

INDONESIA

**TOBACCO
INDUSTRY
INTERFERENCE
INDEX 2019**

SUMMARY FINDINGS

Overall interference from the tobacco industry remains a big problem in Indonesia since it is a non-party to the WHO Framework Convention on Tobacco Control (FCTC) to advance effective Tobacco Control Policy.

This Index is a civil society report on how the government has responded to or addressed the tobacco industry's tactics and promotion of its business as outlined in FCTC Article 5.3 guidelines. Information in this report was collected from publicly available sources, including official websites, news reports, tobacco company reports and other verifiable reports. A standardised questionnaire developed by the Southeast Tobacco Control Alliance (SEATCA) was used. The survey covers a period of between January-December 2018. The lower the score the better the defence against interference. The findings are presented below.

Participation in policy formulation: Perceived as a normal business, tobacco industry is treated as a stakeholder by the government. Benefited from the existing laws that allow interest groups including the tobacco industry to sit in and give input in the policy development process can cause negative impacts on public health.

The pro-industry Tobacco Bill continued to be discussed in the parliament as one in the priority list of the National Legislation Agenda 2018. Promoted as a sensible law to protect tobacco farmers, the Vice Minister of Finance stated the Bill as serving a legal basis that benefited all stakeholders including the tobacco industry which in turn would increase government revenues.

In 2018, an Independent Research and Advisory Indonesia (IRAI), founded and headed by former CEO of Sampoerna Foundation was engaged by the Coordinating Ministry of Economic Affairs to *develop a new Tobacco Roadmap* and published in June 2018. The Roadmap was developed to ensure the growth of the tobacco industry until 2045 and set a list of arguments to undermine the 2017 tiers simplification roadmap. Four months after the Tobacco Roadmap was passed, the Government officially declared not to increase tax in 2019 and revoked excise simplification. The cancellation of the tax increase and annulment of the tobacco excise simplification roadmap shows the might of the tobacco industry in influencing policy makers and at the same time illustrates the vulnerability of the Government to industry interference.

Tobacco industry CSR activities: Government agencies continue to accept or endorse tobacco industry CSR. Two big tobacco companies Sampoerna and Djarum still bombarded Indonesia with their CSR activities.

In 2018, Sampoerna expanded their “*Sampoerna Retail Community*” program to cover more provinces in Indonesia; it is a combined promotion and sponsorship for small and medium scale retailers in the form of retail incentive program that could be perceived as in line with the government interest in economic development of micro, small and medium scale enterprises. The launching of SRC was mostly attended by the Governors. Beside Governor of South Sumatra, the Governor of West Lombok appreciated SRC as an extending support to post disaster’s economic reconstructions.

Djarum Foundation on the other hand, continued its tree plantation program in East Java

Benefit for tobacco industry: The hot topic by end of year 2018 was the Finance Minister Regulation No 156/2018 that contains cancellation of the annual tax increase in 2019 and annulment of the tobacco excise simplification roadmap.

At the local level, another form of government response that benefited the industry was the postponement of SF Regulation by the District Head of Jombang, East Java Province.

The Mayor of Bogor received many protests on their Smoke Free Regulation that contains provision on banning advertisement at POS. The objection did not come only from INDEF and TI front groups, but from government officials as well. Representatives of the Ministry of Home Affairs and Ministry of Law and Human Rights called local government attention to conform with the national PP 109 provisions, while a Parliament Member of Commission VI made a special warning for local regulations not to hamper the growth of tobacco industry business.

An ironical incident was evident in the cancellation of Minister of Trade Regulation on Restriction of Tobacco Leave Importation that should be in line with the draft Tobacco Bill. Strange as it may sound but the Coordinating Minister on Economic has made the decision to withhold the Regulation for further coordination. This decision was due to many protests raised not only by tobacco farmers and clove association but strong objection also came from the Parliament Special Committee on Tobacco Bill who promoted the bill as to protect tobacco farmers, among which by reducing tobacco leaves importation. Contrary to the provision they put in the draft, the Special Committee on Tobacco Bill cited that such a regulation would reduce cigarette production and affect government revenues. The change of mind was proven the political play on tobacco farmers to gain their support to win the bill in the first place and to buy political voice.

