

Beyond KSO: Designing Fit-for-Purpose Cooperation Governance for Agrinas Palma Nusantara's State-Entrusted Oil Palm Assets

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ABSTRACT: Indonesia's reorganisation of state-entrusted oil palm assets has created an unusual governance problem: large, heterogeneous plantation portfolios must remain operational and productive while their legal status, infrastructure, managerial capability, community relations and environmental exposure are being normalised. This qualitative narrative-integrative literature review examines how PT Agrinas Palma Nusantara (Agrinas) can redesign cooperation and joint-operation arrangements for such assets. The analysis combines recent peer-reviewed literature published since 2020 with Agrinas' 2025 Annual Report, its 2026 corporate disclosures, and the June 2026 circular that temporarily suspended local SPK/KSO arrangements pending evaluation and central approval. The review develops a Cooperation-Governance Fit and Additionality (CGFA) framework that links asset readiness, strategic necessity, partner integrity, governance-form fit, economic and risk allocation, operating transparency, and renewal or exit. The findings reject a binary choice between KSO and vendor contracting. Standardised and measurable tasks are generally suited to competitive vendor contracts, whereas high-interdependence activities may justify management agreements, tolling, selective KSO, joint ventures or cooperative partnerships when they create demonstrable incremental value. The article proposes central policy with delegated execution, modular contract families, digital contract and performance monitoring, counterfactual additionality tests and stage-gated portfolio management. The central policy implication is that cooperation should be treated as a governance portfolio rather than a collection of agreements, so that state-entrusted assets generate productive, competitive, inclusive and environmentally safeguarded public value.

KEYWORDS: Agrinas Palma Nusantara; oil palm; state-owned enterprise; joint operation; cooperation governance; strategic alliances; contract governance; plantation asset management; sustainable competitiveness; Indonesia

JEL Classification: L14; L32; Q13; Q18; Q56

1. INTRODUCTION

Indonesia's palm oil economy is not merely a plantation sector. It is an integrated agro-industrial system connecting land, biological productivity, fresh fruit bunch (FFB) logistics, milling, refining, oleochemicals, food manufacturing, bioenergy, export markets, rural employment and public revenue. Recent research accordingly treats palm oil as a system in which economic gains, distributional outcomes and environmental impacts are jointly produced rather than as separable upstream and downstream activities (Qaim et al., 2020; Meijaard et al., 2020; Purnomo et al., 2020; Murphy et al., 2021). For Indonesia, this systemic perspective is increasingly important because future competitiveness is likely to depend more on productivity, rehabilitation, logistics, processing efficiency, traceability and product upgrading than on simple expansion of planted area (Monzon et al., 2021; Zhao et al., 2023; Petri et al., 2024).

The governance problem examined in this article emerges from the rapid expansion of state-entrusted plantation assets managed by PT Agrinas Palma Nusantara (Agrinas). Agrinas

was transformed in 2025 from PT Indra Karya into a state-owned enterprise (SOE) focused on plantation management and construction consultancy, with an explicit mission to improve productivity, downstream value creation, and food and energy security (Agrinas Palma Nusantara, 2026a). By the end of 2025, the company reported that approximately 1.712 million hectares had been handed over for management in several phases, including confiscated assets not yet legally final and land associated with licensing violations. This portfolio therefore cannot be interpreted as a homogeneous set of legally uncomplicated, planted and fully productive estates; it is a mixed asset base requiring legal, agronomic, operational, social and environmental classification before a stable operating model can be assumed.

The scale of the mandate increased again in 2026. Agrinas reported in May 2026 that a further 2.37 million hectares had been entrusted to it, bringing the total area from state-recovery processes to approximately 4.12 million hectares, while the company stated that roughly 730,000 hectares of the end-2025 portfolio had active oil-palm plantings (Agrinas Palma Nusantara, 2026e). The increase magnifies the

organisational challenge: a company cannot build every required capability internally at the same speed at which legal responsibility for geographically dispersed assets can be transferred. Cooperation with experienced operators, contractors, local businesses, cooperatives and specialist service providers is therefore not a peripheral issue; it is a mechanism for maintaining continuity, accessing scarce capabilities and accelerating the transition from entrusted land to productive assets.

Agrinas' early cooperation architecture illustrates this logic. Its 2025 Annual Report records a formal cooperation agreement with PTPN IV PalmCo on 24 February 2025 under which PalmCo would provide operational and plantation-management assistance to improve productivity, increase business value and support sustainable welfare (Agrinas Palma Nusantara, 2026a). The report also documents a dedicated KSO and Plasma Monitoring function, KSO-related internal-audit observations, participation of governance committees in KSO vendor selection, and the development of an integrated KSO dashboard that digitised partner registration and revenue monitoring. These arrangements indicate that joint operations had become an important part of the company's operating architecture rather than a temporary administrative workaround.

The same evidence also demonstrates why cooperation governance became a material corporate risk. In late 2025, the Compliance Monitoring Committee explicitly discussed compliance challenges in KSO governance, while internal audit examined particular joint-operation arrangements and the Board of Commissioners considered a supervisory

implementation plan for KSO (Agrinas Palma Nusantara, 2026a). In January 2026, the company announced a monitoring and evaluation programme requiring field verification, production and financial reporting, clarification of core, plasma and community estates, and amendment of legacy KSO templates to new standards that referred to BPKP recommendations and SOE regulation (Agrinas Palma Nusantara, 2026c). This sequence suggests a shift from rapid operationalisation toward greater contract standardisation and control.

That shift became explicit on 8 June 2026. Circular 003/SE-DKB/APN/VI/2026 ordered the temporary stop of operations and the take-down of locally issued SPK/KSO arrangements while the company evaluated the legal basis, performance, party obligations, contribution to the company, and legal, operational, social, security and financial risks. It also prohibited regional, site, and representative units from issuing, extending, or modifying such cooperation without written Head Office approval and stated that future SPK/KSO issuance would be centralised (Agrinas Palma Nusantara, 2026b). The circular is analytically important because it converts a practical contract-management problem into a broader question of organisational design: how should an SOE centralise control without paralysing geographically dispersed operations that require rapid local decisions?

Figure 1 provides a concise chronology of this governance transition. It is intended to show that the June 2026 suspension was preceded by an incremental build-up of cooperation, monitoring and digital control rather than appearing as an isolated reversal.

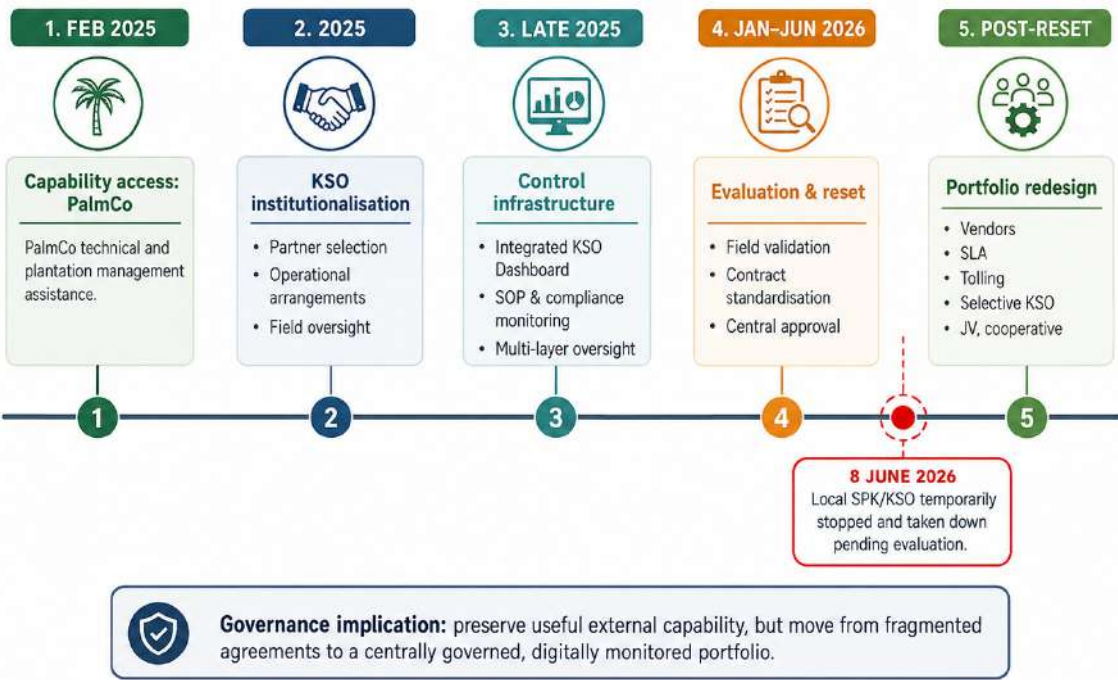


Figure 1. Evolution of Agrinas Cooperation Governance, 2025–2026.

