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Does the rise of transnational governance 'hollow-out' the state? Discourse analysis of the mandatory Indonesian Sustainable Palm Oil policy

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Does the rise of transnational governance 'hollow-out' the state? Discourse analysis of the mandatory Indonesian Sustainable Palm Oil policy

ABSTRACT

Rise of transnational business governance has been used to argue that state control has declined, giving rise to the metaphor of a 'hollowed-out state'. However, an alternative hypothesis is that, instead of a weakening of the state, a transformation occurs. This study uses interviews and discourse analysis to explore the main factors that trigger initiation of a new government policy following extra-territorial transnational negotiations. The Indonesian palm oil sector, specifically publication of the mandatory certification for Indonesian Sustainable Palm Oil (ISPO) policy, is used as a case study. We also explore aspects of the ISPO and oil palm sector that need focusing in order to improve sustainable palm oil sector governance. Q methodology was used to reveal different discourses on the formation and implementation of ISPO policy. We interviewed 36 stakeholders to gather the qualitative data used for the Q concourse; and engaged 27 stakeholders in the Q sorting process. Five distinct discourses were revealed. Two discourses include state sovereignty and the need to strengthen the local sector as triggering factors for ISPO initiation. The other three discourses highlight scepticism about the ISPO, covering financial aspects and conservation value debates; and contain challenges and suggestions for ISPO implementation. The study concludes that, in the Indonesian palm oil sector at least, 'the hollow-state' hypothesis is not wholly correct. Instead, the government is undergoing a transformation and is enhancing national institutional capacity through the ISPO. However, there are some major concerns. To better shape the governance of sustainability in this sector the government needs to focus on aspects of policy implementation related to biodiversity conservation values and benefits for the producers when being certified, as well as improving engagement with stakeholders.

Keywords: Hollowed-out state; sovereignty; Indonesia; Palm oil; Q methodology; Discourses.

1. Introduction

A wide range of initiatives to facilitate global sustainability have emerged, often originated by international private actors, as actions to provide solutions for unsustainable resource use. These actors include both globalized business entities and 'big international non-governmental organisations' (BINGOs), often working together, that are globally fluid and beyond control of state governments and local democracies. They represent a dynamic source of "transnational business governance" across policy sectors and industries (Eberlein, Abbott, Black, Meidinger & Wood, 2013). As a result, the metaphor of a 'hollowed-out state' has been applied to argue that national state capacity to control the policy process has diminished, having been replaced by global non-state organisations (Levi-faur, 2012, pp. 10-12; Rhodes, 1994, 2012; Skelcher, 2000). However, this perspective has been challenged and it has been argued that hollowing out the state is actually 'reversible' with national governments regaining their power as they begin to notice their loss in capacity (Rhodes, 1994). As time passes and attempts are made to regain sovereignty, a transformation and strengthening of the state occurs rather than a weakening of the state (Torfing, Peters, & Sorensen, 2012, pp. 1-8; Torfing & Sørensen, 2014).

Recent studies indicate that states are transforming their roles in the era of globalisation and network governance with national legal regimes replacing the transnational governance initiated by non-state actors, thereby challenging the hollowed-out state metaphor (Bartley, 2014; Foley & Havice, 2016; Giessen, Burns, Sahide, & Wibowo, 2016; Vandergeest & Unno, 2012; Wibowo & Giessen, 2018). However, Clifton (2014) argues that it is difficult for the state to regain their loss of governing capacity as power is scattered across both national and international entities. In this study we seek evidence to ascertain whether or not the concept of a 'hollowed-out' state can still be applied in current debates about the strategies and choices of state actors under the influence of transnational governance.

In our search for evidence, we explore changes in the institutional arrangements governing sustainability in the Indonesian palm oil sector. Large-scale and intensive corporate palm oil plantation expansion has resulted in many environmental and social impacts (Abood et al., 2015; Ganser, Denmead, Clough, Buchori, & Tscharntke, 2017; Obidzinski, Andriani, Komarudin, & Andrianto, 2012). These impacts raised concerns amongst BINGO transnational actors, who then negotiated with business to create an extra-territorial solution, resulting in the creation of a Roundtable on Sustainable Palm Oil (RSPO). In the light of the non-state transnational standards discussed under the RSPO, and other initiatives including private sustainability commitments and consumer-country sustainability incentives (Pacheco, Schoneveld, & Djama, 2018), the Indonesian government introduced the Indonesian Sustainable Palm Oil (ISPO) policy (Giessen, Burns, Sahide, & Wibowo, 2016; Hospes & Kentin, 2014; Sahide, Burns, Wibowo, Nurrochmat, & Giessen, 2015; Schouten & Bitzer, 2015; Wijaya & Glasbergen, 2016). The ISPO is an obligatory national certification system for all Indonesian oil palm plantation companies. These parallel initiatives and standards act as regulatory governance for palm oil, and the ISPO adds to creation of 'regime complexity' where standards initiated by national, international, private and public actors overlap in the same domain (Keohane & Victor, 2010; Overdevest & Zeitlin, 2014).

The rise of complex state and non-state transnational governance for the Indonesian oil palm sector has inevitably resulted in a range of interactions between actors expressing conflicting interests, beliefs and perceptions. In this study we utilize Q methodology to obtain and analyse those beliefs and perceptions in the discourses of actors who are responsible for creating, monitoring and implementing the ISPO and oil palm governance. Q analysis has been applied in many governance studies to understand subjective perceptions and shared knowledge of stakeholders about the issues being investigated (Barry & Proops, 1999; Focht & Lawler, 2000; Frantzi, Carter, & Lovett, 2009; Ockwell, 2008; Takshe, Huby, Frantzi, & Lovett, 2010;

Tuler & Webler, 2009). To the best of our knowledge, there are no other studies applying Q analysis to investigate how perceptions between the stakeholders in the Indonesian palm oil sector both differ and are shared. In revealing the way actors interact and communicate, our analysis can be used to facilitate better policy implementation and outcomes.

We explore the main factors that triggered the government into initiating the ISPO, and in the discourses we seek shared ideas that could be used to help shape sustainable governance in the palm oil sector. The results shed light on how governance and actors at multiple levels interacted, and contribute to the debate about whether or not transnational governance has been 'hollowing-out' the state. The main findings confirm that ISPO initiation was triggered by a need for sovereignty, indicating that in the Indonesian palm oil sector the 'hollowed-out' state hypothesis is not entirely applicable. Instead, the government is undergoing a transformation for enhanced national institutional capacity. This study also reveals factors that need to be focused to enhance sustainability in the ISPO and Indonesian palm oil sector. These include policy implementation related to biodiversity conservation values and benefits for the producers when being certified.

This paper is divided into seven sections. The theoretical background is presented in the second section. This includes discussion of the shift of government to governance, and the dynamics of governance interaction. Governance in the Indonesian palm oil sector is described in the third section. This is followed by a description of methods and analytical approach in the fourth section. The discourses revealed by the Q analysis are presented in the fifth section. The sixth section presents the discussion and the seventh section presents conclusions of the study.

2. Theoretical Background

2.1. From government to governance and the 'hollowed-out' state

Increasing concern about the lack of progress on governance for global environmental and social sustainability has led many actors to seek alternatives. For instance, civil society actors take direct action through consumer boycott campaigns and in some cases coalitions have formed in which non-state organizations have collaborated with private actors to encourage companies to opt for more sustainable production practices (Bailey, Wilson, & Phillips, 2013; Gulbrandsen, 2014). In consequence, certification of sustainable production has emerged as a form of non-state market-driven (NSMD) governance, where non-state actors use market-based instruments to establish international institutions with formalised norms and rules (Bartley, 2007; Bernstein & Cashore, 2012; Cashore, 2002). Other schemes such as global trade rules, private-sector sustainability commitments, consumer country regulations and incentives have also emerged as forms of transnational governance to address some of the crucial environmental problems that governments appear unprepared to fully solve (Nesadurai, 2017b; Pacheco et al., 2018). Proliferations of these schemes constitute a transnational regime complex where parallel regulatory institutions from a variety of actors are aggregated in the same domain (Keohane & Victor, 2010; Overdevest & Zeitlin, 2014).

The rise of complex transnational governance has been associated with the concept of the 'hollowed-out state' with a shift from government to governance in which power and authority is reallocated from national control to transnational markets and global political institutions (Jessop, 2013; Rhodes, 1994). This shift is considered to be occurring in many countries, for example Rhodes (1997) considered that in Britain "the state has become a collection of interorganizational networks made up of governmental and societal actors with no sovereign actor able to steer or regulate" (Rhodes, 1997; pp. 57).

In contrast however, there are criticisms of the hollowed-out state metaphor. It has been argued that there is no decline of state control, and that it has not been hollowed-out but rather has reasserted its privileged position to govern by regulating the mix of governing structures and regulatory instruments as a part of the transformation of the state (Pierre and Peters, 2000, pp. 78).

2.2. Dynamic Governance Interaction

As transnational governance schemes proliferate, the interactions amongst them and with other normative regimes, either state-based or non-state, are highly diverse (Eberlein, Abbott, Black, Meidinger, & Wood, 2012). The feedback effects can be both positive and negative. For example, on one hand economic competition gives rise to a regulatory 'race to the bottom' for lower standards; and on the other hand, there is a 'race to the top' for more stringent environmental standards to enhance public credibility (Vogel, 1997). Nonetheless, conditions of complexity entails institutional adjustments operating under bounded rationality, heuristics and incremental change (Alter & Meunier, 2009). Overdevest and Zeitlin (2014) describe a process of experimentalist governance, which emerges as a result of dynamic interactions between private-public and global-domestic governance. In experimentalist governance, actors define the goals and revise the governance architecture iteratively, based on learning from comparison of alternative approaches in order to attain their goals in different contexts (Overdevest & Zeitlin, 2014, 2018).

