

The promise and limitations of partnered governance: the case of sustainable palm oil

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Abstract

Purpose – *This paper sets out to report on a study of the Roundtable on Sustainable Palm Oil (RSPO) as an instance of “partnered governance” oriented to advance sustainable development in a supply chain. After briefly discussing the conceptualization of partnered governance, its social organizational features, and its drivers, the paper aims to outline the history and structure of RSPO and then to assess the effectiveness, efficiency and level of legitimation of this innovative governance structure. The paper points out several of the limitations as well as potentialities of partner governance arrangements such as that of RSPO.*

Design/methodology/approach – *The paper shows through a focused multi-method case study how the RSPO developed as consumer-oriented businesses partnered with civil society organizations and palm oil producers to address what was seen as a long-term threat to rain forests, on the one hand, and to financial interests, on the other.*

Findings – *In the case of deforestation caused by oil palm expansion, national government intervention was absent and international regulation could not be mobilized. While the RSPO’s system of partnered governance may have many shortcomings, the paper stresses that there are few real alternatives that have been as successful in addressing this type of sustainability issue. A major structural problem with such partnerships for sustainability is that their emergence and development typically depend on powerful players.*

Originality/value – *The originality/value of the paper lies in its identification of several of the strengths and weaknesses of partnered governance based on a focused case study, and suggests ways in which partnered governance can be developed and optimized in addressing sustainability issues.*

Keywords Timber, Forests, Supply chain management

Paper type Research paper

Background

The rapid destruction on the world’s tropical rainforests has been an issue on the agendas of policy makers and NGOs for a long time. One strategy for saving the forests has focused on the link between tropical forests, and tropical timber and timber products. Unfortunately, forest and timber certification has only a very limited effect on protecting tropical forests. The main threat to tropical forests is not forestry but the conversion of forest to agricultural land, in our case here, for the production of palm oil.

For this reason, nature conservation organisations gradually widened their focus from promoting “sustainable forestry” to fighting “forest conversion”. In the late 1990s, the WWF developed its “Strategic action on palm oil and soy”. These two crops appeared responsible for the rapid conversion of the world’s major virgin tropical rain forests and dry savannah forest (“cerrado”). For the WWF, the connection between everyday consumer products (such as margarine and fats, found in thousands of products) and the destruction of the rainforest made palm oil a useful case study for focusing public attention. In 2002, the WWF (with the engagement of consultant de Man, one of the co-authors of this article) mobilized industry actors to form the Roundtable on Sustainable Palm Oil (RSPO).

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The RSPO's sustainability aspirations were high from the outset:

RSPO is an association created by organisations carrying out their activities in and around the entire supply chain for palm oil to promote the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders (www.rspo.org/Our_Aspirations.aspx).

The explicit vision and mission of RSPO became, respectively:

1. RSPO will assure that palm oil contributes to a better world.
2. It will advance the production, procurement and use of sustainable oil palm products through:
 - the development, implementation and verification of credible global standards; and
 - engaging stakeholders along the supply chain.

The RSPO is an example of an emerging new governance model intending to further sustainable development. Government intervention was absent from deforestation caused by oil palm expansion. Attempts at international regulation faced possible World Trade Organization (WTO) action against improper trade barriers. The RSPO developed as consumer-oriented businesses partnered with civil society organizations and palm oil producers to address a perceived long-term threat to their financial interests.

This paper extends our earlier multi-level analysis and critical assessment of partnered governance to develop the conceptualization and practice of sustainability governance (see De Man and Burns, 2006). It reviews several of the basic principles of the partnered governance model, outlines the case of RSPO in detail, and assesses that initiative's accomplishments and disappointments. It concludes by suggesting ways in which partnered governance forms might be developed and made more effective.

Conceptual framework

Partnered governance

Sustainability implies a long-term focus, in the sense of the sustainable development concept originally developed by the Brundtland Commission (1987). Social and ecological development goals refer to the public rather than the private domain, entitling partnerships for sustainability to claim contribution to public goals, even where the partners are primarily private sector companies and NGOs.

Partnered governance (also known as collaborative, or cooperative governance) refers to governance involving the cooperation of diverse social actors in regulation – in particular various private agents and sometimes, public agents. These concepts became established in the new millennium. Glasbergen (2007) refers to a new partnership paradigm for governance[1], “a project as well as a process”[2].

Increasingly, one observes partnerships involving companies and other agents in one or more sectors, for example, along a “supply chain”. Examples of supply-chain partnerships are found in several industry sectors; these include fisheries through the Marine Stewardship Council, forestry through the Forest Stewardship Council, and paper and wood suppliers to publishing companies, as examined by De Man and Burns (2006). Non-governmental organizations (NGOs) often play a role in these partnerships, either as external watchdogs or auditors, or as full partners.

