



**Asia-Pacific  
Economic Cooperation**

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**2011/SMEMM/004**

Agenda Item: 3.3.4

## **Identifying Policies to Support Green SMEs**

Purpose: Information  
Submitted by: Indonesia



**18<sup>th</sup> Small and Medium Enterprises  
Ministerial Meeting  
Big Sky, United States  
21 May 2011**

**SUMMARY**  
**“Identifying Policies to Support Green SMEs”**

**Dr. Sjarifuddin Hasan**  
**State Minister of Cooperatives and SMEs**  
**The Republic of Indonesia**

Indonesia is fully committed to secure future environment and strives to achieve green economy in the context of pro-growth, pro-job, and pro-poor. In line with this view, SMEs are parts of economic agents that have to take part in accomplishing the national's goal toward green economy. Indonesian Policies to Support Green SMEs consist of the following: (1) Promoting Cleaner Production (CP), (2) Promoting the use of renewable energy, (3) Promoting green industries, (4) Recognition on green industry award, (5) Public campaign to use green products.

Some recommendations to APEC member for supporting green SMEs are (1) Enhance access to credit and provide specific treatment for SMEs; (2) Each APEC member economy should pay attention on the importance and enhancing the awareness of promoting friendly environment industries; (3) Capacity building to promote green SMEs; (4) APEC member economies provide more market access to SMEs; (5) Each APEC member economy provides support in terms of R & D to SMEs engaged in green industries; (6) Since the development gap within APEC member economies, the developed economies should provide supports to developing economies in promoting green SMEs; (7) Keep building awareness and commitment to SME green product; and (8) Promote CSR program by allocating some amount of budget for environmental protection program (in the case of Indonesia there is an obligation to government owned company to put aside 2.5 % of total net income for CSR program involving SMEs).

Indonesia in collaboration with South Korea has established green business center in Indonesia located at SMESCO UKM center.

## **“Identifying Policies to Support Green SMEs”**

**Mr Chairman,**

Thank you for giving us opportunity to give our perspective on ***“Identifying Policies to Support Green SMEs”***.

Let me start by thanking the US for well preparing and for extraordinary organizing this meeting. Before going into substance, let me say how pleased and happy to see how beautiful Big Sky Resort, Montana.

**Ladies and gentlemen,**

Indonesia has development strategy of Triple Track-Plus Strategy, namely pro growth, pro job, pro poor, and plus pro environment. The strategy is targeted of national development in 2014 of 7.7 % economic growth, 5 % unemployment rate, and 8 % poverty rate. This year, we are preceding 6.8 % economic growth, 7% unemployment rate, and poverty rate will be 12 %.

Business establishment in Indonesia is being dominated by SMEs accounting for 52.7 million units (99.9 %) of the total business establishment. The growth of SMEs within last two years was 2.64%, job contribution was more than 97 % of the total labor force absorbed by SMEs and their contribution to GDP was more than 56,5 %. However, their contribution to export was still 17 %. We want to increase SMEs' contribution to export for the next four years in this current government.

Based on the above figure, we believe that the role of SMEs is very strategic to Indonesian economy. SMEs have demonstrated significant roles in providing jobs, reducing poverty, boost and increase prosperity, Ensuring equitable and sustainable development.

**Ladies and gentlemen,**

Let me share now why we promote green SMEs. As human being we have obligation to protect environment in our small planet in order to make good quality of our lives. As the largest economy with tropical forest together with Brazil, Indonesia fully supports the effort to preserve environment. The international climate change held in Bali came up with the adoption of the Bali Road Map, which consists of a number of forward-looking decisions that represent the various tracks that are essential to reaching a secure climate future. Furthermore, at the Copenhagen Climate Conference 2009, Indonesia has set a voluntary emission reduction target of 26 percent on a business as usual basis by 2020. This can be increased to 41 percent with enhanced international assistance. Indonesia is currently launching one billion trees planting for forestation program. Indonesian President, Dr. Susilo Bambang Yudhoyono strongly insists that Indonesia should strive to achieve a green economy in the context of a pro-growth, pro-job and pro-poor. Striving for a Green Economy, Indonesia will quickly mainstream ecological concerns into its economic decision making process. Thus Indonesia has a clear opportunity to reshape our economic systems and to introduce 'green growth' as a global paradigm. In line with this view, SMEs are part of economic players that should take part in accomplishing green economy and Indonesia put the challenge as the opportunity for SMEs to develop sustainably.

In line with the effort in promoting green SMEs, Indonesian Policies will be focused on:

- (1) Promoting Cleaner Production (CP). This program has been developed since 1993. For that purpose, Indonesia has established Indonesian Cleaner Production Center to promote, facilitate, and catalyze, cleaner production through service providers.
- (2) Promoting the use of renewable energy. On this program, SMEs are encouraged to use solar power, micro hydro, bio gas, and biomass.
- (3) Promoting green industries. Indonesia has launched Presidential Decree number 28/2008 that provides incentives to industry with strong R&D, located in the remote areas, preserving environment, partnership with SMEs, using domestic products and generate employment.
- (4) Recognition on green industry award. To encourage green SMEs, government gives award to those innovative SMEs on green industry characterized by natural based industry, price competitiveness, meeting consumer need, and environmentally friendly production process.