Unnecessary interaction: Similar description of activities with “CSR”, the difference with “unnecessary interaction” lies in the main player that is top level official (President or Prime Minister or Ministers)

The 2018 monitoring recorded 4 (four) Ministers from different Ministries who met with/ fostered relations with the tobacco companies. They attended events sponsored and organized by the tobacco companies, even promoted the event.

Minister of Social Affairs granted “Padmamitra Award 2018” to Sampoerna Sustainable Program for their holistic CSR support through disasters alert and rapid response approach. *Two Ministers: Industry and Labor* attending SRC National Retail Festival joined their promotion by wearing SRC jacket with a logo says “let’s go SRC” when taking picture side-by-side with the President of HM Sampoerna. *Minister of Labor* further said that the tobacco industry is an important financial source. Aside from helping with employment, tobacco industry is an important economic resilience in the current global competition. Attending an event organized by Sampoerna Entrepreneurship Training Center (SETC) in Bali, *Minister of Cooperatives and Small and Medium Scale Enterprises* encouraged Sampoerna to keep evaluating its program to help the government increase the number of entrepreneurs

Transparency: there is no standard mechanisms for the government to disclose information on meetings / interactions with the tobacco industry or their outcomes. This loophole is frequently used by the tobacco industry to lobby the government; The results however, depend on the government stands based on the knowledge and willingness to take side either protecting the tobacco industry or public health.

Conflict of interest: Hanafi Usman, a retired Director of Audit of the Directorate General of Custom and Tax was appointed as team member of Sampoerna Audit Committee.

Preventive measures: Only Minister of Health had Tobacco Industry Code of Conduct. The MOH Regulation No. 50/2016 on “Guidelines for Managing Conflict of Interest with the Tobacco Industry within the Health Ministry” was a tailor-made regulation to focus on tobacco industry entity derived from The Minister of Administrative and Bureaucratic Reforms Regulation No. 37/2012 on “Guidelines for Managing Conflict of Interest” that was broaden to cover relevant provisions exclusively applied to the tobacco industry.

Recommendations

- A whole-of-government approach is vital to effectively counter tobacco industry interference
- Civil Society needs to be more persistent in opening the eyes of the government to de-normalize tobacco industry and to take side to public health than the tobacco industry
- Given the three national laws that are permissive to involvement of the tobacco industry, formulation, adoption and implementation of Tobacco Industry Code of Conduct needs to be expanded to as many ministries as possible.

INTRODUCTION

One and a half decade after FCTC was signed by 168 WHO member countries in 2004, Indonesia, a participating country in the treaty development, has not yet acceded to the FCTC. Tobacco Industry is the main influencing factor that hampered the country to protect its generation from the harmful effects of tobacco products.

Tobacco Industry continues to interfere tobacco control measures in Indonesia in a very systematic way employing multi-pronged strategy. They take the advantage of being perceived as stakeholder similar to other normal businesses. While benefitted from the permissive laws, they participate in the policy development process. The friendly responses from the government towards tobacco industry involvement in many areas has boost their interference even more to protect their growing business in Indonesia.

The fact that the country is not bound to FCTC provisions does not prevent Indonesia from implementing limited best practices such as smoke free regulations, pictorial health warnings, tax and price increases and partial banning of tobacco advertisement /promotion/sponsorship and CSR. The FCTC Article 5.3 is therefore very pivotal to safeguarding the government and prevents them from unnecessary interactions with the tobacco industry. There are 20 recommendations selected from FCTC 5.3 guidelines that are grouped under 7 indicators.