Partnerships developing on multiple levels

Partnership governance refers to an organizational form (or forms) of cooperation among different business players (enterprises) and other stakeholders in a sector or several sectors, e.g. a supply chain. Increasingly, there are environmentally or socially motivated NGOs who represent the “interests” of ecology, workers, affected populations, etc. Such partnerships for sustainability imply that there is not only a business interest for the business

partners, but also a gain in terms of the goals of the NGO partners, e.g. realizing social or ecological aims and standards.

There are at least two levels and distinct forms of partnerships for sustainability:

1. The business to business (B-to-B) partnership, possibly with NGO involvement, in which different companies work together for producing a sustainable product, such as sustainable fishing or socially responsible paper or clothing production.
2. The industry to industry (I-to-I) partnership, in which groups of companies and/or industry associations from different sectors, e.g. phases of a supply chain, work together to realize (minimum standards) for sustainable products. Good examples are the Forest Stewardship Council (FSC, see Cashore *et al.*, 2004) and the many different initiatives for “sustainable coffee” (Potts, 2003) as well as our case study here, the RSPO.

Although this paper examines only a particular case, the phenomena of partnered governance is widespread and rapidly evolving.

Why partnered governance? What are the driving forces?

The growing number of “partnerships for sustainability” may be explained by several distinct driving forces. In the first place, there is a general tendency towards diverse forms of cooperation, in particular, in supply chains (from very loose ad-hoc coalitions to formalized joint ventures). A key force is the globalization of business activity and a tendency to outsource anything that is not core business. While globalization and specialization contribute to lower costs and higher flexibility, they also create risks of a loss of control and a resulting weak quality control and an insecurity of products and supply. Examples can be found in many industries, including the food industry, where a lack of control over inputs (e.g. meat from BSE-infected cows) produced significant health risks for consumers and a major loss of trust in the food industry (Carson *et al.*, 2009). Different forms of cooperation between companies may be initiated in order to minimize such risks.

Companies also increasingly face reputational risks (and decline in public trust), even if the end product is of irreproachable quality. Reputational risks may relate to issues of ecological or corporate social responsibility. Ecological and social NGOs know that large international companies and owners of top-level brands are particularly vulnerable to criticism and they tend to target their campaigns towards these companies. The problems addressed may be upstream in supply chains and concern practices for which the companies do not have formal liability. Nevertheless, they are held accountable for these upstream operations and are driven to develop strategies to correct the behaviour of their suppliers. Often these problems occur in third world countries with weak (or weakly implemented) social and environmental policies. NGO criticism is often the trigger for action on the part of brand owners and consumer product manufacturers. The latter initiate cooperation with their suppliers and even form partnerships for solving environmental problems and establishing corporate social responsibility.

Self-regulation through cooperation

In many cases, the role of government is either absent or indirect. It is not unusual that partnerships for sustainability are needed precisely because of a lack of government regulation, or extremely weak controls (see also Cashore *et al.*, 2004). Supply-chain partnerships try to independently establish their “license to operate” by voluntary self-regulation within the supply chain, seeking endorsement from respectable stakeholders.

Currently, minimum standards for “sustainability” of raw materials have been or are being negotiated in many different “I-to-I” supply-chain partnerships, as shown in previous section.

Setting up a partnered governance structure: the case of RSPO

The RSPO was launched by WWF, engaging palm oil processing and trade companies, financial players, NGOs, and retailers and food manufacturers as well as consultants, among them: Aarhus United UK Ltd, Karlshamns AB (Sweden), Golden Hope Plantations Berhad, Migros, Malaysian Palm Oil Association, Sainsbury's and Unilever (the Netherlands).

These actors were brought together by WWF in 2002, mediated by one of the authors of this paper, Reinier de Man. Other active agents eventually (e.g. serving on the eventual RSPO's Executive Board) were Loders Croklaan (Netherlands), Pacific Rim Palm Oil Ltd (Singapore) and The Body Shop (UK).

After several preparatory meetings, the first roundtable meeting took place in Kuala Lumpur, Malaysia on 21-22 August, 2003, attended by 200 participants from 16 countries. On 8 April 2004, the Roundtable on Sustainable Palm Oil (RSPO), was formally established as a not for profit Swiss association.

Initiators

Within the WWF organization, WWF Switzerland was given the responsibility of developing concrete strategies for implementing the "Strategic action on palm oil and soy"[3]. Reinier de Man, one of the authors of this paper, who had already worked with WWF Switzerland on forestry and cotton issues, was asked to explore the possibilities for WWF-private sector cooperation on setting a standard for sustainable palm oil.

