



SUMMARY FOR POLICY MAKERS

Economic and Fiscal Measures for Single-Use Plastic Reduction and Packaging Prevention in Indonesia



Economic and Fiscal Measures for Single-Use Plastic Reduction and Packaging Prevention in Indonesia

Prepared for the Collaborative Action for Single-Use Plastic Prevention in Southeast Asia (CAP SEA) Project

Implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

With the funding support from



On behalf of:



Federal Ministry
for the Environment, Nature Conservation,
Nuclear Safety and Consumer Protection



of the Federal Republic of Germany

By Gan Gan Dirgantara

February 2023

FOREWORD

The global project Export Initiative Environmental Protection, funded by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), aims to create sustainable and favourable conditions for introducing resource-efficient, climate-friendly, and innovative technologies in its target countries. For the regional project “The Collaborative Actions for Single-Use Plastic Prevention in Southeast Asia” (CAP SEA), the module aims to reduce disposable plastic waste by focusing on prevention and reuse. To achieve this, CAP SEA provides policy advice to stimulate a recycling economy, capacity development for key stakeholders, local pilot activities, and support for innovative business models for SUP prevention.

Since 2017, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has supported the BMUV initiative by providing advisory services and coordinating activities to support the development of framework conditions that enable the introduction of environmental approaches and technologies in partner countries. The project measures are implemented in collaboration with bilateral projects of German technical cooperation in seven countries (Egypt, India, Indonesia, Malaysia, Jordan, Thailand, and Ukraine) but also in global modules. Locally deployed staff form the point of contact for other ongoing projects carried out by BMUV grant recipients in these countries. This promotes the regular exchange of information and experiences between the projects and creates synergies. In addition, the projects are better embedded in the strategies of the target countries.

The supported measures build up technical and institutional know-how and foster knowledge and technology transfer, raise environmental awareness, and build capacities, thereby contributing to the transition to more circular economies and the achievement of specific sustainable development goals (SDGs).

General information about the project module in South-East Asia: Indonesia

In Indonesia, CAP SEA aims to contribute to the achievement of targets stated in The National Action Plan on Marine Plastic Debris (2018–2025), that is,



The reduction of plastic waste by 70% by 2025 compared to 2017



The Roadmap to Waste Reduction by Producers

(through the Ministry of Environment Forestry (MoEF) Regulation P.75/2019)

The reduction of packaging waste from producers by 30% by 2029. In addition to that, CAP SEA actively participates in The Indonesian National Plastic Action Partnership (NPAP), a platform for public-private collaboration that intends to:

Reduce avoidable plastic use and reduce plastic consumption by 540,000 tonnes/year by 2025 (6% of projected plastic waste generation in 2025) through policy and behavioural changes and new business models

1

Substitute 740,000 tonnes/year of plastics with alternative materials (8% of projected plastic waste generation in 2025)

2

Collect, safely dispose and recycle unavoidable plastics with the goal of making all plastic waste a valuable commodity.

3

“Single-Use Plastics”, which are often referred to as disposable plastics, are commonly used for plastic packaging and are intended to be used only once before they are thrown away or recycled. These include, among other items, grocery bags, food packaging, bottles, straws, containers, cups, and cutlery. (Reference: United Nations Environment Programme, UNEP (2018): Single-Use Plastics: A Roadmap for Sustainability)

EXECUTIVE SUMMARY

Plastic is an important material for human beings, and it is widely used to fulfil various needs of human life throughout the world. However, plastics also cause environmental problems, especially with regard to the widespread use of single-use plastics (SUPs). The environmental impact of SUP goods is multi-layered, ranging from the emissions due to their production from petrochemical derivatives to waste generation.



Plastic pollution, especially by SUP, is a serious problem worldwide and it also affects Indonesia. To support the Government of Indonesia in addressing plastic waste problems, *The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)*, which is supported by The German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), has set up a programme entitled 'Collaborative Actions for Single-Use Plastic Prevention in Southeast Asia' (CAP SEA). The programme aims to reduce SUP waste with a clear focus on upstream strategies of prevention and preparation for reuse and recycling. It also fosters public-private sector partnerships to prevent single SUP in line with partner government's plastic waste reduction policies.

