CHAPTER 3
UNILEVER’S CORPORATE SOCIAL RESPONSIBILITY PRACTICES TO ADDRESS ENVIRONMENTAL PROBLEMS:
A CONTEXTUAL BACKGROUND

It is an important part of this study to thoroughly understand the rationale behind the engagement of a large business firm like Unilever\(^1\) in various social and environmental activities: what factors have driven them to become involved in CSR programs, why they should come particularly to the field of environmental protection in Indonesia and deal with a specific local problem of municipal solid waste management as their major concern. The explanation in this chapter provides a background of information that is relevant to answer such questions. The description is generally intended to know how Unilever builds its global commitment in promoting their corporate social responsibility with a certain type of policy, strategy and program or activities, which differentiates them from others.

The first part of this chapter introduces Unilever’s business profile that attributes its prominent role in the changing business paradigm towards sustainability issues worldwide, including in Indonesia. The following parts describe how Unilever transformed its corporate vision and mission on the changing global environment into action and why they display greater willingness to engage in CSR activities through certain distinctive ways for being a more responsible business entity to the society and the environment. According to Frynas (2009: 13, 38-63) such contextual explanation is particularly something that is still less explored in the discussion of CSR. Although the main focus of the overall study undertaken is to put more emphasis on the perspective of the general public or society, this chapter will highlight some important features based on a business management

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\(^1\) Unilever in this chapter refers to Unilever Groups, the Multinational Companies (MNCs) which has business operations throughout the worlds. Whilst, Unilever Indonesia refers to a subsidiary of Unilever in Indonesia, but sometimes it is written as Unilever.
perspective and how the company should perceive sustainability issues as a result of the escalation of public concerns all over the world.

3.1. Unilever’s Business Profile and Portfolio

Unilever is a multinational company with consumers, employees, business partners and shareholders on every continent in the world. The Unilever Group was created in 1930 when the British soap-maker, Lever Brothers, merged its business with those of the Dutch margarine producer, Margarine Uni. Today Unilever has become one of the leading suppliers of the so-called ‘fast-moving consumer goods’, with products on sale in more than 190 countries. Unilever has the world’s best-known brands for their foods, home and personal care products, with leadership positions in many of the categories. Unilever top 20 brands represent around 70% of their sales around the world. They include such well-known names such as Lipton, Knorr, Hellmann’s, Magnum and Bertolli for food brands. While for home and personal care brands include Dove, Lux, Omo, Pond’s, Rexona and Sunsilk.

Unilever has been part of Indonesia since the Dutch Colonial period. Unilever Indonesia was established by AH van Ophuijsenon 5th December 1933 in Batavia (now Jakarta, the capital city of Indonesia) under the name of ‘Zeepfabrieken N.V. Lever’. The name of Unilever Indonesia itself was first introduced on 22 July 1980. Unilever Indonesia is a subsidiary of Unilever NV/PLC2. The major shareholder is Internationale Beleggingen BV who has an 85% stake in Unilever Indonesia, while the rest (15%) is a public stake. As such, Unilever is categorized as Foreign Direct Investment (FDI or well known as PMA = Penanaman Modal Asing). Since 1982, the company has been listed in the Indonesian Stock Exchange and ranked as the third biggest public company in Indonesia. In December

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2 Unilever N.V. and Unilever PLC are two parent companies of Unilever Group. They, together with their group companies, operate as nearly as practicable as a single entity.
2008, its market capitalization had reached IDR 59.5 trillion or equivalent to 5.53% of the total market (Unilever Sustainability Report, 2008:26)

Unilever Indonesia has two subsidiaries in its business operation, that is PT Anugerah Lever and PT Technopia Lever. PT Anugerah Lever is engaged in the manufacturing, development, marketing and selling of soy sauce, chili sauce and other sauces under the Bango trademark and other licences. Unilever Indonesia has increased its ownership in PT. Anugerah Lever to 100%. PT Technopia Lever, on the other hand, is engaged in the distribution, export and import of goods under the Domestos Nomos Trademark. Unilever Indonesia has a 51% stake in PT. Technopia Lever. In 2008, Unilever Indonesia bought the brand ‘Buavit’ from PT Ultrajaya. It has become Unilever’s newest brand in their food products category. (Unilever Sustainability Report, 2008: 27)

Having operated in Indonesia for more than 75 years, Unilever’s trademark has succeeded in winning the heart of the Indonesian people with a vast number of household, personal care and dairy-based products. With more than 160 items, Unilever’s brands have been leading the Indonesian markets in key categories, which include household care, skin care, hair care, fabrics, oral care, skin cleansing, savory, tea, and ice cream. Unilever’s top brands, among others, are Rinso (detergent), Sunlight (dishwashing), Sunsilk (shampoo), Pepsodent (toothpaste), Lux and Lifebuouy (body soap), Blue Band (spreads), Walls (ice cream), Bango (soybean souce), Sari Wangi (tea beverages), Citra and Ponds (skin care), and many others that have been widely sold out in all sorts of outlets across the country, starting from local-traditional small shops called ‘warung’ to big supermarket chains in big cities (Unilever Sustainability Report, 2008: 122-125). It is estimated that over 95% of Indonesians use at least one or more Unilever products every year. In addition to that, 90% of low-income Indonesians buy Unilever products in a year (Clay, 2005: 10).
Despite the slowdown of world economic growth, food price volatility and geopolitical instability in the past ten years, Unilever’s business in general has performed well in 2010. This year Unilever Indonesia continues to grow and strengthen their market share. The company’s growth was both competitive – they gained market share in many of their leading categories – and profitable, with a steady improvement in their underlying operating margin. It is well noted that net sales reached 19.7 trillion IDR, net income gains 3.4 trillion IDR, net operating cash flow is about 3.6 trillion IDR, and capital expenditure amounted to 1.3 trillion IDR (Unilever Indonesia Annual Report, 2010: 2).

In fact, for the past five years (2006-2010) Unilever Indonesia’s net sales and income in this country have steadily increased, as shown in the following Figure 3.1. Home and personal care products have contributed to larger shares (75%) of the total turnover in 2010 than food and ice cream products (25%). Today, Unilever Indonesia has 40 product brands (Unilever Indonesia Annual Report, 2010: 9, 15, 19).

![Figure 3.1.: Unilever Indonesia Net Sales 2005 – 2010 (IDR in Billion)](Unilever Indonesia Annual Report, 2010: 9)

Unilever Indonesia’s headquarters is in Jakarta. It has two major factories, the first is located at Jababeka Industrial Estate in Cikarang, West Java, and the second one is at Rungkut Industrial Estate in Surabaya, East Java. The other smaller factories are situated respectively in Bogor for snacks production and in Subang for soya sauce production. Both
cities are in West Java (Unilever Sustainability Report, 2008: 101). Currently, Unilever Indonesia has eight factories (Unilever Indonesia Annual Report, 2010:15).

Up until 2007, the company has employed more than 5000 people, of whom more than 3,300 (60%) are permanent employees and the rest (40%) are contract workers. In addition, around 2000 people are employed in Unilever factories in Cikarang (51.1%) and Rungkut (32.9%) solely making Unilever products under contract (Unilever Sustainability Report, 2008: 49). With approximately 400 distributors, 350,000 outlets, 1500 suppliers and supported by approximately 3300 employees in 17 major cities in Sumatera, Java, Bali, Kalimantan and Sulawesi, Unilever operations have certainly had impacts socially and economically throughout the country (Unilever Sustainability Report, 2008: 19).