When a state is claiming back its position in a growing complex web of transnational governance, it becomes more involved in the network of transnational governance regimes. This results in a shift from national governance to multi-level or meta-governance, where a state aims to steer multiple agencies, institutions and systems through mutual interdependence (Jessop, 2013). In the case of emerging non-state actors in transnational governance such as certification

schemes (e.g. in forest and fisheries certification programs), the state might respond by legitimizing certification as a credible policy tool that can be trusted by companies and consumers. However, the government might also respond by creating similar national schemes as a counter to non-state certification schemes, which it considers to be a form of extra-territoriality (Foley & Havice, 2016; Vandergeest & Peluso, 1995; Vandergeest & Unno, 2012). Thus, in this type of public-private governance interaction, state government has the capacity to either inhibit (antagonism) or support (complementarity) the non-state's initiatives (Gulbrandsen, 2014; Lambin et al., 2014; Pacheco et al., 2018).

3. Indonesian Palm Oil Sector and ISPO

Indonesia is one of the major palm oil producers in the world and this has led to many environmental and social concerns. Environmental issues include: water pollution, soil erosion and air pollution (Obidzinski, Andriani, Komarudin, & Andrianto, 2012); conversion of natural forests into palm oil plantation, increasing habitat fragmentation and biodiversity loss (Ganser et al., 2017); deforestation and conversion of peat swamps (Abood et al., 2015; Koh, Miettinen, Liew, & Ghazoul, 2011); burning and smoke haze (Nesadurai, 2017a; Reed, Van Vianen, & Sunderland, 2015); and greenhouse gas emissions and associated high carbon debt (Pacheco, Schoneveld, Dermawan, Komarudin, & Djama, 2017). Social issues include conflict over land use, land ownership and tenure, and how the rights are transferred (Colchester, 2011; Li, 2017; McCarthy, 2012; Teoh, 2010).

In particular there are concerns about legality of smallholder land titles, with disputes occurring in many provinces (including South Sumatra, Riau, and West Kalimantan) over loss of traditional land and forest encroachment involving local government, the Ministry of Forestry and the national land agency (UNDP, 2013). Other issues include the limited knowledge of

smallholders on best plantation practices; limited access to good quality seeds and fertilizer; limited access to credit from commercial banks; limited capacity to sell oil palm fruit to mills; and slash and burn practices, which are still used by smallholders to open land. Moreover, uneven distribution of economic benefits and vulnerability to poverty have also become issues (Cahyadi & Waibel, 2016; Obidzinski et al., 2012). Some of these concerns have become compliance barriers in existing sustainability standards and threaten to exclude smallholders from the formal market. Smallholders in the Indonesian palm oil sector are not a homogenous group, instead they encounter different types of compliance barriers and sustainable development challenges including land legality, market access, production practices and livelihood strategies (Jelsma, Schoneveld, Zoomers, & Westen, 2017). Study has suggested that private and public initiatives need to diversify their implementation approach to accommodate the different types of smallholders (Hidayat, Offermans, & Glasbergen, 2017).

Rising global demands for palm oil from Indonesia, and associated sustainability issues, have resulted in increasing dissatisfaction with oil palm production practices in Indonesia and elsewhere, leading international non-state organizations to initiate a transnational private governance arrangement. The sustainable palm oil concept was first developed with formation of the Roundtable on Sustainable Palm Oil (RSPO) in 2003. This non-state collaboration established governance systems for social and environmental issues with the market operating as a coordinating mechanism. Several further transnational voluntary schemes emerged later, including: the International Sustainability and Carbon Certification (ISCC) standard established in 2010 as a certification system to certify crude palm oil with compliance to the European Renewable Energy Directive; the Sustainable Agriculture Network (SAN); the Palm Oil Innovation Group (POIG); and the Indonesian Palm Oil Pledge (IPOP) (Pirard, Rivoalen, Lawry, Pacheco, & Zrust, 2017). The IPOP was established by the Indonesian Chamber of Commerce and Industry (KADIN) to promote zero-deforestation commitments under four

pillars of the pledge including improving environmental stewardship; strengthening policies and regulations; expanding social benefits; and improving competitiveness of Indonesian palm oil. However, the IPOP was disbanded in July 2016 after facing threats of legal action by the government on charges of organising a cartel (Pirard et al., 2017). Pye (2018) argues that the emerged certification schemes are part of the 'post political' climate politics regime that attempts to green the status quo as there is an absence of political analysis or debate within these stakeholder based arrangements. Furthermore, the Indonesian palm oil sector is influenced by the dynamics of various transnational governance arrangements. For example, the European Parliament in April 2017 proposed a ban on the use of unsustainably produced palm oil for biofuels in the EU market from 2020 in order to reduce deforestation and contribute to meeting Europe's ambitious climate goals. However, in June, 2018, a political agreement between European Commission, European Parliament and the Council of the EU implied that the EU market remained open to palm oil imports. Nonetheless the new EU regulatory framework includes a binding renewable energy target for the EU of at least 32% by 2030 (EU Commission press release, 2018), which means by that time, unless Indonesian palm oil can fulfil EU standards, it will be phased out from the EU market.

In the national sphere, Indonesian palm oil has been chosen as the priority commodity in the Indonesian development master plan. Several new laws affect plantations, including Act No. 39/2014, which replaced the old plantation law (Act No. 18/2004). It sets stricter rules limiting foreign ownership and investment in the plantation sector and prioritizes smaller local investors. Other national initiatives in this sector are establishment of the CPO Fund, which aims to use export levies from palm oil products to finance its operation, for example to help pay for replanting, research and development, and promotion of palm oil to the consumers. Fiscal and production policies and spatial planning policies are also in the domestic governance for this sector (Pacheco et al., 2017).

The ISPO policy is currently the most important public regulation governing palm oil production in Indonesia. It was published by the Ministry of Agriculture in 2011 as a commitment to sustainable palm oil plantations, and aims to: improve competitiveness of Indonesian palm oil in world markets; meet the President of the Republic of Indonesia's pledge to reduce greenhouse gas emissions; and reduce environmental problems. The ISPO was initiated following business stakeholders complaining about the unsuitability of standards such as the RSPO as a way of ensuring Indonesia's sustainability commitment in international markets (Caroko, Komarudin, Obidzinski, & Gunarso, 2011; Paoli, Yaap, & Wells, 2010). Reasons for initiation of the ISPO as a national alternative to the RSPO have been much discussed, for example because non-state sustainability certification is counter to the sovereignty of states (Cashore & Stone, 2014) under world trade agreements (Osterwalder-Bernasconi, Magraw, Olive, Orellana, & Tuerk, 2000; Vandergeest & Peluso, 1995). The ISPO is considered to be an act of the government claiming back its authority (Giessen, Burns, Sahide, & Wibowo, 2016; Sahide, Burns, Wibowo, Nurrochmat, & Giessen, 2015); as a behavioural shift from a non-responsive stance to an active development of alternative public national standards and certifications (Wijaya and Glasbergen, 2016); as a direct response to existing global standards (Schouten and Bitzer, 2015); and as a rival governance network to challenge the interventions from the North, rather than a means of creating national standards to implement global standards (Hospes, 2014).

Some issues, however, emerged after the government published the ISPO policy. The ISPO has been perceived as having less ambitious goals compared to the other non-state standards, particularly related to forest conservation (Pirard et al., 2017). For example, there is a disparity between the RSPO and ISPO on the concept of High Conservation Value (HCV)[1] as

[1] High Conservation Value (HCV) was first adopted in 1999 for the Forest Steward Council (FSC) certification scheme. The concept of HCV recognizes six values including biodiversity, cultural values, critical ecosystems and contributions to larger landscapes (Pirard et al., 2017).

adopted in the RSPO. The ISPO is considered to offer more latitude to palm oil plantations to increase production at the expense of forests and other high conservation areas (Hospes, 2014). There are also doubts that the ISPO will have prompter effects for enhancing sustainability in the palm oil sector compared to the private initiatives (Hidayat, et al., 2017).

The ISPO was revised in 2015 and major changes were made in the determination of groups for which the ISPO certification system is mandatory or voluntarily. When it was first published, ISPO certification was obligatory for all palm oil growers. The revised policy requires obligatory certification for oil palm plantation companies, palm oil mills without plantations, and for plantations owned without a palm oil mill; but it is voluntary for plasma farmers, smallholders, and companies who produce palm oil for bioenergy. It will become mandatory for the smallholders in 2020 as they have to provide the millers with certified fresh fruit bunch (Glasbergen, 2018). In 2016, the government was planning to strengthen the ISPO and escalate its legal status from a Ministry of Agriculture Regulation into Presidential Regulation. The aim of this strengthening process was to reform governance of sustainable palm oil in Indonesia; increase the acceptance of Indonesian palm oil in the global market and contribute to the efforts for preserving high carbon stock and conservation values (Strengthening ISPO, 2018). Various suggestions emerged, for instance a coalition of NGOs proposed that the principal of human rights, traceability and transparency to be included in the draft. The ISPO committee explained that the proposed human rights principle will be removed from the draft, though the principle of traceability and transparency will be added. This range of perceptions demonstrates that there are diverse and conflicting beliefs amongst the stakeholder groups promoting sustainability in the palm oil sector. This study aims to use discourse analysis in order to both reveal these differences and seek shared beliefs amongst these actors.

