

# Kadin: Championing Sustainability in Indonesia

Indonesia is filled with development opportunities, but many companies that jump to exploit them often forget the long-term negative consequences if they do so in an unsustainable manner.

The Indonesian Chamber of Commerce and Industry (Kadin), which has an influential voice in the Indonesian business community, views sustainability as something that needs to become a top priority for all businesses in the country.

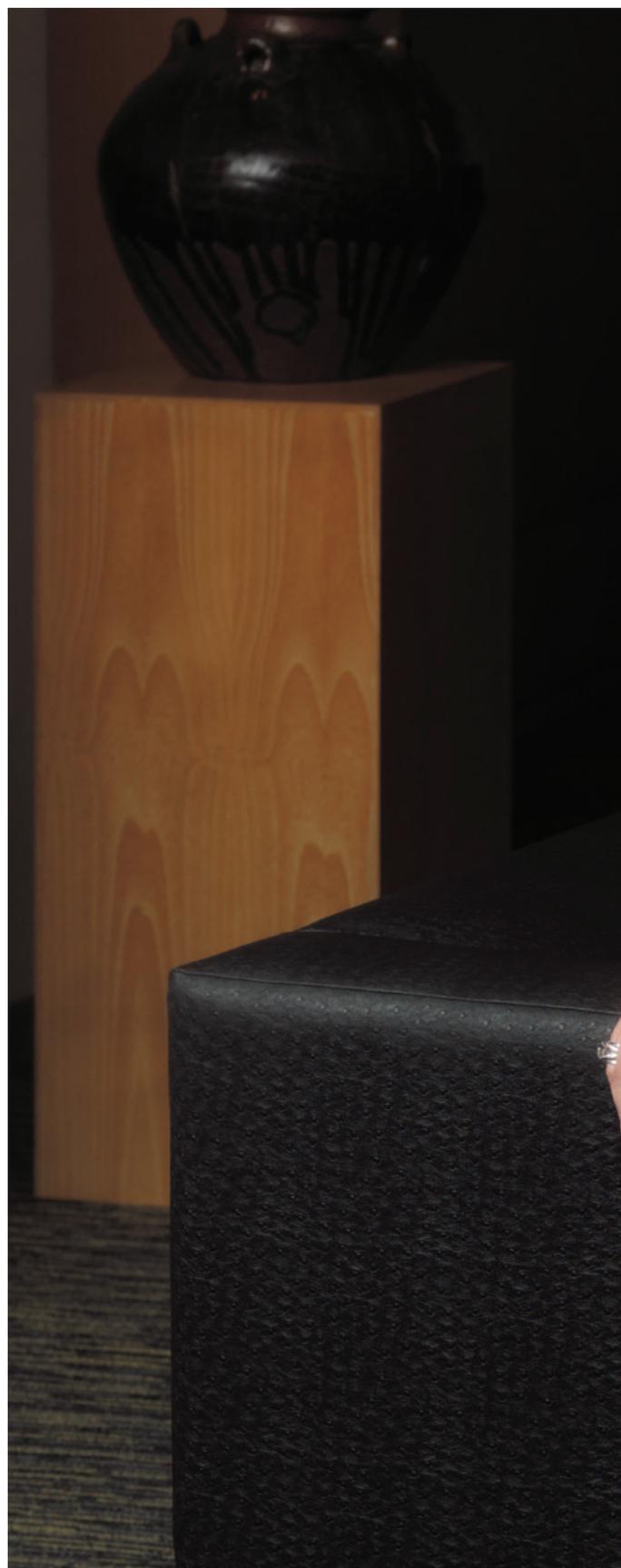
Kadin represents the private sector and, in partnership with Global Initiatives and Climate Business, it sponsored the Sustainable Business Awards Indonesia last year. It did so as part of a number of sustainability initiatives it is undertaking to help spread knowledge about sustainable business practices to companies here.

**Jassmyn Goh** spoke with Shinta Widjaja Kamdani, Kadin's vice-chairwoman for the environment, climate change and sustainable development, about their role in promoting sustainability in Indonesia.

## **What sort of sustainable business practices are important to Kadin?**

The issue of sustainability in the private sector is very limited in terms of knowledge. I think in general companies understand the importance of the environment, but the concept of sustainable development is pretty new.

