



Article

# The Oil Palm Governance: Challenges of Sustainability Policy in Indonesia

Eka Intan Kumala Putri <sup>1,\*</sup> , Arya Hadi Dharmawan <sup>2</sup> , Otto Hospes <sup>3,4</sup> , Bayu Eka Yulian <sup>2,5</sup> , Rizka Amalia <sup>2</sup> , Dyah Ita Mardiyarningsih <sup>5</sup>, Rilus A. Kinseng <sup>2</sup>, Fredian Tonny <sup>2,6</sup>, Eusebius Pantja Pramudya <sup>7</sup>, Faris Rahmadian <sup>5</sup>  and Diah Y. Suradiredja <sup>8</sup>

<sup>1</sup> Department of Resource and Environmental Economics, Bogor Agricultural University, Bogor 16680, Indonesia

<sup>2</sup> Department of Communication and Community Development Sciences, Bogor Agricultural University, Bogor 16680, Indonesia; adharma@apps.ipb.ac.id (A.H.D.); bayueka@apps.ipb.ac.id (B.E.Y.); amalrizka@apps.ipb.ac.id (R.A.); rilus@apps.ipb.ac.id (R.A.K.); frediantonny@apps.ipb.ac.id (F.T.)

<sup>3</sup> Public Administration and Policy, Wageningen University and Research, 6706 KN Wageningen, The Netherlands; otto.hospes@wur.nl

<sup>4</sup> Faculty of Human Ecology, Bogor Agricultural University, Bogor 16680, Indonesia

<sup>5</sup> Center for Agrarian Studies, Bogor Agricultural University, Bogor 16129, Indonesia; dyahita@apps.ipb.ac.id (D.I.M.); faris\_rahmadian@apps.ipb.ac.id (F.R.)

<sup>6</sup> Tani Center, Bogor Agricultural University, Bogor 16680, Indonesia

<sup>7</sup> School of Business and Economics, Universitas Prasetiya Mulya, BSD City, Tangerang 15339, Indonesia; eusebius.pramudya@lecturer.prasetiyamulya.ac.id

<sup>8</sup> Kehati Foundation, Jakarta 12720, Indonesia; diah.y.suradiredja@kehati.or.id

\* Correspondence: ekaintan@apps.ipb.ac.id



**Citation:** Putri, E.I.K.; Dharmawan, A.H.; Hospes, O.; Yulian, B.E.; Amalia, R.; Mardiyarningsih, D.I.; Kinseng, R.A.; Tonny, F.; Pramudya, E.P.; Rahmadian, F.; et al. The Oil Palm Governance: Challenges of Sustainability Policy in Indonesia. *Sustainability* **2022**, *14*, 1820. <https://doi.org/10.3390/su14031820>

Academic Editor: Silvestre García de Jalón

Received: 28 December 2021

Accepted: 19 January 2022

Published: 5 February 2022

**Publisher's Note:** MDPI stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.



**Copyright:** © 2022 by the authors. Licensee MDPI, Basel, Switzerland. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

**Abstract:** Nowadays, Indonesian palm oil faces agrarian, environmental, and social issues and has been subject to sharp criticism from the international community for many years. To answer this problem, the Indonesian government implemented a strategy through certification which ensured the achievement of sustainability standards, especially on the upstream side of the palm oil supply chain. The implementation of Indonesian Sustainable Palm Oil (ISPO) was an ultimate instrument that applied in particular to smallholders oriented towards managing land legal issues, plantation business licenses, plant seeds, and environmental management and to farmer organizations at the local level. However, this process faced quite complex challenges in the form of structural barriers that are very constraining. This study revealed the occurrence of the phenomenon of hollow governance when regulations are absent or collide with each other. The study also revealed institutional power and multi-level governance that made the governance process ineffective or counterproductive. With a qualitative approach to research conducted in three important palm oil provinces of Indonesia, this article aims to look at the issues of oil palm governance a bit more comprehensively. The study conceptualized what was referred to as low-functioning governance to describe how weak the institutions, organizations, actors, and resources are that support ISPO implementation, especially at the regional and local levels. This paper suggests improving and strengthening the ISPO oil palm governance if Indonesian palm oil companies and smallholders want to gain better credibility on sustainability abroad.

**Keywords:** governance; ISPO; certification; sustainability policy; smallholders

## 1. Introduction

### 1.1. Background

The increasing environmental consciousness of European consumers that leads them to consume according to green principles [1,2] has provided a strong impetus for food-exporting countries to implement strong sustainable policy on [3] and governance of the commodities they export. In view of the palm oil production, Indonesia responded to

environmentally sensible consumers [4] by releasing a palm oil sustainability governance system, the so-called Indonesian Sustainable Palm Oil (ISPO). ISPO is a governance instrument, as well as a sustainability policy to fulfill the sustainable development principles of palm oil, which was formally enacted by the Presidential Regulation of the Republic of Indonesia Number 44 of 2020.

The ISPO policy was a sustainability initiative to address the socio-ecological related problems attached to the palm oil of Indonesia. As is widely known, Indonesian palm oil has long been under very sharp criticism due to the socio-ecological impacts of its operation on ecological changes, deforestation, and massive land cover changes [5,6]. Issues of biodiversity loss and land encroachment, as well as the social problems related to territorial–agrarian conflicts between the companies and the indigenous peoples, are part of the agrarian [7,8] and environmental problems of oil palm plantations in Indonesia [9–11]. In the implementation, ISPO faced several complexities, particularly at the level of the local and regional public authorities [12].

ISPO is targeted towards promoting products with a high level of credibility in the agricultural international markets [13]. At the local level, oil palm governance was not easy to follow due to structural problems and compliance barriers [14]. Quite a substantial number of the smallholders' lands under oil palm plantation were found to overlap with forest areas, which triggered deforestation issues and social–agrarian conflict against state authority. Most of the smallholders had not officially registered their plantations with business permits. In most cases, the smallholders used uncertified seedlings; this interwove with the problem of the lack of an agri-environmental management system [15]. Financial constraints were also a serious challenge [16]. The absence of an effective farmers' organization was also an urgent issue [17].

In the implementation, ISPO provided several benefits and risks. For consumers, ISPO would be valuable for ensuring the safety of the environment. For producers, ISPO would be effective to raise the market credibility. However, ISPO runs the risk of being financially expensive for smallholders [18]. Meanwhile, for the local and regional governments, ISPO not only establishes regulations but also facilitates the process of socialization, training and assistance, or other technical support that would be costly [19].

The readiness of the Indonesian government to organize the ISPO certification process faced multi-level obstacles [20]. Glasbergen stated that there is a problem related to the interpretation of the meaning of sustainable palm oil certification which is not integrated between the various governance levels. Decentralization policy has caused multiple interpretations among government authorities of different hierarchies [21].

The structure of the Indonesian government is generally known to split into five levels of administration: central government, provincial government, district (*kota* and *kabupaten*) level government, subdistricts (*kecamatan*), and village (*desa*) government [22]. Subnational governments refer to the regional governments at the provincial and district levels, which, due to the decentralization policy, are relatively independent and have the authority to regulate their own territory. Village governments and/or local governments are usually used interchangeably and refer to the locally governed territorials where the smallholders normally live. The implementation of regulations governing sustainable palm oil certification often stops only at the central government level. Its implementation cannot continue until it has reached the lowest level of local government due to diverse barriers.

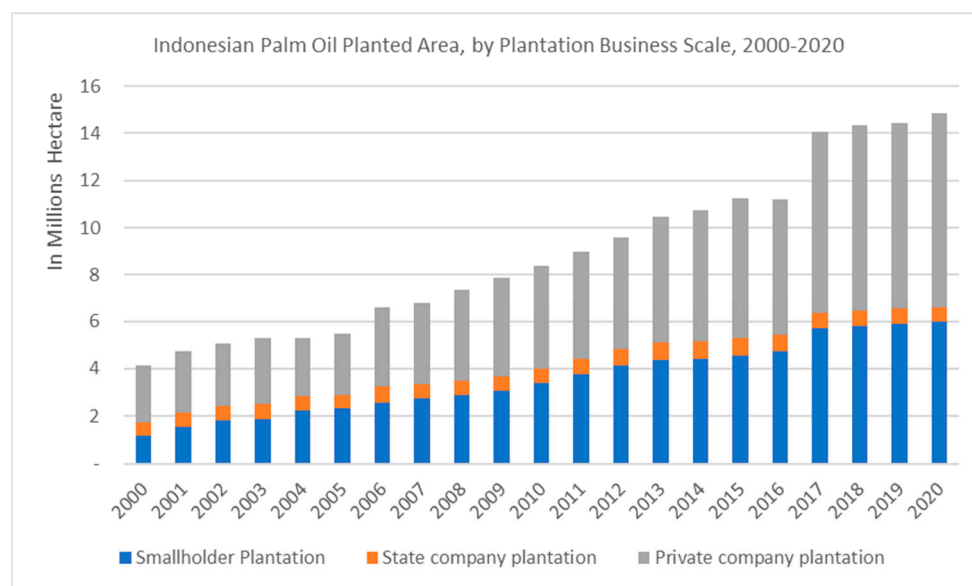
As a result, no substantial changes occur in the performance of palm oil sustainability at a local or regional level despite the dynamics of the regulating and policy making of the palm oil processes at the central government level [23]. Multiple arenas and hierarchies of functional authorities have caused miscoordination across the scale of governance or inter-organizational functions, especially at the sub-national level [24]. In the meantime, despite having far-reaching autonomy and more power to take decisions and implement policies after the enactment of Village Law, local governments remain weak [25] oil palm implementing and governing units. At the local livelihood level, the situation has stayed unfavorable. A lack of human resources and a limited capacity in terms of technical,

physical, and financial capital have left smallholders with little opportunity to meet the sustainable palm oil governance requirements [26]. This situation is conceptualized as a low-functioning governance phenomenon, the detail of which is to be provided in the next sub chapters.