One activity in the CAP SEA programme in Indonesia is the establishment of a regulatory framework to implement potential economic and fiscal measures for SUP reduction, packaging prevention, and reducing packaging waste in Indonesia. The scope of this activity includes:

- ▲ Identifying and proposing a longlist of possible economic and fiscal measures/measures to be analysed at the beginning of the project;
- ▲ Selecting potential options of economic and fiscal measures/measures to address the objectives;
- ▲ Conducting SWOT analyses (Strengths, Weaknesses, Opportunities, Threats) for the selected potential economic and fiscal measures/measures in the context of Indonesia; and
- ▲ Developing policy recommendations for economic and fiscal measures for SUP reduction and packaging prevention.

The method used for conducting the activity is described in the following figure.

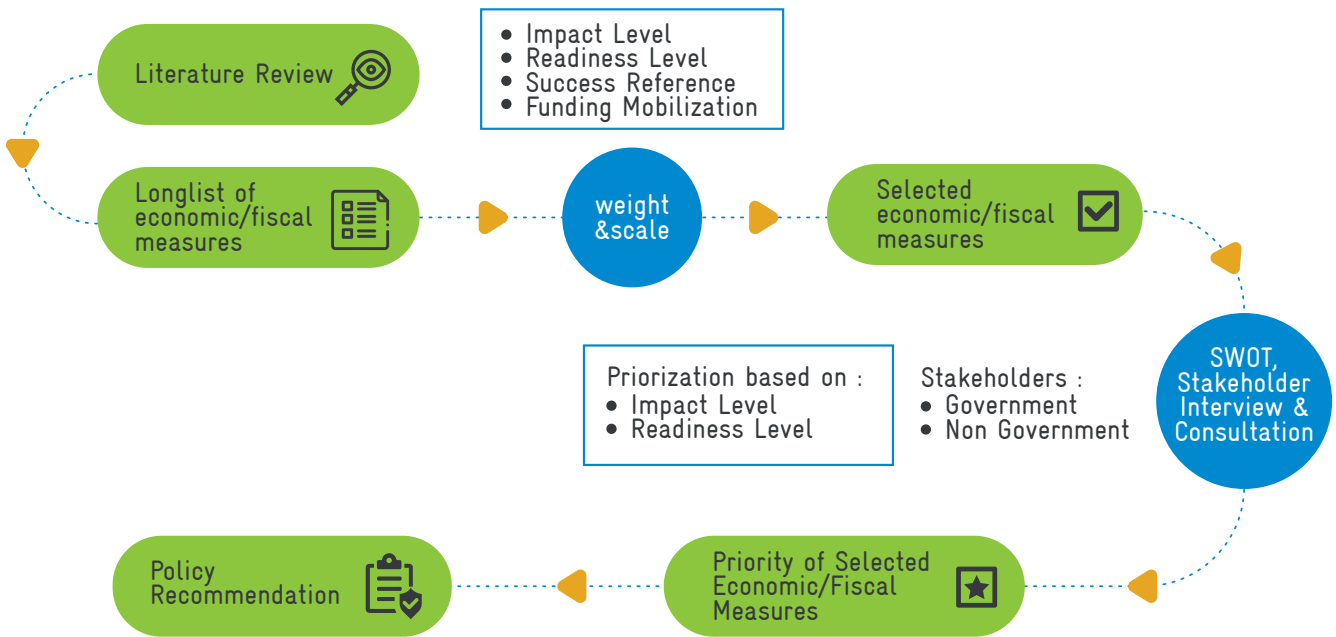


Figure 1. Method used for conducting activity

Various economic and fiscal measures or measures that can be applied for SUP reduction and packaging prevention consists of:

Table 1. Possible Economic and Fiscal Measures

1.	Tax on virgin raw materials.	10.	Deposit return system.
2.	SUP packaging levies.	11.	Extended producer responsibility.
3.	Plastic credits.	12.	Waste charge.
4.	Tax incentives for recycling investment.	13.	Guarantee facility for recycling investment.
5.	Green public procurement.	14.	Interest subsidy and soft loan for recycling investment.
6.	Tax on non-recyclable plastic.	15.	Interest subsidy and low-cost financing for new technology import.
7.	Tax deduction for the use of recyclable plastic materials.	16.	Partial grant for recycling investment.
8.	Tax incentives for using reusable and recycled content packaging.	17.	Result-based SUP performance fiscal transfer to local governments.
9.	Consumer rebate.	18.	Waste bank incentive.