During the UNFCCC (United Nations Framework Convention on Climate Change) in Copenhagen in 2009, our president [Susilo Bambang Yudhoyono] committed to a target of continuing with seven percent economic growth but also reducing by 26 percent on the carbon side. At that time, the issue of sustainable development also became an intention in Indonesia and, of course, our president recently was appointed the co-chair of the eminent persons panel on sustainable development at the United Nations.







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The important aspect is how can we really understand what sustainable development means, the triple bottom line aspects. So, it is “profit, people, planet” – that is the concept we have been really promoting.

**How long has sustainability been important to Kadin?**

I think in the past we were paying attention to environmental products, but sustainability has only really been an issue since that time in 2009. It's still quite recent.

**What has Kadin done to create a more sustainable business sector? For the past few years, Indonesia has consistently ranked as one of the top 15 countries with the highest CO<sup>2</sup> output. What is Kadin doing to change this?**

When we talk about sustainability, we see that all aspects have to be connected. We now have sustainable infrastructure, consumption and production. Part of Kadin's role is the socialization aspect – to give more education and understanding to companies on how to become more sustainable. We have also set up the Indonesian Coalition of Sustainable Development, in which we invite companies who have really [engaged in] multinational and local sustainable practices. Primarily, the companies that have more of an understanding about sustainability are the multinational companies, because they have certain compliance issues that they have to follow from their head office.

I think the education part of sustainability is important, especially in areas such as agriculture, land use, forestry and renewable energy. So I think there are many ways the private sector can play a role and I think the most important is that it must come from the companies themselves and that they want to see themselves reach that goal.

**How would you monitor sustainability in the private sector?**

It is not easy to monitor. When we look at it through the IBCSD (Indonesian Business Council for Sustainable Development), we can only see what the companies have done. We want to have a sustainable reporting system for companies, so in that way, it becomes a requirement. Companies are starting to have sustainability reports. We are very much

pushing that, and hopefully more companies can have sustainability reports, and that way it will be easier for us to monitor.

**How do you push and encourage companies to use sustainable practices?**

First of all, we always have to share the benefits of using sustainable practices. When we talk about sustainability, it is all long-term not short-term. So, they have to first see those companies that have done it and what advantages have come from these practices. But I think a lot of countries that have been successful have been able to create a certain environment that has really been supporting these practices. For example, from the regulatory aspect, it becomes mandatory. And some banks require it in order to acquire funding. It becomes part of the system, so one is the benefit that they see and second is really that it becomes part of the requirements of doing business.

**Do you know how many companies actually integrate sustainable practices?**

We don't have the percentage, but I have to say not many. We can count [them] by fingers. It is very minimal. The ones that have done it comprehensively are even more limited. Some have claimed to do a lot of work on environmental products, but not the whole sustainable development concept, so I think that there is a very, very small percentage.

**Has Kadin created any programs to encourage and push sustainability?**

Yes, I think Kadin's role in the Post-2015 Development Agenda is part of this. The private sector is now included in the discussions for the next agenda of the MDG (Millennium Development Goals) to SDG (Sustainable Development Goals) and Kadin has played a big role in defining what the private sector's role should be. It has also tried to provide the right information and education to our members to understand sustainable development.

I think a lot of the issues Kadin needs to pay attention to are not only the socialization aspects, but the policies: If we want more companies to do this, how do we incentivize them? At the end of the day, the company needs to understand what is in it for them.

If it's a higher cost economy, they

are not going to do it. How can this be comprehensively something they can really look at, and the incentive plays a very important role. Kadin needs to put this forward – even to the government, whether it is a tax incentive or fiscal incentive.

**Would this all come under education?**

Well, education is one thing, but I think policies and regulations are another thing – and governance, as well. Right now, the issue is governance, and that's something that needs to be tackled and to find the right mechanism.

**Are there currently any regulations?**

No, I think we are looking into this post-development agenda, based on the government putting it as part of their national priorities. In terms of regulating it, it's not yet there.