The definition phase

The original idea of RSPO was to create a demand-side coalition for sustainable palm oil. The Swiss supermarket chain "Migros" had already defined their own standard and were sourcing "sustainable palm oil" from Ghana. Unilever had laid a basis for their own sustainability criteria. Retailers could pressure suppliers to conform with a cross-industry consensus on criteria and standards for sustainable palm oil. A retailer and manufacturer user group would dictate standards to producers.

Divergence in perceptions and judgment

Subsequent discussion revealed a number of divergent opinions, perceptions and strategies, evidently linked to differences in interests:

1. There was no consensus about the causal link between palm oil production and deforestation. According to Unilever's analyses, oil palm could not be held responsible for more than 10 to 15 percent of total deforestation in Indonesia. As the link between palm oil and deforestation was at the centre of WWF's position, it was not possible to have an open discussion on this issue.
2. Unilever, as one of the world's largest palm oil consumers, became the most influential player during early stages of this initiative. From the outset, Unilever questioned the idea of a demand-side coalition ("palm oil user group"). They argued for carefully involving palm oil producers and producing countries in defining criteria and setting standards. Unilever's approach was more or less followed in further roundtable development.
3. From the beginning of the initiative, the question arose, as to whether the goal should be to produce a separate "sustainable" palm oil grade. There was a general feeling that there should be no substantial additional costs, for which consumers would be unwilling to pay (RSPO Executive Board minutes, late 2002).

By early autumn 2002, the character of the roundtable on sustainable palm oil had been largely defined.

Setting up RSPO

As a finalization of the different bilateral discussions and first step towards establishing RSPO, a meeting was held in September 2002, during which the roundtable's ideas were discussed among retailers, manufacturers, banks and the WWF. There appeared to be sufficient support for setting up a roundtable. It had become clear then that the roundtable should include both the demand and supply sides and that it should not be focused on a single issue (such as deforestation). It is to be noted that this initial, critical compromise was made in order to secure the support of major players, most notably Unilever.

After the meeting in September 2002, the initiative was further developed in bilateral contacts between Unilever and the WWF with the involvement of consultant, de Man. The latter had developed the idea of setting up a so-called organizing committee, responsible for setting up the first roundtable on sustainable palm oil and provide the necessary financial resources. It was agreed that all players in the supply chain, from oil palm growers to retailing outlets should participate. The participation of NGOs was also anticipated.

The first meeting of the organizing committee took place at Heathrow Airport on January 30, 2003. Organizations present were, apart from Unilever and the WWF, two retailers (Sainsbury and Migros) and two consultant organizations (de Man & ProForest). It was regretted that participation by the palm oil producing and processing industry had not yet been realised, though steps to include their interests had been made: contact was established with the Malaysian Palm Oil Association (MPOA), Malaysian palm oil company, Golden Hope, and Anglia Oils. MPOA and Anglia Oils joined the Organizing Committee not long after this meeting. During the process that followed, the involvement of the palm oil sector (both Malaysian and Indonesian) remained a main discussion topic and contact established with several key players. An outline for the August 2003 Roundtable meeting was in preparation.

A charter was cautiously formulated according to the goals and principles of the roundtable, and did not contain any demanding obligations apart from a general commitment to a trajectory of continuous improvement. In the draft charter, the roundtable was presented as a business initiative of Unilever, Migros, Sainsbury's, Anglia Oils/United Plantations, MPOA, and Golden Hope Plantation in cooperation with the WWF. Differences of opinion, already clear during the Autumn 2002 meeting, were not resolved in 2003. There was still no consensus about the character of the problem, particularly the quantitative link between oil palm development and deforestation.

The inaugural roundtable meeting and setting up a formal structure

The first roundtable meeting took place in Kuala Lumpur on August 20-21, 2003. It was organized by de Man in close cooperation with the Malaysian Palm Oil Association (MPOA) on the basis of the decisions made by the Roundtable Organising Committee. The roundtable was attended by more than 200 people, from 16 different countries. The program contained keynote speeches by key players such as MPOA and the WWF. Breakout sessions were held on several issues. Two issues were at the centre: a discussion of the so-called Statement of Intent (the earlier "charter") and studies conducted by the UK-based consultancy ProForest that would lay the basis for development of future sustainability criteria.

Following the first roundtable, there was pressure from the MPOA and WWF to formalize the roundtable and its governance structures. Contentious negotiations showed that palm oil industry representatives could not accept any model that would give or appear to give NGOs a majority on an executive board. Finally, a compromise was reached, by giving producers and NGOs equal representation. The WWF had stressed the need for consensus decision-making on the board. The proposal was accepted. Ironically, the majority issue, as stated by MPOA, was practically unimportant: any vote could block any future decision in the model that was adopted.