### 1.2. Problem Statement

Palm oil has had a very important economic position for Indonesia for the last two decades. The entire palm oil supply chain generated employment creation and created a very significant economic contribution for Indonesia [27]. The oil palm plantations that continued to expand in Indonesia leveraged substantial economic growth and downstream industries. At the beginning of the 21st century, the total area planted by palm oil was only four million hectares, but it expanded to more than 14 million hectares by 2020. The total planted area has grown more than 300% in the last 10 years. Along with the oil palm plantation expansion, the crude palm oil (CPO), cooking oil, and biofuel industries have continued to grow and are targeted not only at meeting the domestic market but also fulfilling export needs (see Figures 1 and 2). The European Union (EU) has been a part of the target export market though the exported volume was not as big as that for the non-EU countries. The rapid economic growth in the oil palm sector has consequences for oil palm plantation expansion, which then gives rise to serious risks of social and environmental problems in the form of changes in the landscape and the ecosystem of many areas [28].

It was at this point that Indonesian palm oil drew sharp criticism from the EU, which had for many years imported CPO-based biodiesel from Indonesia. The ultimate criticism was the enactment of Renewable Energy Directive II (RED II policy), in which the EU countries put a very strict trading restriction on all Indonesian CPO-based biodiesel because palm oil was considered to be a forest-risk and was committed to being a high Indirect Land Use Change (ILUC) risk commodity [3,29]. Indonesia's response was to address the various social and environmental risks by issuing a set of regulations and policies, including ISPO, which became known as the oil palm governance system [30]. However, the implementation of palm oil governance was not as smooth as expected. There were various internal problems where efforts faced many challenges due to the lack of secure funds, the technicalities, and the complexity of governing that must be resolved.



**Figure 1.** Indonesian palm oil planted area, by business scale category, 2000–2020. Source: [31].



**Figure 2.** Export and domestic market of Indonesian CPO, Crude Palm Oil, 2000–2020. Source: [32].

An effective governance system that supports ISPO is highly dependent on local and regional commitment, where the policy-making authorities of the autonomous regions interpret sustainability policy similarly. In this case, the phenomenon of the everyday state formation [33], which conceptualizes the idea that actors within the state are not harmonious and not uniform in constructing the line of actions from the national and regional levels to the local level, can be an important handicap to anticipate. For the ISPO, the phenomenon of disconnection and antagonism between sectors has thereby emerged [34]. Multiple authorities and bodies of agrarian affairs, forest and environmental affairs, and agricultural affairs that stretch either horizontally or vertically along the line of government administration, where each of the authorities has a complex position, could potentially be trapped into antagonistic power relationships towards the others [35].

At the sub-national level, the challenges are not only limited to the incoherency of the governance system, which makes the line of actions between the sectors and between the levels inconsistent, but also to the constraints on human resources and financial support. These various obstacles have the potential of impeding the implementation of ISPO [36,37].

There is a potential for the emergence of a decoupling of the sustainability policy in its practice between sectors, due to the unpreparedness of the related government authorities [34]. Policy decoupling can also take place when the local governments, for various reasons, do not heed the policy from central or sub-national government. The institutional pressures that come from above are not strong enough to force the sub-national and local governments to change their behavior [38].

Two research questions occur, namely: (1) What major governance issues has Indonesia faced in implementing ISPO so far? (2) What are the policy implications of the practices of disconnection in the palm oil governance system for Indonesia?

## 2. Conceptual Framework and Method

### 2.1. Conceptual Framework

The study uses a conceptual framework of governance practice by employing four concepts, namely: (1) hollowed-out governance in the government administration; (2) the institutional power of ISPO; (3) the territorialization effect of the ISPO policy implementation; and (4) the multi-level oil palm governance system. These four concepts are discussed in more detail in the following description.

### 2.1.1. Hollow Governance in the Policy Implementation

Hamilton-Hart suggested that there is a risk of misgovernance in the overall implementation of the oil palm certification policy, due to the differences in implementation between the central, provincial, district, and local governments [39]. Hollowed-out governance occurs when the sub-national government system is unable to incorporate central government policy into its regulatory system, or they are unable to deliver their policy objectives to the public [40].

The hollowing-out-of-the-state syndrome took place when the regional and local governments did not play a functional role in the policy implementation due to a policy vacuum or the government's loss of functions in providing supportive services; see [41]. The governance is in a vacuum situation when the authority bodies that carry out tasks according to a government order, stretching both horizontally and vertically, are not able to perform their duties properly. Even if they carry out their duties, many missions and government messages cannot be delivered effectively to the public. Each subsystem experienced an unlocking because several prerequisites, such as regulations and policies to link them together, could not be fulfilled. Inter-sectoral and hierarchical disconnection can result in the slowdown of the implementation of program and policy [34,36].

### 2.1.2. Institutional Power of Policy Implementation

Orsato et al. used the concept of institutional power to assess the process of coercive power to regulate the implementation process of a policy [42]. Aquanno, in this regard, saw institutions as emerging and relatively autonomous entities that can influence agents and that have the ability to shape social landscapes and influence human preferences [43]. Thus, institutions have the power to shape human subjectivity or agency in performing actions [44]. The ISPO policy was institutionally capable of making changes in at least two ways. Firstly, the smallholders have started to grow their sustainability consciousness of the fact that now palm oil products and production processes must comply with sustainability principles, and secondly, the government agencies were encouraged to facilitate the ability of farmers to carry out certification even in conditions of limited capacity.

### 2.1.3. Territorialization Effect of Policy

Ruysschaert et al. stated that there have been many territorialization effects occurring in regions since the implementation of a certain policy. Territorialization appears through the strategic and operational processes linked to the construction and application of procedural rules and regulations. Territorialization also occurs via the rules and policy-making processes that involve socio-technological processes linked to the spirit of the managerial approaches to sustainability [45].

As a result, the implementation of a policy will make people feel depressed by the feeling that they are compelled, co-opted, or dominated by external power. In the case of the ISPO policy, the regional and local governments perceive themselves only as objects and not subjects of the regulatory process of certification. Local governments feel "alienated" as the ISPO policy was established without the participation of local governments. Local governments have the feeling of being coopted by policy pressure from the central government, which inevitably must be implemented in ways in which they cannot resist [46]. The territorialization effect became obvious when the ISPO policy was applied to a region without being accompanied by supporting instruments, such as financial support, skills, knowledge, and equipment, or adequate prior communication with the smallholders of the regions.

### 2.1.4. Multi-Level Governance System

Di Gregorio et al. saw that the implementation of a policy faces multi-level governance challenges [47]. The sustainability standard through the certification policy that comes from central government faces sociological complexity in the locality. Since the beginning, there have been cross-level power imbalances between the actors involved in certification;



therefore, standard guidelines are needed to facilitate their implementation, especially in the sub-national regions [48]. The imbalance of power also occurs not only with respect to the smallholders but also to the local governments in dealing with the central government [49]. Multi-level governance has made a widening gap in every policy-making process, including the ISPO certification.

## 2.2. Methods

This article used data and information which benefited from a study that was prepared using a qualitative descriptive method to analyze the social phenomena related to the implementation of the ISPO policy. The data were collected from the results of in-depth interviews and focus group discussions, or FGDs, covering various stakeholders and several expert meetings, as well as desk studies. The key informants in the in-depth interviews and the participants in the expert meetings were key stakeholders, including government authorities, policy-executing institutions, entrepreneurs, academics, the Chamber of Commerce and Industry, and NGO leaders, as well as farmers from the central, regional, and local levels who were involved in the process of implementing the ISPO certification policy. The resource persons representing the Indonesian central governments were high-level officials from the relevant oil palm ministries of the Republic of Indonesia. The resource persons at the regional level were the officials of governing bodies, including the Plantation Office, the Forestry Office, and the Environment Office. The study focused on three provincial governments of Indonesia, Jambi Province, Central Kalimantan Province, and East Kalimantan Province. In addition, local figures were also involved, such as figures from non-profit organizations, cooperatives, oil palm smallholdings, and the farmer associations that participated in the FGDs.