The timeline highlights a shift from capability access and rapid operationalisation toward portfolio control and standardisation. Its main message is that the post-June architecture should preserve useful external capability while replacing fragmented local discretion with common governance, auditable economics, and deliberate selection of the cooperation vehicle.

This article argues that the answer should not be framed as a binary choice between KSO and vendor contracting. Both are governance instruments. Strategic-alliance and outsourcing research shows that performance depends on the fit among transaction characteristics, partner resources, contract specificity, monitoring, relational coordination, and control rights rather than on the formal label of the arrangement (Jin and Wang, 2021; Keller et al., 2021; Galvin et al., 2021; Ye et al., 2022; Rai and Surana, 2022). A measurable harvesting, road-maintenance, or transport service may be efficiently governed through competitive procurement and service-level agreements, while integrated estate rehabilitation involving reciprocal capital, knowledge, operating risk, and shared infrastructure may require a more relational or jointly governed form. Conversely, KSO is not justified merely because a task is operationally important; it must create incremental value relative to direct operation or a competitive market contract.

The article addresses five research questions. It asks how the legal, agronomic, financial, social and environmental characteristics of entrusted plantation assets should influence governance-form choice; what weaknesses are revealed by Agrinas’ 2025-2026 cooperation transition; under what conditions direct operation, vendors, management agreements, tolling, KSO, joint ventures or cooperative partnerships are appropriate; which mechanisms are needed for partner selection, risk allocation, digital monitoring, decision rights and exit; and how additional economic and public value should be measured relative to credible alternatives. In response, the paper develops the Cooperation-Governance Fit and Additionality (CGFA) framework and uses it to formulate a portfolio architecture for sustainable and competitive management of state-entrusted oil-palm assets.

The study makes three contributions to the literature. First, it extends transaction-cost and alliance-governance reasoning to state-entrusted natural-resource assets whose legal, social and environmental eligibility may still be evolving. Second, it conceptualises cooperation as a portfolio of governance forms rather than a binary KSO-versus-vendor choice, thereby linking governance-form fit to measurable additionality. Third, it connects commercial contract design with SOE public-value accountability by requiring cooperation to be assessed against a credible counterfactual and explicit social and environmental safeguards. These contributions position the CGFA framework as both an

analytical device for future empirical testing and a practical architecture for portfolio governance.

2. LITERATURE REVIEW

Oil-palm competitiveness is produced through the coordination of biological, logistical, processing and institutional activities. Yield gaps may arise from crop age, planting material, nutrient imbalance, harvest timing, labour availability, drainage and infrastructure rather than from a single input deficit, which is why rehabilitation requires estate-specific diagnosis (Monzon et al., 2021; Lim et al., 2023; Zhao et al., 2023; Woittiez et al., 2024). Harvest management is equally consequential: de Vos et al. (2023b) show that harvest intervals and related practices materially shape smallholder oil-palm performance. At the same time, FFB quality deteriorates rapidly after harvesting, making roads, transport scheduling and mill access part of the agronomic economics of the crop. Cooperation choices therefore influence not only transaction costs but also biological losses, processing utilisation and the timing of cash generation.

Replanting illustrates the need to connect technical and institutional governance. Smallholders and estate managers face a multiyear transition in which old stands lose productivity before new plantings generate mature yields. Research in Indonesia emphasises financing constraints, planting-material quality, temporary income losses and institutional coordination as major replanting barriers (Fosch et al., 2023; Petri et al., 2024; Hendrawan et al., 2024). For a state-entrusted portfolio, this means that cooperation cannot be judged only by short-term tonnage: contracts must also define who bears replanting expenditure, who finances immature periods, how agronomic standards are enforced and how the asset will be handed back or transitioned when the agreement ends.

Transaction-cost economics provides a foundational logic for choosing among hierarchy, market contracting and hybrid forms. Contemporary procurement and outsourcing research continue to show that governance requirements vary with asset specificity, uncertainty, task complexity and measurement ambiguity. Ye et al. (2022) find that contract specificity and monitoring both improve outsourced-service performance, but contract specificity becomes especially important for complex tasks whereas monitoring is relatively more important when outcomes are difficult to measure. Lee (2022) similarly finds that contractual and relational governance can mitigate the negative effect of task complexity on outsourcing performance. Evidence from complex infrastructure supply chains further indicates that technical and organisational complexity is better managed when formal coordination is combined with relational integration rather than through a uniformly arm’s-length model (Eriksson et al., 2023). Public-procurement research

extends this logic by stressing that public agencies face additional transparency, competition, accountability and procedural constraints when governing suppliers (Dhanshyam and Srivastava, 2021; Changalima, Mchopa and Ismail, 2022; Suardi et al., 2024).

The alliance literature adds the concept of resource complementarity. Firms cooperate because resources and capabilities are distributed unevenly and cannot always be replicated economically within the required time. Jin and Wang (2021) show that resource complementarity can enhance international joint-venture performance, but partner differences also generate integration problems that condition the realised benefit. Agarwal and Kapoor (2023) describe a related ecosystem tension: complementarities create value opportunities, yet they also generate interdependencies that require deliberate governance. For Agrinas, the implication is direct. An estate operator may contribute agronomic routines, workforce systems and mill interfaces that Agrinas does not yet possess at scale, but the more the asset depends on that partner, the more important knowledge transfer, auditability and exit design become.

Formal contracts and relational governance should therefore be treated as contingent mechanisms rather than ideological substitutes. Keller et al. (2021) show that alliance governance must adapt when disruption changes the underlying relationship, while Galvin et al. (2021) demonstrate the interplay of contractual governance, trust and culture in alliance settings. Rai and Surana (2022) argue that contract-based and relation-based governance are neither universally complementary nor universally substitutable; their effectiveness depends on contextual coalignment. Recent buyer-supplier research reinforces this configuration view: combinations of contracts, monitoring, communication and relational norms can reduce opportunism, while established contractual and relational governance can improve cooperation during disruption response and recovery (Yin et al., 2023; Lee et al., 2023). Ali et al. (2021) likewise show that structural and social mechanisms jointly shape international joint-venture performance. These findings support a modular approach in which contract detail, joint committees, relational routines and monitoring intensity are calibrated to the specific transaction.

Digital systems increasingly change the feasible governance set. Jovanovic, Sjödin and Parida (2022) show that industrial-platform value is created through the co-evolution of architecture, services and governance rather than through technology alone. Paolucci, Pessot and Ricci (2021) find that digital transformation interacts with contractual and relational governance in supply chains, implying that technology can reinforce but not replace clear governance. Yin et al. (2023) similarly show that digital-era buyer-supplier governance is most effective when monitoring, contractual safeguards, communication and relational norms

are configured together rather than deployed as isolated controls. Shen et al. (2024) identify strategic design, relational coordination, resource integration and technology leverage as recurring ecosystem-orchestration practices. Agrinas' Integrated KSO Dashboard and its later Integrated Procurement System are consequently most valuable when linked to standard identifiers, decision rights, contract obligations, performance thresholds and audit trails rather than treated as stand-alone reporting tools.