After the January 2003 meeting, the next steps were relatively straightforward. The RSPO was registered as a charity under Swiss law and set up its secretariat in Kuala Lumpur.

Subsequently, the first board meeting took place. Unilever's leading position was reaffirmed in the choice of the president (Jan Kees Vis from Unilever's top management). Other board members included representatives from the WWF, MPOA, palm oil companies and retailers (including Migros Switzerland).

The roundtable meetings 2-6/formulating the RSPO criteria

The work after the first roundtable meeting was carried out during and between five subsequent roundtable meetings. Working groups and committees were set up for defining principles and criteria for sustainable palm oil, for solving verification and certification issues and for discussing a number of technical issues, including the role of smallholders in the production of sustainable palm oil.

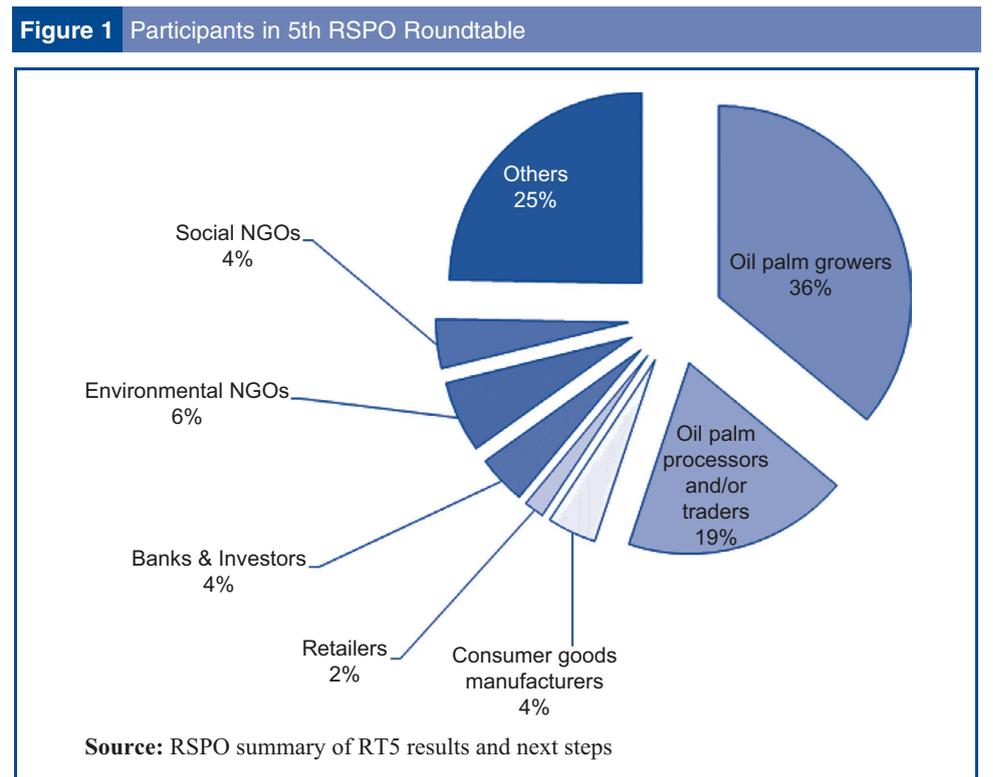
The number of participants increased to 500 + from more than 25 countries and almost 100 members representing a third of all palm oil development. Important NGOs such as Oxfam, Conservation International and Indonesian NGOs participated (see Figure 1).

At the third meeting in November, 2005, the roundtable adopted the "Principles and criteria for sustainable palm oil production": eight principles and 39 criteria encompassing the economic, environmental, and social aspects of sustainable palm oil production.

Saving the forest

Principle 7 addressed the "responsible development of new plantings". Apart from requiring the necessary impact assessments before developing a new plantation, criterion 7.3 explicitly forbade development of new plantations on primary forest or forest with high natural values.

The main agenda for the years to come focused on the technical process of criteria definition and verification issues (including logistics and chain-of-custody issues). Although the roundtable was diplomatically executed, the principles and criteria were speedily adopted, which was only possible by skating over details and could easily have led to serious conflicts



and delays in the implementation process. Notable among such details were two issues: first, how to define whether a forest has “high natural value”, and second, how to design a system that takes into account the special problems related to smallholders.

At the general assembly after the sixth roundtable, two significant resolutions were made to address early challenges. The first responded to NGO criticisms of the certification process, specifically the Greenpeace campaign discussed in the following), by requiring RSPO members to demonstrate and publicize their criteria for compliance with new plantings before commencing any expansion. A second resolution addressed producers’ concerns for the development of a market for certified oil, by requiring members of the RSPO to submit, and make public, their plans for sourcing sustainable palm oil, as well as the certification of plantations.