The data and information-collection activities were carried out in the period between November 2019 and December 2020. The data and information obtained were written in the form of discussion minutes and in-depth interview diaries. The diary narratives were then analyzed using a content analysis method and presented in a descriptive–narrative manner. To support the qualitative data, secondary data were obtained from the official reports published by the government and other formal institutions. This article was compiled as a result of the crystallization and conceptualization of various ideas from the study.

## 3. Results

### 3.1. Sustainability Policy Effectiveness in Multi-Level Governance System

The initiation of the ISPO certification policy aimed to increase the competitiveness of Indonesian palm oil in the world market and to fulfill the commitment of the government of the Republic of Indonesia to the sustainability principles of oil palm production. The certification policy was set up in relation to the effort to reduce environmental pollution, greenhouse gases, and all the related environmental issues [50]. This commitment was in line with the international aspirations of the European Union countries. The ISPO policy was an oil palm environmental governance instrument implemented at a national scale that was initiated by the Indonesian government more than a decade ago. It started in 2011, through the Ministry of Agriculture Regulation number 19 of 2011 concerning Indonesian Sustainable Palm Oil. The regulation was then refined through the Ministry of Agriculture Regulation number 11 of 2015, which was finally strengthened using the Presidential Regulation number 44 of 2020. The Presidential Regulation number 44 of 2020 changed the certification obligation from voluntary to mandatory for all types of plantation business units, i.e., smallholder plantations, private plantations, and state plantations. The transition from voluntary to mandatory for smallholder plantations has been in place for the five years since the regulation was implemented. Certification would be carried out by a certification body that maintains its independence and transparency. The important orientation of the Presidential Regulation number 44 of 2020 is the achievement of sustainability, the increasing of the market competitiveness, and the increasing of the credibility and market acceptance of Indonesian palm oil products.

A set of oil palm regulations including supporting ISPO issued by the government of Indonesia might be seen as the seriousness of the effort to transform and strengthen the institutional capacity of oil palm governance at the national level [36]. However, at the same time, institutional transformation and increasing institutional strength experienced a widening gap in the sub-national level. The regional governance arrangement experienced a relative vacuum of regulation to support ISPO. The phenomenon of “hollow governance” occurred in the following statement:

“The Presidential Regulation number 44 of 2020 on ISPO has many notes. First, the regulation certainly cannot work if the Principles and Criteria (P and C) are not immediately formulated in detail. It has been six months since the regulation was enacted and the instrument has not yet been formulated, so ISPO is experiencing problems in its implementation. Second, it is directed by Article 8 paragraph 2-part D of the Presidential Regulation number 44 of 2020, that to be able to participate in ISPO certification, a large-scale business unit must pass a series of assessment stages the so-called plantation business assessment (PUP) to get a concession. The implementation of PUP in East Kalimantan Province encountered serious obstacles. The District/City Governments as the executors of PUP, as it is regulated by the East Kalimantan Provincial Regulation number 7 of 2019, have faced many critical technical obstacles of policy, capacity human resources and budget that are ready for implementing PUP. The existing PUP guidelines are not clear to many parties too. Financial sources to support Plantation Business Registration Certificate or *Surat Tanda Daftar Budidaya* or STDB for PUP is also lacking” (Mr. UR, 50 years old, Head of the Plantation Office of East Kalimantan) (Statement conveyed in Focus Group Discussion (FGD): East Kalimantan Sustainable Oil Palm Dynamics in Indonesia ISPO Certification to Challenges in the European Market, 1 October 2020).

It was not easy to operationalize the ISPO policy and put it into practice because, practically, every single P and C of ISPO dealt with the main duties and functions of each government office of the implementing authority. Each office still held old regulations that were still in effect and could potentially conflict with the spirit of the articles and paragraphs stated in the guidelines of Presidential Regulation Number 44 of 2020 on ISPO. The occurrence of clashes among regulations in the field has placed ISPO in a very dilemmatic situation, as is apparent in the statement below:

“It was obvious that cultivating oil palm in forest areas clearly would put people to contradict the act number 18 of 2013 concerning ‘Prevention and Eradication of Forest Destruction Activities’, especially what was stated in article 17. However, there also existed a discretion for those who wanted to establish oil palm plantations through the process of legally changing the land use of a forest area. The process of forest land conversion could be carried out through using the Government Regulation number 10 of 2010 concerning ‘Procedures for Changing the Designation and Function of Forest Areas’. With this regulation, there still an opportunity to legally change forest into other land use. These conflicting regulations gave rise to uncertainties for those who tried to retaining forest areas from economic uses through oil palm investments. Decision-making on the prohibition of oil palm expansion becomes very complicated and dilemmatic” (Mr. RD, 52 years old, East Kalimantan Provincial Forestry Service, 2020) (Statement conveyed in Focus Group Discussion (FGD): East Kalimantan Sustainable Oil Palm Dynamics in Indonesia ISPO Certification to Challenges in the European Market, 1 October 2020.)

From the situation above, hollow governance took place because of the collision of one regulation with another, which caused uncertainty in the operationalization of ISPO as a sustainability policy. Meanwhile, to anticipate the emergence of the environmental risks due to the rapid expansion of the oil palm plantations, the government enacted

several other regulations. The Presidential Instruction number 10 of 2011 emphasizes the postponement of new permits on land concessions for plantations and the improvement of the governance on primary natural forests and peatlands. This regulation was then updated by the Presidential Instruction number 6 of 2013, followed by Presidential Instruction number 8 of 2015 and the Presidential Instruction number 8 of 2018. All these regulations were intended to protect forest and peat areas from human intervention through plantations and mining in these areas. Parallel to all these regulations, the Presidential Instruction number 6 of 2019, regarding the “National Action Plan for Sustainable Oil Palm Plantations” policy, publicly known as *Rencana Aksi Nasional Kelapa Sawit Berkelanjutan* (RANKSB), was issued to strengthen the realization of oil palm sustainability action. Nevertheless, the prevention of oil palm plantation expansion has so far been less effective. The phenomenon of hollow governance has impeded ISPO implementation on the ground. This statement below corroborates the above-mentioned phenomenon.

“The Presidential Instruction regarding the moratorium on the expansion of oil palm plantations was very difficult to enforce, and so far, had not been effective in containing land cover change as well as resolving conflicts over claims of oil palm plantation in the forest areas. There were poor technical guidelines available on how to deal with such a conflicting issue. (Still) at the district and local governments levels, the local governments had been positively responding the Presidential Instruction. (Actually) they were very serious to respond the regulations. However (what happened) at the national level, seems to me that the policy of oil palm moratorium was not taken seriously” (Ms. IF, Sawit Watch 2019) (Statement conveyed in FGD: Mapping Various Political Perspectives on Indonesia’s Oil Palm Plantations: Identifying Alternative Ways Out of the Global Sustainability Political Crisis, 19 December 2019.)

The implementation of ISPO certification also caused the phenomenon of the territorialization effect, where local government agencies were either busy due to the pressure from the central government or alienated from the policy. The complex implementation of the ISPO certification policy, in the context of the multi-level governance framework, is outlined in Table 1 below.

**Table 1.** The complexity of oil palm governance challenges in Indonesia, lessons from three provinces (Jambi, Central Kalimantan, and East Kalimantan), 2020–2021.

No	Critical Issues on ISPO Certification Policy at Local Level	Governance Practices of ISPO			
		Occurrence of Hollow Governance in the Region	The Phenomenon of “Territorialization Effects”	Institutional Power Exercised by ISPO	The Phenomenon Imbalance Role of across Levels of Governance
01	The absence of land legality is a primary issue faced by smallholders making them not able to comply with ISPO policy.	Sub-national governments could not give adequate support to land-certification processes, due to lack of institutional capacity, regional regulation, equipment, and funds.	Local governments felt depressed and powerless due to lack of capacity to support the certification program.	The central government was the ultimate authority to control everything relating to administering land legality processes.	Regional agencies did not have sufficient capacity to intervene in ISPO policy at regional level.



Table 1. Cont.