State ownership adds another analytical layer because an SOE must reconcile commercial discipline with public objectives. Kim and Sumner (2021) show that Indonesian state-owned entities can be instruments of industrial policy, while Rygh and Benito (2022) emphasise how governmental goals shape SOE strategy and can create multiple-objective tensions. Ruggiero, Sorrentino and Mussari (2022) demonstrate why publicness and accountability remain central to SOE governance, and Panibratov and Klishevich (2023) situate state-owned multinationals within broader state-capitalism debates. Cardinale, Landoni and Mi (2024) argue for renewed attention to SOEs' roles in structural change, innovation and public policy. Comparative governance research also warns that excessive state intervention and bureaucratic approval can weaken managerial autonomy and operational responsiveness when decision rights are not clearly separated (Xun and Weng, 2024). For state-owned plantation enterprises specifically, Trisyulianti et al. (2022) show the value of integrating economic, environmental and organisational performance when managing circular-economy transformation. In the Agrinas case, cooperation must therefore pass both a commercial test and a public-value test: an agreement that transfers value to a partner without credible incremental benefit is problematic even if operations continue.

Palm-oil governance research further shows that legally operable land and socially legitimate land are not synonymous. Astuti et al. (2022) show how making illegal oil-palm areas visible creates governance dilemmas around enforcement and future land use. Berenschot et al. (2022) and Berenschot et al. (2024) document the contentious politics of palm expansion and the importance of land conflict, corporate power and community claims. Bahrudin et al. (2024) demonstrate that sustainable commodity transformation depends on political pathways and coalition building across jurisdictions. These findings are especially relevant to assets originating in forest-area enforcement because operational agreements cannot be allowed to transform unresolved historical problems into accepted future baselines.

Certification and traceability are also governance systems rather than simple labels. Brandi (2021) demonstrates the interaction between public and private governance in palm-oil sustainability standards, while Choiruzzad, Tyson and

Varkkey (2021) identify internal incoherence and state transformation issues in Indonesian Sustainable Palm Oil certification. Putri et al. (2022) similarly emphasise policy and governance challenges. At smallholder level, Watts et al. (2021), Ogahara et al. (2022), de Vos et al. (2023a) and Renner et al. (2024) show that certification can be constrained by legal, organisational, cost and capability barriers. A cooperation model that simply pushes compliance requirements downstream may therefore exclude local actors unless monitoring is linked to capability building and clear benefit sharing.

The social dimension is particularly important when partnership models involve cooperatives, farmer groups or plasma systems. Mehraban et al. (2021) show that oil-palm cultivation can improve welfare while altering exposure to economic risk, and Santika et al. (2021) find that sustainability certification can affect village well-being but with context-dependent outcomes. Jelsma et al. (2024) emphasise the long-run importance of collective action and institutional organisation, while Hendrawan et al. (2024) focus on resilience to future industry challenges. Li (2024) argues that smallholder livelihoods can be strengthened without additional deforestation, and Witjaksono et al. (2024) explore corporate-farming models for sustainable supply chains. More recent evidence indicates that training and appropriately designed economic incentives can materially increase smallholder willingness to enter certification, while integrative sustainability frameworks emphasise stakeholder collaboration, adaptive management, financing and capability building (Reich and Musshoff, 2025; Ayompe et al., 2025). Wong et al. (2023) further demonstrate how multi-criteria assessment and unmanned aerial vehicles can strengthen farm-level sustainability monitoring. The governance implication is that cooperative participation should be measured through income, productivity, transparency and decision rights rather than through the formal existence of a cooperative partner.

Environmental safeguards must be endogenous to contract design. Grass et al. (2020) show trade-offs between multifunctionality and profit in tropical smallholder landscapes, while Purwanto et al. (2020) examine agroforestry as a policy option in forest-zone oil palm. Deere et al. (2022), Pashkevich et al. (2022) and Zemp et al. (2023)

demonstrate that riparian and landscape design can materially affect biodiversity. Xu et al. (2022) and Fleiss et al. (2023) reinforce the need to prevent high-carbon or high-biodiversity land conversion. Contract clauses should therefore define no-go areas, peat and riparian safeguards, restoration duties, fire management, monitoring data and liability allocation rather than leave these matters entirely to general corporate ESG policy.

Downstream and circular-economy opportunities create another reason for differentiated cooperation. Kaniapan et al. (2021), Prananta and Kubiszewski (2021) and Farobie and Hartulistiyoso (2022) show the technical potential and economic constraints of palm-based bioenergy. Nabila et al. (2023) review thermochemical upgrading of Indonesian oil-palm biomass, while Cheah et al. (2023) discuss circular bioeconomy pathways and Wahyono et al. (2023) demonstrate the importance of lifecycle assessment across biodiesel feedstocks. These activities typically involve greater capital specificity, technology risk and long-term offtake than routine estate services, making JV, SPV or long-duration project agreements potentially more appropriate than short service contracts when scale-up is justified.

The literature therefore points to a central principle: cooperation form should be selected by governance fit, not organisational habit. Direct operation, competitive vendors, management agreements, tolling, KSO, joint ventures and cooperative partnerships occupy different positions on a continuum of control, interdependence, capital commitment and measurement complexity. The proposed CGFA framework integrates seven decision gates: asset eligibility and readiness; strategic necessity; partner capability and integrity; governance-form fit; economic and risk allocation; operating control and transparency; and additionality, renewal and exit. Across all gates, good corporate governance, anti-corruption, legal accountability, ESG safeguards and public-value accountability operate as cross-cutting constraints.

Figure 2 translates the literature into the CGFA decision architecture used in the remainder of the article. The sequence is deliberately front-loaded with asset readiness and strategic necessity so that partner selection does not occur before the underlying legal and economic problem has been defined.

“Beyond KSO: Designing Fit-for-Purpose Cooperation Governance for Agrinas Palma Nusantara’s State-Entrusted Oil Palm Assets”

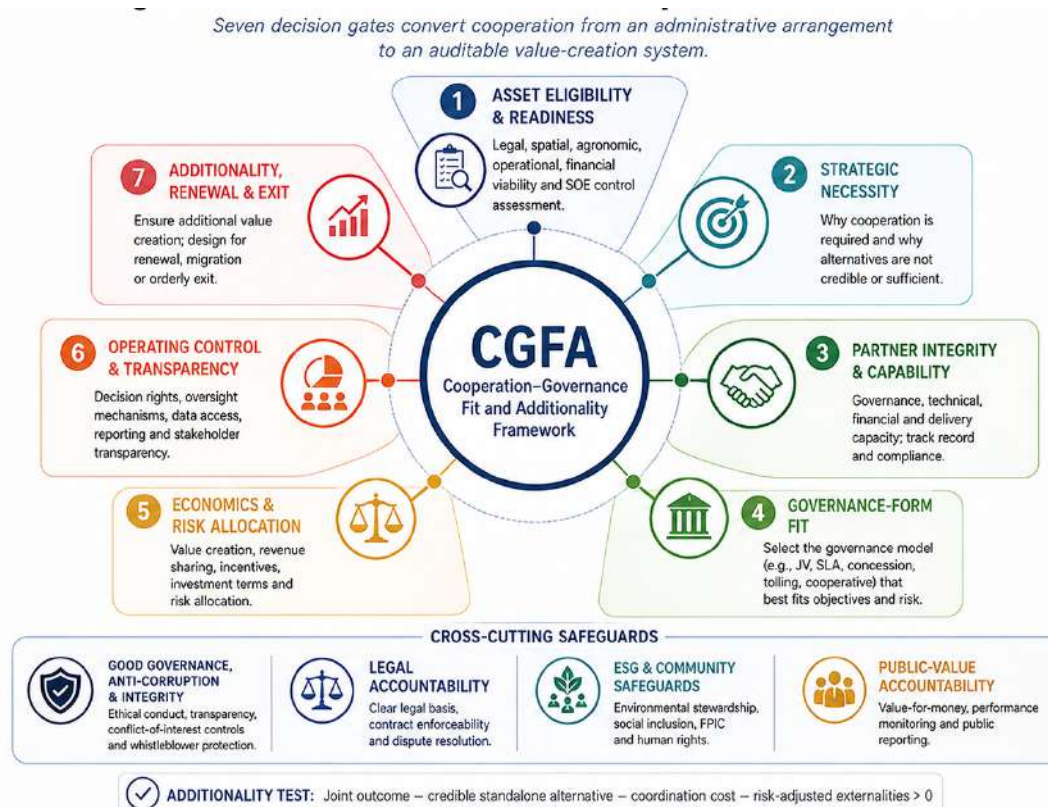


Figure 2. Cooperation-Governance Fit and Additionality (CGFA) Framework.