By April 2004, the main principles for the RSPO’s development had been set, and the organizational arrangements made operational. These principles and rules corresponded roughly with many of the partnered governance arrangements established in other supply chains. A consistent set of game rules was emerging. Multi-stakeholder participation was essential, with key players from the entire supply chain involved together with major social and environmental NGOs (global “cooperative” brands including the WWF, CARE, and Oxfam) as partners. Elaborate governance structures and procedures emphasized norms of consensus rather than coercion; the stress was on negotiating differences and finding common positions and standards.

Typically, a standard-setting organization worked as a technical organization under the multi-stakeholder umbrella. Variations between initiatives mainly concerned:

- the involvement of supply-side agents;
- the involvement of particular NGOs and other stakeholders; and
- the governance rule systems.

With respect to the RSPO, it may be concluded:

- Unilever holds the central position in the initiative. The WWF is leading on the part of NGOs. As a result of Unilever’s strong position, palm oil interests became more prominent than in the original WWW model.
- The Malaysian and Indonesian palm oil industries hold a strong position in the initiative. Without their cooperation, no effective decisions can be reached.
- Rules for discussion and decision-making were set: in addition to norms of consensus and balancing NGO and industry interests, game rules were diplomatic and process-driven, rather than problem-focused or driven by outcome.
- The process of constitution and operationalization has been slow. This is mainly a result of the consensus rule in decision-making and bureaucratic forms of technical advisory work. High-conflict issues are hidden in cautious formulations or postponed until a future date.
- The focus of the initiative is on palm oil as a food, rather than a source of energy. The bio-fuels discussion gained currency after 2006 within as well as outside of RSPO.
- The supply-chain issue focusing on the extent to which “sustainable palm oil” should be physically separated from the bulk commodity, remained on the agenda. Several options were open: segregated sustainable palm oil, different mass balance systems, and a system of certificate trading (not unlike the system for trading “green” electricity).

How well is RSPO doing? Analyzing and assessing RSPO

The RSPO was created to promote sustainable palm oil and to prevent the production of non-sustainable palm oil. The reason for a private sector-driven initiative was the weakness of local policies and their implementation. Had there been stronger laws and regulations in palm oil producing countries, and had these been implemented, then there would have been little need for the RSPO.

Thus far, the RSPO has been an apparent success. It was established in a relatively short period of time. At the third roundtable meeting in November 2005, Principles & Criteria (P&C) for sustainable palm oil production were adopted by RSPO. Programmes were initiated to provide a framework for verification, and certified palm oil is now available on the world market.

Partnered governance related to global commodity chains is emerging in other sectors and around other issues as well. Examples include child labour and consumer products from Asia, sustainability of timber; human rights issues surrounding metals produced in the Democratic Republic of Congo, coffee from Nicaragua, etc. A major factor favouring such new forms of governance is the weak or uninterested government in countries where these commodities are produced. Still, general questions must be asked about the strengths and weaknesses of such partnerships. As discussed earlier, major questions concern the effectiveness, efficiency, and legitimacy of “new forms of self-regulation”, as discussed in the following (also, see De Man and Burns (2006)).

Effectiveness

Our first question is: how well are the principles and criteria, which have been created under the umbrella of RSPO, regulating the market?

The first palm oil certification was awarded by the RSPO in August 2008, and 11 plantation companies have certified their operations in the past year. These companies produce a combined total of approximately 1.5 million tonnes of crude palm oil (CPO) annually, as well as a significant volume of palm kernel meal (PK) and palm kernel oil (PKO) used in industrial chemical production (see Table I).

Certification requires some of the largest plantation companies to set aside significant areas for conservation, sometimes through consultation with the NGO members of the RSPO. Sime Darby and Wilmar, for example, have each preserved approximately 10 percent of their total planted areas (500,000 and 200,000 ha respectively). In most plantation companies, HCVA assessments, with the assistance of NGOs, have begun or are ongoing[4].

Despite these successes, RSPO has faced a number of serious challenges to its effectiveness, in both the short and long terms:

- Some criteria, despite the thousands of man-hours spent in meetings, are still weak, since they lack clear operational meaning.
- There are serious problems with implementing the criteria on the ground due to lack of knowledge, lack of motivation and often lack of good governance inside companies.
- Unfortunately, non-certified palm oil can be sold without much difficulty, as there are sufficient food and energy markets (India, China, etc.), which will absorb any production.