Those measures can be applied at various stages of the plastic life cycle, as can be seen in the figure below

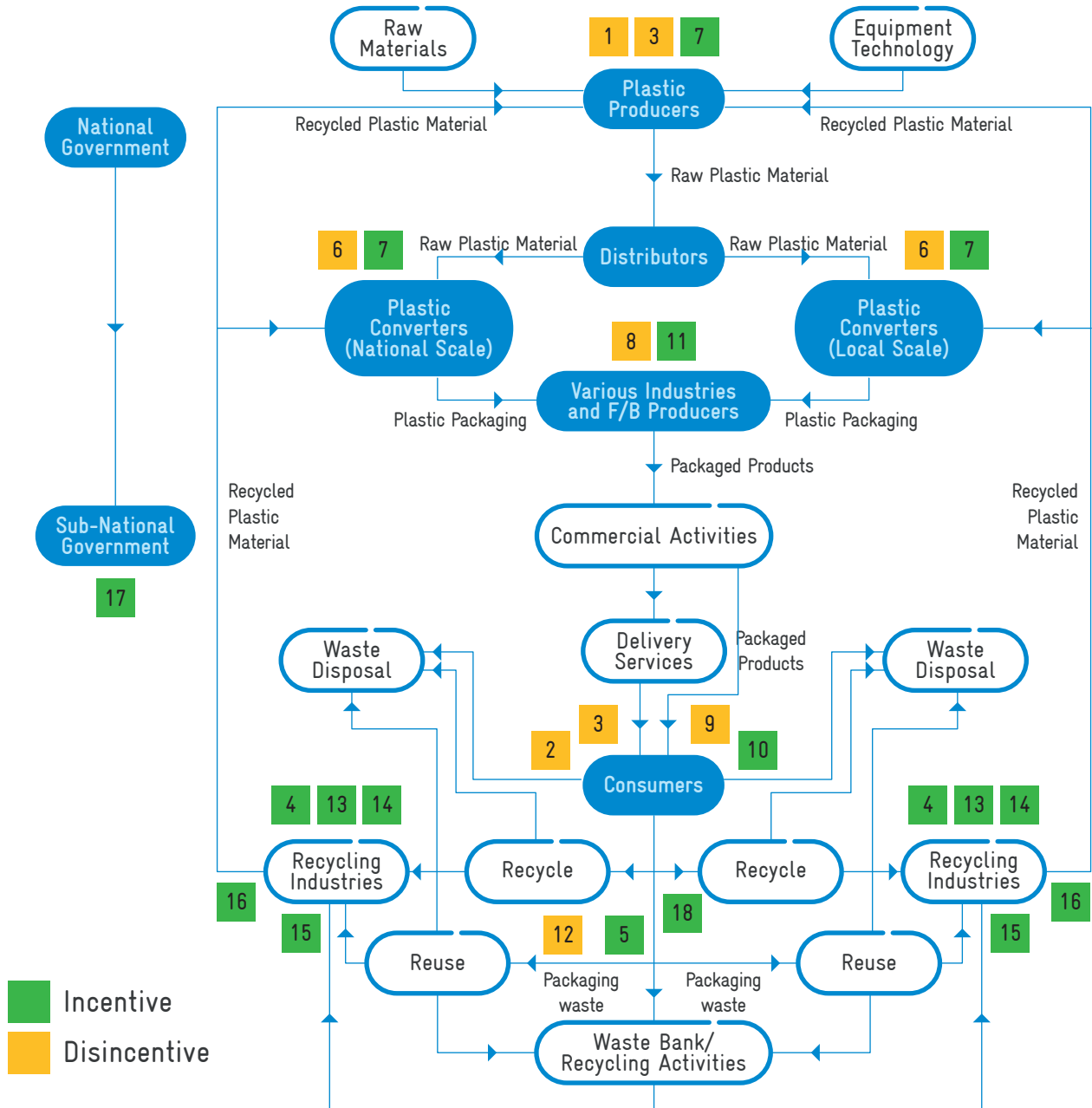


Figure 2. Mapping of Possible Economic and Fiscal Measures Based on the Plastic Life Cycle

Notes

- ▀ **Raw materials** consist of
 - (i) imported virgin materials
 - (ii) domestic virgin materials
 - (iii) imported recycled materials and
 - (iv) domestic recycled materials.

