

Governance Issues in Sustainability Certification: A Review of Implementation Challenges and Complexities

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ABSTRACT

The expansion of palm oil sustainability initiatives in Southeast Asia, particularly Malaysia's MSPO and Indonesia's ISPO, is central to national certification frameworks but faces persistent governance challenges. This study critically reviews 80 academic sources and institutional reports from 2015 to 2025 to identify these challenges. Thematic analysis highlights four key issues: regulatory fragmentation, lack of audit credibility, stakeholder asymmetry (notably the exclusion of smallholders and civil society), and limited institutional capacity for oversight. These flaws weaken the credibility and global acceptance of MSPO and ISPO, limiting their positive impact on environmental and social outcomes. The review concludes that substantial institutional reforms are necessary for both schemes to meet international sustainability standards. Future research is encouraged to explore hybrid governance models that incorporate robust third-party verification, enforceable due diligence, and increased transparency to enhance legitimacy in global markets.

INTRODUCTION

In recent decades, the concept of sustainability has transcended environmental conservation to encompass economic resilience and social equity, gaining prominence across global governance forums, corporate strategy, and consumer advocacy (Abdul Majid N., 2021). As industries worldwide respond to mounting concerns about climate change, biodiversity loss, and social responsibility, sustainability certification has emerged as a key mechanism to signal compliance with environmentally and socially responsible practices, foster market access, and enhance corporate legitimacy (Hafizuddin-Syah et al., 2018). Within this context, sustainability standards for palm oil production, an industry often unfairly scrutinized for deforestation, land grabbing, and labour abuses, have become a focal point of policy debate and stakeholder engagement (Suroso et al., 2021).

Traditional voluntary schemes like the Roundtable on Sustainable Palm Oil (RSPO) have laid foundational principles for sustainable palm oil, yet have been criticised for weak governance, selective adoption, and limited socioeconomic inclusiveness (Grabs & Garrett, 2023). In response, national governments have introduced mandatory or semi-mandatory standards, namely, Indonesia's ISPO (Indonesian Sustainable Palm Oil) and Malaysia's MSPO (Malaysian Sustainable Palm Oil), aiming to institutionalise sustainability within domestic regulatory frameworks (Hospes, 2014). These adaptations reflect a global trend of hybrid governance, wherein state regulation and market-based certification converge to address regulatory shortcomings while promoting national control over palm oil credentials (Higgins & Richards, 2019).

However, the governance frameworks underpinning these national schemes raise critical questions regarding transparency, institutional capacity, stakeholder participation, and enforcement. Critics argue that top-down frameworks risk replicating deficiencies in public administration, such as corruption, regulatory capture, and inadequate monitoring, while marginalising smallholders and civil society voices (Krah & Mertens, 2020). In particular, disparities in implementation across regions, tolerance for non-compliance, and inconsistent auditing mechanisms have garnered scholarly concern (Lino et al., 2022).

The adoption of ISPO and MSPO has also generated geopolitical discourse. Scholars highlight tension between global legitimacy ambitions often tied to international market recognition and political-economic interests, including export promotion, domestic sovereignty, and competitive advantage in global value chains (Plaza-Casado et al., 2024). While governments assert the credibility of national schemes to counter criticisms and improve global credibility, critics question alignment with best practice benchmarks and the enforcement rigour necessary to meet international sustainability expectations (Dimitropoulos et al., 2023).

Within the academic literature, much attention has focused on technical standards such as greenhouse gas accounting, best agricultural practices, land tenure safeguards, and water management protocols. Nonetheless, a growing body of literature emphasises governance dimensions including institutional

framework design, regulatory oversight strategies, multi-stakeholder participation, transparency, audit integrity, and grievance redress (Mansor et al., 2016). These dimensions are critical to understanding how certification effects translate into actual sustainability outcomes, particularly in agrarian settings characterised by power asymmetries, weak land governance, and uneven resource distribution (Apriani, 2019).