No	Critical Issues on ISPO Certification Policy at Local Level	Governance Practices of ISPO			
		Occurrence of Hollow Governance in the Region	The Phenomenon of “Territorialization Effects”	Institutional Power Exercised by ISPO	The Phenomenon Imbalance Role of across Levels of Governance
02	The absence of business legality (STDB certificate) is the second important issue faced by smallholders that made them not able to comply with ISPO policy.	Offices at the district government levels did not have sufficient capacity and technical equipment to support the administration of STDB certificate.	Sub-national government levels were less functional, fragmented, and facing poor coordination among the executing institutions.	Sub-national governments felt that they did not need to act more to support certification program, as ISPO policy is associated with the interests of the central government program.	Sub-national governments did not feel it to be urgent to formulate supportive policy to support the operationalization of ISPO at local level.
03	The absence of oil palm seedlings is a legality issue at smallholder level when fulfilling the compliance with ISPO requirements. Smallholders used to use uncertified seedling for plantation.	The authorized seedling bodies that produce and distribute certified plant seedling was beyond the reach of the regional and local governments to communicate and to coordinate.	Local governments were left in isolation in their ability to get in contact with the authorized seedling institutions that are usually located outside the region.	The power of seedling certification was centralized in a small number of institutions outside local and regional government bodies.	Local governments were not authorized to legalize the seedlings. They can only distribute them.
04	The legality issue of the environmental management of plantations at smallholder level was obvious.	There was no active role from the local governments to assist smallholders in the management of SPPL—Surat Pernyataan Kesanggupan Pengelolaan Lingkungan (Environmental Management Monitoring Letter).	There was no clarity of authority in line with the restructuring and merging of environmental and forestry agencies in the regions.	The expectation of the regional government bodies was very high. However, the power to perform its function was very limited due to serious constraints on supporting resources.	The smallholders had to administer the SPPL without any assistance from the government at the local and regional levels.
05	The majority of farmers’ organizations or cooperatives were dormant.	The authority to develop cooperatives lies in several agencies which sometimes contradict each other.	Farmers’ associations were split into several interests socially, economically, or ecologically.	Farmers’ associations had to move ahead but with a very limited organization capacity, limited funding and human resources.	Farmers’ institutions were passive and waiting for follow-up on ISPO implementation from central government

Table 1 showed how the implementation of ISPO policy has been impeded at many points; hence, its implementation is seriously hampered. The challenge of land legality was of the utmost importance to deal with. There was the fact that there were about three million hectares of oil palm plantations located inside forest areas across Indonesian regions at that moment; this related directly to the issue of land illegality and deforestation. (Presentation of Dr. Ir. Musdhalifah Machmud, MT (Deputy for Food and Agribusiness Coordination of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia) with the title “Challenges, Barriers and Strategies for Indonesian Palm Oil Development” as a Respond to EU Trade Policy Post-COVID-19), conveyed to Public Discussion - INDEF “The Future of Indonesian Palm Oil in the European Union Market Post-COVID-19”, dated

17 December 2020). However, the effort directed at containing the overlapping position between oil palm plantations and the forest has not been satisfactory so far. Regarding the land illegality issue, Mr. MEY (Assistant Deputy for Plantation Agribusiness Development, Coordinating Ministry for Economic Affairs of Indonesia, 2020) stated that:

“In order for the Presidential Regulation number 44 of 2020 to be implemented properly, of course there are also tasks related to the completion of the legal status of plantations, especially smallholder plantations (which are located inside the forest areas). (According to) recorded data, there are more than three million hectares of oil palm plantations (illegally) located in the forest areas across Indonesia regions” (Statement on FGD with stakeholders from East Kalimantan: Sustainable Oil Palm Dynamics in Indonesia ISPO Certification to Challenges in the European Market, 1 October 2020).

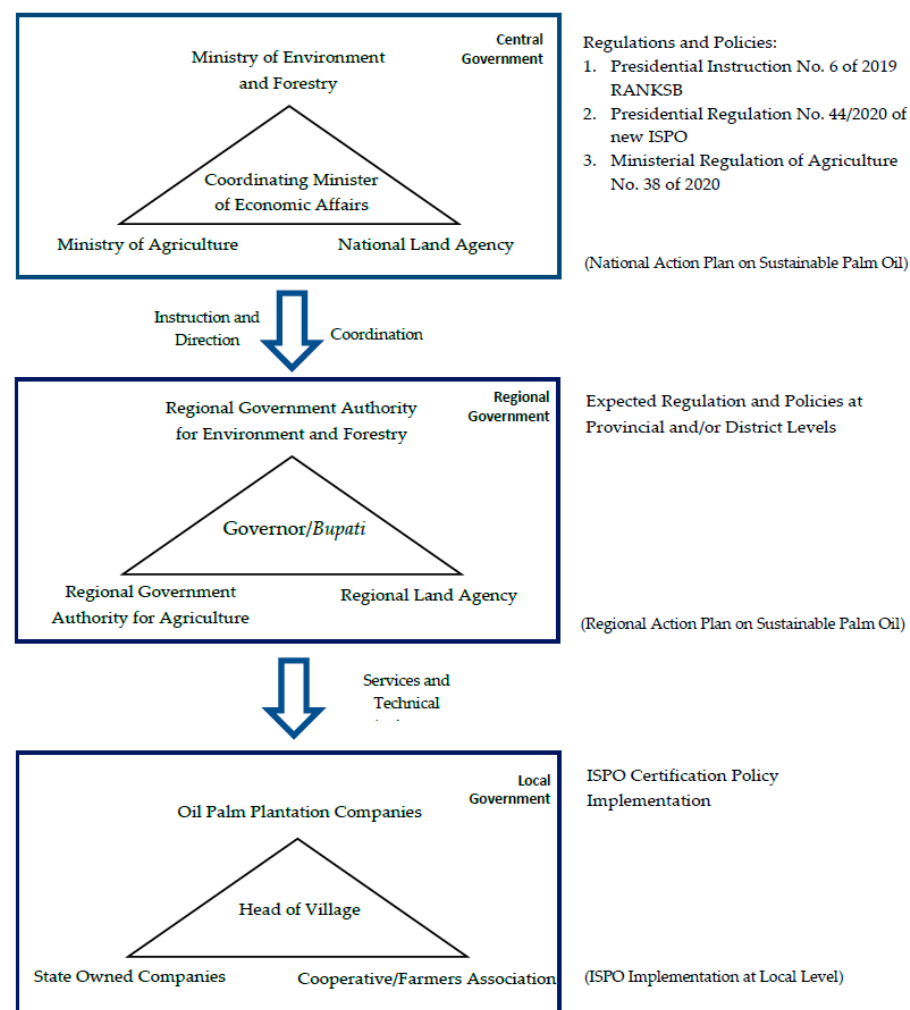
The study also revealed that many independent smallholders in Central Kalimantan Province have opened oil palm plantations on *ulayat* land (customary land) as well as on state-owned land. The absence of a land map has made them unaware of the correct locations of the land they were clearing for plantation. The absence of a land map that was agreed upon by the parties has caused the status of an area to be unclear as to whether it was a production forest or a non-forestry area. In this situation of uncertainty, local village governments issued a local-level land certificate, the so-called “*Surat Keterangan Tanah*” or SKT, to be used locally. The SKT was by no means legal proof of land tenure, but at the village level, the document was well recognized by local people. With this SKT, people already had a feeling of security over their land although it was a very weak legal basis for landownership. With the absence of formal land certificates issued by state authority, the ISPO policy faced very critical agrarian issues in which most of the smallholders could not prove themselves to be the legal owners of their plantations. The absence of accurate land maps has made the problem of land claiming even more problematic on the ground [51].

The legality of oil palm seedlings was also a critical issue and was difficult to control. Most smallholders bought seedlings of unknown origin from the free market. They generally did not understand the reasons why they should use the officially certified seedlings from the government. The local and regional governments were too late in anticipating illegal seedling after they found the palm trees were several years old and producing fruits. In this case, the ISPO policy could be faced with thousands of oil palm plantations, where the planted seedlings did not come from a certified seedlings authority. Under such a situation, ISPO could not be executed unless the trees underwent replanting using legally certified seedlings.

However, replanting carried some critical issues. The smallholders rejected replanting for two reasons. Firstly, the oil palm plantations were producing fruits and providing benefits to the growers. Secondly, they were worried that their livelihoods would be seriously disrupted when replanting was implemented too early [15,16,51].

### 3.2. Disconnection between Policy and Practice

The response to global demands on sustainability standards, which the Indonesian Government then answered with the ISPO policy, had several consequences. The first was the translation of ideas into practice, which carried several risks. The second was to encourage local governments to formulate regulations and policies that complemented the ISPO policy, which was not easy to meet. There was a constraining situation that stimulated disconnection between policy at the central government and practice at the sub-national level [23,34]; see Figure 3.



**Figure 3.** The complexity of multi-level governance: Indonesia's Sustainable Palm Oil Certification, 2020.

The data and information extracted from the field showed the phenomena as depicted in Figure 3. There immediately existed a syndrome of imbalances of power in the ISPO policy, where the central government dominated the roles in the policy-making processes. As an implication, the regulations at the regional and local level were very minimal. From Figure 3, there were three problems faced by the ISPO certification processes, namely: (1) there was a phenomenon of too many regulations at national level but less regulation at the sub-national levels; (2) there was less regional-level regulation that connected the operationalization of the ISPO certification from the center to the regions. As a result, the local and regional governments could not immediately respond to the central governments' policy properly; (3) it was undeniable that people at the local level had an interest in continuing the expansion of plantations. For them, economy is more important than any of the reasons related to environment and conservation. The disconnection of interest between the central and regional governments caused interest decoupling, resulting in a low-functioning governance operation.

According to Presidential Instruction number 6 of 2019 of the RANKSB, there has already been a division of tasks among sectors. The Ministry of Environment and Forestry is responsible for resolving oil palm tenure issues related to forest areas. The National Land Agency regulates the processes of the legalization of lands in non-forest areas, while the Ministry of Agriculture manages the legality process for oil palm plantations, as well as the cultivation systems to meet the GAP (Good Agriculture Practice) requirement. Nevertheless, the reality in the field was not easy to operationalize. The complexity of laws and regulations of the many authorities made the working procedures run problematically.

