

Green Procurement in Indonesia

Liana Bratasida

Ministry for Environment, Indonesia

Lynn Johansson

E2 Management Corporation, Canada

Hendayani T. Adisesha -

Indonesian Society of Environmental Professionals, Indonesia

Introduction

Many developed countries have been working on sustainable public procurement, with the majority focusing on greening public procurement. The approach is widely accepted as one of the tools that could be used by governments to promote sustainable production and consumption.

Indonesia, as a country adopting sustainability in its national development policy, has been keeping abreast with the emerging concepts in improving productivity and sound environmental management. Cleaner Production, Waste Minimization, Environmental management System, Eco-Labeling, Life Cycle Assessment, environmental performance accounting and others are already either in adoption stages or in developing stages, some include demonstration projects.

A growing green global marketplace is emerging that can only be addressed by greening supply chains and influencing others to do the same. Environmental management system and the resultant performance improvements are becoming important criteria as purchasing screen to meet the trend.

A preliminary study on green procurement was developed during March until April 2000. It was initiated by then Bapedal (Environmental Impact management Agency), a former government agency responsible for establishing and implementing policies and regulation on environmental impact and environmental management in Indonesia. Bapedal has been merged into the Ministry for Environment since 2002. For Green procurement, apart from limited discussion in certain forum, there is no major activities initiated after the preliminary study.

Despite the legal basis which already in place and the efforts mostly made by the Ministry of Environment or the former Environmental Impact management Agency, improvement in environmental performance is still very limited.

Environmental Concern

The origin of environmental awareness in Indonesia has emerged around 1970's and the concept of sustainable development in Indonesia originated from the 1973 General State

Guidelines for Development. It stated that “National development should be carried out in a rational way so that it will not damage the environment and with a comprehensive strategy taking the needs of the next generation into consideration”

Then, Act number 4 of 1982 was established as the basis of the development of environmental management which entitled “The basic Provisions for the management of Living Environment”. The Act reflects the policy of the management of environment to support development.

The Act was later revised in 1997 stating that environmental management aims to create environmental sustainable development in the framework of the holistic development of Indonesian community.

In view of the increase intensity of impacts on environment, the President established Environmental Impact Management Agency (Bapedal) in 1990. since then environmental issues gained considerable attention , and quite a number of Act, Government Regulation, Presidential decrees, Ministerial decrees and Head of Bapedal decrees regarding environmental management and pollution control were established

To mention some, Environmental Impact Assessment was issued as Government Regulation initially in 1986, later was revised in 1993 and again in 1999. Regulations regarding Liquid Waste Standards were established in 1995. Hazardous and Toxic Waste also in 1995, , revised in 1999. Guidance for Air Pollution Control came in 1999. The above evidence clearly indicates that environmental management institutions in Indonesia are considerably young among similar institutions in most countries, even among other developmental institutions in the country.

Lately, as stated in Act 23 of 1997, the environmental management policy has been shifted from solely “command and control” practice towards a balance of regulation, economic instrument and voluntary approach and tools to protect the environment. For voluntary approach, Initiative starts to emerge from association, chamber of commerce, non governmental organizations. Within that period several environmental programs, such as Clean River Program, Business Performance Rating, Cleaner Production and ISO 14001, eco-labeling, Life cycle assessment etc. were developed

Implementation of Green Procurement related Environmental Programs

To facilitate the development of environmentally friendly products in green procurement, improved environmental performance at supplier operating facilities is essential, Transaction frequently occurs if the suppliers have treated their wastewater, or even requiring suppliers to obtain ISO 14001 certification or to achieve a set of standard of performance. These pre-requisite demand the willingness and the capacity of the suppliers and their supply chains to implement environmental tools to prevent or reduce environmental impacts and at the same time increase production efficiency. Those tools

include cleaner production, ISO 14001. Eco-label, Life cycle assessment, Environmental accounting, Design for Environment. Environmental performance accounting.

Cleaner Production

Among those tools, cleaner production has captured considerable interest of a wide range of stakeholders in Indonesia as it offers an opportunity for industry to increase productivity as well as preserving the environment.