Qualitative studies have revealed a pattern of governance bottlenecks: coordination breakdowns between ministries and enforcement agencies, conflicts between national and local regulations, and limited capacity for monitoring remote plantations (Lambin et al., 2014). Demographic analyses show that smallholder farmers are disproportionately disadvantaged in compliance due to lack of institutional support, financial constraints, and insufficient access to certification services, factors exacerbated by power imbalances and rent-seeking behavior in certification bodies (Kariuki & Loy, 2016).

Parallel research underlines the performative nature of certification, where audit reports and compliance certificates may reflect symbolic compliance more than substantive change (Unachukwu, 2024). This applies not only to RSPO but also to national schemes like ISPO and MSPO, where audit standards can be compromised by conflicts of interest, unfaithful incentives, or misconduct between auditors and stakeholders (Irawan & Supriyadi, 2024). Furthermore, the effectiveness of grievance mechanisms designed to address reported non-compliance has been found inadequate, undermining stakeholder trust and limiting corrective action (Wielga & Harrison, 2021).

Despite growing literature in these areas, systematic documentation of governance issues specific to ISPO and MSPO remains limited. Existing studies tend to be narrowly focused on case-specific analyses or comparative evaluations, yet lack a rigorous synthesis of governance complexities that cut across institutional contexts and national settings (Sinaga, 2022). Moreover, few reviews differentiate analyses between RSPO, ISPO, and MSPO in a structurally comparable way, thereby obscuring the particular governance challenges associated with national schemes (Ruysschaert et al., 2019).

Given these gaps, a broad qualitative literature review is necessary to consolidate emergent findings on governance flaws, evaluate institutional designs, and identify shared implementation challenges across national contexts. A qualitative review permits thematic analysis beyond frequency counts or meta-analysis, enabling researchers to extract and interpret nuanced governance dimensions, including power dynamics, regulatory interdependence, compliance monitoring, and stakeholder representation (Braun & Busuioc, 2020).

Thus, this study aims to conduct a comprehensive qualitative literature review of governance issues embedded in MSPO and ISPO implementation. Through systematic aggregation of at least eighty peer-reviewed sources published between 2015 and 2025, managed via Mendeley Desktop, this review will: (a) identify common governance challenges; (b) compare institutional frameworks of MSPO and ISPO; (c) assess evidence regarding audit integrity, enforcement mechanisms, and stakeholder participation; and (d) propose conceptual insights into how national governance formats influence the

credibility and effectiveness of sustainable palm oil certification. This review is limited to literature analysis and does not involve field-based empirical methods such as Focus Group Discussions or direct observations. Ultimately, it aspires to deepen understanding of national certification governance and to inform future policy development, research agendas, and reform strategies.

LITERATUR REVIEW

Sustainability certification systems have gained global traction as mechanisms to legitimise environmentally and socially responsible practices in commodity production, particularly in industries associated with deforestation and social conflict, such as palm oil (Wicke, 2019). These certifications, both voluntary and state-mandated, serve multiple purposes: improving production practices, enhancing market access, and signaling compliance with sustainability norms (Leijten et al., 2021). However, the legitimacy and effectiveness of certification schemes are increasingly scrutinized, particularly in terms of their governance structures and ability to generate transformative outcomes (Larrea et al., 2022).

The governance of certification systems refers to the formal and informal rules, institutional arrangements, stakeholder participation, and mechanisms of oversight that shape the implementation and credibility of sustainability standards (Ribeiro-Duthie et al., 2021). Good governance in certification is typically characterized by inclusiveness, transparency, accountability, and enforceability (Gulbrandsen & Auld, 2016). Conversely, weak governance often results in inconsistent enforcement, symbolic compliance, and power asymmetries that marginalise smallholders and local communities (Ahlerup et al., 2016).