Table I Certification of palm oil by country and company

<i>Company</i>	<i>Country</i>	<i>Mills</i>	<i>CPO (mt)</i>	<i>PK (mt)</i>	<i>PKO (mt)</i>
United Plantations Berhad	Malaysia	6	185,324	50,195	
New Britain Palm Oil	PNG	4	257,338	62,181	
Sime Darby	Malaysia	5	209,444	51,460	
Kulim Bhd	Malaysia	3	88,914	24,943	
Wilmar/PPB Oil Palms	Malaysia	3	122,900	27,400	
PT Musim Mas	Indonesia	2	135,000	31,250	
IOI Corp	Malaysia	1	63,000	14,850	
SIPEF/Hargy Oil Palms Ltd	PNG	2	78,158	0	5,830
Cargil/PT Hindolie	Indonesia	2	51,344	12,122	
Kuala Lumpur Kepong-KDC	Malaysia	2	92,000	22,000	
PT London Sumatra	Indonesia	4	169,480	30,017	2,772
Total		34	1,452,902	326,418	8,602

Two of the major reasons for limited effectiveness are:

1. The criteria are weak and lack much precision, since they are the result of consensual negotiations.
2. The problem of market fragmentation.

The most important political processes, which ultimately led to the RSPO as we know it today, took place between 2002 and 2004. The working process between 2004 and today was based on a stable agenda and a clear definition of roles. The process can be defined in terms of a multi-stakeholder consultation process on “Principles & Criteria” and the technical instruments needed to implement the criteria both at the plantation level and in the supply chain. This formulation underlines the technical character of the initiative, leaving little space for discussion of its mission and underlying principles.

It also suggests a reassuring degree of stability that may not be justified in the light of the serious legitimacy problems RSPO finds itself at the moment (see later discussion). The peace accomplished during the process between 2004 and 2008 may have been bought at the price of postponing rather than solving a number of serious interpretation and implementation problems.

Criteria remain difficult to implement and audit. The RSPO has been able to introduce and strengthen transparency, long-term planning, environmental responsibility, and good agricultural practices and labour management in many plantations. The commitment of producers to transparency and annual reporting alone has led to the constructive engagement with NGOs in numerous cases of potential issues. For example, in the case of the IOI Group’s planned expansion in Central Kalimantan, NGO participation in environmental assessments helped identify areas to preserve.

Social criteria, though, have proven more problematic, as have those related to the development of new plantings. So far, the plantations that have certified have been mature and established ones. When companies have concessions to develop in forested areas, they have not been persuaded by the appeal of future RSPO certification. Changing the areas in which concessions are granted is beyond the power of the RSPO, and requires assistance from local and regional governments. The RSPO, and individual plantation companies, are unable to guarantee the long-term state of land that is preserved. District heads can, and do, exclude forested land from concessions if the company is not adequately developing it.

In addition, implementing the RSPO criteria in a relatively small part of the global market limits its impact considerably.

These private sector initiatives for self-regulation in the supply chain share an additional problem, given the complexity and heterogeneity of palm oil markets: how to avoid free-riding. In the case of sustainable palm oil, for example, the standard for it may be accepted by a majority of the companies operating on the European market, but this is no more than 20 percent of world demand. Unsustainable plantations developed on freshly cut primary forestland can continue to supply growing markets in China and India.

Price premiums are expected to drop as the supply of certified palm oil increases, and this can be seen currently^[5]. However, even with decreasing costs, the market for certified oil may not be sufficiently significant. Part of the problem for increasing demand is caused by the complexity of the certification system and the RSPO’s failure to effectively communicate about and market its certified product. The presence of technical experts in the executive board and on working groups has allowed the development of the principles and criteria to proceed without much contention, but it has also meant that issues like marketing and branding, even in a business-to-business manner, have been ignored. The value of RSPO certification is simply not apparent to many demand-side actors.

Even if marketing and communication can make “sustainable palm oil” more mainstream, the long-term solution generally proposed is to introduce the standards, which are the result

of private sector initiatives, into national legislation. In the case of palm oil, this implies that the main exporting countries, Malaysia and Indonesia, implement the RSPO standards into their national legislation. The RSPO “I-to-I” supply chain initiative with NGO participation may then be seen as a precursor to legislation rather than as an alternative to government regulation.

Efficiency

The efficiency problem must also be considered with respect to the implementation of the RSPO principles and criteria. Although the process of consensus rule, and conflict avoidance, has been slow, it has been endorsed by a significant proportion of actors in the palm oil chain. The slow development process has respected the fact that participants need time to become comfortable with the ideas being proposed. The collaborative dialogues that took so long have dramatically increased producer support of the system and helped the different actors feel some ownership of the criteria. While the process of creating criteria alone could perhaps have been done over a long weekend, creating a widely accepted global standard for an extensively traded commodity is a very different challenge. But it has led to years of delay, six years from the first discussions in WWF.

Legitimacy

External and internal legitimacy must be distinguished.