According to the study of Oxfam GB and Oxfam Novib (Clay, 2005), there were approximately 300,000 people making their livelihoods in Unilever Indonesia’s value chain. More than half of this employment is found in distribution and retailing among an estimated 1.8 million small stores and street vendors. Of the total value created in 2003, two-thirds was distributed to external parties, such as producers, suppliers, distributors, retailers and the Indonesian government. The study revealed that Unilever Indonesia’s value chain across the country has brought indirect impacts toward poverty reduction through job creation and income generation.

Unilever group divides its business worldwide into three main regions, the Americas, Western Europe, and the Asia-Africa-Central and Eastern Europe. The latter is sub-divided into clusters, and Indonesia is an operating country within South East Asia Australasia (SEAA) clusters. With Indonesia’s population expected to reach 240 million in the year of 2012, it is believed that the country is on track to become a strategic link in Unilever’s global operations as a production base for both domestic consumption and export. Abundant natural resources providing raw materials for many consumer products,
such as palm oil and petrochemicals, competitive labor costs, stable political environment, steadily building economic growth and people’s growing consumption patterns are some advantages for Indonesia to play a strategic role in Unilever’s global business networks (Globe. 21/01/2012).

3.2. Unilever and Greening Business: Shifting Business Paradigm

3.2.1. Unilever’s Sustainability Vision, Policies and Actions

A tremendous ‘wake-up call’ of greening business following the Rio Earth Summit in 1992 have been the impetus for many big companies around the world to start changing their paradigm to go beyond ‘business as usual’ practices. However businesses that think to achieve sustainability in this world should build up a strong vision on sustainability, instead of only taking piecemeal projects aimed at controlling or preventing pollution.

The United Nations Global Compact’s certification schemes such as the ISO `14001 or standards for reporting such as GRI (Global Reporting Initiative), are among other global initiatives that attempt to universalize social and environmental standards for corporate conduct around the world (Frynas, 2010: 38). UN Global Compact in particular has prescribed three principles of environmental protection to which the business community should adopt as an integrated part of their business activities. At its heart, the principles provide an important guidance or reference for a company to develop environmental policies and practices. They state that business should support a precautionary approach3 to environmental challenges (Principle 7); business should undertake initiatives to promote greater environmental responsibility (Principle 8); business should encourage the development and diffusion of environmentally sound technologies (Principle 9) (see www.unglobalcompact.org or at the Appendix).

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3Precautionary Approach is a necessary action to be taken as an effort to face any environmental challenges which are harmful or pose serious threats to the existence of human beings and the ecological environment as the life-support system, as stated in Principle 15 Rio Declaration: “Where there are threats or serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation”
It is the commitment of Unilever companies worldwide to reorganize themselves in order to respond to such global challenges; to meet the needs of customers and consumers in an environmentally sound and more sustainable manner through continuous improvements in environmental performance in all their business activities. For Unilever, as Patrick J. Cescau\(^4\), Group CEO Unilever, puts it, “doing business responsibly and successfully – doing good and doing well – are two sides of the same coin.”

According to Cescau (quoted in Laszlo, 2008: 11-14), Unilever has learned a lot of important things to shift the way of doing their business in relation with the growing consumer concern about sustainability as well as the changing regulatory and political environment in the world today. Firstly, doing business in the changing globalized world is not simply thinking about product innovation or clever marketing. Today’s social and sustainability challenges have provided greater opportunities to think creatively and differently about every aspect of business from raw materials to waste disposal. Business and social innovations, bringing together ideas and technologies, are the key answers to sustain and develop long-standing business performance in the future.

Secondly, integrating social, economic and environmental considerations into business should take into account the external influences on a brand, from what issues consumers are concerned about to the forces shaping this agenda from a regulatory, competitive and trade perspective to the views of external stakeholders. Thirdly, responding sustainability pressures should be genuinely valued-led and should take a systematic approach rather than simply public relations-based interests and piecemeal approach.

Fourthly, working in a collaborative way with other stakeholders is necessary to attain better results and wider implications. Fifthly, in order to gain competitive advantage

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\(^4\) Patrick Cescau retired from her position as Chief Executive Officer of Unilever Group at the end of 2008 after 35 years with Unilever.
when faced with uncertain conditions, companies need to make a strategic plan and implement it well as soon as possible, although it may not be easy. Finally, the vision of sustainable development should be internally embedded in the companies’ values system as well as their business mission and culture.

Unilever’s sustainability vision has been transformed into the so-called ‘Unilever Business Model’ (see Figure 3.2.) The basic idea of this model is that the company aims at delivering sustainable growth. Sustainable here means that the business should be consistent, competitive, profitable and at the same time meet major social and environmental needs. To achieve this, brands, people and sustainability are key to the business performance. In order to deliver sustainable and equitable growth, Unilever has set the so-called ‘Unilever Sustainably Living Plan (USLP)’ which aims at resulting in the following three big outcomes: (1) Helping one billion people improve their health and well-being; (2) Halving the environmental footprint of Unilever products; (3) Sourcing 100% of agricultural raw materials sustainably. (Unilever Annual Report 2011: 8-9)
At the policy level, Unilever applies a life cycle approach to assess the overall impact of their business practices on the environment, which will then enable a cost and benefit analysis of Unilever companies. The focus, however, is on those areas where they are able to bring the greatest benefits. The strategy they carry out lies in making more products with less energy consumption in the manufacturing process (eco-efficiency) and designing the products to minimize their impact on the environment (eco-innovation). Such environmental policies have been applied to all Unilever companies worldwide. (www.unilever.com/environmentsociety)

There are four pillars of Unilever’s global CSR strategic alignment: nutrition and health, hygiene, sustainable development and brands with social mission. With particular respect to sustainable development the focus lies down at four thrusts, namely: climate change, sustainable agriculture, packaging treatment (or waste reduction) and water conservation. In order to implement such policies, Unilever has selected some areas of environmental issues to be the focus of the companies’ sustainability initiatives or policies at the global level. They are agriculture, fisheries, and water. It is believed that these areas of environmental concern are not only able to make the most difference towards Unilever’s sustainable performance, but also they are very relevant to the business. It is also realized that certain policies should be taken into account because there are many different environmental issues that may potentially affect Unilever’s business globally and locally, but are certainly beyond their direct control, from the beginning of their supply chain to the end when products are already in hands of the consumers.

In the area of sustainable agriculture, for example, Unilever has completed guidelines for the sustainable management of all five of their key crops, namely palm oil, tea, peas, spinach and tomatoes. Unilever has also jointly worked with other major food companies, including Danone and Nestle, to promote sustainable agricultural practices through the Sustainable Agricultural Initiative
Unilever’s concern on sustainable fisheries is driven by the fact that the world’s fisheries are under threat. According to the UN’s Food and Agricultural Association (FAO), 48% of the world’s fisheries are fully exploited, 16% overfished and 9% are depleted. In fact, it is in Unilever’s commercial interest to protect and preserve fish stocks, since the company is one of the world’s largest buyers of frozen fish for their fast-food products, such as Iglo, Birds Eye and Findus brands. Without regular supplies, there will be no fish business for Unilever. In 1995, Unilever made a pledge to buy all fish from sustainable sources by 2005 and, working with WWF (World Wild Fund) – an internationally renowned non-governmental organization working for environmental conservation – set up the Marine Stewardship Council to establish a certification process for sustainable fishing practices.

Whilst, the third area of Unilever’s environmental concern, called ‘Water Stewardship’, is also very close to Unilever’s business interests. Almost every single aspect of Unilever’s activities is intimately linked to safe water supplies, whether used in their manufacturing process or by their suppliers, or also by consumers who use their products. Such competing demands for water access and utilization – for agriculture, manufacturing and human consumption – and the need to sustain a healthy environment means that adopting a more integrated and sustainable approach to water management is very critical for the society. Therefore, one of Unilever’s initiatives to promote sustainable water management is by engaging the UK-based sustainability organization, Forum for the Future. Together they developed a set of principles called the ‘Sustainable Water and Integrated Catchment Management (SWIM) to manage water demands in a particular catchment area with a framework for managing partnership projects (www.unilever.com/environment.society).