4. Methodology

Discourse analysis is concerned with analysing each individual's discourses to reveal how perceptions are shared between people. A discourse is defined as an ensemble of ideas, concepts, and categories through which meaning is given to phenomena (Gasper & Apthorpe, 1996; Barry & Proops, 1999). Discourses represent the way of seeing of each particular individual; in other words they are subjective and are delivered in particular circumstances and at a particular time to form conceptions of certain aspects of the world (Barry & Proops, 1999). This study utilized Q methodology to analyse the discourses around the ISPO policy and sustainability in the palm oil sector. Q methodology is considered a "qualiquantological" method since it includes both qualitative and quantitative elements (Stenner and Rogers, 2004 in Todd, Nerlich, McKeown, & Clarke, 2004). Q limits research bias since the statements used are generated by the participants as derived from interviews, and not imposed by the researcher (Watts & Stenner, 2005). The difference from R-methodology is that Q is not a method for correlating between variables; rather it correlates the viewpoints to extract the different components of discourses among stakeholders (Eghbalighazijahani, Hine, & Kashyap, 2013).

Q methodology has been applied in many governance and policy studies. Durning (1999) suggested Q methodology helps in-depth understanding of subjective perceptions of stakeholders about the policy issues being investigated. Barry and Proops (1999) used Q methodology to examine how the public viewed environmental issues and policies. They argued that Q methodology can be part of the process of delivering better environmental policies by informing policy makers which policies are acceptable in one locality or stratum of society, or may be ineffective or even unworkable elsewhere. Ockwell (2008) explores the extent of Q methodology in opening up policy to reflexive appraisal using the case of fire management in Australia; and Frantzi et al. (2009) used discourses on international environmental regime

effectiveness with Q methodology to conclude that there is no one 'right' way of defining effectiveness of environmental regimes.

This study consists of five sequential steps. The first step involved collecting statements for a 'concourse' (i.e. a compiled list of things people say or think about the issue being investigated) from the palm oil stakeholders, including people who were involved in the ISPO policy making process. The statements were obtained from both primary and secondary sources. The primary data were collected through interviews with 36 people including: the ISPO commission (1 person), National and District Governments (10), the RSPO representative (1), local and international NGOs (9), large scale palm oil companies (4), smallholders (3), palm oil associations (3), palm oil auditor and certification body (1), a private consultancy company (2), academics (1), and media (1). The interviews were conducted in Bahasa Indonesia with 34 respondents and in English with two respondents, during the period 2013 to 2016, and were transcribed verbatim. The secondary sources included policy documents, presentation notes, news articles and journals.

The second step is selecting a sample of statements. Dryzek & Berejikian (1993) and Takshe et al. (2010) divided the discourse elements and type of claim (Table 1) into categories to help filter the statements into manageable numbers whilst still representing the concourse. There are different opinions regarding the optimal number of statements to produce stable and reliable statistical results. Some consider that at least 60 statements were required, but other researchers suggest that 36 statements are sufficient to give significant results (Barry & Proops, 1999). Categorization of discourse elements was based on the main elements of a political discourse i.e. ontology, agency, motivation and relationships. The other dimension used is more heuristic and has a minor role in statement selection. This dimension is based on the arguments that any political discourse will exemplify certain claims about the world. These are definitive, designative, evaluative and advocative (Dryzek & Berejikian, 1993). Detailed explanations of the discourse

elements and the type of claim are presented in Table 1. Coding of each statement and categorization was done using Nvivo 11 software.

Table 1. Discourse elements and type of claim for filtering the statements (Dryzek & Berejikian, 1993; Takshe et al., 2010).

Discourse elements	Ontology	Reflects set of entities such as states, nations, individuals, classes, genes, and interests.
	Agency	Reflects various degrees of agency attributed to these entities.
	Motivation	Reflects agents' recognized or denied motivation such as self-interest, public-spiritedness, civic virtue, impartially, and survival.
	Relationships	Reflects natural or unnatural political relationships mainly taken for granted such as hierarchies based on age, education, birth, gender, wealth, social class.
Type of claim	Definitive	Reflects the meaning of terms (definitions)
	Designative	Reflects concerning issues of fact
	Evaluative	Reflects something of the worth of something that does or could exist.
	Advocative	Reflects something that should or should not exist.

The third step is the Q sorting process where participants are selected from the people involved in the discourses, who are then asked to sort the selected statements in their preferred order of importance on a large table called a Q Grid (Figure 1). It is important that some of the people who were interviewed initially are involved in the Q-sorting process in order to ensure that their views are being addressed. In the first phase of this study, 36 stakeholders were interviewed to gather information about the ISPO and issues in the palm oil sector. In the Q sorting phase a total 27 participants made statement sorts, of which 15 participants were the same stakeholders who had been interviewed in the first phase. The Q sorting process was

conducted between January and October 2016. Twenty six of the Q-sorts were conducted in Bahasa Indonesia and one in English.

For the design of the Q grid, Brown (1980) suggests using an 11 point scale (-5 to 5) for Q sets numbering 40-60 statements and 13 point scale (-6 to 6) for Q sets of 60 statements and above. Brown (1980) also discussed the general shape, or kurtosis, of the distribution i.e. its degree of flatness or steepness, arguing that if the participants are unfamiliar with the topic, or if it is especially complex, a steeper distribution reflects less decision and less potential anxiety for such participants. In contrast, a shallower or more flattened distribution indicates more straightforward topics, or topics in which the participant group is likely to be knowledgeable. We designed an 11 point scale (-5 to 5) distribution for the Q grid since 54 statements were chosen in the filtering process. The Q grid was constructed to have a shallow, flattened distribution, since the topic is specifically about the ISPO and the participant groups selected are likely to be particularly knowledgeable about it. This type of distribution offers a strategy that allows us to maximize the advantages of the participant's excellent knowledge of the topic (Watts & Stenner, 2005).

Participants were initially asked to read statements and place them into three categories: Agree, Disagree and Neutral in order to ease their placing of the statements into the Q Grid. Next, they were asked to rank statements in a forced quasi-normal distribution from -5 to +5 depending on how representative or not they are of their views, with -5 being 'most disagree' and +5 being 'most agree' (see Figure 1). During the Q-sort process there was usually a dialogue between the researcher and the respondent about the reason for the choice of ranking and for clarification about the meaning of the statements. This additional information from the respondents was used to interpret the discourses derived from the Q-sorts.

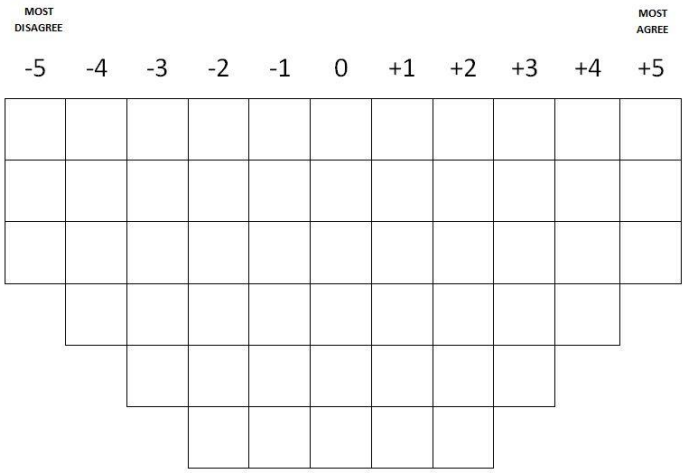

Figure 1. The Q Grid of this study

The fourth step is analysing the combined sorted statements using a Q factor analysis. For this study PQ method software was used. The results of the Q-sort were correlated with each other and the intercorrelation matrix was analysed using Principal Component Analysis and the Varimax rotation procedure. The factors were selected based on their eigenvalues, which had to be greater than 1.0 (statistically significant), and also a minimum of two Q sorts had to load significantly on that factor (Takshe et al., 2010; Watts & Stenner, 2005).

The last step was translating and interpreting each factor into discourses. Each factor reveals a "general outline" of participants with a particular perception. However, there are limitations to this study. The statements were collected during the period 2013 to 2016, and so the statements and the discourses cannot capture the recent developments of the ISPO. Nevertheless, this study helps to capture beliefs and positions of these stakeholders in the initial period of ISPO publication.

5. Results

In this study, a total of 474 statements were selected from primary and secondary sources. After the reduction process the final number of statements selected was 54. The

statements were made in two language versions (Bahasa Indonesia for the native Indonesian stakeholders and English for the non-native stakeholders) to make the scoring process easier for the participants. The numbers of statements in each category are given in Table 2.

Table 2. Statement categorization before and after reduction process into manageable numbers

Category	Ontology		Agency		Motivation		Relationships	
	Before	After	Before	After	Before	After	Before	After
Definitive	2	1	5	0	1	0	0	0
Designative	29	2	82	4	63	4	40	3
Evaluative	16	5	51	8	83	9	37	5
Advocative	2	1	24	5	30	5	9	2

The 54 statements were ranked using the Q sorting process, and results of the Q sorting process were analysed by factor analysis. Five distinct factors were extracted statistically. Each factor had an eigenvalue greater than 1.0, with at least two participants loading significantly on it. Discourses were then constructed as an interpretation of those five extracted factors. The interpretation was analysed using the overall pattern of each factor, including the statements that are the most extreme rated statements within the ideal type Q sort for that discourse (i.e. those rated either +5 or –5). Distinguishing statements (those that statistically distinguish the discourse from other factors at the $P < 0.01$ or 99 percent confidence level) were used to assemble the discourses. Some key participant's own statements from the post Q-sorting interview helped to clarify the English translations of the Bahasa Indonesia statements. The Q-method also produces a list of consensus statements. Consensus statements indicate that there are no significant differences in the factors, therefore the analysis does not distinguish one factor from others

because all the factors may give the same scores (Brown, 1980). The complete list of statements and scores on each factor is presented in Appendix 4.