(5) Public campaign to use green products. Government encourages consumers to use green products.

To end my presentation, allow me to make recommendations as follows:

1. Enhance access to credit and provide specific treatment for SMEs.
2. Each APEC member economy should pay attention on the importance and enhancing the awareness of promoting friendly environment industries.
3. Capacity building to promote green SMEs.
4. APEC member economies provide more market access to SMEs.
5. Each APEC member economy provides support in terms of R & D to SMEs engaged in green industries.
6. Since the development gap within APEC member economies, the developed economies should provide supports to developing economies in promoting green SMEs.
7. Keep building awareness and commitment to SME green product
8. Promote CSR program by allocating some amount of budget for environmental protection program (in the case of Indonesia there is an obligation to government owned company to put a side 2.5 % of total net income for CSR program involving SMEs)

Finally, I would like to show you how Indonesia in collaboration with South Korea has establish green business center in Indonesia located at SMESCO UKM center.

**Thank you very much for your attention.**



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- Fully occupied office spaces
- UKM Gallery - a prestigious showroom for select Indonesian products

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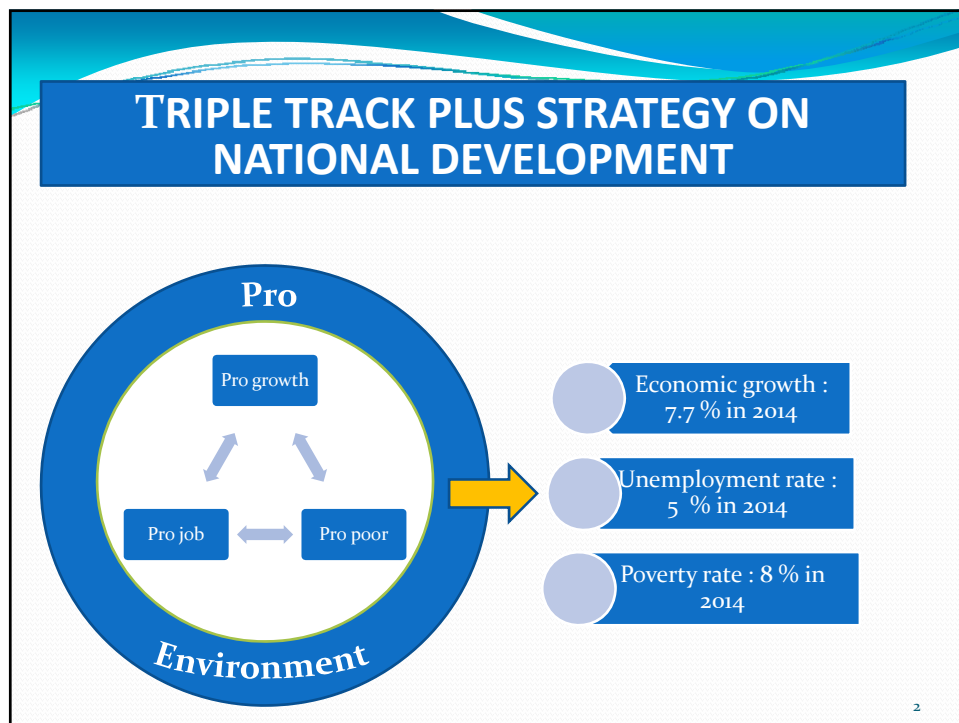


# Identifying Policies to Support Green SMEs

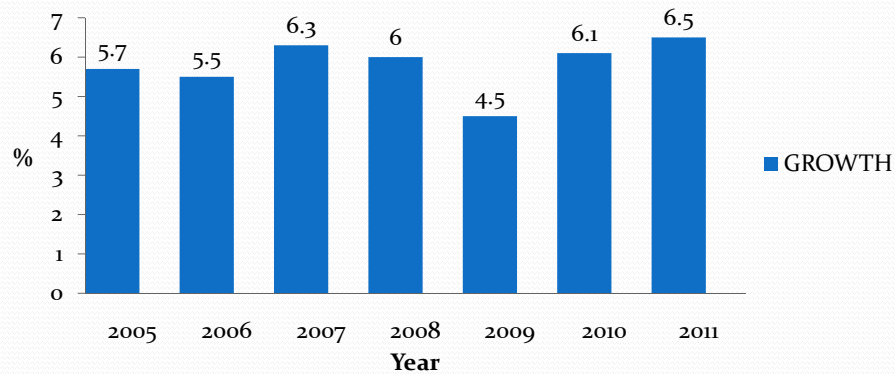
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Minister For Cooperative And SME  
The Republic Of Indonesia

