

## INDONESIA

### GOING PUBLIC ON POLLUTERS

*There is much debate on how best to get companies to comply with environmental regulations and raise community participation in pollution control. Launched in 1995 by Indonesia's Pollution Control Agency (BAPEDAL), the PROPER programme tackles this challenge through the simple idea that public disclosure of environmental performance will reward companies that meet high environmental standards through good publicity, while exposing those below standards to the scrutiny of the public and the media - an approach sometimes referred to as a 'reputational incentive regulation system'. It reflects the national objective of community participation in environmental management, which was an important element in Indonesia's 1982 Environment Law.*



In Indonesia, as in many countries, stringent environmental regulations have been on the books for decades, yet regulatory authorities faced with chronic shortfalls of funding, expertise and political support, are rarely able to enforce them.

In an attempt to overcome these problems, BAPEDAL, Indonesia's Environmental Impact and Management Agency, established the Program for Pollution Control, Evaluation and Rating (PROPER) in 1995. The idea was to publicly disclose easy-to-understand ratings of the environmental performance of firms, thereby creating incentives for compliance through "honour and shame."

PROPER employs a colour-based single-index rating system. Individual plants are assigned one of five ratings on their compliance with emissions standards. This rating system was designed to be simple enough to be easily understood by the public, but

precise enough to provide incentives for firms to move from one category to the next. The ratings are broadly as follows:

- Gold: factories or business activities that use the best available clean technology, promote zero discharge of pollutants, and conduct environmental impact management efforts with very satisfactory results;

- Green: factories that conduct environmental impact management efforts and achieve better than standard results;

- Blue: factories that comply with all regulations in a way that is sufficient to meet the standard;

- Red: factories that apply some environmental management effort but not sufficient to comply with regulations;

- Black: factories that apply no effort whatsoever to control pollution and whose activities cause serious environmental degradation.



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In developing its first set of ratings, BAPEDAL relied on plant-level data from pre-existing voluntary pollution control programs, self-reported survey data, and inspection data. Subsequently, ratings have been based on monthly emissions reports filed by participating plants. Emissions reports are checked against past reports and against the current reports of similar plants. When discrepancies arise, BAPEDAL conducts inspections to resolve them. In 1995, 1996, and 1997, BAPEDAL conducted approximately 200 inspections of plants per year.

Participation in PROPER is limited to several hundred relatively large water polluters, mostly factories from a previous 'Clean Rivers Management Programme' by BAPEDAL run since 1989. This made it possible to build on the considerable experi-

ence gained by the agency in the area of industrial water pollution and, moreover, to combine the two programmes so as to achieve synergetic effects. BAPEDAL chose to focus on water pollution because regulations in this area are more firmly established. However, there are future plans to extend PROPER to cover also both industrial air pollution and hazardous waste.

BAPEDAL's first round of ratings, in June 1995, was carefully planned to ensure transparency and credibility. Ratings were screened by an advisory committee that included representatives of environmental NGOs and other stakeholders. Also, to give firms an opportunity to improve their performance prior to public disclosure, the names of plants rated black, red, and blue were not released to the public until after the second round of ratings in December.

BAPEDAL attempts to ensure that both participating firms and the public have easy access to ratings. Typically, ratings are released at a formal press conference and posted on the Internet. The programme received extensive media coverage in the domestic and international press (with headlines such as "Day of Shame for Polluters"), and groups ranging from average citizens to senior enterprise managers became aware of ratings for individual factories. In addition, for each participating plant, BAPEDAL issued a simple one-page report on environmental performance, which served as an information resource for the plant's managers and environmental engineers.

The PROPER approach appears to have led to swift improvements in environmental performance. Of the 187 plants selected to participate in the first two rounds of PROPER ratings in 1995, 36% were in compliance with regulations - but by the 1997 ratings compliance amongst these plants had risen to 49%. Surveys administered by PROPER suggested that PROPER improved performance both through the 'honour and shame' approach, and also largely by providing information about regulations and their implications for performance (through the one page reports) to managers. Such information had previously been lacking.

Whatever the reason for its success, PROPER is already attracting considerable attention. The Philippines introduced a similar programme called EcoWatch in 1997, and preparations for programmes similar to PROPER are underway in China, Mexico, India, Colombia, Bangladesh, and Thailand. For developing countries, public disclosure pollution control programs appear to be an effective means of complementing conventional approaches.



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