Unilever has also set up a framework of standards for occupational health, environmental care, and consumer safety. Unilever’s management system operates on a
global basis. It is designed to achieve continuous improvement and remain compatible with international standards. It is also supported by a range of environmental training courses. The main target is to have all Unilever manufacturing sites certified according to the International Standards Organization’s ISO 14001 environmental management system by the end of 2003. At the end of 2001 over a quarter of Unilever sites were certified. To support the achievement of this institutional target, Unilever has a team of experts who provide special environmental assistance and guidance to the companies’ manufacturing plants throughout the world on issues ranging from boiler emissions to waste disposal. Among others, they have produced guidelines on how to avoid unnecessary packaging and promote the use of recycled materials.

In regards to this matter, it is noteworthy to highlight two major features of Unilever’s environmental initiatives, which are saving energy and saving water. Unilever has several projects to improve its companies’ energy efficiency. In the USA, Unilever’s Home and Personal Care Division has succeeded in reducing the energy consumption in their offices and factories by over 10% in 2001, while at the same time increase their production by 25%. The savings were largely due to a simple one-page spreadsheet that listed each site’s energy costs alongside the projected savings for the current year. This energy efficiency effort has proven to save money and reduce emissions.

Another important point to note is that Unilever makes special efforts to reduce water consumption in their factories throughout the world. One of the projects in saving water is at the Goiania tomato-processing factory in Central Brazil. In this factory water is used to carry the fresh fruit into the factory for washing and processing. The water is either re-used in the factory or, if it contains tomato pulp, is used by local farmers for irrigation. The pulp has proved to be an effective fertilizer. Another example is in France, where Unilever’s Amora Maille mustard factory has cut its water consumption by up to 40%. The
savings have been achieved through a combination of new machinery and staff training which has led to better working methods (www.unilever.com/environment.society).

Is it important to point out that Unilever’s sustainability initiatives throughout the world, both for the environment and the society, are not always the companies’ solo projects. Working in partnership with different groups of people from the fishing industry, water experts, contract growers and non-governmental organizations, is an important part of Unilever’s approach to make their visions on sustainability implemented in the field and achieve the targets of reducing social-environmental impacts, securing the supply of raw materials and promoting sustainable development.

For example, in Brazil, Unilever is working with growers and a range of stakeholders to develop ways to grow tomatoes more sustainably. New drip irrigation techniques save water, contribute to higher yields and reduce the need for pesticides significantly. Similar projects are also carried out in Germany and Italy. In these two European countries, Unilever is working with spinach growers as well as a wide range of experts and other stakeholders. Whilst, in the UK Unilever is focusing on peas and has been working with farmers, non-governmental organizations, agrochemical companies and universities. In India and Kenya, Unilever is also working in similar partnerships to make tea production more sustainable.

Concerning saving water initiatives, Unilever has established partnership projects with the Global Nature Fund to clean-up, conserve, and promote environmentally-sensitive economic development around 23 lakes across the world. For example, Unilever South Africa and over 50 of its employees are helping to conserve and protect Lake St. Lucia, while Unilever Spain, in a collaborative work with local governments and the Fund, have recovered a significant area of wetlands and wildlife at Laguna La Nava in Castila Leon. It is part of Unilever’s annual targets to reduce impacts through decreasing energy and water
consumption, generating less waste and less greenhouse gases emission with continuous improvement. All these efforts reflect Unilever’s commitment to take a part in global solutions for environmental conservation, but at its heart also links to Unilever’s sustainable business interests, which are highly dependent on fossil fuels, water consumption and sustainable agriculture.\(^5\) The following Figure 3.3 summarizes Unilever’s

![Figure 3.3. Unilever’s Commitment to Reducing Environmental Impacts](http://www.unglobalcompact.org/docs/issues_doc/environment/climate/2011_05_17_meeting/unilever.pdf)

\(^5\)Reduction of Unilever’s GHG footprint and water footprint is possible because the companies’ business activities and products are very closely linked with the usage of fossil fuels and water. Based on a study across 7 countries (Unilever, 2008), it is estimated that Unilever’s GHG footprint by category of their products is composed approximately 50% from soap, shower gel and skin care, which is followed by laundry detergents and fabric conditioners (15%), then shampoo and conditioners (10%). While the company’s water footprint is sourced from laundry, detergent and fabric conditioners (15%), followed by soap, shower gel and skin care (35%). See [http://www.unglobalcompact.org/docs/issues_doc/Environment/climate/2011_05_17_meeting/unilever.pdf](http://www.unglobalcompact.org/docs/issues_doc/Environment/climate/2011_05_17_meeting/unilever.pdf)
commitment to reduce environmental impact from their business activities around the world in a more significant, systematic and sustainable manner.

As such, the overall description above shows that Unilever has a long-standing commitment to sustainability and responsible business practices. Unilever has perceived sustainability challenges as more opportunities, rather than risks, to promote and develop new ways of doing business more responsibly and successfully for the interests of the environment and society at large.

3.2.2. Unilever’s CSR in Indonesia’s Local Settings

As a multinational company, it is understandable that Unilever Indonesia follows the global vision and best practices of Unilever Group Companies throughout the world. For Unilever Indonesia, CSR is an integral part of the corporate mission to meet the basic social needs of a large population spreading over the largest archipelago in the world. Unilever’s Mission is defined under the theme ‘Adding Vitality to Life in a Sustainable Way’. This theme is translated into three operational mottos, stating:

We work to create a better future every day. We help people feel good, look good and get more out of life with brands and services that are good for them and good for others. We will inspire people to take small, everyday actions that can add up to a big difference for the world. (Unilever Sustainability Report, 2008: 12)

With this respect, Maurits Lalisang, CEO Unilever Indonesia states that,

For Unilever, Corporate Social Responsibility is embedded in the way we do business; it is our competitive advantage and an important part of our business strategy. We can grow only if Indonesia grows together with us. (Unilever Sustainability Report, 2008: 12).

Combining CSR commitment and activities with the company’s business strategy logically makes sense in the context of Indonesian current economic dynamics. Today Unilever is the market leader in almost all product categories, ranging from household,
skin care, hair care, fabrics, oral care, skin cleansing, savory, beverages and food categories. Nevertheless, the Indonesian market is becoming increasingly competitive over the years. In most categories, Unilever faces different competitors. In detergents it is Wings, in face care it is Proctor & Gamble, in ice cream it is Campina, in soybean it is ABC. In soap, Unilever controls an impressive 74% of the market. That market share is divided between Unilever brands Lux with 39.6%, Lifebuoy with 31.57% and Dove with 2.88%. Its closest competitor is PT Kao Indonesia with the Biore brand, taking 10.23% of the market, followed by PT Mandom Indonesia and its Gatsby brand with 2.86%. This is followed by Wings Group with Nuvo at 2.44%, PT Cussons Indonesia with the Cussons brand at 2.86%, and the remainder shared between minor players. As such, it indicates that the Indonesian consumer market is highly fragmented, with many strong local competitors, especially in food, so that Unilever perceives their brands to be essential for achieving sales-marketing success in a very big market like Indonesia (Globe, 21/01/2012).