- ▀ **Equipment and technology** consist of
 - (i) imported equipment and technology and
 - (ii) domestic equipment and technology.

- ▲ **Plastic Producers:** Entities who produce plastic (monomer and polymer).
- ▲ **Plastic Converters:** Entities who produce goods made from plastic including packaging producers.
- ▲ **Various Industries and F & B Producers:** Entities who use plastic to package their products.
- ▲ **Commercial Activities:** Entities who sell packaged products to customers directly or via delivery services.
- ▲ **Delivery services:** Entities who deliver goods purchased via online market.

By applying the following four criteria: (i) potential impact level, (ii) potential readiness level, (iii) success reference in other countries or in other sectors, and (iv) potential for mobilising government and non-government funding sources, the longlist of measures is shortlisted to ten potential economic and fiscal measures below:

- | | | | |
|---|---|----|---|
| 1 | Partial grants for recycling investments | 6 | Tax deduction for using reusable and recycled content packaging |
| 2 | Tax incentives for recycling investments | 7 | Consumer rebate |
| 3 | Interest subsidies and soft loans for recycling investments | 8 | Extended producer responsibility |
| 4 | SUP packaging levies | 9 | Deposit return system |
| 5 | Tax deduction for the use of recyclable plastic material | 10 | Green public procurement |

These ten potential measures were assessed by a SWOT analysis and further discussed in the context of a series of stakeholder consultations of government and non-government representatives. To prioritise those measures, an analysis was carried out based on the assessment of two aspects with the same weighting: the readiness level of the measure application and the impact level that might be achieved by implementing the measure. The explanation for the scores given in both aspects is described in the table below:

Table 2. Explanation of Scoring in Readiness Level and Impact Level

SCORE	READINESS LEVEL	IMPACT LEVEL
1.	The measure is estimated to be ready for implementation in the long term (10 years) as it requires very complex preparatory work.	The application of the measure is estimated to have a very low impact in terms of packaging and single-use plastic prevention.
2.	The measure is estimated to be ready for implementation in the medium term (5 years) as it requires complex preparatory work.	The application of the measure is estimated to have a low impact in terms of packaging and single-use plastic prevention.
3.	The measure is expected to be ready for implementation in the short term (1-2 years) but requires excessive preparatory work.	The application of the measure is estimated to have a medium impact in terms of packaging and single-use plastic prevention.
4.	The measure is expected to be applicable within the short term (1-2 years) by preparing several requirements categorised as moderate.	The application of the measure is estimated to have a high impact in terms of packaging and single-use plastic prevention.
5.	The measure is expected to be ready for implementation within the short term (1-2 years) with light and simple preparatory work.	The application of the measure is estimated to have a very high impact in terms of packaging and single-use plastic prevention.

The assessment of each measure in both aspects is carried out by considering relevant stakeholder consultations and discussions with experts who have various expertise and experience. Based on those consultations and discussions, the assessment given to each measure is as follows:

Table 3. Assessment of Each Measure Based on Readiness Level and Impact Level

NO	MEASURE	SCORE FOR READINESS LEVEL	SCORE FOR IMPACT LEVEL
1	Partial Grant for Recycling Investment	5	3
2	Tax Incentive for Recycling Investment	3	3
3	Interest Subsidy and Soft-loan for Recycling Investment	3	3
4	SUP Packaging Levies	2	4
5	Tax Deduction for the Use of Recyclable Plastic Materials	3	3
6	Tax Deduction for Using Reusable and Recycled Content Packaging	3	4
7	Consumer Rebate	3	3
8	Extended Producer Responsibility	2	3
9	Deposit Return System	4	3
10	Green Public Procurement	4	4

An overview of the position of each measure relative to others can be seen in the figure below.