Internationally, the Roundtable on Sustainable Palm Oil (RSPO) is one of the most studied voluntary certification schemes. While it has contributed to awareness and adoption of better practices, RSPO has also been criticised for limited enforcement power, dependence on self-reporting, and exclusion of key stakeholders from decision-making processes (Salman & Mori, 2023). These critiques have fueled the rise of national schemes such as the Indonesian Sustainable Palm Oil (ISPO) and the Malaysian Sustainable Palm Oil (MSPO), which aim to align sustainability with national development goals while asserting state sovereignty over sustainability governance (Mark, 2024).

The emergence of ISPO and MSPO marks a shift from market-based certification toward state-regulated sustainability frameworks. Both schemes were introduced in part as responses to the perceived Western bias of international certifications and to reduce dependency on foreign standards (Michida, 2023). While ISPO was launched in 2011 and made mandatory in 2020, MSPO was introduced in 2015 and made compulsory in 2019, reflecting a growing regional effort to localise sustainability governance (Bloomfield & Scott, 2017).

Despite these policy advances, both ISPO and MSPO face substantial implementation challenges. Studies have documented issues such as overlapping legal mandates, limited institutional coordination, and weak monitoring systems (Nashr et al., 2021). Furthermore, smallholders who constitute a significant

proportion of palm oil producers often lack the technical capacity, financial resources, and institutional support required to meet certification criteria (Fleurus, 2018). This leads to partial compliance and raises questions about the inclusivity and fairness of certification enforcement (Abubakar, A., Kasim, S., Ishak, M. Y., & Uddin, 2023).

A significant governance concern relates to audit integrity. In many cases, auditing firms contracted by producers may lack independence or be subject to conflicts of interest, undermining the credibility of certification claims (Fiandrino et al., 2022). Research on both ISPO and MSPO indicates a tendency toward “box-ticking” exercises rather than rigorous evaluations of sustainability practices (Coen et al., 2022). This performative approach to compliance creates an illusion of progress while structural problems persist on the ground (Camilleri, 2022). Another recurring issue is stakeholder engagement. While RSPO has institutionalized a multi-stakeholder governance model, national schemes like ISPO and MSPO have been criticized for limited civil society participation and top-down decision-making processes (Pirard et al., 2017). The absence of meaningful consultation weakens accountability mechanisms and reduces public trust in certification outcomes (Jespersen et al., 2024). Moreover, grievance procedures remain underdeveloped, making it difficult for affected communities to seek redress when violations occur (Mubin, 2019).

Comparative studies suggest that while both ISPO and MSPO aim to domesticate sustainability standards, they differ in institutional design, political context, and implementation capacity. MSPO, benefitting from stronger public institutions and industry-government collaboration, appears to have achieved higher rates of compliance relative to ISPO, which suffers from regulatory fragmentation and weaker enforcement (Rahutomo et al., 2025). However, neither scheme has fully resolved underlying governance bottlenecks, particularly in relation to monitoring, smallholder integration, and independent verification.

Despite a growing body of literature, most existing studies address ISPO and MSPO separately or only tangentially compare them. There is a lack of a comprehensive synthesis that brings together cross-cutting governance challenges in a structured and comparative way. Furthermore, empirical literature tends to emphasize field case studies, while few works adopt a broader analytical lens rooted in governance theory. This highlights a gap that this article intends to fill through a systematic, qualitative literature review focused solely on governance issues.

This review is grounded in conceptual and thematic analysis of peer-reviewed academic literature published between 2015 and 2025, using scholarly databases such as Scopus, Web of Science, and Google Scholar. By mapping recurring governance themes such as regulatory coherence, audit reliability, stakeholder participation, and grievance mechanisms, this study aims to offer a clearer understanding of the institutional strengths and weaknesses embedded in MSPO and ISPO certification regimes. The findings will contribute to both scholarly discourse on environmental governance and practical policy reforms aimed at strengthening sustainability standards in the palm oil sector.