The food and beverage industry is a significant contributor to the GDP of Indonesia. In 2008 the industrial production value of food and beverage reached USD 20 billion, and has grown at an average of 16 percent every year thereafter. This industry absorbs the largest labor force among other manufacturing industries. In 2010, this industry absorbed a labor force of 3.6 million people, an increase of 3.8% from 2009. From January to August 2010 the food and beverage industry increased its export value by 16 per cent for the food industry and by 13 per cent for the beverage industry relative to the same period in the previous year (MP3EI, Coordinating Ministry for Economic Affairs, Republic of Indonesia, 2011: 76-77). Therefore, Unilever’s acquisition of “Buavita” – a popular brand for fruit drinks – from PT Ultrajaya in early 2008 is a strategic decision to strengthen the company’s business line in the food-beverage industry. In fact, other players in this area have risen, such as ABC and Coca Cola, which makes the market more competitive.
While the local market has been tightening and the trend of global economic crisis has been increasing during the period of 2007-2008, Unilever Indonesia successfully managed to maintain a two-digit growth according to the company’s net income, at 23.5% (Unilever Sustainability Report, 2008: 19-21). This fact confirms Unilever’s optimism of the huge potential the Indonesian market has to offer from which Unilever’s businesses can gain their competitive advantage through greater efficiency and innovation.

Therefore, to boost production capacity, Unilever Indonesia has invested 200-250 million Euros in a new plant at the Jababeka Industrial Estate in Cikarang, West Java, and at the Rungkut Industrial Estate in the East Java capital of Surabaya. These new factories are scheduled to be ready in 2012 to meet the growth in domestic demand over the next three to five years with capacity for exports as well (Globe, 21/01/2012). Based on the company’s privileges of being deeply rooted in Indonesian history and its current position as the backbone of Unilever’s operation in developing and emerging markets, it is the ambition of Unilever Indonesia to become a USD 2 billion business by 2012 (Unilever Sustainability Report, 2008: 19).

Nevertheless, despite such optimistic features which bring economic opportunities for Unilever Indonesia as a significant business player in the country, the 2006 UNDP Human Development Report also presented several key facts on Indonesia which fundamentally challenges how Unilever Indonesia is not only able to conduct their business more successfully, but also more responsibly and sustainably (Unilever Sustainability Report, 2008: 11). The key facts on Indonesia are:

1. 109th out of 179 countries for its Human Development Index (HDI);
2. 69th out of 135 countries for its Human Poverty Index (HPI);
3. 87th out of 108 countries for its Gender Empowerment Measure (GEM);
(4) In 2004, half of its 220 million people lived on less than 2 USD per day and 55% of the population used improved sanitation;

(5) 3rd highest emitter of CO2, behind USA and China, representing 1.3% of the world’s total CO2 emission (data as of 2004);

(6) Deforestation rate per year at 1.6% - twice the average rate in Asia (data as of 2004).

Under such unpleasant conditions, the biggest challenge for Unilever Indonesia is how to maintain the affordability of Unilever’s products to the Indonesian consumers who are still living below USD 2 per day and 7.5% below USD 1 per day. With the reality of business today becoming increasingly competitive, Unilever should perceive the low-income groups of society as a business opportunity for innovation, rather than as a barrier or problem. Under the notion of ‘the bottom of pyramid’ (Harvard Business Review, 2003) Unilever’s innovations such as producing various sachet products of shampoo and other economical size of home care products to meet the purchasing power of the majority of Indonesian people, especially those living in rural and remote areas have proven to be a new source of growth for Unilever’s business.

However, at the same time, there is also a great challenge for Unilever to understand the highly complex sustainability agenda in the country which is in line with the targets of the Millennium Development Goals by 2015, particularly the environmental target of providing more access to clean water and sanitation for more Indonesian people. Unilever’s sachet products have potentially contributed to the increasing amount of plastic and packaging wastes in the country’s deteriorating ecological environment.

In order to address such sustainability issues while meeting the societal goals of economic growth and environmental protection, Unilever has accordingly developed several approaches as part of the company’s strategic alignment: Firstly, Unilever
Indonesia builds upon the advantage from its long standing business experience in the country which has been largely supported by a value chain comprising of a wide range of stakeholders – including shareholders, employees, business partners, customers, consumers and the communities (Unilever Sustainability Report, 2008: 16). Thus, taking into account the importance of an entire value chain is considered as the most relevant approach to gain a big, positive impact both for Unilever’s business and stakeholders’ interests.

Secondly is people empowerment. This is indeed a very important approach for Unilever’s business in Indonesia. Understanding the power of Indonesia’s large population spread across the archipelago’s big islands, Unilever strives for people development as well as community empowerment at the local level to translate their global sustainability strategy into local actions. The focus is how to help communities organize themselves more effectively in order to implement projects without outside assistantship. In this regard it is believed that women play an important role in improving the conditions of communities (Unilever Sustainability Report, 2008: 14)

The third approach Unilever Indonesia has applied to carry out their corporate sustainability mission is engaging external stakeholders. This includes government, academic institutions, non-governmental organizations, media and the local society (Unilever Sustainability Report, 2008: 60-65). Unilever has encouraged a constructive engagement approach in which the process involves increasing understanding, learning and improvement with the partners engaged. In other words, capacity building is the heart of Unilever’s strategic approach to stakeholder engagement.

Last but not least is the power of brands. Just like the other approaches mentioned before, brands are generally embedded in the way Unilever Indonesia formulates and implements their CSR commitment and strategy. As a large consumer goods company in Indonesia, it is realized that Unilever’s products can bring great influence to the local
society in their capacity as consumers. The Vitality mission is therefore translated into various social missions, which are embedded in Unilever’s products’ brands. Out of more than the 30 brands that the company now owns, 13 are embedded with social missions at the local level (see Table 3.1). The development and implementation of Unilever brands’ social mission activities are carried out in collaboration with the Unilever Indonesia Foundation (Unilever Sustainability Report, 2008: 76-77; Unilever Annual Report 2010:131-132).

Following what Crane, et.al defines (2008: 175-306), Unilever Indonesia’s CSR commitment and strategy are basically implemented in four areas: in the marketplace, in the workplace, in the community and in the ecological environment. In this regard, what is firstly important to point out is that Unilever Indonesia has outlined the ‘Code of Business Principles’, in addition to following various international codes of conducts. It consists of 14 principles concerning several aspects such as: standard of conduct, obeying the law, employees, consumers, shareholders, business partners, community involvement, public activities, the environment, innovation, competition, business integrity, conflicts of interests, and compliance-monitoring-reporting (Unilever Sustainability Report, 2008:36-37).

This code of conduct not only shows that Unilever Indonesia is committed to be socially and environmentally responsible as outlined in the UN Global Compact Principles and the WBCSD consensus, but it also has causal links with the great achievements Unilever has received so far. In 2010, the company received 95 awards from various institutions at the international, regional and local (national) levels. These awards, among others, include Asia’s Best Companies 2010 Awards from Finance Asia, Overall Best Managed Company in Indonesia – Large Cap from Asia Money, Asia’s Best Employer Brand Award from Employer Branding Institute, CMO Asia, Indonesia’s Most Trusted Company Awards from SWA Indonesia magazine, Indonesia Customer Satisfaction Award
Table 3.1. Unilever’s Brand Social Missions in Indonesia
(Unilever Indonesia Annual Report, 2010: 132; Unilever Indonesia Sustainability Report, 2008: 76-77; 122-125)