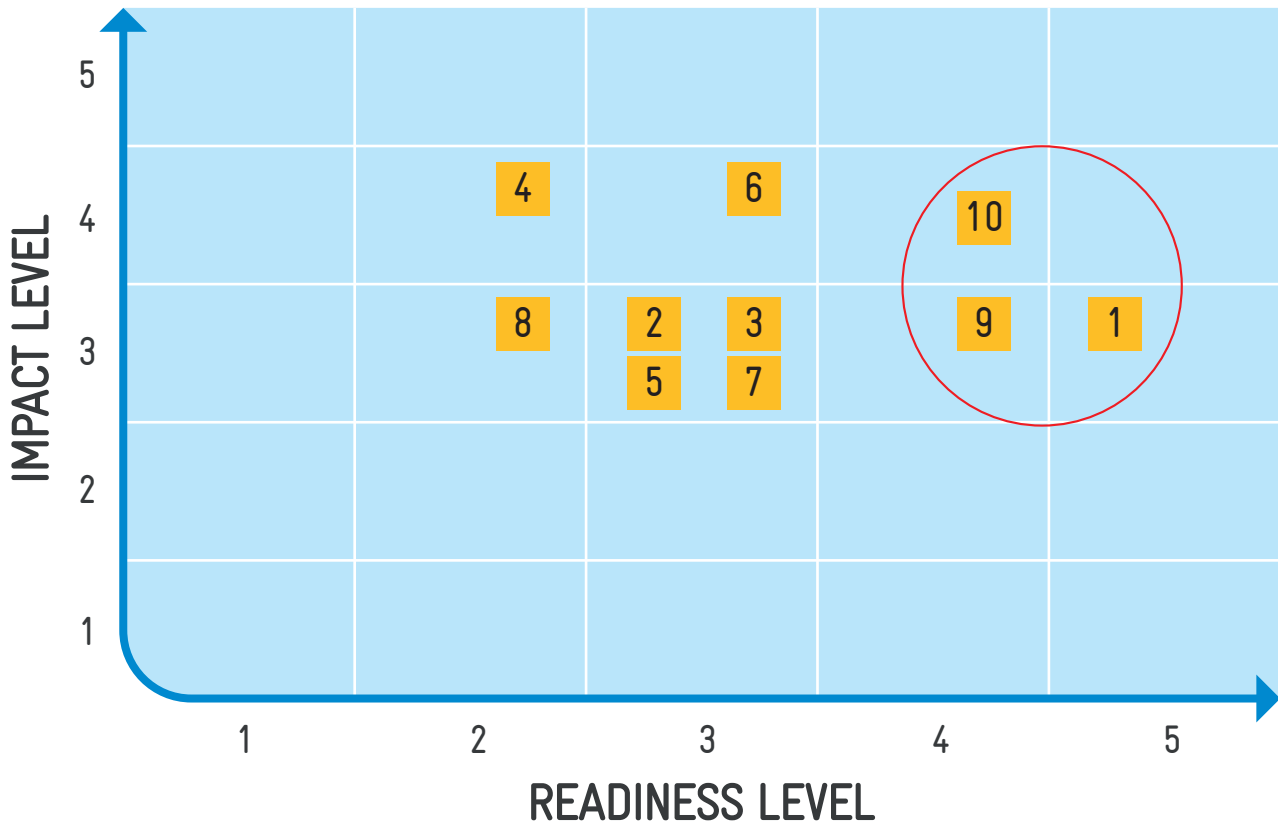


Figure 3. Position of Each Measure Based on Readiness Level and Impact Level

Based on the figure above, it can be concluded that based on their readiness and impact level, the following three measures can be prioritised:

1. Measure No. 1: Partial Grants for Recycling Investments
2. Measure No. 9: Deposit Return System
3. Measure No.10: Green Public Procurement