The correlation statistics (Table 3) give negative scores between factor B and factor C (-0.0363); and factor B with factor E (-0.0586). A negative correlation suggests that high scores relative to one variable are typically associated with low scores on other variable (and vice versa) (Watts & Stenner, 2012). However in this study, the negative correlation scores are small, therefore it can be concluded that the negative association of factor B with both factor C and E is relatively weak.

Table 3. Correlations between factor scores

Correlation matrix between factors and number of sorts loading on each factor. Correlations are from 0 (no correlation) to 1 (complete correlation). The percentage of variance explained by each of the factors and number of respondents with a significant factor loading coefficient > 0.351 are also given.

Factor	A	B	C	D	E	% of variance explained	# coefficients > 0.351
A	1.000	0.0353	0.2858	0.1032	0.4699	15	9
B		1.000	-0.0363	0.0064	-0.0586	7	5
C			1.000	0.1985	0.0104	9	5
D				1.000	0.059	8	4
E					1.000	9	5

A summary of the number of stakeholders loading on each factor is presented in Table 4. A significant factor loading is calculated by using the equation $2.58(1/\sqrt{N})$ where N equals the

number of statements used, and this would be at significance level of $P < 0.01$ (Brown, 1980, p. 283). In this case a significant factor loading would be equal to or greater than 2.58 $(1/\sqrt{54}) = \pm 0.351$. The factors extracted are considered to be the ideal Q sorts around which all the closest Q-sorts are gathered. The resulting factors represent common patterns of responses across the participants and describe the discourses to which participants contribute (Takshe et al., 2010). From the results (Table 4), we can see that discourses A and E are mostly supported by the government, while discourses B, C and D are mostly supported by the NGOs. Each discourse is also supported by other groups. Although the results show how each discourse was supported by each group of stakeholders, it cannot be concluded with certainty that particular groups of people will load significantly on specific factors. However, the results of which group of stakeholders loads on to each factor can be treated as a working hypothesis (Ockwell, 2008). In order to predict the likelihood of each stakeholder loading into a discourse, a large sample size would be needed to get statistically significant results (Takshe et al., 2010).

Table 4. Number of stakeholders loading on each factor

Stakeholders	**Loading on each factor**				
	A	**B**	**C**	**D**	**E**
The Government	4				3
Palm Oil Association	1				
Private Consultancy Companies	1	1			
Auditors and Certification Body			1		1
NGOs		4	2	3	
Academics	1		1		
Palm Oil Companies	1		1	1	
Media	1				1

5.1. Discourse A: sovereignty as a main trigger for ISPO creation.

Table 5. Distinguishing statements for Discourse A

Statement Number	Distinguishing Statements	Rank
16	The definition of a "good palm oil company" in Indonesia is a company that complies 100% with Indonesian regulation.	5
45	All the palm oil companies in Indonesia must comply with existing regulations in Indonesia and do not have to comply with regulations from another country.	5
1	Campaigns on negative issues such as health, social, and environmental impacts were made by international and external actors about the Indonesian palm oil sector.	4
27	The commitment of six big palm oil companies to the Indonesian Palm Oil Pledge (IPOP) will cause difficulties for oil palm smallholders since their oil palm fruit could not be purchased by these big companies.	3
23	The legal status of the ISPO needs to be published by an authority higher than the ministry (Government Regulation (*PP*) or Presidential Regulation (*Perpres*)) to enhance involvement of all stakeholders and increase the trust of outside parties.	2
21	The ISPO needs to have both incentive and disincentive mechanisms to encourage sustainable palm oil practices.	-1
12	The ISPO is a reaction from the Indonesian Government to the various negative campaigns and the demand of palm oil consumers.	-2

Discourse A emphasis that sovereignty has mainly triggered initiation of the ISPO policy. The statements that most participants agreed on this discourse are statements (S) 16, 45, 3, 1, 37, 10, and 44 and the distinguishing statements are statements 16, 45, 1, 27, 23, 21, 12 (Table 5). Discourse A represents 15% of the variance and is the strongest discourse in this study.

This discourse revealed there are several negative aspects such as health, social, and environmental issues that have been delivered by various international parties to the Indonesian palm oil sector (S1). However, in the initiation of ISPO, this discourse rejects that the ISPO was born as a reaction to various negative campaigns and the demand of palm oil consumers (S12). The participants who loaded into this discourse agreed that the ISPO originated as an effort by the Indonesian government to reform the Indonesian palm oil sector (S10), emphasizing the position of Indonesia as a sovereign country.

Moreover, as sustainability goals are already embedded in the Indonesian constitution (S3), these became a basis for initiation of the ISPO. It was stated that all palm oil companies located in Indonesia should comply with existing regulations in Indonesia, not regulations from other countries (S45) and as the ISPO was compliant with regulations for palm oil plantations in Indonesia, the label of a "good palm oil company" in Indonesia should be based on an assessment of a palm oil company's compliance with Indonesian regulation (S16).

This discourse, on the other hand, disagreed with initiation of the compliance commitment from leading palm oil companies in the Indonesian Palm Oil Pledge (IPOP) which went beyond commitment to existing regulations. The IPOP was perceived to have the potential for causing difficulties for oil palm smallholders since their oil palm fruit may not be acceptable to the big companies (S27). Also, the IPOP is not in line with the ISPO and raised concerns of cartel-like activities. This discourse also clarified that the ISPO has the binding force of law and there are sanctions for those unwilling to apply for certification. Thus the ISPO system operates by 'command and control' and does not need incentive and disincentive mechanisms to encourage sustainable palm oil practices, in contrast to statement 21.

5.2. Discourse B: the need to strengthen local sectors.

Table 6. Distinguishing statements for Discourse B

Statement Number	Distinguishing Statements	Rank
35	Local government enforcement capacity in developing the sustainable palm oil sector is often hampered by budgetary limits and pressures to support more expansion.	4
43	Conservation and forestry areas (HCV areas) should be placed outside palm oil plantations.	4
39	A 'No deforestation' commitment is only one criterion that is already covered in the ISPO, so it does not need to have exaggerated prominence because other criteria are also important.	-5
10	The ISPO resulted from efforts to reform the Indonesian palm oil sector.	-5

Discourse B represents 7% of the variance. The most agreed statements in this discourse are 51, 37, 13, 36 and 18. In contrast, the statements with strong disagreement are 50, 10, 39, and 9. The distinguishing statements are 35, 43, 39 and 10 (Table 6).

Discourse B highlights the need to strengthen the local sector for implementing the sustainability agenda. There is an urgent need to strengthen the capacity of smallholders who account for approximately 40 percent of oil palm acreage in Indonesia (S51). Various kinds of compliance barriers to smallholders such as those related to land legality need to be solved first in order to be certified by the ISPO and other kinds of certification schemes to avoid marginalization from the market. Yet, the budget for certifying smallholders also needs contributions from other parties due to the large numbers of smallholders and the limited amount of funds available to the smallholders themselves and the government for these actions (S18). The need to strengthen the local sector in this discourse also includes the local

government, as local government enforcement capacity is often hampered by budgetary limits and pressures to increase expansion of oil palm plantations (S35). However, some stakeholders argued the problem is not the budgetary limit but the allocation of the budget for appropriate activities to support policy implementation. This discourse also agreed that collaboration between local stakeholders needs to be facilitated to gain opinions, ideas, and articulation of problems in each province and local level. Support from organisations such as the United Nations Development Programme (UNDP) for initiating the multi-stakeholder platform is useful to help disseminating ISPO policy and to discuss the best way of solving perceived problems in sustainable palm oil development at both the local and national level (S11).

5.3. Discourse C: challenges and suggestions for ISPO implementation.

Table 7. Distinguishing statements for Discourse C

Statement Number	Distinguishing Statements	Rank
17	The costs, complexity and time taken for obtaining both the RSPO and ISPO certification needs to decrease, as 80% of their principles and criteria are equivalent.	4
38	The exclusion from the ISPO of voluntary certification (for independent smallholders and biofuel producers) could lead to a two-tier market for palm oil, one that is legally compliant (ISPO certified) and one that is not.	2
13	The RSPO will be seen as superior compared to the ISPO.	-2
8	The ISPO auditors experience difficulty in becoming familiar with all the regulations relating to the palm oil sector that are relevant to the ISPO.	-4
36	Implementation of the ISPO standard may reduce the tendency to open new land for palm oil plantations.	-4
16	The definition of a "good palm oil company" in Indonesia is a company that complies 100% with Indonesian regulation.	-5

Discourse C represents 9% of the variance and is the second strongest discourse after discourse A (variance 15%). The most agreed statements in this discourse are 14, 10, 2, 18, 50, 17, and 52. In contrast, the statements with strong disagreement are 16, 40, 26, 36, 25, 8, and 15. The distinguishing statements are 17, 38, 13, 8, 36, and 16 (Table 7).

This discourse is distinguished from other discourses by the emphasis on challenges and suggestions for implementation of the ISPO. One challenge is the need for efficiency in the RSPO and ISPO certification systems. This discourse agreed that the costs, complexity and time taken for the RSPO and ISPO certification process needs to be reduced, as 80% of their principles and criteria are similar and equivalent (S17). Another challenge is related to the capacity of the auditors in the certification process, this discourse disagreed that auditors of the ISPO certification process have experienced difficulties in understanding the regulations (S8). These difficulties mostly related to the conflicting regulations, for instance between national and province regulation. The auditors, however, need to be qualified and trained to be certified as ISPO auditors. Increasing capacity of auditors then becomes one of the challenges for ISPO implementation as it will increase the credibility of ISPO certification.

In relation to environmental aspects, this discourse disagrees that implementation of the ISPO standard may reduce the tendency to open new land for palm oil plantations (S36). Although the ISPO is based on regulation, it cannot guarantee implementation on the ground. This discourse also disagreed that the definition of a "good palm oil company" in Indonesia is a company that complies with Indonesian regulation only (S16). This discourse suggested that a 'good palm oil company' needs to go beyond this and also comply with global agreements and standards beyond Indonesian regulations as palm oil from Indonesia is being sold to international consumers.