**What would be Kadin's top priority?**

I think every aspect is equally important because we are trying to educate all our members. But also we need to start – and we have – advocacy with the government, because some of these regulations can play a role in making this happen. So, all this needs to happen at the same time. We cannot wait for one thing to finish and then the other. The taskforce we've created with REDD+ is to support the national priority programs of the government. We have now started to create projects within the regions. We want to see more concrete programs happening so that we can showcase [them] rather than just talk about it all the time.

**Recently, Kadin called on small businesses to participate in the infrastructure push. What has Kadin done to support this and how would you encourage them to be more sustainable?**

On the infrastructure side of the MP3I (Master Plan for the Acceleration and Expansion of Indonesian Economic Growth), Kadin has supported this in terms of the “greening” MP3I – what we call the “green corridor.” So, we want to make sure that the infrastructure projects are sustainable, but how can we do this and monitor it?

This is why we need to work more closely with the government in providing the right mechanism. We cannot do this alone and the government cannot do this alone, so we have



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to work together in partnership with civil society as well, and even foreign agencies. A lot of foreign agencies that are focused on infrastructure can support us as well.

We have to learn also what other countries have done. We shouldn't have to reinvent the wheel, and technology is the key element in all of this. When we talk about education, it's about transferring technology. If we want things to work, the new technology that is more sustainable needs to come into Indonesia.

**What sector do you think needs the most work on sustainability?**

The extractive sector for sure, because of mining. That is really the hardest sector and this goes back to the technology aspect. The U.S. and some other developed countries have come up with new research and technology that has paid more attention to sustainability and these are some of the things we need to bring in.

**How is mining ever sustainable?**

This is the interesting part. I just heard, for example, in the US that companies have come up with new technologies. Of course, it cannot be completely sustainable, but the damage to the earth can be reduced. So, this is all very much high technology that I would not be able to describe, but there are mining companies that have started to do that.

**Are there companies here that deal with paper and palm oil that have been sustainable?**

This is the tough part. The biggest players, APP [Asia Pulp & Paper] and RPP [RPP Contractors Indonesia], have both claimed themselves to follow sustainable practices. But I mean, how do we claim that? What is the standard? Right now, we don't even have standards. When we talk about a sustainable company, what is this standard, or rank?

On sustainability, we don't have a benchmark. We cannot say this company is on this level or on this level. We can only say that a company has started to follow a sustainable program. We can't say that they are already reaching a certain point or target.

**Kadin has quite a big voice in the business world, but it doesn't seem like sustainability is a top priority. Why is this?**

You know, again this is always the toughest. When I first came to Kadin to champion this,

it was a matter of how can this be a priority when our focus is business and to make money. Why, if it's going to cost [money] and reduce our bottom line, why will people do it? There needs to be extra effort and therefore, I'm lucky that I'm supported by big companies that are trying to promote it. But this is because they are mostly based on compliance.

I think now it is already increasing in terms of level of priority. Before I came in, it was something that not many people paid attention to. Now, I support a lot of conferences and everything we do is about sustainability. This is a continuing effort and it's hard work.

**What has been done so far to make this a more important issue for companies?**

I think one aspect is sharing, in terms of what companies have done and what is benefiting them. We want to go more on certification, but that will take a little longer. If we can get to this certification, it will help companies reach a certain standard, so we are pushing in that area. I think we have received a lot of support from different foreign institutions and we are trying to find the right scheme on how to do this.

**What are some of the biggest challenges Indonesia faces in terms of sustainability?**

I think the biggest challenge is really bureaucracy. We cannot get things done faster because of bureaucracy. Another thing that's important is that the government themselves in wanting to support this issue is still very minimal. It's kind of slowing us down in reaching a point. To reach the goal, all stakeholders need to put this as their priority.

**What does sustainability mean to you?**

Very simple, sustainability is the three aspects of profit, people and planet. When I describe sustainability, it is those things. If we can reach those three, then we can reach sustainability.

**When do you think Indonesia can reach this?**

That's a very tricky question. I think we are moving to the right direction, but it will take us much longer. How long? I have no idea. All we can do is to keep supporting it, enhancing it, trying to get as much rolling as we can. This is not just up to us at the end of the day, because the whole global condition plays a big role. The more we can focus and put it as our priority, the faster we can get society to support it.



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