The RANKSB policy is not easy to break down into a more detailed action and regulation at the “Regional Action Plan for Sustainable Oil Palm Plantations”, or *Rencana Aksi Daerah Kelapa Sawit Berkelanjutan*, or at the RADKSB levels.

#### 4. Discussion

##### 4.1. The Absence of Some Regulations to Support ISPO Policy

The concept of “the hollowing out governance” could possibly be taking place when the control and authority of the government is scaled up, down, or sideways through the relocation of power and authority from the national control that brings about the weakening of the state of governance [52]. The hollowed-out ISPO policy occurred in the form of the empty space of governance due to poor regulation and policies, financial shortage, or the limited capacity of the supporting systems on the ground [36]. At the national level, it can be overcome via strengthening the organization, coordination, and steering of the authority institutions [53]. At sub-national level, the provincial, district, and village governments need to be given more space to play more roles in constructing adapted regulations and policies at the regional/local levels. A multi-stakeholder approach needs to be operationalized to guarantee inclusive ISPO policy in the region [13].

##### 4.2. The Power of ISPO Policy as Institutional Driving Force

The 5-year target of certification from the Presidential Regulation number 44 of 2020 has been responded to with various reactions and actions at the district/city/provincial government levels. The East Kalimantan Provincial Government issued the Regional Regulation number 7 of 2018 on “sustainable plantation development” and established a sustainable oil palm forum in the region. This was a positive support for the ISPO policy from provincial government. One of the plantation officials stated below:

This ISPO certification has become the main key performance indicator of the Plantation Office of East Kalimantan Province especially for environmental indicators. The major economic role of oil palm in providing income and employment opportunities has put the sector particularly important for East Kalimantan Province economy. The provincial government had been therefore concerned to increase the number of ISPO-certified companies, yearly. There had been IUP (Plantation Business Permit) of 2,525,839 hectares of the total allocation of 3,269,561 hectares in spatial planning allocated for oil palm plantation area. Providing better regulations for ISPO implementation will be of importance. (Mr. UR, Head of the Plantation Office of East Kalimantan Province) (Statement conveyed in Focus Group Discussion (FGD): East Kalimantan Sustainable Oil Palm Dynamics in Indonesia ISPO Certification to Challenges in the European Market, 1 October 2020)

On the other hand, the power of ISPO policy has turned out to be a burden for district governments due to various problems regarding lack of equipment and human resources, as well as financial support. Seven out of ten district areas of East Kalimantan Province were oil palm plantation centers. In most regions, the ISPO policy implementations were seriously constrained. The PUP assessment had not yet been carried out due to low human resource capabilities. Nearly half a million smallholder plantations had not been processed for STDB. Other institutional issues occurred as there were no representative offices for oil palm administration in the District of *Kutai Kertanegara*, the District of *Berau*, and the District of *East Kutai*, while the offices in other regions had merged into one office, resulting in problems involving human resources, authorities, and funding allocations.

The frenzy of responding to and realizing the ISPO certification policy also occurred in Jambi Province. The local government, the large-scale companies, and the farmers’ groups who had been working hard needed to fulfill ISPO certification even though some already had RSPO certificates. However, there also existed different responses to ISPO policy, especially regarding the benefits obtained. However, it was obvious that ISPO policy might encourage all regional institutions to keep moving forward even though there were many

obstacles and hindrances to overcome. The officials of the Regional Development Planning Agency (*Bappeda*) in Jambi Provinces said:

“In general, there is a complexity in ISPO certification implementation processes. In the case of legality issue, the government strongly urges land legality, because any non-legalized plantations bring no socio-economic benefits to the government and environment. For plantations that have not been properly legalized, of course, certification processes will burden the state budgetary if the certification program should be borne by the government. In the context of financial efficiency, I agree that the issue of sustainability must be referred to the company. This is because the government will be burdened much by the expenditure of bearing the certification costs to administer these non-legalized oil-palm-related business units. However, putting the burden on the companies makes the government to feel unpleasant. This is because, we let the certification to run imperfectly. (Mr. DI, Head of Regional Development Planning Office of Jambi Province, 2021) (*Idem*)”.

The statements and responses of the various stakeholders above showed that the implementation of the ISPO certification policy in Indonesia is felt as a pressure and a burden from the center to the regions because of the pressure from ISPO. This pressure has led to many frictions at the local and regional levels of government. The frustration of the sub-national level governments regarding the ISPO policy processes was related to the few communicative and participation action steps crossing the different authorities and governing bodies of the regional governments.

#### 4.3. The Effect of ISPO Policy on Local Territory

There was a diverse response to the ISPO policy implementation from the local and regional governments. There were responsive regions forcing themselves to enact regional regulations related to the ISPO policy. However, there were also regions that were less responsive. The implementation of the ISPO policy has brought about diverse territorialization effects, i.e., the splitting up of regions into at least two classifications. The first type was the regions that were more responsive to the ISPO policy, and the second type was the regions that were less responsive to the ISPO certification. Despite its complexity, there was a strong response from the Jambi smallholders. They appreciated the Provincial Government of Jambi, which was supportive of the ISPO policy, as told by Mr. SLK (Farmers' Association of *Tanjung Sehati*):

“I really appreciate the Jambi Provincial Government, and the District Government of Merangin, for providing all facilities to ISPO certification process. The Jambi government really helped the implementation of palm oil certification. For example, in processing STDB and SPPL, we collaborated with the government offices. The office was amazingly fast in processing documents. The service had been designed users (smallholders) friendly. We often met with friends from other regions outside Jambi complaining complexity of the process to follow. The thing that was found in Jambi Provincial Government offices was quite different from the services provided by other regional governments” (Mr. SLK, Famer Association of *Tanjung Sehati*, Jambi) (Statement conveyed in Focus Group Discussion (FGD) with the stakeholders of Jambi Province Sustainable Oil Palm Dynamics in Indonesia ISPO Certification to Challenges in the European Market, October 2020)

The statement above reflected the ongoing process of several things: (1) there was a dynamic effect in the territories where service-delivering agencies were working either at the provincial or district government levels; (2) there was the immediate formation of certified and uncertified farmers' groups as the locals responded to the ISPO policy very dynamically.

In one case, farming households warmly welcomed the ISPO certification policy. However, in the other cases, some independent smallholders who had been struggling



with illegal claims (land, seeds, business permits, and others) seemed to react unhappily. The requirements for arranging the possible ISPO certification—regarding the management of the land certificate, the STDB, the SPPL, and others—were not for free amid limited capital and finance. Some of the independent smallholders confirmed that in 2020 the cost for the first-time ISPO audit certification processes was quite burdensome for them. It amounted to ca. IDR 150 million (or ca. USD 10,400) for one unit of farmer association. This was not a small amount of money for independent smallholders to fulfill, with a large funding burden as well as heavy technical and management constraints. Even the non-governmental organizations who assist the farmers were also questioning the cost of the ISPO certification, as stated by Mr. BZ (NGO *Setara*):

“The non-governmental organization SETARA bears the initial financing for ISPO certification processes. We prepare to give financial assistance but what about the financial support for surveillance audit in the 2nd year, 3rd year or 4th year? Who will bear the cost of surveillance? Is it possible to encourage large oil palm companies, where independent smallholders supplied their fruits, to participate bearing these costs? But the most likely to do is to encourage the involvement of the Palm Oil Plantation Fund Management Agency (*Badan Pengelola Dana Perkebunan Kelapa Sawit* or BPDPKS) belonging to the government of Indonesia to participate. The BPDPKS could allocate funds to help financial support for ISPO certification processes of independent smallholders in Indonesia”.

Basically, the territorialization process that took place because of the ISPO certification presents several interesting things. First, the implementation of ISPO has not only led to the complexity and dynamics of certification implementation at the sub-national levels but has also pushed regional governments and NGOs to create new initiatives to support the ISPO certification. Otherwise, there will again be an empty space of action and disconnection of governance, making ISPO less implementable.

#### 4.4. Imbalance of Multi-Level Authorities of ISPO Policy

There existed the phenomenon of a decoupling relationship between the policy and practice experienced in the oil palm governance operation. There was a vertical disconnection between the national and sub-national policies as the policy-making authorities at the regional level did not produce any regulation supporting the national ISPO policy. On the contrary, it seemed to happen that the central government was paying less attention to what happened at the local or regional government level. Local and regional governments experienced stuttering in the implementation of the ISPO policy.

“Supporting STDB (and other licenses administration) facilitation is not easy task for district government institutions. Several obstacles immediately appeared. The facts show that the central government delegates the facilitation of STDB management to district government authority in the regions. The administration STDB included mapping out the planted area of each single smallholder. However, this delegation of authority is not accompanied by supportive budget or financial support. Everyone knows, the location of oil palm plantations belonging to smallholders is spatially spread in the sub-district and cross-village areas. Meanwhile, the number and qualifications of human resources to do the job are limited at district government. In addition, the availability of supporting equipment (for mapping out the planted area) is limited as well. With these various limitations, it is impossible for us to optimally support the ISPO certification process. Still, we witness sheer number of agrarian problems relating to plantation in the forest area (that need to be better managed). All of these jobs are beyond our ability to handle”. (Mr. ABS—Plantation Office of *Kutai Kartanegara* District of East Kalimantan Province).