5.4. Discourse D: scepticism about the ISPO.

Table 8. Distinguishing statements for Discourse D

Statement Number	Distinguishing Statement	Rank
28	The many inadequacies of the government's regulations that exist in the ISPO are resulting in a slow certification process for all palm oil companies in Indonesia.	5
40	Campaigns from international NGOs about the Indonesian palm oil sector are not influencing Indonesian palm oil exports to other countries.	3
13	The RSPO will be seen as superior compared to the ISPO.	2
18	Because of the government's and smallholder's limited budgets, the certification for independent palm oil smallholders needs support from other parties.	-2
7	ISPO and RSPO certification cannot be fully integrated.	-2
47	Various requirements imposed for the export of Indonesian palm oil to other countries needs to be reviewed because many do not reflect the conditions in Indonesia.	-5
6	Initiation and implementation of the ISPO is influenced by the concept of sustainable development created by the international community.	-5

Discourse D represents 8% of the variance. Strong agreement in this discourse emerged in statements 28, 20, 37, 50, 49, 46 and 14. The most disagreed statements are 6, 47, 27, 15, 22, 31, and 17. The distinguishing statements in this discourse are 28, 40, 13, 18, 7, 47, and 6 (Table 8).

Discourse D is mainly delivered by NGOs, which express scepticism about the ISPO as indicated by several statements. The first statement implies the scepticism of ISPO is because Indonesia's weak law enforcement and tendency for corruption, as it will hamper the ISPO from

gaining credibility in the international market (S50). Additionally, there is a scepticism related to the government regulations, which cause confusion amongst the auditors because the principles and criteria do not have single standards and still have to be interpreted by auditors (49). There is also concern about weak coordination between government institutions that might impede decision making processes involving the many actors and institutions in the palm oil sector (S14).

This discourse also debated the genuine intention of ISPO. It was stated that initiation of the ISPO was influenced by the sustainability concept from a long time ago (i.e. Brundtland report in 1987) (S6). However, before the ISPO was created, a sustainable system for the palm oil sector was initiated by transnational non-government actors with formulation of the RSPO. Simultaneously, this discourse agreed that the RSPO will be seen as superior compared to the ISPO (S13).

As part of the scepticism of the ISPO, this discourse suggests that sustainability principles and criteria should be adapted to include market changes and palm oil consumer expectations (S20). Yet, this discourse strongly disagreed with one statement which implies that various requirements that are imposed for the export of Indonesian palm oil to other countries needs to be reviewed because they do not reflect the conditions in Indonesia (S47). The government or other stakeholders cannot simply expect a palm oil consumer's country to adjust their requirements for the goods exported to their countries, even if their requirements do not fit with the situation in Indonesia.

5.5. Discourse E: financial aspects and conservation value debates.

Table 9. Distinguishing statements for Discourse E

Statement Number	Distinguishing Statements	Rank
24	On one hand, the RSPO tries to limit palm oil production in Indonesia by setting criteria for HCV. On the other hand, the ISPO tries to increase production of palm oil in Indonesia by setting the conservation areas outside the plantation areas.	4
22	Indonesian palm oil companies expect to get a premium price for their crude palm oil (CPO) when they are awarded an ISPO certificate.	4
18	Because of the government's and smallholder's limited budgets, the certification for independent palm oil smallholders needs support from other parties.	1
53	Experience from accreditation of sustainable production forest management (PHPL) and legality for timber is a good example for the ISPO certification system.	-3
20	The principals and criteria of the ISPO should be adapted to market changes and palm oil consumer's expectations.	-3
35	Local government enforcement capacity in developing the sustainable palm oil sector is often hampered by budgetary limits and pressures to support more expansion.	-4
30	International consumers do not now recognize the ISPO as an international certification system since it does not include the principles and criteria in accordance with their demands.	-5

Discourse E represents 9% of variance and is the second strongest discourse together with discourse C. Statistically, the statements with strong agreement in this discourse are 37, 52, 34, 9, 24, 22, and 7. The distinguishing statements are 24, 22, 18, 53, 20, 35, and 30 (Table 9). This discourse shows strong disagreement on statements 30, 32, 31, 35, 13, 50, and 40. The

discourse is distinguished from other discourses by combining two important ideas about the ISPO and palm oil sector. Firstly, financial considerations for the ISPO were emphasized, including the expectation from palm oil companies on premium price for their ISPO certified crude palm oil (S22). Secondly, this discourse highlighted the debate on the High Conservation Value (HCV) concept initiated by RSPO (S24) as one of the fundamental differences between the ISPO and RSPO systems.

In the RSPO Principles and Criteria, RSPO member companies are required to preserve or increase the HCV contained within or around plantations that are affected by the operations of the plantation and/or mill (RSPO Criteria 5.2). Moreover, other criteria require that RSPO members in their development of a new plantation or an existing expansion (after November 2005) cannot develop or expand in primary forests or in any area that contains HCV. This discourse argues that setting HCV by conserving and isolating areas that have high conservation values inside the palm oil plantation will impact on palm oil production in Indonesia since the total plantation area will be reduced by applying this concept (S24).

Discourse E, however, is in line with discourse A in terms of reflecting Indonesian sovereignty. This was revealed in several statements. For instance, this discourse rejected the idea that suggested the principles and criteria of the ISPO should be adapted to market demands (S20); and this discourse disagreed about pessimism on the ISPO's acceptance in the international market since it does not include the principles and criteria based on international demands (S30). Statement 52 contains another example: that there is a feeling of discrimination particularly for the Indonesian palm oil sector since the requirement for sustainable certification in some countries is only applied to Indonesian palm oil, and is not applied to other vegetable oils such as that derived from sunflowers or olives. The requirement for sustainable certification for vegetable oil should apply equally for all exporters and not for just one specific country (S52). Finally, this discourse does not agree that withdrawal of the Indonesian Palm Oil Association

(GAPKI) from the RSPO will be seen as counterproductive and will ultimately impair Indonesia's reputation (S32).

5.6. Disagreement and Consensus Statements

We identified consensus and disagreement statements based on analysis of variance across factor z-scores,. The statements that lead to disagreement are 50, 16, 10, 9, and 13 while the consensus statements where there is common agreement (Takshe et al., 2010) identified in this study are 37, 33 and 29.

In statement 50, some stakeholders disagreed that Indonesia's law enforcement is vulnerable to corruption. There is doubt that the ISPO cannot gain credibility from the international market because of this stigma, but some participants consider otherwise. Similarly, there were contrasting views about Statement 16 on defining a good palm oil company, as several participants argued that to be a "good palm oil company" is not only about complying with Indonesian regulations. Statement 10 emerged as a highly contentious statement. It states that the ISPO resulted from efforts to reform the Indonesian palm oil sector. Several stakeholders fully agreed with this statement, but others disagreed. Statement 13, that the RSPO will be seen as superior compared to the ISPO, also led to debates and a divergence of opinion, with some respondents agreeing and others saying that the criteria of superiority in this statement is an abstract concept and should be defined more clearly.

Most of the stakeholders agreed with statement 37, which stated that the pace of ISPO implementation needs to increase significantly with adherence to law as well as transparency. This statement has the highest score for a consensus statement. There is common agreement that Government should escalate their efforts to disseminate the ISPO to all levels, including to the most local level (S29). The other consensus statement is the premise that the ISPO was not created to replace or compete with the RSPO certification system (S33).

6. Discussion

The purpose of this study was two-fold. Firstly, to examine the main factors that triggered the Indonesian government into initiating the ISPO; and secondly, to explore important aspects of the oil palm sector and how the ISPO standards can be better implemented to improve the shaping of governance for sustainability. Utilizing Q methodology, the analysis attempted to elucidate stakeholder perceptions. The results reveal both diverse and shared perceptions on issues related to initiation of the new policy, as well as a range of concerns about enhancing and improving the policy and sustainability.

We found that the ISPO is considered by the stakeholders interviewed to emphasize Indonesia's position as a sovereign country. Discourse A states that initiation of the ISPO as a new policy did not merely emerge as a reaction to the various negative campaigns, or from demands by palm oil consumers. The discourse was shared between government, the palm oil association, academics and media, but government was dominant in loading onto this discourse. The intention to show capacity of government as the main 'governor' in the palm oil sector was clearly indicated in this discourse. The emphasis placed on the ISPO as an effort of the Indonesian government to reform the palm oil sector and the regulations embedded in the ISPO might relate to the need of acceptance of the ISPO and Indonesian regulation, whether in the domestic national or global international sphere. This is because sustainable palm oil governance was mostly imposed by the RSPO as a dominant system in Indonesia, which offered a premium price to its members when certified by the RSPO. Under these extra-territorially imposed conditions the government was 'hollowed-out' temporarily by the RSPO, and in consequence the ISPO appeared as a push-back against this transnational governance scheme. This corresponds with the previous findings about the ISPO as a way of government claiming back its authority

and employing their exclusive regulatory power (Giessen et al., 2016; Hospes, O., 2014; Sahide et al., 2015).

Our study also found expression in discourse B of the need to strengthen capacity of smallholders and local government, as this plays an important role in implementation of sustainable palm oil goals in Indonesia. The large numbers of smallholders who own palm oil estates in Indonesia, and the problems faced by the smallholders, are the main reason why capacity of this local sector needs to be enhanced. At this moment ISPO for the smallholders is voluntary, but it will become mandatory by 2020. Concerns arise as the smallholders will be marginalized from the markets if they cannot fulfil various requirements set by the ISPO as well as other international standards. Increasing the capacity of the smallholders and addressing their compliance barriers such as land legality issues will help them to fulfil the standards and avoid alienation from the formal market.