Consideration for Appropriate (Suitable) Design and Looking Ahead

Partial Grants for Recycling Investments

	PROPOSED PREPARATION ACTIVITIES	PROPOSED LEADING INSTITUTIONS	PROPOSED IMPLEMENTING INSTITUTIONS
1	Concept development for grant provision to boost recycling industries	The Coordinating Ministry of Maritime Affairs and Investment (CMMAI), Bappenas	MoEF, Ministry of Finance (MoF), Ministry of Industry (MoI)
2	Elaboration of potential funding sources	CMMAI, Ministry of Finance (MoF), Bappenas, Ministry of Environmental and Forestry (MoEF)	BPD LH
3	Determination of special mandate for BPD LH to include plastic and packaging waste into its' eligibility sector (Ministerial Decree/KMK)	MoF	BPD LH
4	Agreement with various development partners or IFIs as potential funding sources	MoF	BPD LH
5	Institutional capacity strengthening of BPD LH	MoF	BPD LH, Development Partners
6	Concept development for business process	MoF	BPD LH, MoI, MoEF
7	Development of Guidance and Standards for Conducting Due Diligence to ensure equal treatment	MoF	BPD LH, MoI, MoEF
8	Development of Standard Operating Procedure for Grant Provision (Planning, Operation, Monitoring & Evaluation)	MoF	BPD LH
9	Agreement with national FIs to set up grant scheme to support financing facilities for recycling projects provided by FIs	MoF, OJK	BPD LH

Although the partial grant for recycling investments is considered a low hanging fruit that can be implemented within a short period of time, there are several preparatory steps that need to be taken with care. The preparation of the initial concept can be carried out by the MoEF or MoF before being followed up more technically by BPD LH.

From the institutional point of view, the application of this measure does not require the establishment of a new institution. BPD LH as a public service agency (BLU) under the MoF, which is deemed adequate and eligible for implementing this measure. To ensure a smooth implementation process, BPD LH needs to have a mandate for single-use plastic and packaging prevention. It also needs to develop guidelines for planning, implementation, monitoring, and evaluation.

Some of the BPD LH staff come from a BLU under the MoEF. Therefore, from technical point of view, they are familiar with and capable of overseeing its implementation. The coordination with the MoEF as one of the leading institutions will be smooth. However, BPD LH needs to establish a strong coordination with other related ministries (CMMAI, Bappenas, and Mol).


To mobilise non-government funding sources and technical assistance support, BPD LH needs to communicate with different development partners, especially those who are aware of the single-use plastics issue in Indonesia such as The World Bank, Green Climate Fund (GCF), GIZ, KfW, WRI, GGGI, etc. To expedite communication with non-government stakeholders (e.g., plastic producers and converters, recycling industries, and think tanks), BPD LH must get actively involved in the National Plastic Action Plan (NPAP) Platform.

The involvement in NPAP is also aimed at elaborating the potential market for recycled plastic products and developing strategies to boost the domestic market. In addition, BPD LH needs to communicate with potential national financial institutions to elaborate the potential combination of partial grant products with various financing facility products to enhance recycling industries. The partial grant measure can be considered as a de-risking measure and a credit enhancement facility.

BPD LH can channel this facility both to national large-scale companies and to local small-scale companies. In terms of supporting local small-scale companies, BPD LH can cooperate with financial institutions at the local level (Regional Development Banks) located in most provinces in Indonesia.



Deposit Return System

	PROPOSED PREPARATION ACTIVITIES	PROPOSED LEADING INSTITUTIONS	PROPOSED IMPLEMENTING INSTITUTIONS
1	Concept development for deposit return system (DRS) for reusable packaging.	CMMAI, Bappenas	MoEF, Mol, MoTrade
2	Elaboration of potential industries/producers and commercial actors that can get involved in DRS	CMMAI, Bappenas	MoEF, Mol, MoTrade
3	Selection of local governments (LGs) as pilot projects (provincial–regency–city governments)	CMMAI, Bappenas	MoEF, Ministry of Home Affairs (MoHA)
4	Development of basic regulation (ministerial decree) on DRS implementation	MoEF	Mol, MoTrade, MoHA
5	Development of Guidance and Standard Operating Procedure for implementing DRS for reusable packaging products	CMMAI, Bappenas	MoEF, Mol, MoTrade, MoHA
6	Agreement between the national government, local governments (pilot project), selected industries, and selected commercial actors (rights, obligation, responsibility, incentive, sharing budget, etc)	CMMAI, Bappenas	MoEF, Mol, MoTrade, MoHA, local governments (pilot project), selected industries, and selected commercial actors
7	Capacity strengthening for relevant stakeholders	MoEF	Local governments (pilot project), selected industries, and selected commercial actors

The initial DRS concept development needs to involve the MoEF, Mol and MoTrade with support from Bappenas and CMMAI. The drafting of the concept note needs to get input from non-government stakeholders, particularly relevant industries and commercial actors. In addition, if the implementation is carried out in stages, starting with implementation in several pilot cities or provinces, the MoHA and relevant local governments need to be involved. At first, it is recommended to launch DRS for reusable packaging, which should be clearly stated in the concept note.

