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Executive Summary
REGULATORY ANALYSIS TO SUPPORT THE DEVELOPMENT OF A SYSTEMATIC EPR SYSTEM FOR PACKAGING

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EXECUTIVE SUMMARY

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PRIVATE SECTOR CONTRIBUTION IN WASTE MANAGEMENT

Producersare often not addressed by the government's education, communication and waste management policies. But in 2019, the Government of Indonesia made a strong commitment to foster the involvement and responsibility of business actors in waste management, which was demonstrated through the formalisation of Regulation Number 75 Year 2019 on the Roadmap for Waste Reduction by Producers (PermenLHK 75/2019)by the Minister of Environment and Forestry. This regulation acts as a policy umbrella for the development of an Extended Producer Responsibility (EPR) system in Indonesia.

PermenLHK 75/2019 regulates producer's responsibility of their products (including packaging), starting with a waste reduction plan, its implementation, and also including reporting. This regulation is expected to be able to foster a shift in the production pattern of business actors and drive their active involvement in waste management for their products that are in post-consumer phase. Despite the general direction provided by the PermenLHK 75/2019 on the development of an EPR system in Indonesia, in order to put it into practice and achieve the expected impacts, there is a need to formulate a more detailed and structured technical document as a derivative of this regulation.

To support the implementation of PermenLHK75/2019 and foster the creation of an enabling environment for the development of a mandatory EPR system for packaging, a gap analysis has been conducted on existing policies related to packaging and waste management, which in turn could drive circular economy in the country. Analysis was also done to other key institutional aspects for EPR development.

GAP ANALYSIS ON POLICIES RELATED TO PACKAGING AND WASTE MANAGEMENT

EPR development demands paradigm changes in the policy sector, from initially favoring the linear economy to catalyzing the growth of a circular economy. A study conducted by the GA Circular and United Nations Environment Program (UNEP) in 2019 indicates that there are ten types of policies that need to be considered to pave the way towards circular economy, including those that: a) are preventive in nature or support waste reduction; and b) increase the effectiveness of waste management by preventing leakage to the environment and fostering the recovery of waste. Each of these ten types of policies are implemented in different phases within a product lifecycle, so that interventions can be carried out at various stages within the cycle.