<table>
<thead>
<tr>
<th>Brands</th>
<th>Products/ Category</th>
<th>Social Missions</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANGO</td>
<td>Soybean Sauce / Savory Category</td>
<td>Preserving the culinary heritage of the Archipelago and enhancing the livelihood of black soy bean farmers”</td>
</tr>
<tr>
<td>BLUE BAND</td>
<td>Margarine/ Spread Category</td>
<td>Promoting that every child has the right to have good nutrition</td>
</tr>
<tr>
<td>SARI WANGI</td>
<td>Teabag / Spread Category</td>
<td>Inviting Indonesian women to have an open and mutual communication with their partners through quality tea moments</td>
</tr>
<tr>
<td>TARO</td>
<td>Children Snacks / Food Category</td>
<td>Helping Indonesian children to have the fun, adventure and happy life they deserve</td>
</tr>
<tr>
<td>SUNSILK</td>
<td>Shampoo / Hair Care Category</td>
<td>Inspiring Indonesian women to discover their natures and strengths to give the best for themselves and to benefit the people around them, and inspiring drop-out teenage girls to unleash their potential to be independent and enjoy the same opportunity as their fortunate peers who continue schooling</td>
</tr>
<tr>
<td>CLOSE UP</td>
<td>Toothpaste / Oral Care Category</td>
<td>Mobilizing Indonesian youths to see, feel, hear and take action to help spread information in the prevention of HIV/AIDS</td>
</tr>
<tr>
<td>DOVE</td>
<td>Shampoo / Hair Care Category</td>
<td>Making women feel beautiful every day</td>
</tr>
<tr>
<td>LIFEBUOY</td>
<td>Body soap, Shampoo / Skin and Hair Care Category</td>
<td>Making 220 million Indonesians feel safe and secure by improving their health and hygiene needs</td>
</tr>
<tr>
<td>CITRA</td>
<td>Hand Body Lotion / Skin Care Category</td>
<td>Empowering Indonesian women</td>
</tr>
<tr>
<td>MOLTO</td>
<td>Concentrate fabric softener and freshener/Fabrics Care Category</td>
<td>Encouraging Indonesian families to shift their paradigm of water use, to conserve energy and save the environment</td>
</tr>
<tr>
<td>PEPSODENT</td>
<td>Toothpaste / Oral Care Category</td>
<td>Improving people’s oral health so that they can better enjoy their life</td>
</tr>
<tr>
<td>RINSO</td>
<td>Detergent / Fabrics Category</td>
<td>Helping Indonesian children learn and develop by encouraging them the freedom to experience life without fear of getting dirty</td>
</tr>
<tr>
<td>SUNLIGHT</td>
<td>Liquid Dishwashing / Household Care Category</td>
<td>Empowering Indonesian women to contribute more their family and community, by equipping them with a series of useful trainings and workshops that enrich their knowledge and skills</td>
</tr>
</tbody>
</table>
Last but not least, the company’s effort to continuously improve their environmental performance received acknowledgement from the Indonesian national government in the form of the ‘Green Proper Award’. From 2002 to 2011 Unilever has been awarded the Green Proper for its environmental management achievement. In 2008 Unilever Indonesia even received international recognition from the Japanese Institute of Plant Maintenance (JIPM) for its factories’ performance in targeting ‘zero waste, zero accidents and zero breakdowns’. In short, all these achievements have at least shown Unilever Indonesia’s commitment to consistently develop and maintain the company’s reputation for conducting its business with integrity and with respect for all those whom they affect.

From a CSR perspective, ecological issues may be seen as a separate arena of responsibility independent from the workplace, marketplace and community issues, or vice versa.

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6 PROPER is a national award annually given by the Ministry of Environment, Republic of Indonesia (MOE-RI) for companies operating across the country, including MNCs, State-owned Enterprises, Private-National Companies and comprising of various types of industries, such as oil-mining, manufacturing, agro-industries, and services. This prestigious award is based on an overall assessment of the company’s compliance with environmental regulations and their commitment to continuously improve the quality of their environmental performance. The award has been given since 1995 as part of the government’s official program to control and monitor the state of the environment impacted by business practices through their life cycle of manufacturing processes. At the beginning the assessment criteria only focused on the aspects of water treatment, but then in 2002 started to develop various aspects of environmental management, including air pollution, toxic-hazardous waste disposal, application of environmental impact assessment. Based on the current, more stringent environmental law (Undang-Undang No. 32/2009), the assessment results are grouped into five categories, namely: Gold, Green, Blue, Red and Black. This program has brought about positive impacts with the launching of new regulations by the Indonesian Federal Bank (Peraturan Bank Indonesia No. 7/2005) stating that the PROPER assessment be used as one of the references to consider the feasibility of a company to get bank loans. PROPER is also used as the condition for determining the Key Performance Indicator Management in many companies today. See http://www.menlh.go.id/siaran-pers-hasil-proper-2009-2010, accessed 12/7/2011, 3:58pm.

7 The criteria of PROPER Assessment has been renewed in the MOE-RI Regulation 5/2011 (Peraturan Menteri Negara Lingkungan Hidup Nomor 5 Tahun 2011). The criteria are categorized into five ranks. They are named respectively from the highest to the lowest: Golden (Emas), Green (Hijau), Blue (Biru), Red (Merah), Black (Hitam). The Golden Award is given to companies which have consistently performed ‘environmental excellence’ in their manufacturing processes (either for products or services), demonstrate ethical business and responsibility to society. The Green Award is provided for those who have completed their responsibility ‘beyond compliance’ by implementing sound environmental management, eco-efficiency by applying the 4R principles (reduce, reuse, recycle and recovery) and CSR programs that empower people. Next is the Blue Award for those who have complied with the existing environmental regulations in their performance. The Red Category is given to companies which have been inconsistent with the existing environmental laws and regulations; while the Black Category is directed for those who have purpose fully or accidently done mismanagement that caused pollution and/or environmental destruction as well as for those who violate the environmental rules and regulations or not follow the administrative sanctions. See PROPER Secretariat Documents, MOE-RI, “Laporan Hasil Penilaian PROPER 2011”, in http://www.menlh.go.id.
versa, an issue that cuts through these and other areas. In the case of Unilever, the ‘trade-off’ between social, ecological and economic factors are embedded in the notion of sustainability and in fact in the life cycle of a product, rendering clear-cut distinctions between the different areas of responsibility rather difficult to make (Crane, et.al, 2008: 307). At its heart, corporate responsibilities for the ecological environment are closely related with business impacts, particularly on the sustainability of the natural environment as a ‘common pool resources’ for raw materials supply to be used in the manufacturing process. Thus, applying CSR in this arena can take various forms such as using natural resources efficiently and minimizing waste, pollution prevention, establishing product stewardship, innovation in products, process and services, managing climate change, ensuring resource security and resource justice. Similarly, the Ministry of Environment, Republic of Indonesia has defined seven major programs to be implemented as Green CSR (2011: 14). They include clean production, eco-office, energy and natural resources conservation, waste management through 3R Principles, use of renewable energy, adaptation to climate change and environmental education. The following Table 3.2 summarizes Unilever’s endeavors as part of its corporate responsibility to protect the ecological environment.

Table 3.2. Unilever’s CSR Practices to Reduce Environmental Impacts
(Unilever Indonesia Sustainability Report 2008)

