed?

- Polycentric governance arrangements? Then how would interactions and relationships between these different arrangements be structured and regulated? (meta-governance)
- Transnational – public/private partnerships?
- Only state governance arrangements?
- Only private sector governance arrangements?

Discovery - Appreciating best experiences

Purpose

To get to know each other and to appreciate each other's experiences with regards to the role of the state in governing the Palm Oil Industry.

Method

Working groups with experts representing national governments, private sector organisations and civil society. Sharing experiences and probing for an in-depth understanding of the best experiences ever.

Facilitator

Appointed by organising committee: prepares a presentation of max 5 minutes for the plenary session tomorrow morning.

Reporter

Appointed by organising committee: takes notes, in particular about the best experiences ever and key underlying factors/drivers. These will be used for the joint analysis after each person in the working group has shared his experience and for the expert meeting report.

Procedure

1. Each expert will take *3 minutes time* to reflect and then briefly share his/her reflections on the following questions:
 - What has been your best experience regarding the role of the state in governing the Palm Oil Industry sustainably?
 - What did you most value about this experience? What happened? Who was involved?
 - Why is this your best experience ever?
 - What underlying factors/drivers explain this best governance experience ever?
 - What can you tell about the state with regards to steering?
 - What can you tell about how, with whom and when rules and regulations for governing the Palm Oil Industry were being decided upon in this case?
 - What can you tell with regards to the issue of transnational governance?
2. After all stories have been told, jointly make a list of all underlying factors/drivers that explain the most positive experiences and ideas that they really appreciated;
3. List all the underlying factors/drivers on coloured cards and stick them on flipchart paper;
4. Select 3-5 major underlying factors/drivers that you all think are the most important ingredients for the state in governing the Palm Oil Industry sustainably;
5. From your group's list, agree on the two to four most important underlying factors/drivers.

Dream – Envisioning future roles of the state in governing the global palm oil industry

Purpose

To envision future roles of the state in governing the global palm oil industry and governance arrangements that contribute to sustainability.

Facilitator

Appointed by organising committee: prepares a presentation of max 5 minutes for the plenary session tomorrow morning.

Reporter

Appointed by organizing committee: takes notes that help to understand important insights of working group discussions and that helps to understand the rich picture that will be made in the working group. These will be used for the presentation in plenary and for the expert meeting report.

Method

Working groups with experts representing national governments, private sector organisations and civil society. Envision the future roles of the state and the best governance arrangements by means of a rich picture and a narrative.

Procedure

Put yourselves 5 years into the future. It is 2020. Visualise the future roles of the state and the best governance arrangements that will make the palm oil sector sustainable. Every person shares his or her vision as an entry point to come to a joint dream.

1. Remember the issues to be addressed for a sustainable sector as identified during the interviews: These are:
 - With regards to standards: Enforcement of all standards; alignment of standards; decrease certification costs and make them affordable for smallholders; is one standard enough or is a diversity of standards preferred; continuous improvements of standards needed (both ISPO and RSPO Next);
 - With regards to issues beyond standards: Market uptake RSPO CPO; Clear land tenure and allocation regulations and procedures, spatial planning; Smallholder inclusion; Cost and benefit sharing throughout the chain; Implement no-deforestation, no-peatland; ensuring level playing field with other fats and oils; Import and export trade tariffs;
 - Any other issue that pops up during the meeting.
2. What future roles of the state and governance arrangements will make the palm oil sector sustainable?
 - What instruments would the state use to steer the sector? And how flexible or binding would these instruments be?
 - How, with whom and when are rules and regulations for governing the Palm Oil Industry being decided upon?
 - What about the future roles of the state in a governing a transnational sector?
 - What will be the relations amongst polycentric governance arrangements if these are being envisioned?
3. What are the underlying factors/drivers that will make this vision – dream happen?
4. What makes this vision so exciting to you? What results do you envision?
5. Prepare a visual that presents your dream for a presentation during the plenary session tomorrow morning.

Design - Co-constructing future roles of the state in governing the Palm Oil Industry

Purpose

To co-construct new and innovative initiatives that lead towards the envisioned role of the role of the state and governance arrangements – realising the dream.