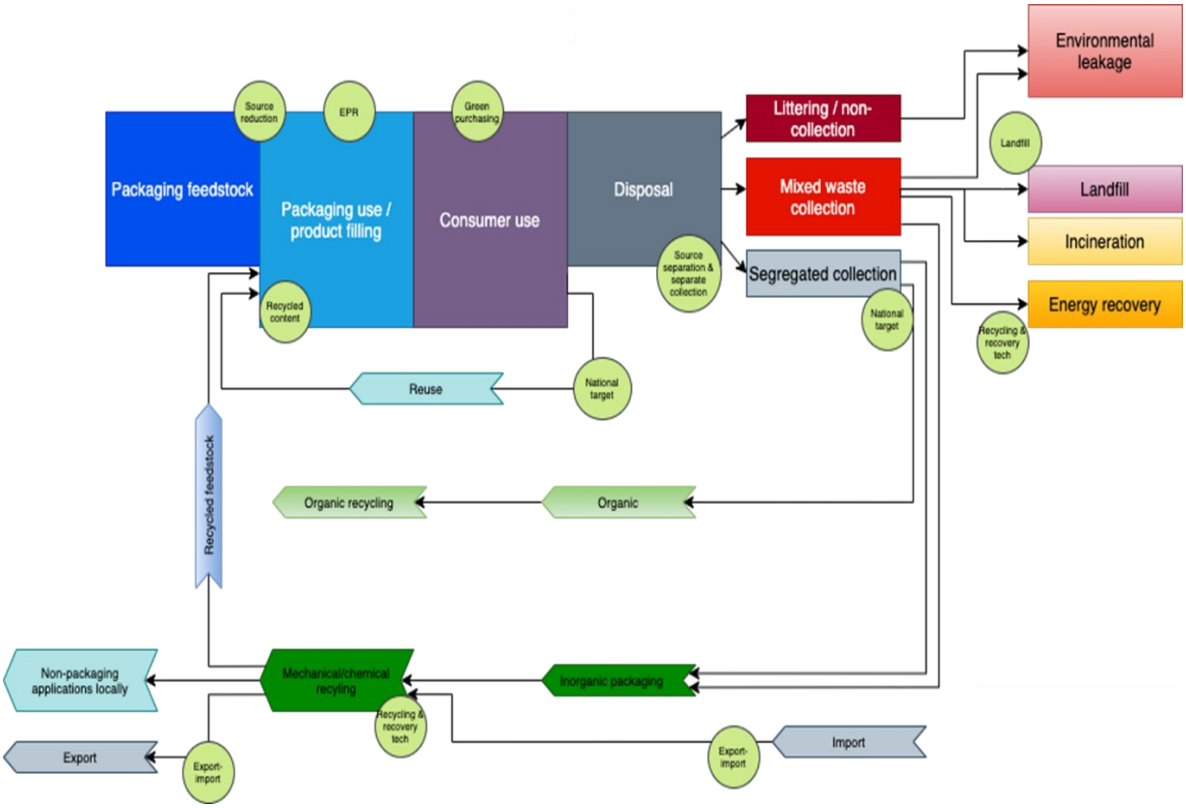

Figure 1: Policies towards a circular economy in a product life-cycle

The results of the gap analysis on the ten types of policies are briefly listed below.

i. General legislative framework

Two national-level policies that could foster circular economy are:

- Law Number 18 Year 2008 on Waste Management (UU 18/2008). The law regulates the collection and management of households waste, where the national and local government are given the authority to play a central role in waste management (albeit at different level).
- Presidential Regulation Number 83 Year 2018 on Marine Debris Management. Executed under the authority of Coordinating Ministry for Maritime Affairs and Investment, this regulation contains a National Action Plan on Marine Debris Management 2018-2025 with strategies encompassing: awareness raising for behavioural changes; land, marine and coastal waste management; strengthening institutional aspects; and also research and development on relevant matters.

ii. Source reduction through:

- <u>Design changes</u>

  PermenLHK 75/2019 outlines several general requirements on packaging design that must be obeyed by business actors, such as banning the use of sleeves and packaging size. However to achieve effective design changes, this policy should be complemented by other policies that regulate consumer awareness and financial aspects related to the design, such as producer fees, packaging tax/levy and incentives for source reduction.
- <u>Material restriction</u>

  There are two types of policies related to material restriction, which are: i) Banning the use of specific materials/products, such as the banning of plastic bags that had

been formalized by several provincial, regency and city governments; and ii) Financial policies related to the restrictions, such as the plan for a plastic bag levy that is currently being formulated by the Ministry of Finance (not yet formalised).

- The use of alternative material for packaging
  Referring to the PermenLHK 75/2019, biodegradable packaging can be used as a substitute for conventional packaging; and this policy on alternative packaging can be adopted by the local government. However a gap can be identified in terms of the unavailability of incentive policies for producers and consumers of the said alternative packaging. Such an incentive scheme could further foster the changes in production and consumption patterns.

iii. Source segregation

KLHK and the Local Environmetal Agency have implemented a series of programs and activities (including enacting policies on relevant public campaigns) that intended to raise awareness on waste segregation at source, one of them being the Movement of Waste Sorting at Home. However, to increase the effectiveness and impact of the programs, the existence of a financial policy that could drive community involvement is needed, such as differentiation of retribution fees or disincentive mechanisms for those who do not sort at source. To date, such a policy is not yet available.

iv. Disaggregated collection

At the moment, there is no policy, both at national and local level, that regulates disaggregated collection, including those related to socialisation, differentiation of collection fees and also the role of the informal sector. In addition to assisting the involved actors to distribute their waste along the packaging waste value chain, a disaggregated collection practice will also positively affect the value chain of recycling processes by reducing the pollution of the packaging waste to be recycled. This will then increase the economic value of waste and reduce the production cost of recycled materials.

v. National targets for reduce, reuse and recycling (3R)

The national targets for 3R is stated in the Presiential Regulation umber 97 Year 2017 on National Policy and Strategy on Waste Management 2017-2025 (Jakstranas 2017-2025). Jakstranas 2017-2025 is a cross-sectoral policy that includes different government levels, targeting 30% waste reduction, with recycling as part of the potential reduction measures. Aside from the targets, Jakstranas 2017-2025 also consist of definitions of the utilised terminology and directions for monitoring and verification activities.

vi. Extended Producers Responsibility

UU 18/2008, Governmment Regulation Number 81 Year 2012 on the Management of Household Waste and Waste Similar to Household Waste (PP 81/2012), and PermenLHK 75/2019 are the umbrella policies for EPR development in Indonesia. UU 18/2008 and PP 81/2012 are the general policy framework that acts as the foundation to drive business actors' commitment in managing their waste. Both policies require producers to manage their waste and/or produced goods that are non-recyclable or difficult to naturally decompose, and to reuse the waste. A more detailed direction regarding the producers' obligation and

responsibility to manage their packaging waste is outlined in the PermenLHK 75/2019. The said regulation requires producers to take-back their packaging for reuse or recycling. The PermenLHK 75/2019 also mentions the need to develop derivative policies regarding technical guidelines for the implementation of EPR.