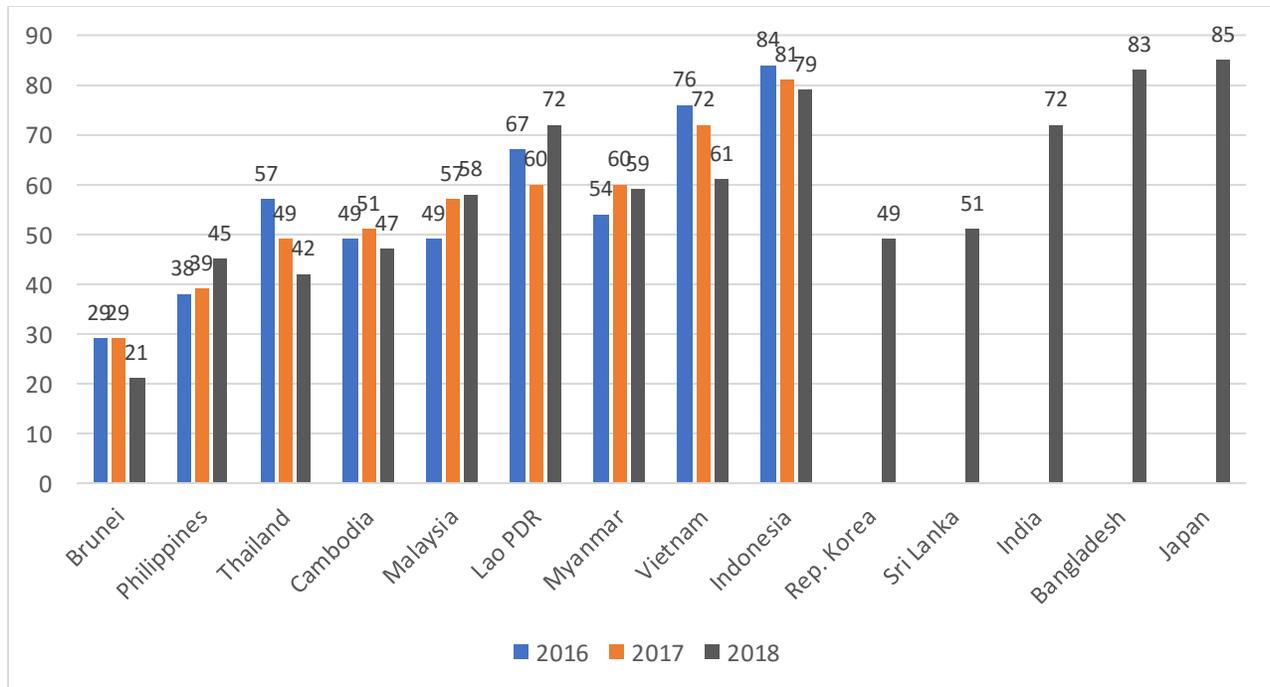
The following report is the results of annual media monitoring of incidents of tobacco industry interference between January and December 2018, grouped under the 7 (seven) indicators comprising of 20 sub-indicators in question forms. The government responses on each sub-indicator are scored and summed up as Tobacco Industry Interference Index 2019.

The TII Index is meant as an advocacy tool to remind the government to take side on public health than on tobacco industry and to develop preventive measures to avoid unnecessary interactions and conflict of interests with the tobacco industry.

RESULTS

TOBACCO INDUSTRY INTERFERENCE INDEX: INDONESIA POSITION AMONG ASEAN COUNTRIES

TII Index in ASEAN Countries, 2015-2018



Among 9 ASEAN Countries that have had monitored TII over the years of 2016-2018, Indonesia remained at the highest scores for three consecutive years. The slight decline in 2018 was due to no incident of new agreement between government and the tobacco industry in 2017 after the incident of Chinese Tobacco Company agreement with the Head of Sidoarjo District of East Java Province in 2016 following a USD 20B business deal between Indonesian and 19 American companies signed in 2015 that was witnessed by President Jokowi during his official visit in the US, one of which was PMI investment worth USD 1.9B

Five additional countries: Korea, Sri Lanka, India, Bangladesh dan Japan joined the TII Monitoring and reported their scores in 2018.