The framework treats governance as a series of gates rather than a one-off contract approval. A cooperation proposal can therefore fail before commercial negotiation if the asset is not eligible, fail after partner assessment if integrity or capability is insufficient, or fail at renewal if measured additionality is negative relative to the counterfactual. This makes exit and migration between governance forms normal portfolio decisions rather than exceptional disputes.

3. METHOD

This study uses a qualitative narrative-integrative literature review with thematic synthesis. It is intentionally not a Systematic Literature Review and does not claim PRISMA compliance, protocol registration, exhaustive database enumeration or meta-analytic estimation. A qualitative review is appropriate because the research question crosses several heterogeneous literatures - palm-oil governance, strategic alliances, outsourcing, public procurement, SOE governance, sustainability and organisational design - that use different units of analysis and methods. The objective is conceptual integration and mechanism identification rather than estimation of a pooled effect (Wilson and Anagnostopoulos, 2021; Dhollande et al., 2021; Barry, Merkebu and Varpio, 2022; Kraus et al., 2022).

The primary academic evidence window is January 2020 to August 2026. Literature was identified purposively through combinations of terms relating to oil palm, Indonesia, joint operation, strategic alliance, joint venture, outsourcing,

vendor governance, transaction costs, public procurement, contractual governance, relational governance, SOEs, traceability, certification, smallholders and sustainable intensification. Keyword-based discovery was supplemented by backward and forward citation tracing from highly relevant anchor studies and by publisher-level verification of bibliographic metadata. Priority was given to peer-reviewed articles in established international journals with direct conceptual or empirical relevance, while corporate and official sources were reserved for case-specific facts. Selection was iterative rather than exhaustive: the review retained convergent findings, contradictory evidence and boundary conditions that could explain when a cooperation model is likely to perform well or poorly. No source was retained solely because it supported the preferred policy interpretation, and no quantitative claim of review exhaustiveness is made.

Company-specific evidence is treated separately from general scholarly evidence. Agrinas' 2025 Annual Report is used for facts concerning institutional transformation, entrusted assets, operational outputs, governance bodies, KSO monitoring, internal audit, digital systems and the PalmCo cooperation agreement (Agrinas Palma Nusantara, 2026a). Circular 003/SE-DKB/APN/VI/2026 is treated as primary evidence of the June 2026 stop-and-take-down policy and centralisation of future local cooperation approvals (Agrinas Palma Nusantara, 2026b). Official corporate disclosures are used to update the January 2026 KSO evaluation, the May

2026 expansion of entrusted land and the July 2026 Integrated Procurement System (Agrinas Palma Nusantara, 2026c; 2026d; 2026e). These corporate sources support descriptions of actions and stated intentions but are not treated as independent proof of causal impact.

The synthesis used two levels of coding. First-cycle codes captured asset status, task measurability, partner capability, capital contribution, operating control, pricing, profit sharing, monitoring, data, audit, legal exposure, community claims, environmental safeguards, knowledge transfer, renewal and exit. Second-cycle themes consolidated these codes into cooperation-model fit, partner governance, contract architecture, centralisation and delegation, digital control, additionality and portfolio renewal. Each proposed cooperation form was then assessed using the same template: transaction profile, value-creation mechanism, principal risk, governance requirement, measurable KPI and credible counterfactual.

The method has important limitations. It cannot establish that a particular Agrinas KSO caused observed production, welfare or sustainability outcomes, and it does not have access to the confidential economics or clauses of individual agreements. The June 2026 circular evidences a corporate governance response but does not, by itself, prove that every local KSO was ineffective or non-compliant. The analysis therefore avoids treating suspension as evidence against KSO as a category. Instead, it uses the case to develop a fit-based framework that can subsequently be tested with estate-level contractual, financial, operational and social data.

4. RESULTS: THEMATIC FINDINGS

The first thematic finding is that Agrinas' cooperation system evolved through three overlapping phases rather than through a single planned design. The first phase, beginning with the company's transformation and early asset handovers in 2025, prioritised operational continuity and rapid access to capability. The PalmCo cooperation agreement is emblematic of this phase because it sought operational and plantation-management assistance from an established state-owned operator. The second phase institutionalised KSO through monitoring structures, partner-selection processes, internal audit and an integrated KSO database. The third phase, visible from late 2025 through June 2026, shifted the emphasis toward standardisation, due diligence, central approval and portfolio evaluation.

This evolution should not automatically be read as policy inconsistency. It is also compatible with organisational learning under extreme scale expansion. At the end of 2025, Agrinas reported approximately 1.7 million hectares under

state assignments, FFB production of around 1.13 million tonnes, CPO output of 197.93 thousand tonnes and kernel production of 32.90 thousand tonnes, while noting that plantation-segment performance had not yet been recognised in the 2025 financial statements because asset consolidation and operational initiation were still under way (Agrinas Palma Nusantara, 2026a). The coexistence of significant physical operations with unsettled accounting and asset-recognition processes illustrates why contracts must distinguish operating continuity from ultimate asset status and financial recognition.

A second finding is that KSO governance had already become an explicit oversight concern before the June 2026 circular. The Annual Report states that the Compliance Monitoring Committee supervised adherence to SOPs and administrative obligations related to plantation operational cooperation, compared field-supervisor reports from the company and partners with documentary evidence, and assisted the Board of Commissioners in evaluating KSO and recommending corrective actions. The Risk Management Committee also reviewed handover data and participated in presentations for selecting prospective KSO vendors, while the internal audit unit issued observations on named KSO arrangements. These mechanisms show that the company had begun to construct a multi-layer control system, but they also imply substantial transaction and monitoring costs.

A third finding is that the digital architecture created in 2025 provides a basis for stronger ex-post governance. The Integrated KSO Dashboard was designed to replace error-prone manual recording and cover partner registration through revenue monitoring, while the company also launched e-procurement in September 2025 to improve transparency and accountability. In July 2026, the newer Integrated Procurement System extended digitalisation across planning, provider selection, control and documentation and explicitly clarified proportional authority between Head Office and regional units (Agrinas Palma Nusantara, 2026d). This is significant because the practical alternative to decentralised contracting is not necessarily slow paper-based centralisation; digital systems can permit central standards with delegated execution and real-time exception monitoring.

Figure 3 visualises the main governance-form implication of transaction heterogeneity. It should be read as a diagnostic map rather than a rigid rule: the appropriate instrument moves toward greater integration as reciprocal asset specificity and the difficulty of measuring performance increase.

“Beyond KSO: Designing Fit-for-Purpose Cooperation Governance for Agrinas Palma Nusantara’s State-Entrusted Oil Palm Assets”



Figure 3. Cooperation-Governance Form Fit.

The lower-left region favours market-like vendor contracting because tasks are separable and outcomes are measurable. Moving upward increases the need for richer monitoring and relational coordination, while moving right increases the cost

of switching partners and the need to govern reciprocal investment. KSO and JV therefore become defensible only in a narrower zone of high interdependence, not as default solutions for ordinary operational services.

Table 1 operationalises the same principle by comparing the main cooperation vehicles available to Agrinas. The table links each form to the conditions in which it is most defensible, the associated governance intensity and the principal risk that must be controlled.

Table 1. Cooperation Model Selection Matrix for State-Entrusted Plantation Assets.