Regarding the horizontal problems of the sub-national level, many plantation offices of the district governments were unable to issue STDB licenses due to the vacuum of

authorities and service-delivering bodies, as well as the absence of sufficient resources. It was obvious that the coordination and steering of the institutional orchestration between the regional administrative units, especially those administering plantations, land and spatial planning, agrarian administration, forestry administration, and environmental management at the district government level, were not yet effective.

#### *4.5. On the Theory of Low-Functioning Governance*

The decoupling that occurred between the policies and practices in the implementation of ISPO took place due to persistent structural challenges that were hard to overcome, in the form of gaps in ideas and technical capabilities, as well as in management and finance and the absence of orchestration between the institution and organization of central and regional governments. There existed not only gaps but often conflicts of actors and regulations or antagonism in the rule's implementation [54] that made the oil palm governance processes not work properly. As a result, the achievement of palm oil sustainability is less possible on the ground.

In view of seeking the answer as to why palm oil sustainability was so hard to realize in Indonesia, this article proposed a concept of low-functioning governance. Low-functioning governance occurred when the rules and regulations were in a vacuum or collision, especially at the regional and local level. In the absence of regulations or in the crashing of existing regulations, institutional power did not work effectively to support sustainable certification processes. All the governance processes that involved the organizations, institutions, and actors [55] of all the sub-national government authorities were to some extent not mutually enforcing and were not in compliance with the central government's direction.

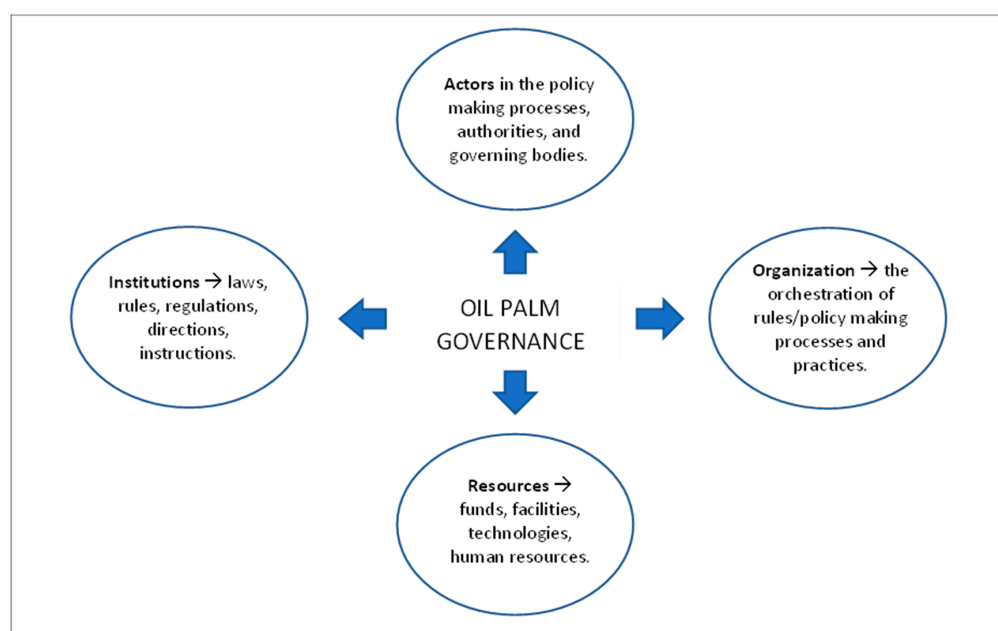
Hence, low-functioning governance is conceptualized as “the inability of a governance arrangement to work consistency in a concise way of achieving policy-objectives and goals at a certain level of government authority, organizations and institutions' power”. Even with a great help from external forces, the possibility of the system functioning properly remained insignificant. However, low-functioning governance did not mean that the government's ability to steer, direct, or shape governance completely failed to work [56]. Low-functioning governance might be described with the following characteristics:

1. There was serious absence of co-ordination as well as mutual support, mutual understanding, and communication that brought about the institutional or functional disconnection among those related to the palm oil certification mission. This situation gave rise to the absence of a coherent, integrated, and mutual enforcement among the authorities, as well as the governing institutions of the regional and local governing bodies.
2. There were resource weaknesses at each level of the policy-making processes and arenas along the hierarchy of the palm oil government administration. They were especially weak in terms of the technical and management capability, financial capacity, and human capital that was involved in the formulation of policy and regulation. It needs strong external assistance if the palm oil governance is to be improved.
3. There was a widespread misinterpretation of the idea of sustainability and palm oil certification due to poor communication and interaction among the stakeholders that were involved in the policy-making processes and the people of the governing bodies, as well as the oil palm business actors in local/regional government.
4. The stakeholders of the local/regional governance level had very little knowledge on why the oil palm plantations should follow the legality standards and sustainability procedures so strictly. On the contrary, they failed to understand how better production opportunities may result in beneficial outcomes after the ISPO certification had been made.

With low functioning governance at the local and regional level, the palm oil sector responded to the sustainability issue relatively slowly. The readiness of government institutions and organizations as governing bodies to regulate the ISPO certification was

consequently constrained as well. Due to this situation, viewing the ISPO certification process as a normal governance process, as if it was without any problems, would be an absolutely incorrect view. The local and regional governing bodies, as well as the policy-making authorities, need to be strengthened and well-orchestrated in accomplishing their portfolio.

External assistance needs to be incorporated, especially to support the four important aspects of oil palm governance at the local/regional level, i.e., the actors who own authorities that are involved in the policy-making processes, the institutions that provide a better basis for policy implementation and practices, the organizations that orchestrate the actors and resources, and the supporting resources (see Figure 4) for the shake of the implementation of the ISPO certification at the local and regional levels. Without that help, the oil palm governance could not optimally work to address the structural social and environmental challenges of sustainability on the ground.



**Figure 4.** The areas of improvement of the oil palm governance system in Indonesia.

Finally, the central government needs to understand the processes whereby the general rules, directions, instructions, or guidelines should be well communicated, shaped, and tailored to fit into regional/local contexts and enacted within local practices, otherwise the decoupling between policy and practice will recurrently happen. Oil palm governance in Indonesia should take regional and local institutions, organizations, and actors deeper into account. The pattern of governance processes needs to be directed towards more dispersed governance, where the local and regional policy-making authorities participate more intensively, rather than concentrated governance where everything is pooled in the central government [57]. This is the governance transformation that needs to be made, otherwise Indonesian palm oil will remain less recognized and less accepted in the countries of the European Union region.

#### 4.6. Mitigation Measures: The Way Forward

The central government, which is pressured by external requests, in this case from the European Union consumers regarding green consumption, must understand that the fundamental condition of the institutional administration ensuring governance processes at the local/regional or sub-national level is not as sufficiently strong as expected. With this understanding, strengthening the local and regional governance capacity is necessary.

The effort is eventually to ensure the achievement of sustainability standards in oil palm plantations and production as an important agenda of the overall oil palm governance.

The central government needs to arrange well the relationship between the ISPO certification and the efforts to handle conflicts due to overlapping land in forest areas; the need for the legality of the farmers' land; the need for the legality of business permits; the importance of the legality of oil palm seeds; and the other legal aspects associated with the ideals of oil palm sustainability. What matters is not only that which is considered as a legal issue but also the challenges of governance on the ground. The policy of the ISPO certification can accordingly not be understood independently from the context of governance.

Strengthening the capacity of the agencies, organizations, and institutions in the entire constellation of oil palm governance must be emphasized in the efforts to overcome not only the crisis in the ecosystem (ecosystem crisis) that threatens sustainability but also the crisis of the institutional capacity (institutional crisis). The strengthening action should be addressed by the various institutional government barriers at every scale of the problem [58] and at the shortages of support in the implementation of the ISPO certification. Low-functioning governance was a big hindrance to achieving oil palm sustainability. With this understanding, the world needs to understand that the homework that is to be handled is not only about implementing the ISPO certification but about getting the governance system moving effectively.

## 5. Conclusions

Having learnt from the three provincial cases of oil palm in Indonesia, this study revealed that the implementation of the ISPO certification to meet the sustainability standard desired by consumers in the European Union or the international market has faced various structural challenges between the authorities in the governance hierarchy in Indonesia. Regulations and policies have been made and rolled out at the central government level. However, there were regulatory and policy vacuums and complexity at the sub-national level which made the implementation of the ISPO certification not run smoothly in the regions. Regional and local-level governments also experienced uncertainty in following up on ISPO's regulations due to the many existing regulations and policies that are still in effect and have the potential to conflict and even collide with other regulations. The phenomenon of hollowed-out governance primarily occurred at the sub-national level because of the absence (or collision) of regulatory guidelines for the sustainability certification implementation. Each provincial or district government showed the many ways of responding to the oil palm plantation certification process. The most crucial governance issue was about institutional weakness and poor orchestration of organization among the authorities and governing bodies due to lack of resources and coordination. The study conceptualized the situation as low-functioning governance that impeded the ISPO certification processes.