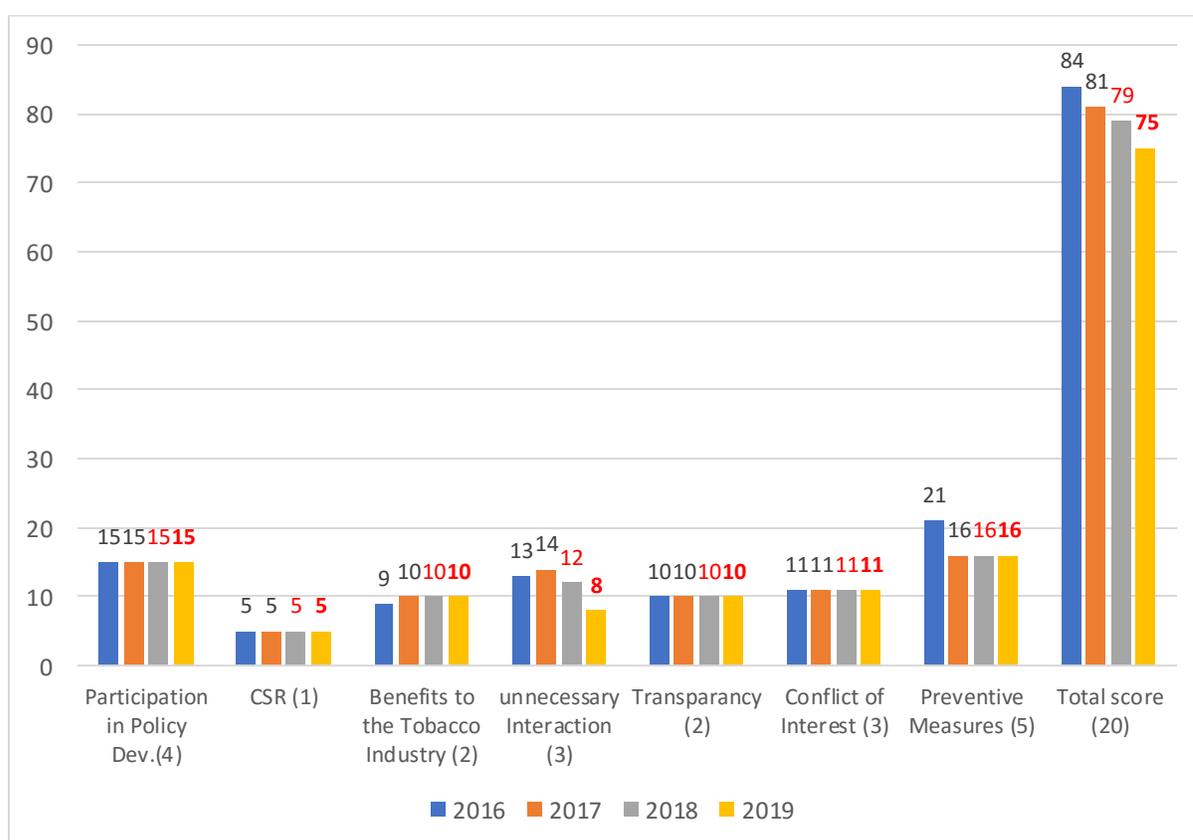
TOBACCO INDUSTRY INTERFERENCE INDEX: INDONESIA, 2019

Tobacco Industry Interference Index Indonesia 2019 is presented in 2 sections:

- Section I: TII Index Summary 2019
- Section II: TII Index by Category: Scoring and Supporting Evidence

SECTION I: TII INDEX SUMMARY 2019

Trend of TII Index Indonesia by Indicator, 2016-2019



At the highest score levels, Indonesia is relatively stable in its response to Tobacco Industry Interference for three consecutive years 2017-2019. The decline was observed only in the indicator of unnecessary interactions from 12 in 2018 to 8 in 2019. It was attributable to Q-9 of the 3 Questions (sub-indicators), i.e.:

- Q-8: meet with/foster relation with TI such as attending social functions or events sponsored or organized by TI.

Incidents relevant with the description of this question are similar with those reported under CSR (Q-5A). The only difference lies in the player. Q-8 applied to high level officials (President, Prime Minister, Ministers)

- Q-9: accepts assistance *on policy enforcement*: not always exist within the observed year
- Q-10: enters into partnership or agreement: a specific incident that does not happen regularly

Over the year 2018, there was no evident reported in the media concerning tobacco industry offering assistance on policy enforcement. Further information gathered from the field level confirmed the finding of the media monitoring.

The non-existence of TI assistance on policy enforcement (Q-9) in year 2018 has contributed to 4 points decline in the total score of TII Index from 79 in 2018 to 75 in 2019.