Within a limited scope, several industries supported by relevant commercial actors have already implemented this system in some cities in Indonesia. To create a more systemic DRS implementation, a collaboration among government and non-government stakeholders needs to be strengthened. The NPAP platform could be used to discuss and elaborate the DRS concept and its' potential implementation. To promote the concept to a wider range of stakeholders, the government can use the NPAP as a vehicle for dissemination, especially to non-government stakeholders.


DRS implementation will be more coordinated at the local level, so it needs to be supported by the local governments, particularly at the city level. To expedite its' implementation, the national government should strengthen the institutional and human resources of the local government. The

mobilisation of technical assistance provided by various development partners could be carried out using the NPAP platform.

An important aspect that needs to be considered to effectively commence the DRS implementation is the availability of collection points for reusable packaging. It requires a strong cooperation between the government, industries, and commercial actors. The budget of the national government (Ministry of Environment and Forestry and Ministry of Public Works) and the local governments could be mobilised to establish collecting points and a reverse logistic system for supporting DRS implementation.



Green Public Procurement

	PROPOSED PREPARATION ACTIVITIES	PROPOSED LEADING INSTITUTIONS	PROPOSED IMPLEMENTING INSTITUTIONS
1	Concept development for green public procurement (GPP) for reusable packaging and packaging with recycled content	CMAI, Bappenas	BRIN, MoEF, MoI, MoTrade
2	Determination of special mandate for LKPP to include non-SUP packaging into GPP eligibility sector	CMAI, Bappenas, MoEF	LKPP
3	Development of basic regulation (Decree of Head of LKPP)	National Public Procurement Agency (LKPP)	
4	Development of Guidance and Standard for GPP of non-SUP packaging products	Bappenas, MoEF	LKPP, Development Partners
5	Adjustment of GPP system within LKPP	LKPP	Related Procurement Units at national and sub-national levels
6	Development of Standard Operating Procedure of GPP for non-SUP packaging products	LKPP	Related Procurement Units at national and sub-national levels
7	Institutional capacity strengthening for LKPP	MoEF	LKPP
8	Capacity strengthening for related procurement units at national and sub-national levels	LKPP	Related Procurement Units at national and sub-national levels

Green Public Procurement (GPP) aims to boost sustainable consumption and production by promoting environmentally friendly goods/services procurement within the public sector. Led by the MoEF, the GPP implementation requires the involvement of various stakeholders, among others LKPP, all ministries, other national agencies, provincial governments, as well as local governments.

In 2019, the MoEF enacted Ministerial Regulation No. 5 of 2019 concerning Procedures for Applying Environmentally Friendly Labels for Green Procurement. There are six categories of environmentally friendly goods and services according to the regulation: photocopy paper, stationery/file folders made of recycled plastic, Timber Legality Assurance System-certified wooden furniture (SVLK), air conditioning devices, microwaves (a medical waste processing technology product for health care facilities), and autoclave (a medical waste processing technology product for health care facilities). The regulation was followed up by a LKPP regulation providing technical guidance for the implementation in all public institutions.

To advance SUP and packaging prevention, GPP could be extended to include reusable and recycled content packaging into its definition of a green product, and it could become mandatory in public procurement¹. The concept note for this idea could be prepared by the MoEF with support from the MoI, the Ministry of Trade (MoTrade) and the National Research and Innovation Agency (BRIN). After the preparation stage, LKPP will lead and coordinate its implementation. The mandatory introduction of GPP related to reusable and recycled content plastic and packaging could significantly influence the reduction of SUP in the entire public spending process.

¹GREEN PUBLIC PROCUREMENT (GPP) – Pusfaster BSILHK (menlhk.go.id)

