



Executive Summary

The implementation of PROPER improves environmental compliance by companies, particularly as concerns hazardous waste regulations. As a cost-effective but high-profile program, PROPER is benchmarked for compliance by companies, while the results of the program benefit certain stakeholders such as banks, stock markets and investors that may perceive risks associated with their potential investment. PROPER also creates business opportunities in hazardous waste management activities by shifting the paradigm of waste as a resource. Although it is not well measured, PROPER indirectly reduces health risks resulting from improper management of hazardous waste.

Description

PROPER, a business performance-rating program, is an alternative policy instrument to encourage compliance by companies. It was created in 1995 to address the heavy pressure on the environment due to the rapid growth of industrialization while the ability to conduct surveillance and environmental court systems were inadequate. Its original function was to provide a rating of compliance with water pollution control regulations, however since 2002 it has been further developed to evaluate compliance with air pollution control, hazardous waste management, marine pollution control and EIA. Activity under the program started with a selection of companies from manufacturing, the agro-industry, mining, oil, and gas, industrial estates and hazardous waste treatment facilities. These companies meet one or more of the following criteria: they are large companies, potentially pollute the environment, are listed on the capital markets or are export oriented. This initial step was followed by data collection, inspection and evaluation based on environmental regulations, standards and assessment criteria. The Program started with 85 companies in 2002, increased to 627 companies in 2008 and is projected to escalate to 2,000 companies in the future.

Compliance ratings use colors that illustrate common Indonesian perceptions. BLACK, which is associated with darkness and disobedience, is used for companies that make little effort at compliance, including those that openly resort to the dumping of hazardous waste. RED is associated with alarm and is used to rank companies that have made efforts towards environmental management but have not met the standards stipulated by the regulations, while BLUE is perceived as calmness or peacefulness and is awarded to companies that have met all the provisions of applicable environmental regulations. Companies ranked BLUE have the possibility to reach the next criterion, GREEN, if they are strongly committed and implement EMS, conservation of natural resources and 3R of hazardous waste and community development. Best of the best of GREEN ratings are likely to gain the highest rank, which is GOLD. The program results are made public annually and the GREEN and GOLD companies will be granted a PROPER Award from the Vice President of the State. This publication encourages transparency and public participation in environmental management and touches the core interest of a company, namely its reputation.

The program succeeded in reducing a number of illegal forms of hazardous waste management, while at the same time improving the rate of utilization and processing of hazardous waste, creating business opportunities on hazardous waste management, and influencing the level of compliance of other companies as indicated by the increasing number of licenses to manage hazardous waste issued by the MOE.

As compliance by companies reflects on business risks, the Central Bank of Indonesia announced in 2005 that commercial banks would have to refer to PROPER in assessing their investments. At the local level, the program also performed by many local governments.

The implementation of PROPER is in line with the promotion of the Bali Declaration in that it increases the volume of properly managed hazardous waste and business opportunities to reuse, recycle and recover waste with a view to supporting income generation for living. Total amounts of hazardous waste managed in an environmentally sound manner by 516 companies increased from 49% (3,387,563 ton) in 2006 to 65% (7,100,505 ton) in 2007, from a total generated of 6,932,683 tons (2006) to 10,934,870 tons (2007).

Success Factors

Compliance, public outreach and perception, company reputation, continuity, high-profile.

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