Analysis show that the technical guideline should comprise the following aspects to ensure the effectiveness of EPR operations: i) Development of definitions and standards for reporting, labelling, and design; ii) EPR scheme; iii) Take-back scheme and requirements; iv) Deposit/refund; v) Reporting, monitoring and evaluation of packaging waste management; vi) Recommendations on design guideline for recycling and recovery; and vii) Labelling system.

Although EPR operations have not been formalized yet, there are industry actors that have exercised their voluntary initiatives to support EPR development and implementation, for instance by starting to develop the management plan for their packaging waste, providing assistance to waste banks or collaborate with waste collectors or recyclers at a certain scale. These initiatives are certainly a modality to develop an EPR system in Indonesia. To further strengthen the developed EPR, financial policy instruments such as a packaging tax or an incentive scheme/subsidy for packaging waste management are also important.

vii. Recycling and recovery technology

The current recycling and recovery practices in different areas have not been supported by policies on recycling and recovery technology, including those that required local government to own/built these facilities. Most 3R activities in municipalities focus on waste segregation, crushing and pelletizing to provide raw materials for recycling processes, whereafter the materials are then transported to municipalities with recycling facilities. As a result, these areas with recycling facilities have leverage, which causes the economic value of their waste to be higher than that from the areas without such facilities. The lack of recycling facilities is also due to the low fiscal capacity of the local government. Financial instruments in the form of incentive schemes/subsidies, access to investors or co-financing schemes to built facilities could address this financial issue.

viii. Trade policy

In 2019, KLHK formalised a policy that bans the import of plastic waste. This policy was then followed by the issuance of a Joint Decree by KLHK, the Ministry of Industry, the Ministry of Trade, and the Ministry of Finance that contains a roadmap for banning the import of plastic and paper waste. The Decree is aimed to increase the use of secondary material in the production of paper and plastic, and thereby increase the collection and recycling rate of post-consumer paper and plastic. This policy on import banning should be supported by policies concerning levies/taxes for non-compliant actors.

ix. Green procurement plan

At the moment, there is no policy on green procurement that exist at national level and could be adopted by both the national and local actors. However despite this policy gap, there are business actors and organizations that voluntarily develop and implement their own green procurement plans. In the absence of a reference policy, this practice can be replicated by other actors who are intereseted in developing such a plan. This voluntary initiative should be treated as a basis to develop the relevant policy. The application of this green procurement

scheme is known to have provided socio-economic and environmental benefits, on top of strengthening the organizations' eco-friendly branding and sustainability.

x. Recycled content policy

ISO 14021-Environmental Labels and Declaration and ISO 18604-Packaging and the Environment are the two main international standards on minimum recycled content and recycled material. Aside from the standards, to better regulate the minimum recycled content policies on the following aspects are needed: i) financial scheme on the use/not use of recycled content in packaging; ii) education to build acceptance and demand of minimum recycled content in packaging; iii) target setting for minimum recycled content; and iv) standardization of the use of recycled content in food-related products/packaging.

The derivative regulation of PermenLHK 75/2019 that will regulate minimum recycled content is currently being formulated. This regulation will later be communicated to the Ministry of Industry as the body that regulates industrial operations in Indonesia. Meanwhile, for the use of recycled materials in food-related products/packaging one can refer to Law Number 7 Year 1996 on Food and BPOM[1] Regulation Number 20 Year 2019 on Food Packaging. Both policies regulate the use of materials that are safe for food packaging and also detailed criteria on prohibited food contact substances, so that the government will be able to identify packaging materials that are prohibited to be used as food packaging, and determine the proper packaging methods for certain food categories.

Analysis of the existing condition of the above ten policy types shows that in general, the critical gap lies in the lack of technical details within the current policies to make them actionable, and these details should be supplied by their derivative policies. The other gap is a lack of policy for financial aspects of the waste management system.

[1] BPOM: Badan Pengawasan Obat dan Makanan/Drug and Food Supervisory Body

Imprint

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