The success in promoting cleaner production approach does not come instantly or easily, It has gone through about 10 years of hard work of government institutions, independent parties, industries, business communities, receiving supports from international organizations, bi-lateral or multi lateral co-operations.

Programs developed to support cleaner Production strategy fall under the following categories:

- Training and awareness
- Technical assistance
- Information system development
- Incentives development

The activities were among others:

- ✓ Disseminate Cleaner Production concept through seminars and training courses
- ✓ Develop guidelines on Cleaner Production Implementation for certain industries
- ✓ Perform demonstration projects
- ✓ Publish booklets on the experiences in implementing cleaner production
- ✓ Establish Cleaner Production Counseling Group for textile industry
- ✓ Develop strategic planning in integrating Cleaner Production into National Environmental management policy and programs
- ✓ Establish a National Commitment on Implementation of Cleaner Production Strategy
- ✓ Develop environmental soft loan scheme

EMS/ISO 14001

Environmental management systems (EMS) often referred to as ISO 14001 is an internationally recognized framework for continual improvement. The identification of environmental aspects, impact and important aspects are crucial in defining green products.

For the adoption of ISO14001, Ministry for Environment collaborated closely with National Standardization Agency to coordinate standardization activities in environmental management. Some of the ISO series have been adopted as Indonesian version and made available to the public. Other activities included

- Public awareness program,
- Institutional arrangements,
- Capacity building and human resource development.

- Working group establishment,
- Comparative studies of accreditation and certification scheme
- EMS implementation demonstration project

Indonesia has placed the building blocs of EMS/ISO 14001 as a business tool to the success of green procurement as it offer the following benefits:

- Identification of the physical area and influence of management on significant environmental aspects
- Identification of the key concern related to goods and services that are being acquired
- Consistency in the management approach along the supply chain
- Opportunity to gain from a system improvement, achieving higher returns along the whole chain, not just isolated improvements

A Preliminary Study for Green Procurement Development

Greening Procurement is an important tool in the process of creating Sustainable Indonesia. The objective in initiating the project, which took place during March until April 2000, is to identify the possibility in the development of green procurement in Indonesia, establish a high level strategy for the development of green procurement as leverage for continually improving the business process of individual organization and influencing other members of their supply chains

Interview with representatives of Indonesian enterprise established the seed of interest. While there has been a statement of interest, Indonesian companies need support in the form of coaching and resources in the leadership development phase from the government.

The Strategy

It is critical for the success of green procurement in Indonesia if the government shows the leadership, and based its strategy on an understanding of purchasing and greening, and integrate the knowledge and skills and supportive attitude to a new integrated process. Whatever policy it creates for greening procurement will have to be adopted by the Indonesian Government as a whole.

Greening and purchasing need to be merged into the strategy. It is concerned with the identification of a holistic approach to help companies improve their business process using environmental management system as a supply chain management tool. It involves strategy, process and people.

Establishing leaders of change requires attention to six steps that is

1. Education of top management
2. Improvement strategy
3. Changes of organization culture,

4. Training and education of stakeholders
5. Network of support
6. Guidance and doing improvement projects

The most logical connecting tool between ecological system and purchasing systems/sourcing is quality management which links between greening and procurement.

As Indonesia has other immediate economic and political pressures, including core institutional reforms, a short term result is not possible. It is consider appropriate to start with a small group of Indonesian companies to achieve the initial wave of change. This group will become the leaders of change, their initial results will be used to attract other supply chains. In a parallel activity common criteria for measuring success would be developed and the leaders would test the measurement of success. The measurements would then taken across supply chains, leveraging their synergy. The onward activities then enables this larger group of companies to finish their sustainable sourcing.

Challenges faced by Indonesia

Environmental awareness and environmental institutions in Indonesia are considerably young. Facing with immediate economic and political pressures, environmental concerns receives less attention leading to some environmental degradation. Several key weakness have been identified including:

- As faced by other developing countries, the political will to address environmental issues is generally poor
- Enforcement of legislation is generally weak and inadequate
- it is necessary to have integrated environmental management policies which can achieve environmentally sound sustainable development
- Lack of establishment of national multi stakeholder forum to respond to environmental strategies. Inadequate resources financial as well as human