External legitimacy

The weaknesses of some of the criteria, the difficulties of implementation, and the perceived inefficiencies in the RSPO process (especially regarding deforestation) have led to the RSPO losing some credibility among NGOs. External NGOs, especially Greenpeace and Friends of the Earth, have launched campaigns against the RSPO process and individual RSPO members for their participation, including several of the NGO participants such as WWF and Oxfam.

Greenpeace was one of the NGOs drawing attention prior to 2002 to the issue of deforestation in South-East Asia, and remains critical of the RSPO process. It has published reports that especially target Unilever and Unilever suppliers, and in 2008 investigated United Plantations, to determine the impact of the first RSPO certification. It concluded, for instance, that “United Plantation may have their RSPO certification of Malaysian plantations but continue with business as usual in their Indonesian concessions”[6].

Friends of the Earth, an international NGO, follows the double strategy of stressing the need for RSPO certified palm oil as a minimum standard and criticizing the RSPO for setting standards too low and for not sanctioning its members. FoE has also targeted the individual members of RSPO, such as Wilmar, for failing to follow their own internal standards.

These criticisms caused problems for many individual members, as well as the RSPO project as a whole. The problem may have been compounded by the early failure of RSPO to constructively engage with external NGOs. The technical mindset of the RSPO members predisposed them to respond to this critique in a very technical manner and to dismiss their validity or relevance. Such technical responses from industry were not effective in building credibility in relation to “campaigning” NGOs taking a very strong stance against RSPO.

The attacks from environmental NGOs are not seen as problematic by all members of the RSPO. The internal NGOs, such as Oxfam and WWF, see a very complementary role for external NGOs. The Greenpeace campaign against United Plantations was based on clauses in the RSPO system that internal NGOs negotiated, and the campaign helped WWF push for the creation of the new plantings working group, which may significantly resolve many issues of forest and HCV conservation, among other ways, by ensuring that proper documentation is in place before new plantings commence.

A Greenpeace campaign against Dove has led to a similar result. Although Dove, through Unilever, has arguably done more than most other brands to promote sustainability in palm oil, the emotional nature of its brand advertising makes it very vulnerable to external criticism. In response to the campaign, Unilever joined several other companies in calling for a moratorium on Indonesian deforestation, signalling that it did not consider the current forest conversion and greenhouse gas criteria to be sufficiently strong enough (at least for purposes of legitimization).

Internal legitimacy

The campaigns of external NGOs have been at least partly responsible for advancing the development of RSPO. The producers who helped found the RSPO in 2002 did so largely because of NGO campaigns about fires and deforestation in Southeast Asia. Now that the certification system of the RSPO is established, these negative campaigns may be seriously damaging the RSPO's legitimacy among its members. Producers who largely joined the initiative to combat negative publicity now see the leading certified companies becoming targets for further attacks. Rather than the shelter they expected, RSPO has begun to be perceived as a way to be singled out for not complying with specified criteria.

The problem is compounded by the lack of communication from the RSPO about its work. Negative NGOs dominate the discussion about palm oil. For producers not able to secure higher prices, and at the same time being subject to targeting by NGO campaigns, the payoff from RSPO certification is unclear. Those producers who have not joined the RSPO, or who have not yet certified their plantations, may be reluctant to do so. The legitimacy of the RSPO from the perspective of producers is being challenged.

The resolution introduced at the sixth Roundtable, requiring time-bound sourcing plans from members, may make the market more predictable and show explicit benefits. However, the RSPO must also begin communicating more about its product to increased legitimacy of and demand for it.

Conclusions: power aspects of partnered governance

We may conclude that RSPO is effective in establishing minimum standards for growing palm oil, i.e. regulating plantation management. However, as argued previously, there are a number of problems of effectiveness, efficiency, and legitimacy.

A major argument for new forms of governance such as partnership governance has been an extremely weak or uninterested government in countries where many commodities such as palm oil are being produced, and there is in effect a "regulatory vacuum". Increasingly, civil society organizations in consuming countries are mobilizing pressure for alternative means of regulation such as partnered governance along supply chains.

As suggested by some of the discussion under legitimization, there are a number of power aspects: power in the founding phase, differential power and marginalization conditions in given governance arrangements, and, in general, the role of power in the evolution of partnered governance.

Power factors in the founding moments

The acute structural problem with such partnerships for sustainability is that their emergence and development depends typically on powerful players (De Man and Burns, 2006). These actors tend to search for partners that are highly organized and can play a decisive role in regulating the relevant supply chain(s). Results achieved are based on cooperation among large companies in coalition with typically large NGOs. Also, the start-up transaction costs of dealing with many small partners are high. The successful development of supply chain partnerships for sustainability tends to involve then a high concentration of powerful agents and the marginalization of smaller and less powerful agents (see De Man and Burns (2006)).