Governance form	Best-fit use	Control	Economic basis	Principal risk	Illustrative application
Direct / in-house	Strategic control; internal capability available	High	Internal budget / transfer cost	Capability constraints; bureaucracy	Sensitive asset control; core registry; strategic decisions
Vendor service contract	Standardised, separable, measurable task	Low–medium	Unit rate / fixed price / SLA	Low quality; opportunism; fragmentation	Road work; transport; equipment; routine maintenance
Management / technical assistance	Knowledge or management capability needed without shared asset control	Medium	Fee + milestone / KPI	Dependency; weak capability transfer	Agronomy; operating systems; turnaround assistance
Tolling / offtake / processing	Existing external infrastructure can avoid new capex	Medium	Processing fee / indexed offtake	Quality disputes; capacity priority	FFB milling; storage; logistics; product handling

“Beyond KSO: Designing Fit-for-Purpose Cooperation Governance for Agrinas Palma Nusantara’s State-Entrusted Oil Palm Assets”

Governance form	Best-fit use	Control	Economic basis	Principal risk	Illustrative application
Selective KSO / joint operation	High reciprocal interdependence and complementary contributions	High	Defined contribution + profit/fee sharing	Control ambiguity; opaque economics; difficult exit	Integrated rehabilitation; co-managed operating package
JV / SPV	Long-life, intensive, capital-specific investment	Very high	Equity + project finance	Capital lock-in; deadlock; related-party risk	Mill/refinery/bioenergy/l logistics infrastructure
Cooperative / community partnership	Inclusion and community production integral to legitimacy and value	Medium	Transparent pricing + service/benefit formula	Elite capture; weak governance; disputed beneficiaries	Plasma; community estates; farmer service platform

Table 1 reinforces that the choice is not between partnership and no partnership but among multiple degrees of integration. A vendor contract can be more accountable than KSO for a measurable service, while KSO may be more complete than a vendor contract when the parties must jointly adapt operations and share material risks. The matrix also creates a practical review question: if a proposed agreement cannot explain why a simpler form is insufficient, its governance intensity is probably excessive.

The fourth finding concerns partner and transaction heterogeneity. Agrinas' entrusted portfolio includes estates with different legal status, crop conditions, infrastructure, labour arrangements, community claims and processing access. A partner needed for harvesting on a stable mature estate is not performing the same transaction as a partner asked to rehabilitate an abandoned plantation, finance replanting, operate a mill, resolve logistics bottlenecks or develop bioenergy. Treating all of these relationships as one KSO category produces governance ambiguity because the required capital, decision rights, knowledge transfer, monitoring and liability allocation differ materially. The portfolio should therefore be decomposed into activity- and asset-level transactions before governance form is selected.

Direct Agrinas operation is most defensible when strategic control is essential, the company possesses sufficient capability, and the cost of external coordination exceeds the benefit of partner resources. This is especially relevant for core asset registry, legal control, strategic land-use decisions, sensitive stakeholder commitments, internal audit and certain high-integrity functions. Direct operation also provides a benchmark against which cooperation can be evaluated. Without an internally estimated cost and capability baseline, it is impossible to know whether a partner creates incremental value or merely performs activity that Agrinas could have undertaken at lower total cost.

Competitive vendor or service contracts are likely to be most efficient for standardised, separable and measurable activities. Examples can include defined road maintenance, transport services, equipment rental, fertiliser delivery, routine mechanical maintenance, security services with measurable scope, or harvesting where output and quality can be verified and labour obligations are clear. Outsourcing research indicates that contract specificity, monitoring and supplier development should be matched to task complexity and measurement ambiguity (Ye et al., 2022; Lee, 2022). For Agrinas, vendor contracts should therefore use transparent scope, service-level indicators, price benchmarking, digital work acceptance, beneficial-ownership screening and performance history. Competitive procurement is especially attractive when multiple capable providers exist and partner-specific investment is low.

Management and technical-assistance agreements occupy a different position. They are suitable when Agrinas requires operating knowledge, systems or seconded expertise but does not need to share control of the underlying asset. The PalmCo arrangement provides an example of this logic: Agrinas can acquire agronomic routines, operational standards and management guidance while retaining asset authority. Such agreements should be designed for capability transfer rather than permanent dependence. Training obligations, documented SOP transfer, paired positions, milestones for local-team certification and a capability-independence exit test can turn technical assistance into organisational learning rather than recurring consultancy expenditure.

Tolling, processing and offtake contracts are appropriate when value depends on existing infrastructure owned by another party. Because FFB is perishable, a nearby mill with spare capacity may create more value than constructing a new plant, particularly during a transitional period when estate volumes are uncertain. The contract should specify product ownership, weighing and quality standards, queue priority,

processing fees, oil-extraction accounting, losses, laboratory reconciliation, transport responsibilities and payment timing. This structure can avoid duplicated capital expenditure while maintaining relatively clear boundaries between asset ownership and service provision. It is therefore often preferable to a deeper KSO when the core interdependence is simply access to processing capacity.

Selective KSO remains defensible when operations are genuinely reciprocal and cannot be efficiently decomposed into standard service packages. A KSO may be justified where both parties contribute significant complementary assets or capabilities, share operational decisions, make relation-specific investments and bear material risks that require coordinated adaptation. However, the arrangement should fail the governance-form test if the same outcome can be delivered through a competitively priced service contract with clearer accountability. KSO should therefore be a selective hybrid form for high-interdependence transactions, not the default vehicle for every operational need. This conclusion is consistent with alliance research showing that complementarities can create value but also increase integration and control challenges (Jin and Wang, 2021; Agarwal and Kapoor, 2023).

Joint ventures or special-purpose vehicles belong further toward the integration end of the continuum. They may be appropriate for long-life, capital-intensive and highly specific investments such as new mills, refineries, bioenergy facilities, logistics hubs or derivative-product plants when several parties must commit irreversible capital and share

long-term market or technology risk. JV governance should specify equity, board rights, reserved matters, financing obligations, related-party transactions, dividend policy, technology ownership, offtake, deadlock and exit. The existence of an SOE partner should not exempt the project from a counterfactual analysis of whether the same capacity can be purchased, leased or developed competitively at lower risk.

Cooperative and community partnerships require a separate governance logic because legitimacy and distribution are part of the value proposition. Agrinas' 2026 cooperation with the Ministry of Cooperatives and its later plasma discussions show an intention to embed cooperatives in plantation ecosystems (Agrinas Palma Nusantara, 2026f). Recent smallholder research warns that formal inclusion does not guarantee equitable outcomes; benefits depend on organisational capability, land documentation, finance, transparent pricing, extension and bargaining power (Watts et al., 2021; Jelsma et al., 2024; Li, 2024; Ekaputri et al., 2025). A cooperative partnership should therefore define eligible beneficiaries, governance rights, audited volumes, pricing formulas, service deductions, grievance channels and measures of farmer income and productivity. Cooperative status cannot substitute for partner due diligence.

Figure 4 proposes a governance design that responds directly to the centralisation problem identified by the June 2026 circular. It separates corporate policy rights from regional execution rights and uses a digital control backbone to connect the two levels.