<table>
<thead>
<tr>
<th>Time</th>
<th>Policies / Program / Activities &amp; Objectives</th>
<th>Descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Launching the Litterbug Project: to reduce the impact of flexible plastic waste on the environment at the factories in Rungkut and Cikarang</td>
<td>Recycling plastic waste into useful low-end products such as sheet for gutters and bags, water dippers, washbasins, basket, toys, etc. (p.85).</td>
</tr>
<tr>
<td>2007</td>
<td>Forming a Responsible Packaging Steering Team to review the company’s packaging strategy in order to reduce the footprint of the products packaging.</td>
<td>Unilever’s products packaging can be harmful for the environment in different ways: some in sourcing, some in disposal, on resource use, and even on energy or water use (p.85).</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
<td>Description</td>
</tr>
<tr>
<td>------</td>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2009</td>
<td>Publishing a <strong>Sustainable Packaging Design Guideline</strong> to be used to benchmark and improve new packaging design.</td>
<td>Mandating the selection of appropriate packaging materials and formats, not just based on functional and aesthetic requirements but also the principle of sustainable development. These include the 5 principles of remove, reduce, reuse, recycle, recover and the measurements of energy (water) used, waste created, greenhouse gas released per brand as well as sustainable sourcing (p.85).</td>
</tr>
<tr>
<td>2007</td>
<td>Establishing <strong>GHGs Working Group</strong> that aims at assessing carbon footprint resulted from the life cycle of manufacturing process.</td>
<td>The study produces a GHGs Strategy to address both direct and indirect impacts resulted from the company’s sourcing on raw materials (agricultural, chemical fossil fuels, etc.), manufacturing/operational process in factories, travel and buildings, distribution of products from factories to point of sale, as well as consumer use and disposal of product (p.86)</td>
</tr>
<tr>
<td>N.A.</td>
<td>Providing independent scientific evidence guidance to identify and manage product safety through the <strong>Safety and Environmental Assurance Centre (SEAC)</strong></td>
<td>This is part of the company’s responsibility to reduce risks to consumers, workers and the environments with regards to the safety of products and supply chain technology (p.87)</td>
</tr>
<tr>
<td>N.A.</td>
<td>Launching ‘Supplier Quality Management Assessment Program’ in order to encourage sustainable practices along the chain and seek to raise standards in compliance with the company’s Code of Business Principles.</td>
<td>In 2008 there were 57 suppliers participating in this program. Unilever from whom the company sources chemicals, plastics and raw materials for the production and the packaging of the products sold in Indonesian markets. The program consists of auditing process and technical assistance to help them manage their costs, quality, safety and environmental issues and improve their manufacturing practices. (pp.89-90)</td>
</tr>
<tr>
<td>2008</td>
<td>Launching the <strong>Black Soybean Project</strong> to maintain the supply chain from sustainable sources for the Bango soy sauce products.</td>
<td>This community development program to improve the livelihoods of the black soybean farmers’ communities has started in 2001, and in 2008 it has covered around 6,000 farmers and 1,170 hectares of land in seven areas in Java. They include Ciwalen, Nagwi, Madiun, Nganjuk, Klaten, Yogyakarta and Trenggalek (p.94-95). This program to be replicated in the fruit farmers’ community since the early 2008, Unilever acquired the ‘Buavita’ brand as one of the company’s icons for food</td>
</tr>
</tbody>
</table>

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* Globally it is estimated that Unilever’s total emissions of greenhouse gases (GHGs) from their own factories, offices, laboratories and business travel to be around 4 millions tones of CO₂ equivalent a year. The wider footprint in the sourcing of agricultural and chemical raw materials can amount to around 10 times as much as their own emissions. While in consumer use and disposal of products, it can reach between 30-60 times as much as their own emissions. In October 2007-2008, Unilever became one of the first members of the Supply Chain Leadership Collaboration that was initiated by the Carbon Disclosure Projects. The project aims to increase the disclosure of carbon impacts among suppliers and thereby encourage reductions in their carbon emissions (Unilever Indonesia Sustainability Report 2008: 86-87).
<table>
<thead>
<tr>
<th>Year</th>
<th>Action</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Establishing a Framework for RSPO (the Roundtable for Sustainable Palm Oil) certification of plantations in order to contribute to the protection of the world’s rainforest in Indonesia.</td>
<td>Since 2007 Unilever has replaced about 20% of the active material components in detergents, which come from crude oil derivatives, by palm oil derivatives. Such initiative of using renewable materials is planned to be applied to more liquid and powder detergents. (pp.90-91)</td>
</tr>
<tr>
<td>December 2008</td>
<td>Three of the nineteen estates that supply Unilever Indonesia were audited and certified by the Rainforest Alliance</td>
<td>One estate produces black tea while the remaining two produce green tea. This constitutes an important milestone towards a fully certified supply by 2015. (pp.92-93)</td>
</tr>
<tr>
<td>N.A.</td>
<td>Establishing Total Productive Maintenance Program (TPMP) to keep consistency in health, safety and environmental (HSE) management for the whole manufacturing process in the factories.</td>
<td>An integrated mechanism which acts as an umbrella for all activities under the ISO 14001 (environmental management system), OHSAS 18001 (safety Occ health management system), ISO 9001 (Consistency by quality management system), and ISO 22000 (product quality management system) (pp.101-102)</td>
</tr>
<tr>
<td>2006</td>
<td>Applied more environmentally-friendly designs for the factory in Cikarang to reduce energy consumption.</td>
<td>This includes the use of ammonia compressor to regulate temperature in the ice cream and margarine factories, instead of using R-12 CFCs, as well as the auto shutdown of air conditioners in the office as part of the commitment to reduce ozone depleting substance (p.104)</td>
</tr>
<tr>
<td>N.A.</td>
<td>Applied environmentally-sound technology in the production process in the Rungkut factory.</td>
<td>This includes the use of Vapor Liquid Separation (VLS) technology in driers so that it could save steam consumption in Personal Wash factory (p.105)</td>
</tr>
<tr>
<td>2009</td>
<td>Applied the new WWTP (Waste Water Treatment Plant) installation in both Cikarang and Rungkut Factories in order to recycle water for production process, while reducing fresh water consumption.</td>
<td>Water effluents from the waste water treatment plant in the ice cream factory were reused in the production process of NSD factory. The wastewater was also used in various utilities such as cooling tower and condenser. Ex-pasteurizer water from the ice cream factory was also reused to rinse machineries (pp.107-108)</td>
</tr>
</tbody>
</table>
| 2009 | Doing more recycling efforts to transform hazardous and unutilized substance into useful items | • In cooperation with LT-ITS doing research to find out how to make paving blocks from dried sludge produced by Unilever WWTP facility in Rungkut factory  
• Assigning a third party to take all out hazardous waste, e.g. Acid Mist, to be... |

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9 In Indonesia, the initiative for sustainable tea supplies started in 2004, under the global Unilever Sustainable Agriculture Initiative. To meet these standards, farmers must commit to continuous improvements on 10 key indicators and follow the good practice recommendations included in the guidelines. The 10 key indicators comprises of: soil fertility, nutrients, biodiversity, energy, social and human capital, soil loss, pest management, product value, local economy, water (Unilever Sustainability Report 2008: 92).
Generally speaking we may conclude that Unilever at both global and national levels has seriously taken various strategic measures to reduce environmental impacts through less waste production, less energy and water consumption as well as less greenhouse gases emissions with continuous improvement in their management system and technology. All these efforts have probably shown that to a large extent Unilever Indonesia, in particular, has complied with the UN Global Compact Principles to protect the environment.

We may also argue that Unilever Indonesia has developed an overarching vision of sustainability that gives direction to the company’s CSR activities in the environmental field. Such a vision on sustainability has guided the company’s practices to go beyond today’s internal, operational focus on greening to a more external, strategic focus on sustainable development. As shown in Table 3.2 above, the so-called ‘sustainability
portfolio’ of Unilever Indonesia has encompassed not just pollution prevention and product stewardship, but also moved forward to embracing clean technology as investment for the future. Nevertheless, the most important question regarding its sustainability vision is whether the vision directs any potentials and modalities the company has towards realizing solutions for social and environmental problems (Hart in Crane, et.al., 2008: 322). This is certainly not an easy task to respond to because the answer cannot just depend on technology availability and the considerable amount of money the company has. Once the issue touches the interests of external stakeholders, particularly society at large, a greater political commitment of the company is needed.

Thus, the so-called community-based waste management (CBWM) program in Surabaya under the flagship ‘Green and Clean’ basically serves as the continuation of Unilever’s Green CSR to reduce environmental impact from its business activities. In this context, Unilever should demonstrate its ‘extended responsibility’, as outlined in UU No.18/2008 on waste management, by minimizing after consumption packaging waste that is traditionally just thrown away to the land and rivers by the consumers.