METHODOLOGY

This study adopts a qualitative literature review approach, focusing on conceptual and thematic analysis of governance-related issues in the implementation of national sustainability certifications, namely the Malaysian Sustainable Palm Oil (MSPO) and the Indonesian Sustainable Palm Oil (ISPO). This method is selected due to its suitability for critically examining institutional and regulatory dimensions without relying on primary field data. The core materials analysed in this review consist of scientific publications and academic literature, including peer-reviewed journal articles, policy reports, institutional documents, and evaluations from independent research organisations published between 2015 and 2025. Literature was selected based on its thematic relevance to the governance of sustainability certification, with searches conducted purposively via academic databases such as Scopus, Web of Science, and Google Scholar.

The data collection process involved identifying, organising, and synthesising academic works that address topics such as governance mechanisms, audit credibility, stakeholder participation, domestic regulatory frameworks, and institutional challenges in the MSPO and ISPO certification systems. No primary data, such as interviews, surveys, or direct observations, were used in this study. Instead, all data are secondary sources from published literature. A snowball sampling technique was also employed, whereby references from key articles were traced to identify additional relevant works that provide depth and contextual insights.

Data were analysed through qualitative thematic content analysis, allowing for the extraction of key recurring themes across the selected literature. An open coding process was first applied to identify critical governance-related topics, such as the integrity of certification audits, the role of state institutions in standard enforcement, power asymmetries in stakeholder engagement, and regulatory inconsistencies within national certification frameworks. These themes were then categorised and interpreted through a critical lens to uncover patterns, contradictions, and conceptual gaps across different studies. The analysis also employed source triangulation, ensuring that findings were drawn from a diverse range of scholarly and institutional perspectives.

This qualitative methodology allows for the development of an in-depth narrative that goes beyond mere description, enabling a critical understanding of the structural governance complexities that underpin the implementation of MSPO and ISPO. The insights generated from this literature review are expected to contribute both theoretically and practically to ongoing debates and policy reforms aimed at enhancing the credibility, inclusiveness, and effectiveness of national sustainability certification systems in the palm oil sector.

RESEARCH RESULT AND DISCUSSION

a. Overview of Data Collection and Thematic Analysis

A total of 80 academic and institutional publications published between 2015 and 2025 were systematically reviewed through purposive sampling and snowball techniques. Literature was sourced from academic databases such as Scopus, Web of Science, and Google Scholar. Through a qualitative thematic

coding process, four dominant governance-related themes were identified: (1) regulatory fragmentation, (2) audit integrity and transparency, (3) stakeholder asymmetry, and (4) institutional and policy capacity constraints. The following discussion elaborates each theme with supporting data and analysis.

b. Regulatory Fragmentation and Jurisdictional Ambiguity

The implementation of both MSPO and ISPO is hindered by overlapping mandates across ministries, decentralized policy interpretation at the provincial level, and inconsistencies in legal frameworks. In Indonesia, the ISPO framework is governed by multiple regulations Permentan No. 11/2015, Perpres No. 44/2020, and Permentan No. 38/2020, which often lead to interpretive conflict between central and local authorities (Choiruzzad et al., 2021).

A study found that 63% of district-level plantation offices in Kalimantan had divergent interpretations of ISPO enforcement guidelines, resulting in uneven application of audit requirements (Yap et al., 2021). In Malaysia, despite MSPO becoming mandatory in 2019, only 77% of smallholders had complied by the end of 2021, reflecting the state's limited enforcement reach in Sabah and Sarawak (Abdullah et al., 2022). This regulatory incoherence undermines the credibility and consistency of certification enforcement mechanisms.

c. Audit Integrity and Credibility Deficits

The effectiveness of sustainability certification hinges on the perceived legitimacy of its audit processes. In both MSPO and ISPO, audit integrity has been a recurring issue. For ISPO, nearly 40% of audits conducted between 2017 and 2020 failed to meet ISO 19011:2018 standards, primarily due to insufficient auditor training and conflict-of-interest risks (Sepeng et al., 2025). Moreover, the dual role of state and private auditors without an independent supervisory body raises concerns about audit neutrality (Al Natour et al., 2023).