Discourse C and E highlighted important issues associated with implementation of the ISPO and provide some guidance on how to shape the sustainability agenda in the palm oil sector. These discourses included the need to harmonize the state and non-state palm oil certification systems (i.e. the ISPO and RSPO) and expressed concerns over financial aspects and the debates related to conservation areas. A joint study has been conducted to create better alignment between the two certification systems by finding similarity and differences between the RSPO and ISPO. The conclusion was that the HCV concepts were actually in line with many of the environmental and conservation values already protected under Indonesian law (Suharto et al., 2015), but the route to implementation is different. Existing Indonesian regulations protect significant biodiversity and ecosystems values by law through wildlife reserves, nature reserves, national parks, natural recreation parks, hunting/game parks, and forest parks (Presidential Decree Number 32 of Year 1990, article 37). Under these regulations up to 25% of a plantation area can be set aside from production under a Rights To Use Land License (*Hak Guna Usaha)*,

but the rights holder needs to submit a revision of the land concession according to existing land regulations. This can be compared to the RSPO certification system, in which RSPO member companies are required to preserve or increase HCV areas (based on an HCV assessment process) within or around plantations that are affected by plantation and mill (Criteria 5.2) so that if HCV areas are found in the concession area of a RSPO member company, then that area will not be converted into a palm oil plantation.

Although adoption of this concept of HCV was suggested, the Indonesian government insisted that they will not aim to revise any regulation or add this concept to the ISPO. Discourse E affirms the position of Indonesian regulation on this issue and supports the sovereignty discourse as it emphasizes that regulations to conserve the significant biological, ecological, and social values already existed in Indonesian regulation. It cannot be changed based on the wishes of transnational actors, even if it is for the sake of reducing complexity, time or costs during the certification process[2]. However, the ISPO system and the regulation embedded in it need to show significant results on the ground related with respect to conservation of the significant biological, ecological, and social values. The government's interventions, such as the forest loss and peatland moratorium (which has been in place for six years), have not been able to address problems of ecological conversion. The area protected under Indonesia's moratorium on new licenses in primary forest and peatland has been cut by 2.7 million hectares. It was argued that the policy has been only partially implemented and has not brought significant improvements in protection of remaining natural forest and peatland (Greenpeace, 2017). By showing significant efforts and improvement for ecological conservation, such as forest and peatland ecosystem protection, will increase the credibility of the ISPO. Otherwise, the ISPO will be seen only as the product of the 'sovereignty' initiatives to claim back regulatory power without producing significant effects on the widely expressed need for ecological sustainability.

[2] Based on a participant interview.

Another important perception revealed in Discourse E concerned the expectation of oil palm growers to obtain premium prices in connection with sustainability certification. Participation in voluntary certification schemes appears to be most frequently motivated by a firm's expectation of economic benefits. This is a rational behaviour since private businesses need to pursue profits. However, as the ISPO was based on regulation and is obligatory for all Indonesian palm oil companies (with sanctions for those who are disobey it), the government conveyed the sentiment that they cannot offer a guarantee for a premium price when certified under the ISPO[3], implying that although ISPO was packaged as a market-based certification system, it is still a 'command and control' policy. They argued that the price of palm oil and its derived products depends on the demand side, and the government cannot intervene with the price. Sustainability incentives are then dependent on the palm oil consumers who need to be willing to offer premium prices for products certified by the ISPO. The government is however, periodically lobbying the stakeholders, including both producers and consumers, to propose and increase the credibility of the ISPO, including benefits for the palm oil producers certified by the ISPO to receive the premium price.

Scepticism about the ISPO was expressed by several stakeholders, mostly in Discourse D, which was represented by the national and international NGOs. Other stakeholders also show their scepticisms about the ISPO, including some auditors, academics, and a palm oil company (revealed in Discourse C); and a private consultancy company (revealed in Discourse B). The scepticism emerged mostly because the ISPO seems 'insufficient' to cover sustainability aspects for the palm oil sector. It was argued that some issues such as peatland conversion and high conservation values, which are of increasing global importance, are not covered appropriately in the ISPO[4]. It was also claimed that the ISPO has less ambitious objectives

[3] Based on discussion by a keynote speaker in the Roundtable of Sustainable Palm Oil.
[4] Based on participant's interview.

compared other standards such as the RSPO and IPOP, especially concerning forest conservation. Recent scepticism also emerged related to the principal of human rights, traceability and transparency, and it was suggested that this topics be included in the ISPO. The sceptical discourse elements arise mostly from the NGOs groups, suggested the need for government to engage closely with this group. This is now taking place with several multi-stakeholder working groups being convened by the government. Engaging different civil society actors in value-chain governance could accelerate the implementation of social and environmental policies (Gillespie, 2012; von Geibler, 2013).

7. Conclusions

Various initiatives have emerged as a solution for sustainability problems in the Indonesian palm oil sector from both state and transnational non-state actors, leading to complex interactions with conflicting interests, beliefs and perceptions. Extra-territorial governance raised the metaphor of a 'hollowed-out state', in which a state's control of national policy processes has been replaced. This can be contrasted with the concept of a transformation and strengthening of the state under transnational influence.

Utilizing Q methodology, this study revealed that the Indonesian Sustainable Palm Oil (ISPO) system was initiated mainly as an expression of government sovereignty. The evidence suggests that, although the government's capacity is now restricted because of the rise of transnational governance and the evolving regime complexity in the Indonesian palm oil sector, 'the hollow-state' and decline of state power has not occurred. Instead, the government is enhancing its institutional capacity through the ISPO, though strengthening of the local sector especially smallholders and local government, is still needed. This study also indicates that regime complexity has promoted positive interactions through competition and collaboration. For

example, although the ISPO was initiated as an expression of sovereignty, the government developed collaboration with non-state certification systems (i.e. the RSPO). Through the dynamic interaction the transnational governance has triggered a 'ratcheting-up' effect that made the state initiate a scheme to improve standards for sustainability through the initiation of the ISPO.

The discourses revealed in this study also highlight stakeholder concerns, including the need to protect of areas of high conservation value and enhance benefits from certification for businesses. Firstly, resolving smallholder issues such as land legality issues and providing access to good quality fertilizers and seeds will help smallholders comply with constantly changing global standards, which threaten to marginalize group from the markets. Secondly, enhancing local government abilities through capacity building on knowledge about the ISPO and its implementation process will help exert reforms. Thirdly, the ISPO is based on regulation and is mandatory for the palm oil growers, but financial incentives such as tax credits for sustainable growers will help the implementation process. Fourthly, the government need to reconcile the ISPO with various global institutional requirements, such as those related to protection of high conservation values. Participatory engagement with all stakeholders will also help the implementation of the ISPO as scepticism exists. It will enhance the sustainability agenda in this sector. The strength of the ISPO is that it has greater legal enforcement power than the private agreements, and this can be used to solve a lot of the environmental, social and economic problems associated with the sustainability in the palm oil sector.

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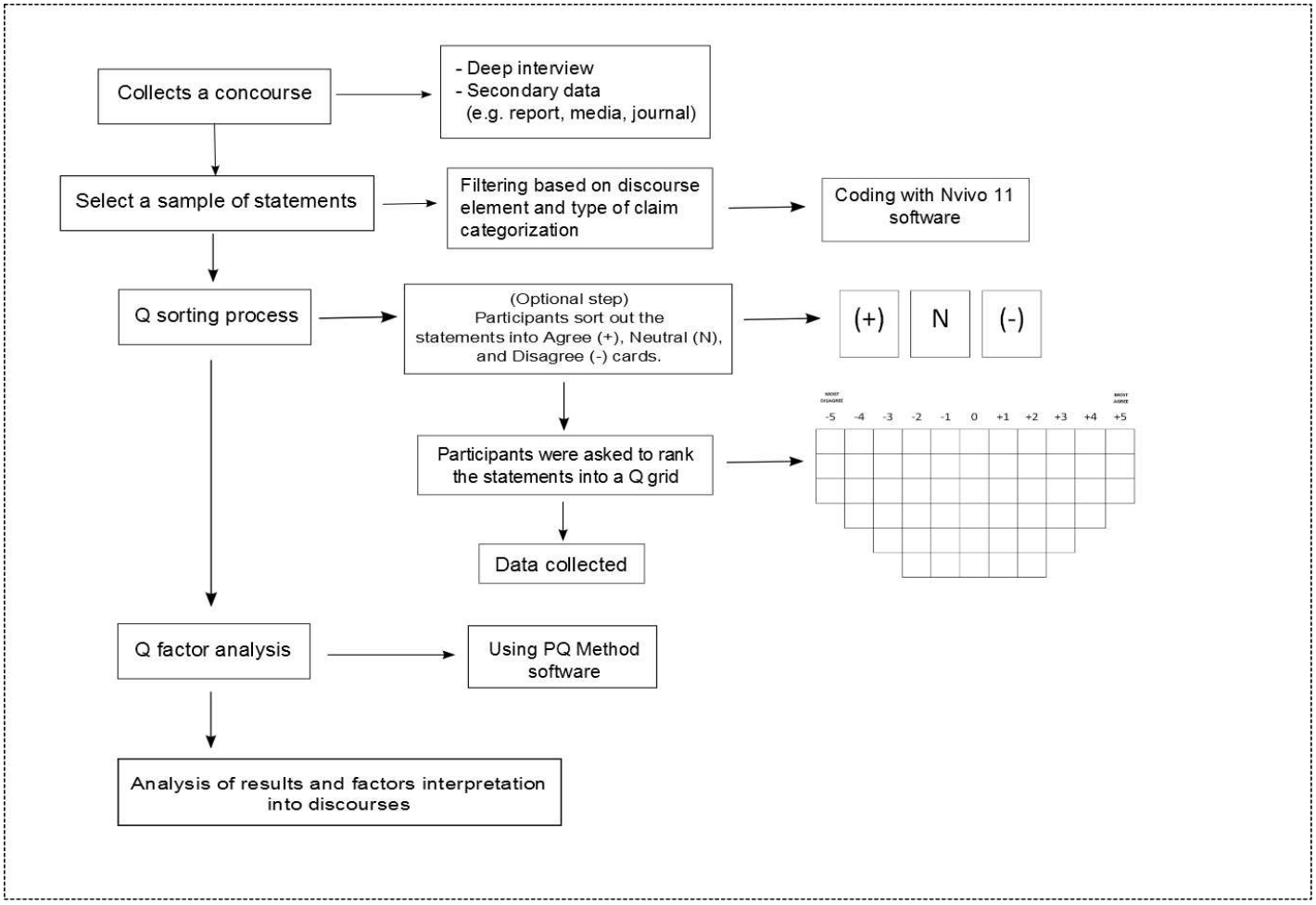
APPENDICES