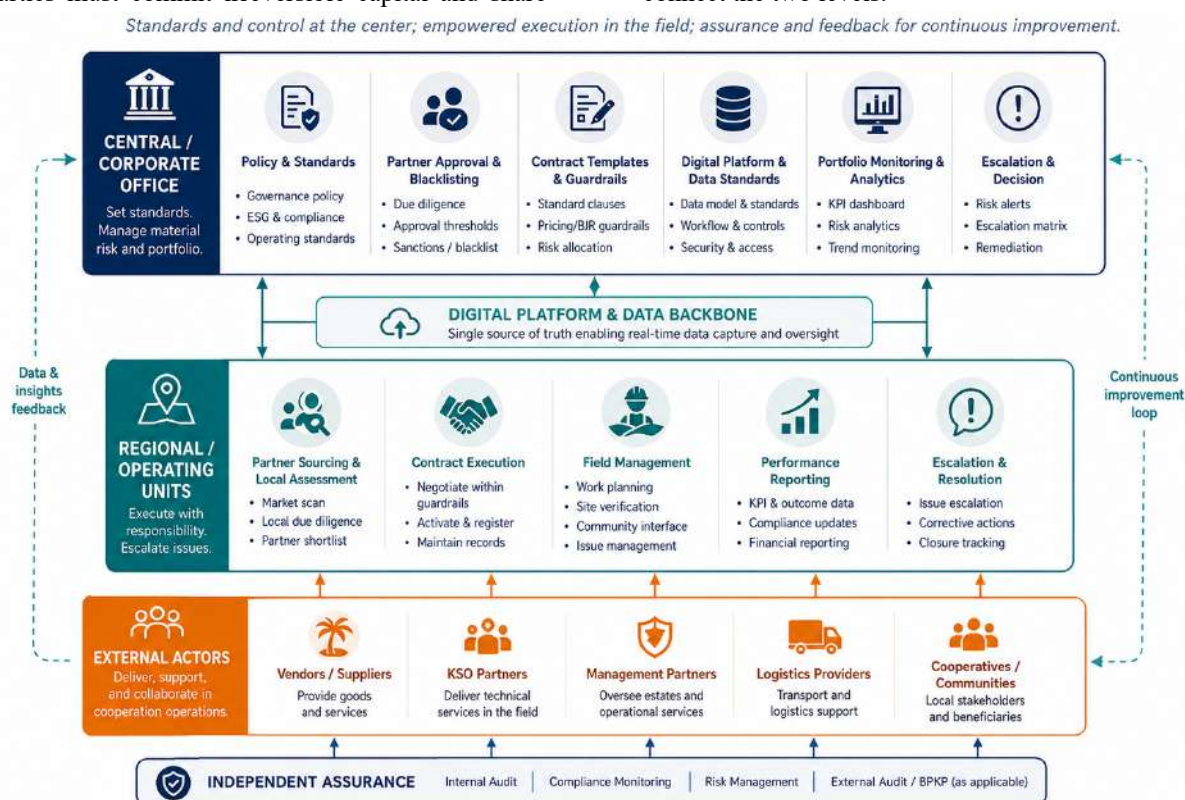


Figure 4. Central Policy, Decentralised Execution: Proposed Governance Architecture.

“Beyond KSO: Designing Fit-for-Purpose Cooperation Governance for Agrinas Palma Nusantara’s State-Entrusted Oil Palm Assets”

The architecture is intended to avoid two opposite failure modes. Uncontrolled regional contracting can fragment standards and create information asymmetry, whereas excessive Head Office control can slow harvesting, maintenance and other time-sensitive decisions. The

proposed solution is rule-based delegation with digital visibility, automatic escalation of material exceptions and independent assurance by internal audit, compliance and risk functions.

Table 2 sets out the minimum partner due-diligence package that should operate before commercial terms are finalised. The table deliberately combines conventional supplier checks with ownership, social and environmental dimensions because the legitimacy of a plantation partner depends on more than technical capacity.

Table 2. Partner Due-Diligence and Contract Governance Matrix.

Review dimension	Evidence to verify	Red flags	Required response
Legal identity & ownership	Company registry; beneficial owners; permits; sanctions	Unknown ultimate owner; nominee structures; unresolved authority	No contract before verification; enhanced legal review
Technical capability	Comparable estate/mill/logistics experience; key personnel; equipment	Generic credentials; no comparable track record	Pilot scope; performance bond; technical milestone
Financial capacity	Working capital; leverage; tax; audited accounts; insurance	Dependence on Agrinas cash; weak liquidity	Limit exposure; milestone payments; bank/security support
Integrity & conflicts	PEP screening; related parties; anti-bribery; litigation	Undisclosed affiliations; procurement contact conflicts	Independent review; conflict declaration; exclusion
Operational controls	SOP; HSE; labour; subcontracting; records	Informal subcontractors; weak payroll/production records	Approval rights; digital reporting; site audit
Social legitimacy	Community claims; grievance history; local employment	Active disputes; unclear beneficiaries	Social mapping; grievance plan; conditional mobilisation
Environmental safeguards	Land status; HCV/HCS; peat; riparian; fire; waste	Operation in no-go area; unresolved environmental liabilities	Exclusion map; restoration plan; environmental indemnity
Data & auditability	System integration; source documents; audit trail	Manual or unverifiable data; reconciliation gaps	Mandatory digital records; audit rights; payment hold

The table shows why prequalification should be risk-based rather than purely administrative. A counterparty can be technically capable yet unsuitable because of opaque ownership, weak liquidity, unresolved community disputes or environmental exposure. Conversely, local firms and cooperatives should not be excluded merely because they are smaller; proportionate capacity-building and pilot scopes can be used where integrity is strong and the risk can be bounded. A transitional caretaker model is also necessary for some newly handed-over assets. The purpose of this model is continuity rather than long-term partnership: preserve harvests, secure assets, maintain essential labour and prevent biological deterioration while Agrinas completes legal,

agronomic and commercial diagnosis. Such arrangements should have short duration, conservative authority, transparent cost reimbursement or fee structures, strict cash controls and a mandatory migration decision. They should not become de facto permanent concessions through repeated extensions. This is especially relevant when a state asset is handed over faster than a full tender, estate census or social mapping can reasonably be completed.

The June 2026 circular highlights the need to redesign authority. Complete decentralisation can produce fragmented templates, inconsistent economics and weak visibility, but complete Head Office operational control can create delay and information bottlenecks. The appropriate response is

'central policy, decentralised execution'. Head Office should own partner standards, contract families, material approval thresholds, legal and ESG clauses, pricing methodology, data definitions and exception rules. Regional units should retain delegated authority for site verification, work scheduling, performance acceptance, community interface and low-value transactions within policy limits. Material changes, conflicts, threshold breaches and strategic agreements should escalate automatically.

Partner due diligence is the first control in this redesigned architecture. Technical qualification should examine relevant plantation, mill, logistics or engineering experience rather than generic corporate credentials. Financial due diligence should test working-capital capacity, leverage, tax and insurance status. Integrity review should cover beneficial ownership, politically exposed persons, conflicts of interest, anti-bribery controls, sanctions, litigation and prior performance with Agrinas or other public entities. Social and environmental due diligence should examine labour practices, community disputes, land-related complaints and environmental compliance. Suardi et al. (2024) show that procurement governance based on transparency, accountability, competition, integrity, monitoring and control is associated with reduced corruption risk in the Indonesian public sector, making these dimensions particularly relevant to an SOE partnership portfolio.

Contract design should then separate standard corporate clauses from project-specific schedules. Core clauses should address authority, anti-bribery, conflicts, audit rights, records, confidentiality, data, cybersecurity, insurance, subcontracting, tax, labour, HSE, ESG, community conduct, change control, dispute resolution, step-in and termination. Project schedules should define land or asset boundaries, baseline condition, contributions, operating plan, production accounting, price and fee formulas, capital-expenditure approvals, key-person requirements, quality standards and KPIs. Recent project-governance evidence indicates that explicit and balanced risk allocation can shape contractor behaviour and improve value-added performance, reinforcing the importance of allocating risks to the party best able to manage them (Luo and Chen, 2025). This modular architecture offers consistency without forcing identical commercial terms onto different transactions, and it makes central review faster because deviations from approved templates become visible.

Finally, cooperation performance should be assessed through additionality rather than gross activity. The relevant question is whether the joint outcome exceeds a credible alternative after coordination costs and risk-adjusted externalities are considered. Commercial additionality includes unit-cost reduction, working-capital improvement, higher asset utilisation and avoided capital expenditure. Operational additionality includes yield recovery, improved harvesting

intervals, higher mill utilisation and lower downtime. Developmental additionality includes local jobs, farmer income, skills and domestic value added, while sustainability additionality includes legal traceability, reduced emissions, restoration and grievance resolution. An agreement that raises output but creates unpriced land conflict, opaque transfers or environmental liabilities should not be classified as a successful partnership.