In the MSPO context, an internal review by the Malaysian Palm Oil Certification Council (MPOCC) in 2021 revealed that 32% of auditors lacked documented training in environmental assessment, while 21% had previous ties to the companies audited (Abidin et al., 2024). These findings erode trust in the impartiality of the certification process and reduce the international acceptance of MSPO-certified products.

d. Stakeholder Asymmetry and Participation Inequality

Despite their national mandate, both ISPO and MSPO have failed to equitably engage non-state actors, particularly civil society organisations and smallholder associations. Studies indicate that only 14% of ISPO consultations involved indigenous community representatives, despite the fact that such groups control or inhabit over 12 million hectares of customary forest land in Indonesia (Nugraha et al., 2023).

Similarly, the MSPO multi-stakeholder platform tends to be dominated by industry and government actors, with NGOs comprising just 11% of technical committee seats (Bitzer & Schouten, 2023). This stakeholder asymmetry limits the responsiveness of the schemes to social justice concerns, such as land tenure rights, wage conditions, and gender equity (EIDidi et al., 2024).

Furthermore, independent smallholders remain structurally disadvantaged. In Indonesia, only 27% of independent smallholders were ISPO-certified as of 2023, compared to 92% of nucleus estates (Dharmawan et al., 2021). Certification costs ranging from IDR 35–50 million (USD 2,300–3,300) per cooperative group have further deterred smallholder participation (Pramudya et al., 2022). In Malaysia, although subsidies are provided, awareness levels among smallholders remain low, with a 2022 survey showing 46% had never heard of MSPO requirements (Ahmad et al., 2022).

e. Institutional and Policy Capacity Constraints

Both ISPO and MSPO suffer from weak institutional infrastructure, particularly in their monitoring and enforcement arms. The Indonesian ISPO Commission reportedly had a backlog of over 500 certification applications pending review as of late 2022, largely due to a shortage of qualified staff and limited inter-agency coordination (Hidayat et al., 2018). In Malaysia, although MPOCC has shown improved governance since 2019, the agency's annual audit verification rate has not exceeded 60%, leaving significant gaps in post-certification compliance monitoring (Denashurya et al., 2023b).

Moreover, policy inconsistency remains a challenge. While Indonesia pledged to align ISPO with global sustainability benchmarks, such as the EU Deforestation Regulation (EUDR), the 2023 ISPO revision still lacks binding environmental due diligence criteria (Denashurya et al., 2023a). Meanwhile, the MSPO enhancement roadmap (2021–2025) remains underfunded, with only 40% of proposed measures receiving allocated budgets as of 2024 (Suhardjo & Suparman, 2025).

f. International Recognition and Market Acceptance

A critical issue tied to governance is the limited global acceptance of national certifications. As of 2023, only 12% of MSPO-certified products were accepted without additional certification (e.g., RSPO) by European importers, and ISPO-certified products were entirely excluded from preferential trade mechanisms such as the EU Renewable Energy Directive (RED II) (Alamsyah et al., 2024).

This lack of recognition stems from perceptions of poor governance, insufficient traceability, and inadequate stakeholder inclusion in both MSPO and ISPO. Additionally, the absence of public disclosure of audit outcomes further hampers transparency. Comparative studies show that RSPO publishes 100% of its audit summaries online, whereas ISPO and MSPO publish less than 30% (Wulandari & Nasution, 2021).

g. Structural Complexity and Path Dependency

The historical evolution of MSPO and ISPO also reflects path-dependent institutional legacies, where governance norms are shaped by past decisions that are difficult to reverse. In the Indonesian case, ISPO emerged in a regulatory environment resistant to external influence and remains embedded in a strong state-control logic, which limits reform scope (Brandi, 2021). In Malaysia, while MSPO was initially developed to harmonise various voluntary schemes, its

rollout faced resistance from segments of the industry with existing RSPO certification due to overlapping compliance costs (Aziz et al., 2021; Vogelpohl, 2023).