Appendix 1. Q methodology steps in this study



Appendix 2. List of Interviewees

No.	Stakeholders		Interviewees	Time of interview
1	The government	Ministry of Agriculture	Staff 1	March 25, 2013
2			Staff 2	April 6, 2015
3			Staff 3	April 6, 2015
4			Staff 4	April 8, 2015
5		ISPO Commission		March 10, 2015; May 25, 2015
6		Other Ministries	Ministry of Environment and Forestry	May 25, 2015
7			Ministry of Agrarian Affairs and Spatial Planning/National Land Agency (BPN)	May 25, 2015
8		District Government	Riau Province	June 12, 2015
9			West Kalimantan Province	June 12, 2015
10			East Kalimantan Province	June 12, 2015
11		CPO Fund	Director	August 12, 2015
12	Palm Oil Companies		Large Private Company 1	March 13, 2015
13			Large Private Company 2	March 10, 2015
14			State Owned Plantation Company	April 6, 2015 (email)
15			Large Private Company 3	June 12, 2015
16	Palm Oil Associations	Indonesian Biofuel Producer Association (APROBI)	Staff 1	September 12, 2013
17		Indonesian Palm Oil Association (GAPKI)	Executive Director	March 10, 2015
18		Indonesian Palm Oil Board (IPOB)	Staff 1	March 10, 2015
19	Certification Body and Auditor		Auditors	May 26, 2015
20	Non-Governmental Organizations		RSPO	March 10, 2013
21			IPOP	August 12, 2015
22			International NGO1	skype interview, May 22, 2015
23			International NGO2	February 3, 2014
24			UNDP	March 10, 2015
25			International NGO3	March 10, 2015
26			National/Local NGO2	10 March 2015
27			National/Local NGO3	May 26, 2015
28			National/Local NGO4	March 10, 2015
29			International NGO3	June 26, 2015

30	Media	Media	March 23, 2015
31	Smallholders	Smallholder 1	May 23, 2015
32		Smallholder 2	May 23, 2015
33		Smallholder 3	May 23, 2015
34	Private Consultancy Companies	Consultancy company 1	August 12, 2015
35		Consultancy company 2	October 3, 2014
36	Academics	Academics	August 4, 2013

Appendix 3. List of Q sorting participants

	STAKEHOLDERS	NO.	CODE in Q SORT	DATE
The Government	**National GOVERNMENT**	1	G_IC1	February 29, 2016
		2	G_MA_1	February 29, 2016
		3	G_MA_2	February 25, 2016
		4	G_MA_3	February 3, 2016
		5	G_MEF_1	February 9, 2016
	DISTRICT GOVERNMENT	6	GD_RP_1	February 2, 2016
Non-Governmental Organizations	**International NGOs**	7	NG_IO_1	March 1, 2016
		8	NG_IO_2	February 3, 2016
		9	NG_IO_3	February 29, 2016
		10	ING-6	October 6, 2016
		11	NG_IO_4	February 29, 2016
	RSPO	12	ING_P1	February 9, 2016
	LOCAL NGOs	13	NG_LO_1	February 5, 2016
		14	NG_LO_2	February 24, 2016
Auditors and Certification Body		15	NG_CB_1	February 5, 2016
		16	NG_A1	January 20, 2016
		17	NG_A2	February 11, 2016
Private Consultancy Company		18	PCC_1	January 19, 2016
		19	PCC_2	January 20, 2016
		20	PCC_3	January 20, 2016
Palm Oil Association	**GAPKI**	21	NG_PCG	February 5, 2016
Palm Oil Companies	**Large Company**	22	BPOC_1	February 24, 2016
		23	BPOC_2	February 22, 2016
Academics		24	EXP_1	October 24, 2016
		25	EXP_2	March 2, 2016
		26	EXP_3	February 5, 2016
MEDIA		27	IM_1	February 2, 2016

Appendix 4. Statement scores on each factor

No	Statements	A	B	C	D	E
1	Campaigns on negative issues such as health, social, and environmental impacts were made by international and external actors about the Indonesian palm oil sector.	4	1	2	0	3
2	ISPO should be recognized by the international community since it still not been noticed.	3	-2	5	-2	2
3	The development of sustainable palm oil sector in Indonesia need to refer to the Indonesian Constitution since the sustainability concept already embedded in it.	5	1	1	3	1
4	The rising prices for selling CPO when a companies have implementing ISPO occurred because an agreement transactions between buyer and seller, without the involvement of Government.	0	-2	-2	1	0
5	The purpose of ISPO is not to meet the market demand; however it could act as an instrument to reach the market.	-1	3	3	-2	3
6	Initiation and implementation of the ISPO is influenced by the concept of sustainable development created by the international community.	1	3	0	-5	1
7	ISPO and RSPO certification cannot be fully integrated.	0	2	1	-2	4
8	The ISPO auditors experience difficulty to becoming familiar with all the regulations relating to the palm oil sector that are relevant to the ISPO.	-2	0	-4	-1	-1
9	The development of Indonesian palm oil industry hampered by some requirement from other countries in order to protect their agricultural products.	3	-4	2	-3	4
10	The ISPO resulted from efforts to reform the Indonesian palm oil sector.	4	-5	5	0	1
11	The Sustainable Palm Oil (SPO) Initiatives by UNDP is a good platform to discuss the best solution for palm oil development problem in province and national level.	-2	1	-2	-3	-1
12	The ISPO is a reaction from the Indonesian Government to the various negative campaigns and the demand of palm oil consumers.	-2	1	1	2	3
13	The RSPO will be seen as superior compared to the ISPO.	-3	5	-2	2	-4
14	Weak coordination between government institutions often hinders the government to make a multisector decision.	0	-2	5	3	2
15	ISPO requirement to retain HCV[5] forests has been dropped from the 2015 version, and a new criterion has made difficulties for companies to protect them voluntarily.	-5	-1	-4	-4	0
16	The definition of a "good palm oil company" in Indonesia is a company that complies 100% with Indonesian regulation.	5	-2	-5	1	2
17	The costs, complexity and time taken for obtaining both the RSPO and ISPO certification needs to decrease, as 80% of their principles and criteria are equivalent.	-1	-1	4	-4	-1

[5] HCV = High Conservation Value

18	Because of the government's and smallholders limited budgets, the certification for independent palm oil smallholders needs support from other parties.	3	4	4	-2	1
19	There are lacks of stakeholder engagement (especially NGOs) in the ISPO formulation stage.	-4	-4	-2	1	-2
20	The principals and criteria of the ISPO should be adapted to market changes and palm oil consumer's expectations.	-1	0	3	5	-3
21	The ISPO needs to have both incentive and disincentive mechanisms to encourage sustainable palm oil practices.	-1	2	3	3	2
22	Indonesian palm oil companies expect to get a premium price for their crude palm oil (CPO) when they are awarded an ISPO certificate.	0	-4	-3	-4	4
23	The legal status of the ISPO needs to be published by an authority higher than the ministry (Government Regulation (*PP*) or Presidential Regulation (*Perpres*)) to enhance involvement of all stakeholders and increase the trust of outside parties.	2	-3	-1	-2	-1
24	On one hand, the RSPO tries to limit palm oil production in Indonesia by setting criteria for HCV. On the other hand, the ISPO tries to increase production of palm oil in Indonesia by setting the conservation areas outside the plantation areas.	-4	-2	-2	-3	4
25	In general, the P&Cs of voluntary certification is stricter than the mandatory certification.	-5	0	-4	-3	-2
26	ISPO issued certificates for palm oil producers and growers because it could be used as evidence that can be accepted by the international community.	1	0	-5	-2	0
27	The commitment of six big palm oil companies to the Indonesian Palm Oil Pledge (IPOP) will cause difficulties for oil palm smallholders since their oil palm fruit could not be purchased by these big companies	3	-1	-3	-5	-2
28	The many inadequacies of the government's regulations that exist in the ISPO are resulting in a slow certification process for all palm oil companies in Indonesia.	-4	3	-1	5	0
29	The socialization of ISPO is not yet spread to the lowest level since the farmers in the district do not yet know ISPO.	1	2	1	2	2
30	International consumers do not now recognize the ISPO as an international certification system since it does not include the principles and criteria in accordance with their demands.	-2	0	-3	2	-5
31	ISPO published based on the existing Indonesian regulation where currently does not support the zero deforestation initiation.	-3	1	0	-4	-5
32	The withdrawal of GAPKI from RSPO membership is a contra productive movement which in the end will harm the Indonesian reputation.	-4	-1	-1	1	-5
33	ISPO was not created to replace or compete with RSPO certification system.	3	2	2	2	3
34	The most important thing in the sustainable palm oil production is there is no plantation in the primary and secondary forests as well as high conservation area.	-2	-3	-3	2	5