We are looking for ideas that are provocative in terms of challenging or interrupting the current status quo; that are feasible, because you know examples where it works; that contributes to the preferred future roles of the state and other preferred governance arrangements.

Facilitator

Appointed by organizing committee and facilitates the discussion in the working group

Reporter

Appointed by organizing committee: takes notes that help to understand the innovative ideas and how they will be operationalised with whom. These will be used for the expert meeting report.

The idea owner

Gets ready for a presentation to sell his idea in plenary, that comprises the inputs from other members of the group.

Method

Working groups composed on the bases of interest to co-construct one of the ideas identified in plenary.

The idea owner, after having explained his idea in plenary, explains it in detail in his or her working group as a means to make it more operational. Working group members support the further development of the idea into a concrete proposal towards the envisioned role of the state and better governance arrangements.

Procedure

1. Idea owner explains his idea and with the group further elaborates this idea. Wild and out-of-the-box ideas are welcome, that help to make significant changes in the current situation;
2. After the brainstorm, formulate objectives and criteria of success for the desired change;
3. Develop your story of change towards realising these objectives. What are underlying factors/drivers that will make change happen? How will you ensure that the state is playing the roles envisioned during the dream phase? What would be the governance arrangements needed towards a sustainable Palm Oil Industry?
4. What will be the first actions to be implemented in six months from now? And who should do what?
5. To what extent do working group members commit themselves (and their organisations) to support the implementation of this idea after the expert meeting?
6. Prepare a presentation to *sell* your idea in a presentation of 5 minutes. Make sure that your idea is provocative in terms of challenging or interrupting the current status quo; that it is feasible, because you know examples where it works; that it contributes to the preferred future roles of the state and other preferred governance arrangements.

Appendix 3 Best experiences identified during the discovery phase

Malaysia

1 Structuring the Malaysian Palm Oil Industry (POI)

The Government of Malaysia (GoM) already started structuring the palm oil sector in the beginning of the 1980s. As of that moment it supported Research & Development programmes and created a palm oil register that regulates licensing operations in the sector. The government also played a key role in creating the appropriate institutions (Malaysian Palm Oil Association, Board and Council) and came with the right policies, laws and regulations to further guide the sector. These instruments, which are also being enforced, help the industry to meet increasing sustainability demands. Growers and producers pay a small percentage of their sales to MPOA, MPOB and MPOC, part of which is allocated for R&D. Without the state, the sector would not have been capable of organising itself.

Key factors that explain the success

The government has been in the driver seat of the sector since the 1980s. They put in place a highly centralised institutional structure of the sector. R&D findings, together with ongoing debates help to speed up the process towards sustainable palm oil. The GoM works in collaboration with the private sector and identifies what consumer markets need by government-to-government consultations. By providing the right incentives, it ensures that the Malaysian sector remains competitive on the global market.

2 Introducing Malaysian standards for sustainable palm oil and smallholder inclusion

The GoM developed its own standards in support of the certification of smallholders and medium producers. These contain norms for smallholders, for organised smallholders, for estates and for mills. Apart from this, the GoM has a special programme that finances the organisation, capacity development and further support of smallholders to ensure their certification. At the moment smallholders have been organised into some 80 clusters. The FELDA scheme is one good example that promotes smallholder inclusion.

The Malaysian standards helped the sector to overcome trade barriers related to quality, health issues, and food safety in the past and more recently related to environmental issues. The GoM realised the need for a national standard when it concluded that only big palm oil growers can comply with RSPO standards.

Key factors that explain the success are that these standards promote the inclusion and certification of small and medium enterprises, which is very costly under the RSPO standards. The government also provides financial and capacity development support. These government-led initiatives help to improve the image of the palm oil sector.

3 Introducing area-based certification approaches

Another initiative comes from Sabah that intends to have the whole state RSPO certified through a jurisdictional – landscape approach by 2025. This is the ambition of the Sabah forest department and the Sabah government, with support from the RSPO. This would imply that all producers, big or small would be automatically certified when the state receives the RSPO certification.

One key factor explaining this initiative is the pro-activeness of the local government and related sector ministries departments.