5. DISCUSSION AND ANALYSIS

The June 2026 circular is best interpreted as a governance reset rather than as evidence that cooperation itself is undesirable. Its stated concerns - legal basis, performance, party obligations, contribution to the company and multiple categories of risk - are precisely the variables that a mature contract portfolio should make visible. Temporary suspension can be rational when an organisation lacks confidence that local agreements meet common standards, particularly during rapid asset acquisition. Yet a blanket permanent replacement of all cooperation with vendor contracting would reproduce a different governance error: it would treat transactions with very different levels of complexity, interdependence and capital specificity as though they were equivalent.

The CGFA framework provides a disciplined alternative. Gate 0 asks whether the asset is ready to be contracted at all. This is crucial for Agrinas because legal status, forest-area history, planted condition and social claims can differ across entrusted parcels. Gate 1 asks why cooperation is needed and requires a credible counterfactual. Gate 2 examines partner integrity and capability. Gate 3 chooses the governance form. Gate 4 allocates economics and risk, Gate 5 establishes operating control and transparency, and Gate 6 applies an additionality, renewal and exit test. The sequence prevents a common failure in which a preferred partner or contract label is chosen before the underlying problem is clearly defined.

A 'least-complex sufficient governance' principle follows from this logic. Governance should be no more integrated than necessary to capture the intended value. If a standard vendor can provide a measurable service competitively, creating a KSO may add committee costs, shared-control ambiguity and difficult exit without corresponding benefit. If a tolling agreement can provide mill access, building a joint mill may be premature. If short technical assistance can transfer routines, a permanent co-management arrangement may create dependence. Conversely, when partners must commit relationship-specific capital, share infrastructure and continuously adapt decisions, a simple fixed-price contract may be too incomplete and a selective KSO or JV may be justified. This is the same fit logic that contemporary outsourcing and alliance studies identify across other sectors (Ali et al., 2021; Ye et al., 2022; Rai and Surana, 2022).

The framework also clarifies the difference between control and centralisation. Agrinas can increase corporate control without requiring Head Office to make every operational decision. Digital procurement and KSO systems make a two-speed model possible: central rules, templates, risk thresholds and data standards can coexist with delegated regional execution. The key is to define which decisions are rule-based, which require expert review and which automatically escalate. For example, a region may be authorised to call off routine services from prequalified frameworks, approve verified work and manage daily schedules, while changes in land scope, fee formulas, subcontracting, asset investment, strategic counterparties or unresolved community conflict require Head Office approval. Such design reduces both uncontrolled discretion and administrative bottlenecks.

Dynamic contracting should replace the assumption that an agreement is fixed until expiry. Agrinas' January 2026 process already moved in this direction by evaluating partner reports and field conditions and updating legacy templates through addenda (Agrinas Palma Nusantara, 2026c). Alliance research shows that governance mechanisms need to adapt when circumstances change, and supply-chain research similarly finds that pre-existing contractual and relational governance can materially affect cooperation and recovery under disruption (Keller et al., 2021; Lee et al., 2023). A portfolio should therefore use structured review points at mobilisation, 90 days, six months and annually, with defined triggers for remediation, repricing, scope migration, capability transfer, step-in or termination. Digital data should support these reviews so that amendments respond to observed performance rather than negotiation power alone.

The additionality test is particularly important for an SOE because financial and policy objectives can otherwise become conflated. A cooperation may be commercially attractive but generate little public value if it displaces capable local providers, hides subsidies or transfers rents through non-benchmarked prices. Another arrangement may have modest direct margins but produce justified public value through restoration, farmer upgrading or strategic food and

energy security. The solution is not to force all projects to maximise the same metric. It is to specify which commercial and public objectives apply to each project, identify the funding or compensation mechanism for non-commercial obligations and report performance separately. This responds to SOE research emphasising role clarity and public accountability (Kim and Sumner, 2021; Rygh and Benito, 2022; Ruggiero et al., 2022).

Sustainability should also function as a stage gate rather than a post-contract reporting appendix. State-recovered assets may contain high-conservation-value areas, peat, riparian zones, historical deforestation exposure or unresolved community claims. Productivity targets should therefore follow, not precede, basic legality and safeguard classification. The environmental literature demonstrates that biodiversity and climate outcomes are sensitive to landscape design and land-use safeguards (Grass et al., 2020; Deere et al., 2022; Xu et al., 2022; Fleiss et al., 2023; Zemp et al., 2023). A contract that financially rewards production without accounting for excluded areas, restoration or grievance resolution can create incentives inconsistent with Agrinas' public mandate.

Implementation should proceed in three phases. During the first six months after the reset, Agrinas should complete a comprehensive cooperation inventory, classify every agreement and asset, identify continuity-critical operations, validate partners, reconcile physical and financial baselines, and migrate all agreements to a common digital registry. The objective is not mass termination but portfolio visibility. Agreements should be placed into categories such as continue under interim controls, amend, competitively re-procure, migrate to another governance form, internalise or terminate. High-risk arrangements should receive accelerated legal, integrity and site review.

Figure 5 converts the concept of additionality into a multidimensional scorecard. Its purpose is to prevent an arrangement from being labelled successful because one visible indicator, such as production volume, improves while governance, social or environmental costs deteriorate.

“Beyond KSO: Designing Fit-for-Purpose Cooperation Governance for Agrinas Palma Nusantara’s State-Entrusted Oil Palm Assets”

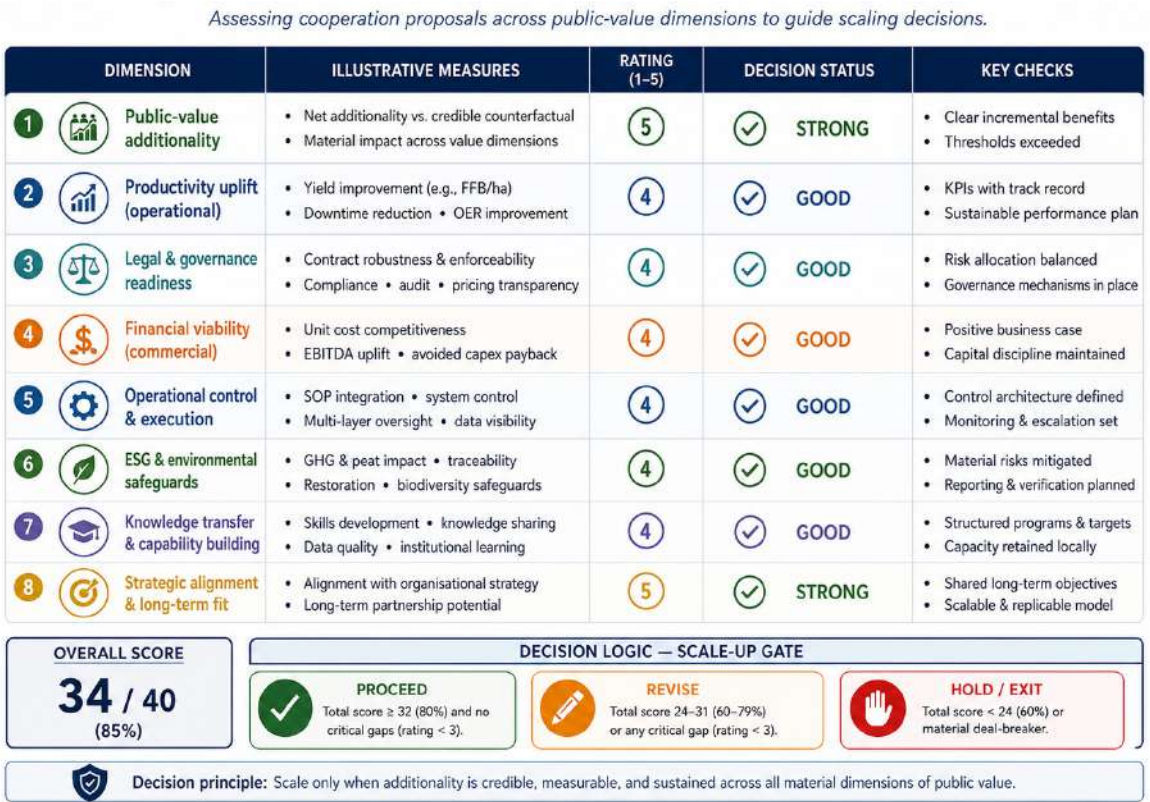


Figure 5. Cooperation Additionality Scorecard.