To provide general descriptive information for further analysis, the following paragraphs will highlight waste management problems from global, regional and national perspectives. Such an explanation indicates that waste management in urban living areas is not a simple problem; rather it urgently needs more comprehensive, holistic and strategic solutions. Accordingly, the Unilever Indonesia’s engagement in addressing the problem is considered to be very timely.

3.2.3. Unilever and the Challenges of MSWM Problems and Governance in Indonesia

In 2011 the Ministry of Environment (MOE) of the Republic of Indonesia published a ‘CSR Guidelines for the Environment’. This guideline is launched as part of the national government’s effort to encourage the business community in Indonesia to take
part in mainstreaming sustainable development as their business approach. In line with this, CSR is believed to be a synergy of continuous development to reform social programs that contribute to environmentally responsible business practices and, in turn, improve the environmental quality of life (MOE-RI, 2011: 2). In this guideline, waste management is among one of the alternative programs suggested. This includes, among others, promoting community-based waste management program by applying 3R principles, by improving value-added of waste, and by enhancing composting activities.

Ten years before the MOE’s publication, Unilever Indonesia was already one step ahead in applying Green CSR focusing on community-based waste management. There are some reasons that may explain why Unilever chose to take on the challenges of municipal solid waste problems as part of their CSR’s main program in the environmental field. Firstly, it is because no other single company had carried out such a program before as part of their CSR, whether they are MNCs or national private companies. As suggested in the introduction chapter many Indonesian companies prefer to carry out CSR programs in the community development sector, but without a specific purpose and target. Thus, it is difficult to measure a program’s success and maintain its sustainability.

Secondly, the selected program is indirectly but simultaneously able to bring positive impacts to other-related problems, such as combating climate change and conserving clean water access. Concerning the latter, it is also acknowledged that Unilever product wrappers or covers have potentially caused serious negative impacts to the environment, since they are made of plastic, from different types and characteristics in terms of adaptation capability with the carrying capacity of the natural environment. With the lack of good governance systems to handle MSWM prevalent in a majority of Indonesian big cities, compounded by the poor habits of Indonesian people in treating their household wastes, it is certain that Unilever products will contribute significantly to environmental degradation in the country. Such practices of open-dumping waste disposal
management and using rivers as public toilets and garbage dumps are increasingly threatening the clean waters sources. Thus, despite well-established environmental management systems applied in the company’s internal management under the ISO14000 Certification, as described in Figure 3.4 below, Unilever still has to confront the increase of plastic packaging waste in the environment because of the continuous growth of its business marketing.

Thirdly, waste management problems are not just exclusive to Surabaya although Unilever finally selected the city as the location for the national pilot project. Waste management problems are indeed typical in many growing cities throughout the world.

Figure 3.4. Unilever’s Environmental Management System
(Unilever Sustainability Report, 208: 103)
regardless whether they are in developing or developed countries. The trends of urbanization, consumerist societies and waste generation have challenged global sustainability in many ways. With the unplanned urbanizations and rapid growth of middle class families with changing lifestyles, most Asian countries are facing an enormous challenge of managing urban waste.

A study conducted by the World Bank reveals that urban areas in Asia generate about 760,000 tons of Municipal Solid Waste (MSW) or approximately 2.7 million m$^3$ per day; and in 2025 it is expected to reach 1.8 million tons of waste or 5.2 million m$^3$ of waste per day (Visvanathan, et al, 2007: 1). Another study concluded that collecting, transporting and disposing of MSW represent a large expenditure for Third World cities. Waste management usually accounts for 30-50 percent of municipal operational budgets. Despite these high expenses, cities collect only 50-80 percent of the refuse generated. In India, for instance, about 50 percent of the refuse generated is collected, 33 percent in Karachi, 40 percent in Yangoon, and 50 percent in Cairo. And disposal receives less attention: as much as 90 percent of the MSW collected in Asian cities end up in open dumps (Medina, 2007:3, see also UNESCAP, 2010).

The UN Habitat in its Annual Report (2010) confirms such growing trends of MSWM problems around the world. It states that managing solid waste is one of the biggest challenges for urban areas of all sizes, from mega-cities to the small towns and large villages, which are home to the majority of humankind. It is almost always in the top five most challenging problems for city managers, but unfortunately receives very little attention compared to other urban management issues. The struggle for achieving the Millennium Development Goals (MDGs) and related targets on water and sanitation is being waged in the cities, towns and villages where solid wastes are generated. To a larger extent many developing and transitional country cities have relied upon an active informal sector in recycling, reusing and repairing systems. Not only does the informal recycling
sector provide livelihoods to huge numbers of the urban poor, but they may save the city as much as 15 to 20 per cent of its waste management budget by reducing the amount of waste that would otherwise have to be collected and disposed of by the city (UN Habitat, 2010).

Before going further to see the existing governance of MSWM in Indonesia, it is noteworthy to have an introductory understanding on what solid waste refers to and where it comes from, because the most fundamental step in waste management is quantifying and qualifying the different types of waste being generated (UNEP-IETC, 2002, in Trihadiningrum: 2007). Based on Chapter 21.3 of the Agenda 21 resulting from the United Nations Conference of Environment and Development in Rio de Janeiro, 14 June 1992, municipal solid waste can be defined as follows:

Solid wastes...include all domestic refuse and non-hazardous wastes such as commercial institutional wastes, street sweepings and construction debris. In some countries the solid waste management system also handles human wastes such as night-soil, ashes from incinerators, septic tank sludge and sludge from sewage treatment plants. If these wastes manifest hazardous characteristics they should be treated as hazardous waste.

From the above definition, it can be concluded that solid waste varies based on its type or component as well as its source. Certain types of solid waste may consist of hazardous pollutants for the environment that require different treatment from other types of recyclable waste. Table 3.3. below shows in more details a classification of various types of solid waste. From this table, it is clear that solid waste sourced from residential is more various than the one from other sources. It implies that household and community-based solid waste management that applies the 3R-principles are very strategic to address municipal solid waste management problems at any governmental levels. This meets the current expectations after Rio+20 Conference that say ‘local action but global impacts’
Table 3.3: Sources and Types of Municipal Solid Waste
(UNEP – IETC, 2002)

<table>
<thead>
<tr>
<th>Sources</th>
<th>Typical Waste Generators</th>
<th>Types of Solid Waste</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>Single &amp; Multi Family Dwellings</td>
<td>Food wastes, paper, cardboard, plastics, textiles, glass, metals, ashes, special</td>
</tr>
<tr>
<td></td>
<td></td>
<td>wastes (bulky items, consumer electronics, batteries, oil, tires) and household</td>
</tr>
<tr>
<td></td>
<td></td>
<td>hazardous wastes (electric light bulbs, batteries, discarded medicines &amp; automotive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>parts)</td>
</tr>
<tr>
<td>Commercial</td>
<td>Stores, Hotels, Restaurants, Markets, Office Buildings</td>
<td>Paper, cardboard, plastics, woods, food wastes, glass, metals, special wastes,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>hazardous wastes</td>
</tr>
<tr>
<td>Institutional</td>
<td>Schools, Government Center, Hospitals, Prisons</td>
<td>Paper, cardboard, plastic, wood, food wastes, glass, metals, special wastes,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>hazardous wastes</td>
</tr>
<tr>
<td>Municipal Services</td>
<td>Street Cleaning, Landscaping, Parks, Beaches, Recreational Areas</td>
<td>Street sweepings, landscape &amp; tree trimmings, general wastes from parks, beaches &amp;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>other recreational areas</td>
</tr>
</tbody>
</table>