Indonesia

1 Including smallholders in Palm Oil sector development 1980s

Smallholder inclusion in the value chain was amongst others regulated in the 1980^{ties}, stipulating that 70 percent of land allocated to palm oil companies was to be allocated to smallholders. These nucleus estate smallholder schemes stimulated cooperation between companies and smallholders, providing them access to inputs and markets whilst ensuring that they perform in line with good agricultural practices.

Smallholder inclusion was part of the decision of the Government of Indonesia (GoI) to develop the sector with support of the World Bank. The GoI then subsidised the interest rates on credits to create nucleus and smallholder estates; it allocated land and developed the capacities to manage these plantations. With this favourable business environment the palm oil sector became economically viable and contributed to the creation of Indonesia's middle-class of Indonesia.

The commitment of the GoI to develop an inclusive sector, initially based upon a domestic market demand, and its ambition to increase its Gross Domestic Product and to create jobs explain this successful introduction of the palm oil sector. Also funding and other resources were available to support smallholders and estate plantations.

2 Contributing towards RSPO certification of independent smallholders

When the RSPO certification principles and standards were introduced, the Indonesian Ministry of Agriculture initially contributed to its implementation. They developed a strategy to reach out to independent smallholders through provincial level facilitators. The ministry trained local facilitators, in charge of improving smallholders' agricultural practices as well as of organising them. This resulted in a number of independent smallholders being RSPO certified.

In Jambi province, the Governor issued a letter to promote the implementation of the RSPO principles and standards in 2009. Local governments, private sector and NGOs succeeded in increasing smallholder productivity and to ensure their inclusion into markets. In 2014 however, a second group of independent smallholders became RSPO certified.

Key factors that explain this success are: the political will expressed by the GoI and by decentralised governments to support the implementation of RSPO principles and standards; their collaboration with both private sector actors and NGOs on the ground, and; their ambition to access international consumer markets. However, efforts to further implement the RSPO principles and standards were put to a halt when the GoI withdrew from discussions with the RSPO on the national implementation of their principles and standards.

3 Launching the Indonesian Sustainable Palm Oil standard (ISPO)

The creation of the ISPO helped Indonesia to make its commitments with regards to sustainable palm oil visible to consumer markets. The standard is based upon the legal framework provided by the Ministries in charge of Agriculture, Environment, Forestry and Land Administration and helps the government to improve itself. The ISPO standard was compiled in reaction to the RSPO standard.

Key factors that explain ISPO's success are: its preparation lasted only three months because of a good collaboration between ministries and agencies; ISPO is mandatory and therefore leads to a legal inclusion of smallholders and provides clarity on land titles and taxes due to the state. In the longer run it will help to improve the image of the sector.

4 Strengthening the effectiveness of the Anti-Corruption Agency

Corruption in relation to natural resources became a strategic programme under the new GoI as of 2014. The KPK signed a Memorandum of Understanding with at least 12 ministries, state agencies and local governments to decrease corruption related to licences and permits. Indonesian NGOs are providing inputs to KPK and the institutions concerned.

The ministry of environment and forestry created a team that comprises members of the private sector, NGOs and the public sector to monitor if land permits and licenses issued are in line with the spatial plans currently under preparation by provinces. These plans contribute to the implementation of the national one-map policy. The procedures to obtain permits have been reviewed, as well as the legality of those permits. Ultimately these interventions are expected to resolve land conflicts. It is expected that the interventions by the government will promote access to justice, democracy and cost efficiency.

The factors that explain an increased effectiveness are in the first place a court case that ruled that there was evidence on corruption related to natural resources. In the second place, the prevalence of land related conflicts increased when many permits were released during the last election period. In the third place the private sector is tired of paying too much money for licences and permits. In the fourth place increased collaboration between the national and local governments helps to foster transparency in land titling and licensing.

