

MANUFACTURING AND RETAIL

Three inter-related topics have drawn public attention with special concern for the business communities;

1. Climate Change
2. Sustainable development
3. Corporate Social Responsibility

1) Climate Change and Bali CoP

The Government of Indonesia was the host country for the United Nations Framework Conference on Climate Change (UNFCCC) which took place in Bali for two weeks in December 2007.

Indonesia is the world's third largest emitter of carbon, following the U.S and China. This is primarily because of land-based emissions from peat land degradation, complemented by some of the fastest growing energy-based emissions. Up to \$20 billion and a third of the Government's budget this year will be spent on fuel and electricity subsidies that result in increased emissions. The Minister for Trade Mrs. Marie Pangestu spoke at the World Business Day organized by the World Business Council on Sustainable Development (WBSCD) in Bali that she recognized the need to involve the business community in policy discussion and in advisory roles.

The World Bank launched a Forest Carbon Forestry Partnership Facility Fund in Bali to reward communities and business for prevention of forestry loss and is actively promoting the Clean Development Mechanism (CDM) under the Kyoto Protocol to encourage the business community to obtain monetary incentives for projects that reduce greenhouse gases in a measurable way that are registered with, and approved by, by the Executive Board of the UNFCCC. Private Public Partnership projects in Municipal Solid Waste management has also seen progress.

Once both the business community and the government see that the substantial monetary benefits from carbon offsets which companies that are pioneering CDM projects, are able to obtain, it is likely that others will quickly follow to capture similar benefits and competitive advantages.

2) Carbon Intensity and Sustainable Development

The public's concern for sustainable development is pressurizing consumer products industries which are significant users of forestry resources, such a construction materials and pulp and paper companies, to implement sustainable forestry by buying from suppliers who adopt certified sustainable forestry practices or, if the forestry resources are controlled by these companies, then obliging their power needs from renewable energy-based power plants. Carbon footprint audits are commissioned by some major manufacturers, and some US companies have boycotted Indonesia paper products due to lack of progress in sustainable forestry management.

3) CSR Tax

It is apparent the Indonesian government see the business community as a key source of funds for the delivery of social benefits for its citizens and communities. The business community has grave concerns about the draft regulation on Corporate Social Responsibility Tax. The government are targeting the natural resources extractive industries and manufacturing companies, under this new legislation, who the believe can provide more funding for Community Development Programs. There appears to be a need for further capacity strengthening within government departments to formulate clear regulations, and to ensure that the implications of implementing these regulations for the business community and society generally, have been thoroughly assessed.

Recommendations

- Establishment of a focal point by the business community with the Business Chambers taking a leadership role in communication between the government and the business communities on matters concerning Climate Change, Sustainable Development and Corporate Social Responsibility issues.
- Establishment by the business community of a CDM Advisory and Knowledge Exchange Center.
- Government to initiate CSR and Environment Awards for the Business community.
- Capacity strengthening of policy makers and regulators.