Presented at APEC SME Ministerial Meeting  
Montana, 21 Mei 2011

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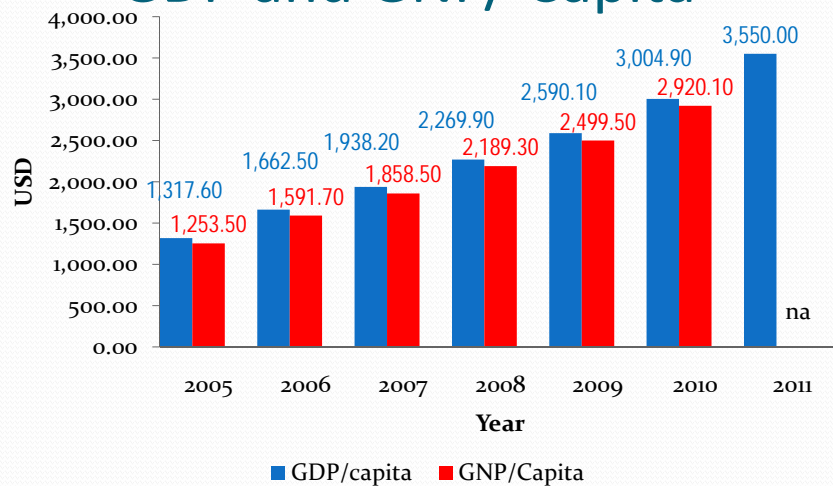


# Indonesian Economic Growth



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# GDP and GNP/ Capita



Current Population 237.6 million  
Note : 2011 GDP/Capita as predicted USD 3,550.00

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## DEVELOPMENT OF MSMEs (2008-2009)

ITEM	2008	2009	GROWTH (%)
ESTABLISHMENT			
• MICRO	50, 847, 771	52, 176, 795	2.61
• SMALL	522, 124	546, 675	4.58
• MEDIUM	39, 717	41, 133	3.57
• <b>TOTAL</b>	<b>51, 409, 612</b>	<b>52, 764, 603</b>	<b>2.64</b>
• <b>BIG COMPANIES</b>	<b>4, 650</b>	<b>4, 677</b>	<b>0.58</b>
JOB CREATION	94, 024, 278	96, 211, 332	2.33
SHARE TO GDP	55. 67 %	56. 53 %	
SHARE TO EXPORT	18. 10 %	17. 02 %	

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## THE ROLE OF SMEs

1. Triggering economic growth
2. Providing jobs.
3. Reducing poverty.

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# Why green SMEs

1. Obligation to protect environment of small planet
  - a. Indonesia conducted International Conference Climate in Bali
  - b. Indonesia commitment to reduce emission by 26 % in 2020 or even 41 % with international support
  - c. 1 billion trees planting program yearly
2. Referring to green economy that are pro growth, pro job, and pro poor
3. Participating in Climate Change, Energy Security and Clean Development

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# Basic Policies On Green SMEs

- Promoting cleaner production
- Promoting renewable energy for SMEs
- Industrial policy on green industry
- Recognition on green industries
- Public campaign on green products

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## Cleaner Production (CP)

- ❑ Developing Cleaner production/CP since 1993.
- ❑ Established Indonesian Cleaner Production Center, aims at promoting, facilitating catalyzing cleaner production through service providers.
- ❑ The programs of the institution are module development, service provider development, and CP implementation in industry.

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## Best Practice of CP for SMEs on Green Batik

1. Batik is a nationwide cloth that traditionally used a manual wax – resist dyeing technique.
2. Green Batik coloring is now converted from chemical ingredient to natural material.

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## Industrial Policy

Presidential Decree Number 28/2008

1. Incentive given to Industry with strong R&D, located in the remote areas, preserving environment, partnership with SMEs, using domestic products and generate employment.
2. Agro industry is one of the priority (palm oil, rubber, wood, pulp and paper).

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## Awards for Green SMEs

### Criteria :

1. Eco products; natural resources bases industry
2. Price competitiveness
3. Meeting consumers need
4. Environmental friendly product

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## PUBLIC CAMPAIGN ON GREEN PRODUCT

1. Product promotion through mass media and exhibition
2. Capacity building to SMEs and consumers
3. Eco-product festival and competition

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## RECOMMENDATION

1. Enhance access to credit
2. Enhancing the awareness of promoting friendly environment industries.
3. Capacity building
4. Provide more market access
5. Provides support on R & D
6. Developed economies should provide supports to developing economies
7. Building awareness and commitment to SME green product
8. Promote CSR for environmental protection program

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### Green Business Center

1. Established in collaboration between Indonesia and South Korea located at SME TOWER, Jakarta, Indonesia.
2. The GBC will start in operation in 2011
3. The GBC provide service to support green SMEs

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# THANK YOU

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