5 GoI initially endorsing the Indonesian Palm Oil Pledge (IPOP)

In September 2014, the Indonesian Chamber of Commerce and its Business Council for Sustainable Development (IBCSD) announced the Indonesian Palm Oil Pledge (IPOP) at the UN Climate Summit in New York, which was repeated in Indonesia in August 2015 in Indonesia. Prior to the pledge both organisations hosted a study group to analyse the role of the private sector in the implementation of the national REDD+ policy. They identified four major issues that need to be addressed for those working in the extractive industries, in the paper and pulp sector as well as in the palm oil sector: the absence of land swap policies and a one-map policy, social conflicts related to land rights and smallholder suppliers missing good agricultural practices.

IPOP is currently being supported by 5 companies (Asian Agri, Cargill, Golden Agri-Resources, Wilmar and Musim Mas) accounting for 80 % of Indonesia's palm oil production. The locomotive behind the pledge is the Chamber of Commerce that engages in a dialogue with the GoI.

The GoI endorsed the IPOP during the Climate Summit and also issued the 2014/39 law on sustainable businesses in the agricultural sector, which awaits its operationalisation with the issuance of ministerial decrees. Since the Climate Summit however, the GoI has changed its commitment to support the implementation of the IPOP, framing the pledge as breaching national sovereignty and depriving small holder inclusion³.

Possibly, the IPOP prompted the Ministry of Environment and the Ministry of Agriculture, each separately, to develop a conflict resolution strategy. At the same time the Chamber of Commerce is currently also working on the creation of a social conflict resolution facility.

Factors that explain the initiatives taken by the GoI consist of the private sector becoming responsive to issues addressed by Indonesian NGOs, as well as the private sector being too much exposed to corruption and land related conflicts. The GoI possibly listened to the private sector and started to take action under the new government. Experiences in the coal mine sector show that the GoI learns from best practices at ground level and then turns these practices into regulations.

³ <http://www.thejakartapost.com/news/2015/08/29/govt-opposes-zero-deforestation-pledge-palm-oil-firms.html>

Appendix 4 Evaluation by participants

Participants were invited to write down their appreciation of the expert meeting on a number of questions.

Have your expectations been met?

- Satisfied : 7 persons: good start to discuss the issue, please continue with more mainstream, thank you for facilitating, good;
- Moderately satisfied: 4 persons: no deep discussion on licensing and transparency;
- Not satisfied: 0 persons.

You satisfaction with the results obtained?

- Satisfied : 9 persons;
- Moderately satisfied: 1 person;
- Not satisfied: 1 person.

Quality of facilitation:

- Satisfied : 10 persons;
- Moderately satisfied: 1 person;
- Not satisfied: 0 persons.

Satisfaction with group composition:

- Satisfied : 6 persons;
- Moderately satisfied: 5 persons;
- Not satisfied: 0 persons.

How should this process be continued?

- Carefully think about the group composition for next meeting: have a wider audience for the next meeting;
- Continue with other meetings after the evaluation of the outcomes of this meeting (2 times) and after consultation with relevant stakeholders;
- Maintain the position of the University as a neutral change agent;
- Share the material before the next meeting.

Other suggestions:

- Invite EU representatives for the next meeting;
- Ensure that industry members and ministries are being represented;
- Hard core NGOs should take part in these meetings;
- High level representatives of palm oil consuming and producing states should be invited;
- Provide more data and evidence in order to engage in a trajectory with results;
- Please give hardcopy of the materials.

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The Centre for Development Innovation works on processes of innovation and change in the areas of food and nutrition security, adaptive agriculture, sustainable markets, ecosystem governance, and conflict, disaster and reconstruction. It is an interdisciplinary and internationally focused unit of Wageningen UR within the Social Sciences Group. Our work fosters collaboration between citizens, governments, businesses, NGOs, and the scientific community. Our worldwide network of partners and clients links with us to help facilitate innovation, create capacities for change and broker knowledge.

The mission of Wageningen UR (University & Research centre) is 'To explore the potential of nature to improve the quality of life'. Within Wageningen UR, nine specialised research institutes of the DLO Foundation have joined forces with Wageningen University to help answer the most important questions in the domain of healthy food and living environment. With approximately 30 locations, 6,000 members of staff and 9,000 students, Wageningen UR is one of the leading organisations in its domain worldwide. The integral approach to problems and the cooperation between the various disciplines are at the heart of the unique Wageningen Approach.