35	Local government enforcement capacity in developing the sustainable palm oil sector is often hampered by budgetary limits and pressures to support more expansion.	-3	4	0	1	-4
36	Implementation of the ISPO standard may reduce the tendency to open new land for palm oil plantations.	2	4	-4	-1	-2
37	The implementation of ISPO should significant with an increase in adherence to law and also transparency.	4	5	3	5	5
38	The exclusion from the ISPO of voluntary certification (for independent smallholders and biofuel producers) could lead to a two-tier market for palm oil, one that is legally compliant (ISPO certified) and one that is not.	-3	-4	2	-1	-3
39	A 'No deforestation' commitment is only one criterion that is already covered in the ISPO, so it does not need to have exaggerated prominence because other criteria are also important.	2	-5	0	-1	0
40	Campaigns from international NGOs about the Indonesian palm oil sector are not influencing Indonesian palm oil exports to other countries.	0	-3	-5	3	-4
41	Some barrier faced by the palm oil growers in acquiring ISPO certificates is the high costs and the time publishing obscurity of the supporting documents for ISPO certification.	-3	-3	-1	0	1
42	The implementation of ISPO policy will not increase palm oil production significantly.	-5	3	-3	-1	-3
43	Conservation and forestry areas (HCV areas) should be placed outside palm oil plantations.	-1	4	-1	-4	-2
44	The sustainable palm oil development cannot accomplish without the full involvement of the Government.	4	1	1	3	3
45	All the palm oil companies in Indonesia must comply with existing regulations in Indonesia and do not have to comply with regulations from another country.	5	2	1	0	2
46	Boycotting palm oil and its by-products will not produce fundamental changes on the ground.	1	-2	-2	4	-2
47	Various requirements imposed for the exports of Indonesian palm oil to other countries need to be reviewed because many do not reflect the conditions in Indonesia.	1	3	2	-5	0
48	ISPO can serve as a system for increasing the production of palm oil.	2	0	3	0	-1
49	Many ISPO's principle and criteria still interpreted by the auditor because don't have any single references yet.	-2	-3	3	4	-1
50	Given Indonesia's notorious reputation for weak law enforcement and rampant corruption, ISPO cannot gain credibility from the international market.	-1	-5	4	4	-4
51	There is an urgent need to strengthen the capacity of smallholders who account for 40 percent of oil palm estates in Indonesia.	2	5	-1	3	1
52	When a country requires a certificate for the products of sustainable palm oil, then it should also be implemented to all vegetable oil access to the country so there was no discrimination.	2	-1	4	1	5

53	Experience from accreditation of sustainable production forest management (PHPL) and legality for timber is a good example for the ISPO certification system.	1	2	0	0	-3
54	ISPO need to protect small scale oil palm farmers as they being blamed for massive forest fires since they know how already knew the way to control the slash and burn for planting process.	0	-1	0	-1	-3

Appendix 5. List of Interview Questions

Interview Questions for Government Officer

1. Before the ISPO (Indonesian Sustainable Palm Oil System) published by the government, have you heard about this Ministry of Agriculture's plan? If yes, what do you think about it?
2. Is the initiation of ISPO in line with the vision and mission of the institution where you are located?
3. What is the role of your institution in formulating the ISPO policy? Are your institutions actively involved in the formulation process?
4. Do you know what the main triggering factors of the government in initiate this national certification system (ISPO)?
5. Do you think there are any pressures from the international community so that the government issues this policy? If yes, what kind of influence from the international community?
6. Do you think the initiation of ISPO will give burden for oil palm producers (whether large oil palms producers or smallholders)?
7. What actually do you think about the main issues for the Indonesian palm oil sector?
8. What is your suggestion for this ISPO certification system toward sustainable palm oil vision?
9. What is your suggestion for all of the existing palm oil certification system (national and international such as ISPO and RSPO) to be effectively implemented?

Interview Question for the Oil Palm Companies:

1. Does your company know about ISPO (Indonesian Sustainable Palm Oil) policy? If yes, how do you know about this ISPO?
2. What are the views and perceptions of the company regarding this mandatory ISPO certification?
3. Is your company certified by ISPO or is applying for the ISPO certification?
4. If yes, in what month and year is your company certified by ISPO? If not, is there a plan to be certified by ISPO?
5. May I know about the cost of ISPO certification?
6. Is there a special budget for ISPO certification?
7. If the companies already certified by ISPO. How is the auditing process for ISPO certification? Were its principles and criteria difficult to fulfill?
8. What are the difficulties or problems (from the submission process to the audit process) to get the ISPO certificate?
9. Is your company certified by a certification system other than ISPO, such as RSPO (The Roundtable on Sustainable Palm Oil) or ISCC (International Sustainability and Carbon Certification)?
10. How long has your company got certificate from other certification system other than ISPO?
11. Does the sales of oil palms in your company increased after certified by (e.g.) RSPO and ISCC certification system? Or Does the company get the premium price after attain the certification?
12. Do you know the difference and similarity between ISPO certification system, RSPO and ISCC? What do you think about that?
13. How would the opportunity of selling CPO (Crude Palm Oil) and other palm oil products produced by your company after certified by ISPO? Does your company expect a sales increase after obtaining an ISPO certificate?
14. With regard to the number of negative campaigns on palm oil in Indonesia and its sustainability, what do you think about that?
15. Does the negative campaign affect the sales of oil palm in your company?
16. If yes, how does the company overcome this problem?
17. What actually do you think about the main issues for the Indonesian palm oil sector?
18. What is your suggestion for this ISPO certification system toward sustainable palm oil vision?

19. What is your suggestion for all of the existing palm oil certification system (national and international such as ISPO and RSPO) to be effectively implemented?

Interview questions for the smallholders

1. How long did you own this oil palm plantation?
2. If you do not mind, what is the size of the plantation that you have and how are your plantation's production capacity per year?
3. Where the fresh fruit bunch is being sold?
4. Do you belong to the palm oil cooperatives? If yes, what's the name?
5. Have you ever heard about the ISPO (Indonesian Sustainable Palm Oil) certification system which published by the government?
6. If the answer is YES, please forward it to question number 7,
7. If the answer is NO, please forward it to sub questions a, b, c, d and e.

a. Do you know anything about certification for sustainable oil palm?

b. Have you heard about ISPO or RSPO?

c. What do you think about those certification systems?

d. Have you certified your plantation by RSPO or ISPO?

e. If yes, is there any funding source for the certification?

8. Do you know that the government required Indonesian oil palm plantations to be certified by ISPO?
9. Do you know how long has the government disseminated the ISPO? And in what ways did the government disseminates about the ISPO? (For example: through the Cooperative, through the public discussion forum held by the government?)
10. Do you know the requirements to fulfil the ISPO certification process for smallholder plantation?

a. If yes, is your plantation ready to be certified by ISPO certification?

b. Have you completed the documents required for ISPO certification, for instance STDB?

c. What are the difficulties to be certified by ISPO?

11. Do you know about the cost of being certified by ISPO?

12. Do you think the certification of oil palm is or will be beneficial for you?
13. Instead ISPO certification, is there any challenges or difficulties in fulfilling various government regulations?

Interview questions for local people

1. Could you please let me know your name and your occupation?
2. How long have been living here?
3. Related to the oil palm plantations in your neighbourhoods, is the existing oil palm plantation in your area beneficial for you? Could you please explain it?
4. Have you ever heard about sustainability certification system for oil palm plantations, where if the oil palm plantation wants to be certified, the oil palm planters were required to pay attention to the surrounding community and the surrounding environment? (The questions about ISPO and or other certification system continue if the local people know about them).
5. Is there any problem or conflict with the existing oil palm plantation owners? What kind of conflict?
6. If so, can the conflict be resolved? How it was resolved?
7. How you describe the quality of the environment in your neighbourhood? For example, are the water quality and quantity good? Or how was the air and soil quality in your neighbourhood?
8. Is there any contribution from the palm oil businesses around your area? For example, if there is a large oil palm company, does the company build some facilities such as schools, hospital, agricultural infrastructures, mosque, etc.?

Interview questions for the NGOs

1. Have you heard about ISPO (Indonesian Sustainable Palm Oil System) which published by Indonesian Ministry of Agriculture? Since when?
2. Has your NGOs ever had been invited by Government to public consultation or formulation event of ISPO policy?
3. What do you think about this policy? Do you know what the triggering factors of ISPO initiation are?

4. Do you see this policy as a good initiative from the Indonesian Government towards the sustainability of palm oil plantation in Indonesia?

5. Do you see any chances for this policy to help a lot of palm oil issues in Indonesia, especially related to the environmental issues?

6. The government had been promoting ISPO widely to India, China, Europe and America, etc. How do you see this? Do you think international consumer will recognize ISPO as an international certification system for Indonesian palm oil?

7. ISPO and RSPO commissions are conducting join study to see the similarities and commonalities between these two systems at this moment. However, the High Conservation Value (HCV) term in RSPO become one of the issue that differ RSPO and ISPO (RSPO contain HCV term, but ISPO was not, it was in the different term which stated in Indonesian Law and Regulation). Do you think this difference will become a problem? Do you think this difference could affect the effort for protection of high conservation value?

8. The certification system for smallholders is being developed in ISPO at this moment. What do you think about this? Do you think smallholders with all of their limitation could be certified by ISPO at this moment?

9. What do you think the main important issues that need to be solved for the palm oil sector?

10. What is your suggestion for this ISPO certification system toward sustainable palm oil vision?

11. What is your suggestion for all of the existing palm oil certification system (national and international such as ISPO and RSPO) to be effectively implemented?