The implementation of the ISPO certification policy enforced by the central government of Indonesia experienced a disconnection and low-functioning governance between the authorities, regulations, and policies in the sub-national regions that stimulated several risks. First, the certification target cannot be achieved as mandated by Presidential Regulation Number 44 of 2020. With the delay in achieving the target, a second risk arises. The international market will continue to claim that Indonesian oil palm is unable to comply with sustainability principles. This situation will create sufficient room for criticism of Indonesian palm oil on the issues of deforestation, biodiversity loss, socio-agrarian conflicts, and environmental problems. The third risk is that if the ISPO certification is not immediately implemented widely and thoroughly, the credibility and acceptance of Indonesian palm oil in the world market will continue to be disrupted. This is a challenge for the Indonesian government, which needs to accelerate the speed of the certification process while continuing to fix the gaps that exist at every level of authority related to the implementation of the ISPO certification in the country.

**Author Contributions:** This research-based article has been made possible through the collaborative work of several authors. E.I.K.P. has played an important role in conceptualization of the idea and writing the draft, as well as performing the analysis in this article. A.H.D. played an important role in the direction of the analysis and in constructing the manuscript, writing, and editing. O.H. contributed to the idea and supervision. B.E.Y., R.A., and F.R. have made a significant contribution in constructing the methodology, coordinating data collection, investigation and validating data, as well as interpreting the data. D.I.M. did both the data collection and the administrative management and data curation. R.A.K., F.T., and E.P.P. contributed significantly to writing the original draft preparation and review and gave constructive ideas for improvement of the manuscript. D.Y.S. made significant contribution to constructing the idea of macro policy for this article. All authors have read and agreed to the published version of the manuscript.

**Funding:** This research was funded by the Department for International Development (DFID) of the United Kingdom Government through Strengthening Palm Oil Sustainability Indonesia Project under the grant number of 300187.

**Institutional Review Board Statement:** Not applicable.

**Informed Consent Statement:** Informed consent was obtained from all subjects involved in the study.

**Data Availability Statement:** Data is contained within the article only.

**Acknowledgments:** This research-based article has been made possible through the collaborative work of several authors and institutions. We would like to express our deep gratitude to the Faculty of Human Ecology—IPB University and Yayasan Keanekaragaman Hayati (KEHATI Foundation) which have strongly supported the research. Special thanks to the Department for International Development of the United Kingdom Government for the financial support in the Strengthening Palm Oil Sustainability (SPOS) Indonesia project. We are indebted to all resource persons that contributed to this research, governmental offices, NGOs, smallholders and all parties who made this research possible during 2019–2021.

**Conflicts of Interest:** The authors declare that there is no conflict of interest between the authors and the financial supporter of the research project. The DFID of the UK Government had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript; or in the decision to publish the results.

## References

1. Aguiar, L.K.; Martinez, D.C.; Caleman, S.M.Q. Consumer Awareness of Palm Oil as an Ingredient in Food and Non-Food Products. *J. Food Prod. Mark.* **2017**, *24*, 297–310. [\[CrossRef\]](#)
2. Capecchi, S.; Amato, M.; Sodano, V.; Verneau, F. Understanding beliefs and concerns towards palm oil: Empirical evidence and policy implications. *Food Policy* **2019**, *89*, 101785. [\[CrossRef\]](#)
3. Mayr, S.; Hollaus, B.; Madner, V. Palm oil, the RED II and WTO law: EU sustainable biofuel policy tangled up in green? *Rev. Eur. Comp. Int. Environ. Law* **2021**, *30*, 233–248. [\[CrossRef\]](#)
4. Koh, L.P.; Lee, T.M. Sensible consumerism for environmental sustainability. *Biol. Conserv.* **2012**, *151*, 3–6. [\[CrossRef\]](#)
5. Padfield, R.; Drew, S.; Syayuti, K.; Page, S.; Evers, S.; Campos-Arceiz, A.; Kangayatkarsu, N.; Sayok, A.; Hansen, S.; Schouten, G.; et al. Landscapes in transition: An analysis of sustainable policy initiatives and emerging corporate commitments in the palm oil industry. *Landsc. Res.* **2016**, *41*, 744–756. [\[CrossRef\]](#)
6. Vijay, V.; Pimm, S.L.; Jenkins, C.N.; Smith, S.J. The Impacts of Oil Palm on Recent Deforestation and Biodiversity Loss. *PLoS ONE* **2016**, *11*, e0159668. [\[CrossRef\]](#)
7. Li, T. After the land grab: Infrastructural violence and the “Mafia System” in Indonesia’s oil palm plantation zones. *Geoforum* **2018**, *96*, 328–337. [\[CrossRef\]](#)
8. McCarthy, J.F. Certifying in Contested Spaces: Private regulation in Indonesian forestry and palm oil. *Third World Q.* **2012**, *33*, 1871–1888. [\[CrossRef\]](#)
9. Brad, A.; Schaffartzik, A.; Pichler, M.; Plank, C. Contested territorialization and biophysical expansion of oil palm plantations in Indonesia. *Geoforum* **2015**, *64*, 100–111. [\[CrossRef\]](#)
10. Alonso-Fradejas, A.; Liu, J.; Salerno, T.; Xu, Y. Inquiring into the political economy of oil palm as a global flex crop. *J. Peasant. Stud.* **2015**, *43*, 141–165. [\[CrossRef\]](#)
11. Rulli, M.C.; Casirati, S.; Dell’Angelo, J.; Davis, K.F.; Passera, C.; D’Odorico, P. Interdependencies and telecoupling of oil palm expansion at the expense of Indonesian rainforest. *Renew. Sustain. Energy Rev.* **2019**, *105*, 499–512. [\[CrossRef\]](#)
12. Hospes, O. Marking the success or end of global multi-stakeholder governance? The rise of national sustainability standards in Indonesia and Brazil for palm oil and soy. *Agric. Hum. Values* **2014**, *31*, 425–437. [\[CrossRef\]](#)



