

# Indonesia

Overall score:

75

## I. Industry participation in policy development:

Perceived as a normal business, the tobacco industry is treated as a stakeholder by the government. 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 part of the priority list of the National Legislation Agenda 2018. Promoted as a sensible law to protect tobacco farmers, the Bill is seen by the Vice Minister of Finance as a legal instrument that benefits all stakeholders involved, including the tobacco industry which in turn would increase government revenues.

In 2018, 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 tax 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.

## II. Tobacco industry-related CSR activities:

Government agencies continue to accept or endorse tobacco industry CSR. Two big tobacco companies Sampoerna and Djarum actively continue CSR activities in Indonesia.

In 2018, Sampoerna expanded their "Sampoerna Retail Community" (SRC) 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. Apart from the Governor of South Sumatra, the Governor of West Lombok expressed appreciation for the SRC program in extending support to post-disaster economic reconstructions.

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

## III. Benefits given to the tobacco industry:

Towards the end of year 2018, the Finance Minister cancelled the annual tax increase in 2019 and annulled the tobacco excise tier simplification roadmap under Regulation No. 156/2018.

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

The Mayor of Bogor received many protests from the tobacco industry and its representatives on their Smoke-Free Regulation that banned advertisements at Point-Of-Sale. The objection did not come only from the pro-tobacco industry think tank, 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 on local government to conform with the provisions of national regulation no. PP 109, while a Parliament Member of Commission VI warned against local regulations hampering the growth of tobacco industry business.

There is some irony in the cancellation of the Minister of Trade's "Regulation on Restriction of Tobacco Leaf Importation" that should be in line with the draft Tobacco Bill. However, the Coordinating Minister on Economic has made the decision to withhold the Regulation for further consultation. This decision was due to strong protests from tobacco farmers and clove associations, and opposition from the Parliament Special Committee on Tobacco Bill. The Committee initially promoted the bill to protect tobacco farmers through the provision to reduce tobacco leaf importation.

Contrary to the provision they put in the draft, the Special Committee on Tobacco Bill then cited that such a regulation would reduce cigarette production and affect government revenues.

#### IV. Unnecessary interaction with the tobacco industry:

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 on the tobacco industry 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. The Minister of Industry and Minister of Labor, while attending SRC National Retail Festival, was photographed side-by-side with the President of HM Sampoerna wearing the SRC jacket. The Minister of Labor further said that the tobacco industry is an important financial source for economic resilience in the face of global competition. Attending an event organized by Sampoerna Entrepreneurship Training Center (SETC) in Bali, the 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

**V. Procedure for transparency measures:** There is no standard mechanism 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 stance based on the knowledge and willingness to take side either protecting the tobacco industry or public health.

**VI. Avoiding conflicts 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.

**VII. Preventive measures:** Only the Ministry of Health currently has a 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 broadened to cover relevant provisions exclusively applied to the tobacco industry.

## Recommendations

1. A whole-of-government approach is vital and must be implemented to effectively counter tobacco industry interference
2. 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
3. Given the three national laws that are permit the involvement of the tobacco industry, formulation, adoption and implementation of Tobacco Industry Code of Conduct need to be expanded to as many ministries as possible.