Generally speaking, this type of private governance can more readily be established when there are a few powerful agents who can take cooperative initiatives and shape the governance arrangements and their evolution (that is, exercise meta-power (McGinty *et al.* (2009)). Correspondingly, small or weak actors – whether businesses, NGOs, or other actors such as local communities – are effectively excluded from the development of partnered governance, though they may be recruited into the organization

Power in RSPO's *modus operandi*

The unequal power distribution from the founding moments through the phases of consolidation and development operate to the disadvantage of weak or marginal groups – a form of “organizational bias”. This is clearly indicated by, RSPO's inability to recognize or address smallholder issues. Thus, new sustainability standards tend to burden and to further marginalize many smallholders. Part of the delays in addressing smallholder issues are attributable to the fact that many of the large producers were not as interested in empowering individual growers as they were in addressing high-public relations (PR) value issues like the death of the Orangutan. At the same time, the involvement of NGOs in the RSPO process helped to legitimize it at the same time that many voices and opinions remained outside the process.

During the development of RSPO, power structures changed as the markets for palm oil shifted drastically, mainly as a result of the rapid increase of demand from emerging countries such as China in particular, increasing oil prices, and bio-fuels policies in a number of countries in the EU. With the soaring oil prices after 2000, bio-diesel from palm oil became increasingly competitive, and consumer-oriented organizations such as food manufacturers lost some of their bargaining power, as fuel-oriented companies came into, or assumed more prominent roles in the game.

The power conditions and dynamic of partnered governance leave the system to a certain extent at the mercy of power drivers and developments, although there are potential normative countervailing powers (see the following).

Limitations and potentialities

While the RSPO's system of partnered governance has many limitations, there are few real alternatives that have been nearly as successful in addressing this type of sustainability issue. Compared to some other partnered governance initiatives, the RSPO has been remarkably successful. The FSC, with its reliance on the demand-side establishment of standards, has been unable to realize significant producer participation. The Roundtable on Responsible Soy has been divided by the issues of compensation and opportunity cost, which cannot be addressed by industry initiative alone. If the RSPO is among the most successful examples of this emerging model of governance for sustainable development, analysis points out that there are serious limitations of such stakeholder network governance. Compared to other sectors, the palm oil commodity chain is very concentrated, and smallholder interests can be and are typically neglected.

In the mean time, private governance arrangements like that of RSPO contribute in several ways to the development of a normative order or type of normative power oriented to sustainability (as contrasted to purely economic or administrative power). The normative order gains in influence and effectiveness as more private and public stakeholders acknowledge it, join it (in its diverse forms), and participate in its various elaborations and developments.

Notes

1. See Carson *et al.* (2009) on the theory of public policy paradigms and their relation to the emergence and development of new governance forms.

2. Early developers of the concept of partnered governance in the USA were Zadek (2001, 2006), Radovich *et al.* (2005), Donahue and Zeckhauser (2006); and in Europe, Balloch and Taylor (2001), Greer (2001), Glasbergen (2005, 2007), and Midttun (2008).
3. WWF had already gathered substantial experience with implementing the Forestry Steward Council (FSC) (founded in 1993) and promoting FSC products through the so-called Global Forest Trade Network (GFTN). There were some ideas to link the Palm Oil activities to the GFTN and to set up a certification scheme for palm oil according to the tried and tested FSC methodology. Others thought this would be too complicated and that GFTN would not have the capacity to do this.
4. Perhaps most significant in the long-term will be the effect that RSPO certification could have on yield improvement. The current average yield for palm oil on Malaysian and Indonesian plantations is between 3.0-3.5 tonnes/ha. It is possible to more than double this, by adopting agricultural practices suggested by the RSPO principles and criteria (as well as other guidelines on efficient fertilization and pruning). Yields on some plantations are as high as 8.0 tonnes/ha. The standard can also reduce long-term labor costs by providing better community relations and a more stable workforce. The benefits of improving management practices can therefore potentially mitigate the drive to expand plantations.
5. Currently, the RSPO can supply 100,000 tonnes of certified palm oil per month, and has certified approximately 1.5 million tonnes. According to WWF, however, only 15,000 tonnes have been traded as certified oil so far. This is partly due to the current price premium of about 20 USD/tonne, which is a barrier in an economic climate where any cost increases are to be avoided.
6. In 2007, Greenpeace published a report called "Cooking the climate" in which the role of RSPO was described in a very negative way, highlighting the negative role of oil palm plantations in destroying biodiversity and the climate. In the chapter "The RSPO Group of Friends", the leading role of Unilever and its suppliers (Cargill, ADM-Kuok-Wilmar, Golden Hope, Sinar Mas) was critically assessed.

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Further reading

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