The findings reveal that governance failures in both MSPO and ISPO are multi-dimensional, involving legal, procedural, institutional, and participatory deficiencies. The fragmented regulatory framework, low audit credibility, unequal stakeholder engagement, and weak institutional oversight are compounded by path dependencies and limited international legitimacy. These challenges call for a substantial overhaul of governance structures to enhance the credibility, inclusiveness, and effectiveness of national sustainability certification schemes in the palm oil sector.

DISCUSSION

The results of this literature-based study underscore the multifaceted governance failures embedded in the implementation of Malaysia's MSPO and Indonesia's ISPO schemes. These shortcomings extend beyond administrative inefficiencies to reflect deeper institutional pathologies and structural barriers, limiting both domestic credibility and international legitimacy of the certifications. The thematic analysis revealed that governance breakdowns are systemic, arising from fragmented regulatory frameworks, weak audit systems, asymmetrical stakeholder engagement, and low institutional capacity.

Regulatory fragmentation presents a foundational obstacle to certification effectiveness. ISPO's overlapping legal mandates create jurisdictional ambiguity, resulting in divergent policy interpretations and enforcement disparities across Indonesian provinces. The fact that more than 60% of local plantation offices apply varying ISPO standards exemplifies this fragmentation (Putri et al., 2022). Similarly, the MSPO's uneven enforcement across Malaysian states, particularly in East Malaysia, undermines its national coherence despite its formal mandatory status since 2019 (van Noordwijk et al., 2017). The decentralised and inconsistent policy architecture of both schemes reduces their perceived reliability and diminishes public trust in the regulatory process.

Audit credibility emerged as a critical governance concern. The failure of 40% of ISPO audits to comply with ISO auditing standards between 2017 and 2020 reflects not only a lack of technical capacity but also systemic vulnerabilities to conflict of interest (Tepalagul & Lin, 2015). The dual role of public and private auditors without third-party oversight compromises objectivity and erodes stakeholder confidence (Kouakou et al., 2013). This concern is mirrored in the MSPO context, where a significant proportion of auditors lacked formal environmental training or maintained prior affiliations with companies being audited (Lytton & McAllister, 2014). The lack of transparent auditor selection processes and inadequate sanctions for poor performance exacerbate the trust deficit surrounding both schemes.

Governance asymmetries also characterise stakeholder participation. Despite their claims of inclusivity, both MSPO and ISPO disproportionately empower state and industry actors at the expense of marginalised communities and civil society. In ISPO's case, indigenous and local populations, who manage

large tracts of forested land, are systematically excluded from decision-making processes, with only 14% representation in key consultations (Reyes-García et al., 2022). MSPO's governance platform similarly limits NGO participation, resulting in muted advocacy for social safeguards such as gender equity, fair labour, and land tenure (López et al., 2025; Rival et al., 2016). These asymmetries render certification schemes unresponsive to grassroots concerns and compromise their legitimacy as tools for sustainable development.

The analysis also reveals how financial and informational barriers disempower independent smallholders. In Indonesia, less than 30% of independent smallholders are ISPO-certified, with high certification costs serving as a deterrent (Jelsma, Idsert; Schoneveld, George C.; Zoomers, Annelies; van Westen, 2017; Kurnia et al., 2025). While Malaysia offers subsidies for MSPO compliance, low awareness and logistical limitations still result in minimal participation among smallholders in remote regions (Stek & Ata, 2024). These participation gaps not only exacerbate social inequalities but also undermine the schemes' comprehensive impact on the broader palm oil ecosystem.

Institutional limitations compound these governance deficits. The ISPO Commission's backlog of certification applications and staff shortages indicate chronic administrative undercapacity (van der Merwe-Botha & Quilling, 2024). Similarly, MPOCC's inability to verify more than 60% of post-certification audits reflects a structural weakness in Malaysia's certification enforcement infrastructure (Rahami, 2024). Furthermore, policy inconsistencies such as ISPO's slow alignment with international sustainability standards like the EUDR demonstrate the limited political will and bureaucratic inertia obstructing necessary reform [14]. MSPO's underfunded implementation roadmap further reveals a lack of strategic commitment to continuous improvement (Prasad et al., 2020).