The scorecard requires a net assessment against a credible alternative, not simply year-on-year improvement. Commercial and operational gains remain essential, but scale-up should also depend on governance quality, inclusion, environmental safeguards and capability

development. This is particularly important for a state-owned enterprise because public-value objectives can be undermined if hidden externalities or opaque transfers are ignored.

Table 3 summarises the stage-gate logic for portfolio renewal. Each gate has a decision question, a minimum evidence requirement and a defined response when the threshold is not met, so that the governance process can terminate or redesign weak arrangements before sunk costs become larger.

Table 3. CGFA Stage-Gate and Additionality Decision Matrix.

Decision gate	Core question	Minimum evidence	If threshold fails
Gate 0: Eligibility	Can the asset/activity legally and responsibly be contracted?	Verified boundary, status, crop condition, social/environmental baseline	Hold / caretaker only
Gate 1: Necessity	Why cooperate rather than operate internally or procure differently?	Documented counterfactual and capability gap	Redesign / in-house
Gate 2: Partner	Is the counterparty capable and trustworthy?	Technical, financial, ownership, integrity and ESG clearance	Reject / remediate
Gate 3: Form fit	Does the governance vehicle match complexity and interdependence?	Fit assessment approved	Change contract form
Gate 4: Economics & risk	Are contributions, pricing and liabilities transparent?	Positive risk-adjusted business case; benchmarked pricing	Renegotiate / tender

“Beyond KSO: Designing Fit-for-Purpose Cooperation Governance for Agrinas Palma Nusantara’s State-Entrusted Oil Palm Assets”

Decision gate	Core question	Minimum evidence	If threshold fails
Gate 5: Control	Can Agrinas monitor, audit and intervene?	KPI, digital data, audit, step-in and escalation active	Suspend / cure
Gate 6: Additionality	Does joint outcome exceed the credible alternative?	Positive net commercial/public additionality	Renew, migrate or terminate

The table makes renewal conditional rather than automatic. It also permits governance migration: a KSO can be decomposed into vendor packages once operations stabilise, a management contract can end when internal capability is sufficient, or a successful pilot can move toward a longer-term investment structure when economic and safeguard evidence supports deeper commitment.

The second phase, approximately six to eighteen months, should selectively relaunch and standardise the portfolio. Agrinas should establish approved contract families for vendor services, management assistance, processing/tolling, selective KSO, cooperative partnerships and project companies. Prequalification should become risk-based and transparent, using the Integrated Procurement System for competitive categories while preserving separate approval routes for strategic alliances that require a documented additionality case. Regional delegations should be restored within thresholds so that governance improvement does not become operational paralysis. A common set of partner IDs, asset IDs, contract IDs and KPI definitions should connect procurement, KSO monitoring, production, finance, legal, ESG and audit systems.

The third phase, roughly eighteen to thirty-six months, should optimise the portfolio based on evidence. Agrinas can benchmark unit costs and outcomes across governance forms, consolidate fragmented suppliers where scale creates efficiency, split overly broad KSO packages into competitively procurable modules, and deepen only those alliances that demonstrate durable complementarity. Long-term capital projects should pass feasibility, lifecycle, social and environmental stage gates before JV or SPV commitments. The aim is a continuously renewable architecture in which the organisation can change governance form as internal capability, asset status, market conditions and technology evolve.

The conceptual contribution of CGFA is to link transaction-cost logic with public-value additionality for state-entrusted natural-resource assets. Traditional make-or-buy analysis focuses primarily on production and transaction costs, while alliance research focuses on complementarity and relational value. The Agrinas case requires both but adds two further dimensions: the legal and social legitimacy of the underlying asset, and the public accountability of the owner. Governance-form fit is therefore necessary but not sufficient. A technically efficient agreement can still fail if the asset is

not eligible for the proposed use, if the partner lacks integrity, or if externalities make net public value negative.

For policy makers and the shareholder, the main implication is to avoid using organisational labels as performance proxies. The number of KSO agreements, the number of vendors, the hectares nominally covered or the value of contracts signed reveal little about developmental success. Shareholder oversight should instead require a portfolio view of counterfactual economics, concentration risk, related-party exposure, local participation, capability transfer, environmental safeguards and exit readiness. This would allow Agrinas to use cooperation as a flexible instrument for rapid asset transformation without creating opaque quasi-concessions or duplicating capacity that already exists in the market or within other SOEs.

6. CONCLUSION AND POLICY RECOMMENDATIONS

This qualitative literature review concludes that cooperation is structurally important to Agrinas Palma Nusantara because the scale, heterogeneity and speed of state-entrusted plantation transfers exceed what any newly transformed organisation can efficiently internalise in the short term. The central governance question is therefore not whether Agrinas should cooperate, but which cooperation form is appropriate for which asset, task and risk profile. The 2025 Annual Report documents an emerging architecture of KSO monitoring, internal audit, partner selection and digitalisation, while the June 2026 circular shows that the company subsequently judged local SPK/KSO arrangements to require comprehensive evaluation and stronger central control. Taken together, these documents describe a transition from rapid operationalisation toward portfolio governance rather than a simple rejection of partnership.

The principal recommendation is to institutionalise the CGFA framework as a corporate decision process. Every proposed cooperation should begin with asset eligibility and a clearly defined operating problem, followed by a counterfactual assessment of direct operation and competitive market alternatives. Partner capability and integrity should be assessed before commercial negotiation. The governance form should then be selected using transaction characteristics: direct operation for strategically sensitive functions with adequate internal capability; vendor contracts for standardised measurable services; management

agreements for capability transfer; tolling or offtake for infrastructure access; selective KSO for genuinely reciprocal and interdependent operations; JV or SPV structures for justified long-term specific investment; and cooperative partnerships when inclusion and community production are intrinsic to the value proposition.

Agrinas should also adopt central policy with decentralised execution. Head Office should control approved contract families, material thresholds, partner-integrity standards, legal and ESG clauses, pricing methodology, related-party rules and portfolio data, while regional units should receive delegated authority for routine execution within those rules. The Integrated KSO Dashboard and Integrated Procurement System can become the digital backbone of this model if they are linked through common identifiers, contract lifecycle records, performance data, payments, risk alerts and audit trails. Centralisation should therefore mean common governance, not operational micromanagement.

The third recommendation is to make additionality measurable and renewable. Cooperation should be scaled only when it produces better risk-adjusted outcomes than a credible standalone alternative. Commercial, operational, governance, social, environmental and capability indicators should be assessed together, with explicit stage gates for legality and integrity. Agreements that fail should not merely be extended with revised wording; they should be remediated, competitively re-procured, migrated to a more suitable governance form, internalised or terminated. This creates a portfolio in which contracts evolve with asset maturity and organisational capability.

Finally, cooperation governance should support the wider transformation of Indonesia's palm-oil sector. Effective partnerships can accelerate rehabilitation, reduce duplicated investment, connect estates to processing capacity, strengthen smallholder and cooperative participation, improve traceability and open pathways to higher-value downstream and circular-economy activities. These gains will not follow automatically from the presence of state ownership or from the KSO label. They require transparent partner selection, auditable economics, clear decision rights, environmental and social safeguards, and continuous comparison with alternatives. Under those conditions, the governance reset can become more than a compliance response: it can become the institutional foundation through which state-entrusted plantation assets are converted into competitive, inclusive and sustainable public value.

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