Template Summary of TII Index Indonesia 2019

INDICATOR	0	1	2	3	4	5
Level of Industry Participation in Policy-Development						
1. The government accepts, supports or endorses <u>any offer for assistance by or in collaboration</u> with the tobacco industry in setting or implementing public health policies in relation to tobacco control.						X
2. The government accepts, supports or endorses <u>policies or legislation drafted</u> by or in collaboration with the tobacco industry.						X
3. The government <u>allows/invites the tobacco industry to sit in</u> government interagency/ multi-sectoral committee/ advisory group body that sets public health policy.						X
4. The government nominates or allows representatives from the tobacco industry (including State-owned) in the delegation to the COP or other subsidiary bodies or accepts their sponsorship for delegates.	X					
Subtotal Score on Level of Participation in Policy-Development						15
So-called CSR Activities						
5. A. The government agencies or its officials endorses, <u>supports</u> , forms partnerships with or <u>participates in</u> so-called CSR activities organized by the tobacco industry. B. The government (its agencies and officials) <u>receives contributions</u> (monetary or otherwise) from the tobacco industry (including so-called CSR contributions).						X

INDICATOR	0	1	2	3	4	5
Subtotal Score on So-Called CSR Activities	5					
Benefits to the Tobacco Industry						
6. The government accommodates <u>requests</u> from the tobacco industry <u>for a longer time frame</u> for implementation or postponement of tobacco control law.						X
7. The government <u>gives privileges</u> , incentives, exemptions or benefits to the tobacco industry.						X
Subtotal Score on Benefits to the Tobacco Industry	10					
Forms of Unnecessary Interaction						
8. Top level government officials (such as President/ Prime Minister or Minister) <u>meet with/ foster relations with</u> the tobacco companies such as <u>attending social functions</u> and other events sponsored or organized by the tobacco companies or those furthering its interests.						X
9. The government <u>accepts assistance/ offers of assistance from</u> the tobacco industry <u>on enforcement</u> such as conducting raids on tobacco <u>smuggling</u> or <u>enforcing smoke free policies</u> or <u>no sales to minors</u> . (including monetary contribution for these activities)		X				
10. The government accepts, supports, endorses, or <u>enters into partnerships or agreements with</u> the tobacco industry.			X			
Subtotal Score on Forms of Unnecessary Interactions	8					
Transparency						
11. The government does not publicly disclose meetings/ interactions with the tobacco industry in cases where such interactions are strictly necessary for regulation.						X
12. The government requires rules for the disclosure or registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists						X
Subtotal Score on Transparency	10					
Conflict of Interest						
13. The government <u>does not prohibit contributions from</u> the tobacco industry or any entity working to further its <u>interests to political</u>						X

INDICATOR	0	1	2	3	4	5
<u>parties, candidates, or campaigns</u> or to require full disclosure of such contributions.						
14. <u>Retired senior government</u> officials form part of the tobacco industry (former Prime Minister, Minister, Attorney General)						X
15. <u>Current government officials</u> and relatives <u>hold positions in the tobacco business</u> including consultancy positions.		X				
Subtotal Score on Conflict of Interest						11
Preventive Measures						
16. The government has put in place a <u>procedure for disclosing the records of the interaction</u> (such as agenda, attendees, minutes and outcome) with the tobacco industry and its representatives.						X
17. The government has <u>formulated, adopted or implemented a code of conduct</u> for public officials, prescribing the standards with which they should comply in their dealings with the tobacco industry.			X			
18. The government <u>requires</u> the tobacco industry to <u>periodically submit information on tobacco production, manufacture, market share, marketing expenditures, revenues and any other activity, including lobbying</u> , philanthropy, political contributions and all other activities.			X			
19. The government has a <u>program / system/ plan to consistently raise awareness</u> within its departments on <u>policies relating to FCTC Article 5.3 Guidelines</u> .						X
20. The government has put in place a <u>policy to disallow the acceptance of all forms of contributions/ gifts from the tobacco industry</u> (monetary or otherwise) including offers of assistance, policy drafts, or study visit invitations given or offered to the government, its agencies, officials and their relatives.			X			
Subtotal Score on Preventive Measures						16
Total Score						75