13. Watts, J.D.; Pasaribu, K.; Irawan, S.; Tacconi, L.; Martanila, H.; Wiratama, C.G.W.; Musthofa, F.K.; Sugiarto, B.S.; Manvi, U.P. Challenges faced by smallholders in achieving sustainable palm oil certification in Indonesia. *World Dev.* **2021**, *146*, 105565. [CrossRef]
14. Schoneveld, G.C.; van der Haar, S.; Ekowati, D.; Andrianto, A.; Komarudin, H.; Okarda, B.; Jelsma, I.; Pacheco, P. Certification, good agricultural practice and smallholder heterogeneity: Differentiated pathways for resolving compliance gaps in the Indonesian oil palm sector. *Glob. Environ. Chang.* **2019**, *57*, 101933. [CrossRef]
15. Dharmawan, A.H.; Mardiyansih, D.I.; Komarudin, H.; Ghazoul, J.; Pacheco, P.; Rahmadian, F. Dynamics of Rural Economy: A Socio-Economic Understanding of Oil Palm Expansion and Landscape Changes in East Kalimantan, Indonesia. *Land* **2020**, *9*, 213. [CrossRef]
16. Martens, K.; Kunz, Y.; Rosyani, I.; Faust, H. Environmental Governance Meets Reality: A Micro-Scale Perspective on Sustainability Certification Schemes for Oil Palm Smallholders in Jambi, Sumatra. *Soc. Nat. Resour.* **2019**, *33*, 634–650. [CrossRef]
17. Brandi, C.; Cabani, T.; Hosang, C.; Schirmbeck, S.; Westermann, L.; Wiese, H. Sustainability Standards for Palm Oil: Challenges for smallholder certification under the RSPO. *J. Environ. Dev.* **2015**, *24*, 292–314. [CrossRef]
18. Jelsma, I.; Woittiez, L.S.; Ollivier, J.; Dharmawan, A.H. Do wealthy farmers implement better agricultural practices? An assessment of implementation of Good Agricultural Practices among different types of independent oil palm smallholders in Riau, Indonesia. *Agric. Syst.* **2019**, *170*, 63–76. [CrossRef]
19. Apriani, E.; Kim, Y.-S.; Fisher, L.A.; Baral, H. Non-state certification of smallholders for sustainable palm oil in Sumatra, Indonesia. *Land Use Policy* **2020**, *99*, 105112. [CrossRef]
20. Raharja, S.; Marimin; Machfud; Papilo, P.; Safriyana; Massijaya, M.Y.; Asrol, M.; Darmawan, M.A. Institutional strengthening model of oil palm independent smallholder in Riau and Jambi Provinces, Indonesia. *Heliyon* **2020**, *6*, e03875. [CrossRef]
21. Glasbergen, P. Smallholders do not eat certificates. *Ecol. Econ.* **2018**, *147*, 243–252. [CrossRef]
22. Naylor, R.L.; Higgins, M.M.; Edwards, R.B. Decentralization and the environment: Assessing smallholder oil palm development in Indonesia. *Ambio* **2019**, *48*, 1195–1208. [CrossRef] [PubMed]
23. Pacheco, P.; Levang, P.; Dermawan, A.; Schoneveld, G. The palm oil governance complex: Progress, problems and gaps. In *Achieving Sustainable Cultivation of Oil Palm Volume 1: Introduction, Breeding and Cultivation Techniques*; Rival, A., Ed.; Burleigh Dodds: Cambridge, UK, 2018; ISBN 978-1786761040.
24. Faludi, A. Multi-level (territorial) governance: Three criticisms. *Plan. Theory* **2012**, *13*, 197–211. [CrossRef]
25. Antlöv, H.; Wetterberg, A.; Dharmawan, L. Village governance, community life, and the 2014 Village Law in Indonesia. *Bull. Indones. Econ. Stud.* **2016**, *52*, 161–183. [CrossRef]
26. Cramb, R.; Curry, G.N. Oil palm and rural livelihoods in the Asia-Pacific region: An overview. *Asia Pac. Viewp.* **2012**, *53*, 223–239. [CrossRef]
27. Purnomo, H.; Okarda, B.; Dermawan, A.; Ilham, Q.P.; Pacheco, P.; Nurfatriani, F.; Suhendang, E. Reconciling Oil Palm Economic Development and Environmental Conservation in Indonesia: A Value Chain Dynamic Approach. *For. Policy Econ.* **2020**, *111*, 102089. [CrossRef]
28. Sayer, J.; Ghazoul, J.; Nelson, P.; Boedhihartono, A.K. Oil Palm Expansion Transforms Tropical Landscapes and Livelihoods. *Glob. Food Secur.* **2012**, *1*, 114–119. [CrossRef]
29. Hinkes, C. Adding (Bio)fuel to the Fire: Discourses on Palm Oil Sustainability in the Context of European Policy Development. *Environ. Dev. Sustain.* **2020**, *22*, 7661–7682. [CrossRef]
30. Majid, N.A.; Ramli, Z.; Md Sum, S.; Awang, A.H. Sustainable Palm Oil Certification Scheme Frameworks and Impacts: A Systematic Literature Review. *Sustainability* **2021**, *13*, 3263. [CrossRef]
31. Directorate General of Estate Crops. Statistical of National Leading Estate Crops Commodity 2019–2021. Available online: <https://ditjenbun.pertanian.go.id/?publikasi=buku-statistik-perkebunan-2019--2021> (accessed on 6 January 2021).
32. BPS. Ekspor Minyak Kelapa Sawit Menurut Negara Tujuan Utama 2012–2020. Available online: <https://www.bps.go.id/statictable/2014/09/08/1026/ekspor-minyak-kelapa-sawit-menurut-negara-tujuan-utama-2012--2020.html> (accessed on 10 January 2021).
33. Roseberry, W. Hegemony and the language of contention. In *Everyday Forms of State Formation. Revolution and the Negotiation of Rule in Modern Mexico*; Joseph, G.M., Nugent, D., Eds.; Duke University Press: Durham, NC, USA, 1994; pp. 355–366.
34. Pacheco, P.; Schoneveld, G.; Dermawan, A.; Komarudin, H.; Djama, M. Governing sustainable palm oil supply: Disconnects, complementarities, and antagonisms between state regulations and private standards. *Regul. Gov.* **2020**, *14*, 568–598. [CrossRef]
35. Sari, D.A.; Sayer, J.; Margules, C.; Boedhihartono, A.K. Determining the effectiveness of forest landscape governance: A case study from the Sendang landscape, South Sumatra. *For. Policy Econ.* **2019**, *102*, 17–28. [CrossRef]
36. Astari, A.J.; Lovett, J.C. Does the rise of transnational governance “hollow-out” the state? Discourse analysis of the mandatory Indonesian sustainable palm oil policy. *World Dev.* **2019**, *117*, 1–12. [CrossRef]
37. Ivancic, H.; Koh, L.P. Evolution of sustainable palm oil policy in Southeast Asia. *Cogent Environ. Sci.* **2016**, *2*, 1–10. [CrossRef]
38. Westphal, J.D.; Zajac, E.J. Decoupling policy from practice: The case of stock repurchase programs. *Adm. Sci. Q.* **2001**, *46*, 202–228. [CrossRef]
39. Hamilton-Hart, N. Multilevel (mis)governance of palm oil production. *Aust. J. Int. Aff.* **2014**, *69*, 164–184. [CrossRef]
40. Skelcher, C. Changing images of the State: Overloaded, hollowed-out, congested. *Public Policy Adm.* **2000**, *15*, 3–19. [CrossRef]

41. Rhodes, R.A.W. The hollowing out of the state: The changing nature of the public service in Britain. *Polit. Q.* **1994**, *65*, 138–151. [[CrossRef](#)]
42. Orsato, R.J.; Clegg, S.R.; Falcão, H. The Political Ecology of Palm Oil Production. *J. Chang. Manag.* **2013**, *13*, 444–459. [[CrossRef](#)]
43. Aquanno, S.M. Institutional Power and the Risk of Finance. *New Polit. Sci.* **2020**, *42*, 139–154. [[CrossRef](#)]
44. Nesadurai, H.E.S. New Constellations of Social Power: States and Transnational Private Governance of Palm Oil Sustainability in Southeast Asia. *J. Contemp. Asia* **2017**, *48*, 204–229. [[CrossRef](#)]
45. Ruyschaert, D.; Carter, C.; Cheyns, E. Territorializing effects of global standards: What is at stake in the case of ‘sustainable’ palm oil? *Geoforum* **2019**, *104*, 1–12. [[CrossRef](#)]
46. Busca, D.; Lewis, N. The territorialization of environmental Governance. Governing the environment based on just inequalities? *Environ. Sociol.* **2015**, *1*, 18–26. [[CrossRef](#)]
47. Di Gregorio, M.; Fatorelli, L.; Paavola, J.; Locatelli, B.; Pramova, E.; Nurrochmat, D.R.; May, P.H.; Brockhaus, M.; Sari, I.M.; Kusumadewi, S.D. Multi-level governance and power in climate change policy networks. *Glob. Environ. Chang.* **2019**, *54*, 64–77. [[CrossRef](#)]
48. Lockwood, M.; Davidson, J.; Curtis, A.; Stratford, E.; Griffith, R. Governance Principles for Natural Resource Management. *Soc. Nat. Resour.* **2010**, *23*, 986–1001. [[CrossRef](#)]
49. Lewis, B.D. Is Central Government Intervention Bad for Local Outcomes? Mixed Messages from Indonesia. *J. Dev. Stud.* **2016**, *52*, 300–313. [[CrossRef](#)]
50. McCarthy, J.; Zen, Z. Regulating the Oil Palm Boom: Assessing the Effectiveness of Environmental Governance Approaches to Agro-industrial Pollution in Indonesia. *Law Policy* **2009**, *32*, 153–179. [[CrossRef](#)]
51. Dharmawan, A.; Mardiyarningsih, D.; Rahmadian, F.; Yulian, B.; Komarudin, H.; Pacheco, P.; Ghazoul, J.; Amalia, R. The Agrarian, Structural and Cultural Constraints of Smallholders’ Readiness for Sustainability Standards Implementation: The Case of Indonesian Sustainable Palm Oil in East Kalimantan. *Sustainability* **2021**, *13*, 2611. [[CrossRef](#)]
52. Jessop, R. Hollowing out the ‘nation-state’ and multi-level governance. In *A Handbook of Comparative Social Policy*, 2nd ed.; Edward Elgar Publishing: Cheltenham, UK, 2013; pp. 11–26.
53. Wilson, C.; Morrison, T.; Everingham, J.-A. Linking the ‘meta-governance’ imperative to regional governance in resource communities. *J. Rural Stud.* **2017**, *50*, 188–197. [[CrossRef](#)]
54. Schouten, G.; Hospes, O. Public and Private Governance in Interaction: Changing Interpretations of Sovereignty in the Field of Sustainable Palm Oil. *Sustainability* **2018**, *10*, 4811. [[CrossRef](#)]
55. Peters, B.G. Governance is where you find it. *Asian J. Political Sci.* **2016**, *24*, 309–318. [[CrossRef](#)]
56. Howlett, M.; Ramesh, M. The two orders of governance failure: Design mismatches and policy capacity issues in modern governance. *Policy Soc.* **2014**, *33*, 317–327. [[CrossRef](#)]
57. Hudson, B.; Hunter, D.; Peckham, S. Policy failure and the policy-implementation gap: Can policy support programs help? *Policy Des. Pract.* **2019**, *2*, 1–14. [[CrossRef](#)]
58. Hoornbeek, J.A.; Peters, B.G. Understanding policy problems: A refinement of past work. *Policy Soc.* **2017**, *36*, 365–384. [[CrossRef](#)]