The current status of MSWM problems and governance in Indonesia has its roots in the historical legacy of the centralized bureaucratic system under the Soeharto led-administration (1969 – 1998). During this period – well-known as ‘Orde Baru’ (New Order) era – most of the public services like public works, health, education, agriculture, communication and environment were managed by the national government. In its execution, the ‘top-down’ rather than the ‘bottom-up’ approach was preferred to carry out the developmental agenda throughout the country. A corrupt and closed bureaucracy was responsible for the rent-seeking system that harmed the environment. Despite the fact that Indonesia had been actively involved in the arena of international environmental diplomacy since the 1972 Stockholm Conference and had also been a promoter of the sustainable development agenda10, the development process in Indonesia, just like in many

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10 It is well acknowledged that Indonesia has consistently shown its active participation in the promotion of sustainable development, at both individual and national levels. Prof. Dr. Emil Salim, the former State Minister for the Environment during the Soeharto-led Administration and a respectable economic professor at the University of Indonesia, is an Indonesian prominent figure whose intellectual and professional contributions are recognized by the world community in many important processes of international environmental cooperation for the promotion of Sustainable Development. In fact, he was a member of the UN Commission that drafted the Bruntland Report as well as the Chairman of the Preparatory Committee of the WSSD, which marked the tenth anniversary of the Rio Summit. At a national level, Indonesia has hosted various important international forums to strengthen global environmental cooperation. Just to mention among others are the Final Preparatory Committee of the WSSD on 25th of May 2002 in Bali resulting in the “Bali Commitment”; and the most current is COP-13 of the United Nations Framework Convention on Climate Change (UNFCCC) which was also held in Bali on 3rd December 2007. See “Indonesia and the WSSD: Forging Consensus for
other developing countries, used to practice the so-called policy of ‘growth first, clean later’. Such a policy has resulted in low institutional capacity and poor infrastructure to pursue the objectives of a sustainable development agenda, as outlined in the Agenda 21 of the Rio Earth Summit, including in the area of municipal solid waste management.

However, since the reformation era, following the fall of Soeharto as the second President of the Republic of Indonesia in 1998, there has been decentralization of power and responsibility to local governments – including provincial, regencies and municipal or city governments. In general, the governance system has now transformed and provides a greater autonomy for local governments to build their institutional capacities so that they are more independent to manage their own potentials and resources, as well as determine their priorities in development. Institutionally, the basic services for water supply, sewerage, drainage, and waste management are a joint responsibility among national,

![Old & New Paradigm of Waste Management](image)

**Figure 3.5. Shifting Paradigm of Solid Waste Management**

(Trihadiningrum, 2007; IGES, 2010)

provincial, municipal governments and the private sector. The proportion of responsibility in the installation, operation and maintenance varies significantly from city to city. Above all, the decentralization has also provided a bigger room for wider public participation to engage and control the ongoing development process. Municipal Solid Waste Management (MSWM) in Indonesia is nationally regulated by UU No. 18/2008. The Law is passed to serve as a legal umbrella for integrated and environmentally sound MSWM in Indonesia. On top of that, the Indonesian government has legally changed the existing MSWM paradigm, that is, from collect – transport – dump to reduce at source and reuse or recycle, as illustrated in Figure 3.5. above.

Table 3.4.
Waste Generated and Collected in Major Cities in Indonesia
(Chaerul, et.al., 2006:5, quoted from Helmy, et.al., 2006)

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
<th>Waste Generated</th>
<th>Waste Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Kg/cap/day</td>
<td>Ton/day</td>
</tr>
<tr>
<td>Jakarta</td>
<td>8,792,000 (2004)</td>
<td>0.66</td>
<td>5.802</td>
</tr>
<tr>
<td>Surabaya</td>
<td>2,599,796 (2004)</td>
<td>0.65</td>
<td>1.689</td>
</tr>
<tr>
<td>Bandung</td>
<td>2,510,982 (2004)</td>
<td>0.70</td>
<td>1.757</td>
</tr>
<tr>
<td>Medan</td>
<td>2,036,018 (2005)</td>
<td>0.68</td>
<td>1.384</td>
</tr>
<tr>
<td>Semarang</td>
<td>1,393,000 (2003)</td>
<td>0.69</td>
<td>961</td>
</tr>
<tr>
<td>Makassar</td>
<td>1,130,380 (2000)</td>
<td>0.86</td>
<td>972</td>
</tr>
<tr>
<td>Padang</td>
<td>787,740 (2004)</td>
<td>0.90</td>
<td>709</td>
</tr>
<tr>
<td>Yogyakarta</td>
<td>511,744 (2004)</td>
<td>0.78</td>
<td>399</td>
</tr>
<tr>
<td>Total</td>
<td>19,754,640</td>
<td></td>
<td>12,378</td>
</tr>
</tbody>
</table>

There is also another law, i.e. Law 32/2009 for industrial waste. Basically there are three major types of waste generated by society, namely: municipal solid waste (non-hazardous and contains hazardous), industrial waste (hazardous and non-hazardous); electronic and electrical waste (e-waste).
On average, every Indonesian generates 0.76 kg/day of solid waste. With a total population of 246,533,673, Indonesia generates 187,366 ton/day of municipal solid waste in a total area of 1,890,000 km² administratively distributed into 33 provinces (Chaerul, et.al. 2006: 5). The problem is more acute when considering Indonesia is the world's largest archipelago composed of 17,504 islands. The fact that today, after the 1998 reformation era, there are now about 500 major cities and semi-urban areas termed as regencies either encircling the major city or existing independently in different parts of the country. Poor municipal solid waste management is also worsened by the rapid growth of population, industrialization, urbanization and modernization in major big cities across the country, which is compounded by a lack of institutional capacity of the local governments. Table 3.4 above provides an illustration about the conditions of waste management found widespread in major cities in Indonesia.

Composition of MSW by source is as follows: household waste (48%), market waste (24%), commercial waste(9%), street and public facilities waste (5%), and others (14%). Compostable organic waste dominates the MSW composition in Indonesia; however the amount of this type of waste tends to decrease. Meanwhile plastic and paper waste increase significantly. Under the current system of MSW management, the approximate amount of solid waste collected is 69%, buried 10%, composted and recycled 7%, open burned 5% and unmanaged 10%. The coverage of MSW collecting services nationwide is approximately 40-50%.Waste recycling activities are mainly conducted by informal stakeholders.

Taking into account the complexities of waste management problems at all levels, public participation becomes a critical issue. Some argue that it closely links with both individual and collective interests in the community and therefore every region has different degrees of participation (Tahir, 2012:3). Others suggest that this issue boils down to the peoples’ most fundamental perception towards waste itself. The majority of people
consider waste merely as residue to be disposed. Collectively, such a perception translates into the unreliability of community members at the household level to participate in the so-called 'centralized-based waste management' system (Kompas, 07/03/2011: 27). In this system the roles of the waste worker and municipal government are vital in collecting, transporting and throwing the waste in temporary and eventually final disposal sites. Unfortunately, there are so many problems surrounding this current system in almost all aspects – institutional/organizational, financial, technical, socio-economic, political, and environmental. In short, we may conclude that the existing waste management problem is like vicious circle.

To sum up, applying a new paradigm is the central idea to totally change such bitter conditions in municipal solid waste management. Certainly we cannot make a change in one night. Change requires time since the problem involves transforming peoples’ consciousness as both individuals and communities on the importance of environmental protection. Waste management with the full participation of community members is the forerunner for other initiatives at the municipal level to create healthier living condition. The program does not just provide community members with technical skills to apply 3R principles in their household waste management, but also environmental awareness in general which is important to sustain the program in the long run. Such awareness has underlined Unilever’s Green CSR to promote CBWM program. Undeniably, this meets the logic of Unilever’s business concerns which highly depends on the loyalty of consumers’ at the household level, particularly women and housewives (Unilever Sustainability Report, 2008: 126-127).