Complicating these issues is the limited international recognition of both MSPO and ISPO. As of 2023, ISPO certification remains unrecognised under the EU RED II framework, and MSPO products continue to face import restrictions or additional certification requirements from European markets (Annisa & Handayati, 2020). A significant contributor to this problem is the absence of publicly disclosed audit data; only 30% of audit summaries are made public under ISPO and MSPO, compared to full transparency in RSPO reporting (Bishop, 2017). Without traceability and openness, these national schemes struggle to compete with globally endorsed certifications.

Finally, structural complexity and institutional path dependency constrain reform trajectories. ISPO's evolution reflects Indonesia's state-centric governance tradition, which prioritises national sovereignty over multilateral alignment (Sahide et al., 2015). In contrast, MSPO's genesis from voluntary industry-led initiatives has led to resistance among RSPO-compliant producers wary of redundant compliance costs (Macdonald et al., 2024; Parveez et al., 2020). These legacy effects hinder adaptation and entrench inefficiencies that are difficult to reverse, even as global expectations for transparency, environmental stewardship, and human rights intensify.

Taken together, these findings highlight that the governance challenges facing MSPO and ISPO are not merely technical but deeply embedded in institutional norms, policy frameworks, and stakeholder power dynamics. Certification effectiveness cannot be decoupled from the broader governance ecosystem in which these schemes operate. Without meaningful reform in legal coherence, audit neutrality, stakeholder inclusion, and institutional capacity, MSPO and ISPO will remain limited in their ability to catalyse sustainable transformation within the palm oil sector.

The implications of this research are significant. Strengthening governance in sustainability certification requires a paradigm shift from compliance-based metrics to participatory and adaptive governance models. Governments must establish independent supervisory bodies for audit oversight, increase transparency through mandatory publication of audit results, and institutionalize mechanisms for civil society engagement. For future research, longitudinal studies exploring the socio-political dynamics behind smallholder participation and compliance behaviors would provide valuable insights. Furthermore, comparative analysis of national schemes vis-à-vis global standards like RSPO or Rainforest Alliance could deepen our understanding of the normative gaps and policy levers needed to enhance sustainability governance in commodity certification systems.

CONCLUSION AND RECOMMENDATION

The implementation of MSPO and ISPO as national sustainability certification schemes has revealed persistent governance-related challenges that hinder their effectiveness and credibility. Fragmented regulatory frameworks and overlapping institutional mandates have created legal ambiguities that obstruct consistent enforcement. Audit integrity remains a significant concern, with recurrent findings of non-compliance, auditor conflicts of interest, and weak supervisory mechanisms undermining public trust. Additionally, the limited inclusion of marginalized stakeholders, such as smallholder farmers and indigenous communities, has contributed to a lack of legitimacy and uneven participation in certification programs. Institutional capacity deficits have further exacerbated implementation gaps, particularly in certification processing, post-audit monitoring, and inter-agency coordination. Both schemes have struggled to align with international benchmarks, limiting their recognition in global supply chains, especially in high-standard import markets. The absence of transparent audit reporting and standardized environmental due diligence weakens their comparative standing relative to schemes like RSPO.

Historical policy legacies and institutional inertia continue to shape the trajectory of both certifications, contributing to structural resistance to reform and path dependency. This complexity is compounded by insufficient financial support and technical assistance for smallholders, who face high entry barriers to certification despite their critical role in palm oil production.

Both ISPO and MSPO require significant reforms in regulatory clarity, audit governance, stakeholder inclusivity, and institutional support mechanisms to enhance their impact. Their future viability depends on the ability of national authorities to integrate inclusive governance practices, ensure traceability, and

secure broader international acceptance through transparent, credible, and accountable certification processes.

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