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INDONESIA
NATIONAL PLASTIC
ACTION PARTNERSHIP

SMEs in Plastics Circularity

Presented at ADB Regional Workshop
on Plastic Circularity
Jakarta, 26 June 2024

SMEs are frequently overlooked in plastic pollution reduction efforts

SMEs in ASEAN contribute to **35% – 61%** to each member state's GDP, provide **48%-97%** employment, and makes up for **12-25%** export value.

ASEAN member states' national plan for SMEs



National Medium Term Development Plan (RPJMN)

Indonesia has established a target to strengthen SMEs within RPJMN by 2024 to increase employment, investment, exports, and economic competitiveness.



Trade Policy and Strategy Office

Thailand has set a target to increase the GDP contribution of SMEs to 40% by 2027



New Industrial Master Plan 2030

Malaysia targets to double SME exports to 25% in seven years to support the country's Madani Economy Framework

Why involving SMEs is crucial?

- **SMEs can determine whether large corporations can meet their climate-related targets.** SMEs play a critical role as the supply chain partners of these large corporations, making their participation critical to ensure these targets can be met.¹
- Collectively, **SMEs account for at least 50% GHG emissions from the business sector.**²

In Southeast Asia, plastics circularity-related policies and frameworks are currently being developed and implemented at both the regional and national levels.

This will potentially affect SMEs operating in ASEAN countries.

ASEAN/States	Policy/Framework	Description
ASEAN	ASEAN Circular Economy Framework	aims to facilitate the transition towards a circular economy model within the ASEAN region.
ASEAN	The Regional Action Plan on Marine Debris for the ASEAN Region	aims to the growing issue of marine debris within the ASEAN member states.
Indonesia	PERMENLHK No 75/2019 Roadmap of Waste Reduction by the Producers	governs producers to reduce the waste generated from the sales of products and packaging.
Philippines	EPR Act of 2022	EPR law targeting large enterprises; SMEs are not required but highly encouraged
Vietnam	Environment Protection Law (EPL) (2022)	EPR law - only applied to manufacturers with annual revenue above 30 bn VND (some SMEs are included)

Several questions remain: ***What are the challenges SMEs face regarding the implementation of plastics circularity? What specific resources do SMEs need to effectively implement plastics circularity or transition towards more circular approaches?***

Preliminary results of Indonesia NPAP's
study on **Assessing the Current State
of Plastic Circularity in SMEs**

Overview of Study

This study will include perspectives from two different type of SMEs¹ plastics circularity:

24
SMEs

“**green innovators**”, developers for new products, technologies and approaches that can have **transformational impacts**;

9
SMEs

“**green performers**”, conventional SMEs that transitioning their operations more resource efficient and environmentally friendly in order to **enhance their competitiveness**.

¹UNEP. (2017). Mobilizing Sustainable Finance for Small and Medium Enterprises.



Indonesia

For the first phase, we're collecting data from survey. At the moment, we have distributed the survey to variety of both local and international network such as:

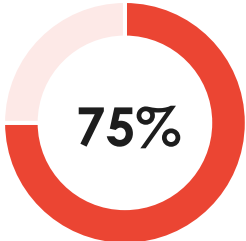
- Indonesia NPAP members
- Indonesia Packaging Recovery Organisation (IPRO)
- Asosiasi Daur Ulang Plastik Indonesia (ADUPI)
- Waste Action Network
- Indo-Pacific Plastics Innovation Network (IPPIN)
- Plastics in Circle
- And many more

Then, we're going to invite few selected SMEs for interview for the next phase

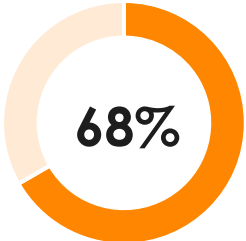
Green Innovators

GREEN INNOVATORS faces significant challenges, especially in accessing finance due to the lack of investor interest and unclear regulatory framework

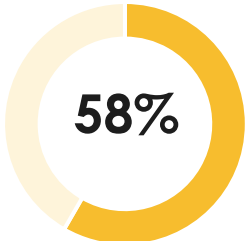
Barriers faced by green innovators when implementing plastic circularity



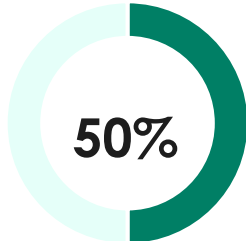
access to financing opportunities



high operational cost



compliance with existing regulation



lack of market demand and awareness

Impact rating for barriers faced by green innovators when accessing financing

Barriers faced	Average impact rate
Lack of investor interest and awareness	4.21
Unclear regulatory framework and policy enforcement	4.08
Complex application processes	3.63
Limited information on available funding	3.63
Lack of collateral	3.54
High interest rates	3.50
Inadequate financial documentation	3.00

11/12 GREEN INNOVATORS express that a **comprehensive regulatory framework coupled with a consistent enforcement** will support them in further developing their business and solving a bottleneck that they're currently facing

“

We look forward to the government establishing legal and binding regulations on the governance of post-consumption waste collection, particularly for recyclable packaging

- *A green innovator focusing on waste management*






“

Having mandatory legislation and regulations on EPR will greatly support our business operations. Additionally, we hope for clear incentives and disincentives, including consistently enforced penalties




- *A green innovator focusing on digitizing data for plastics circularity*

An in-depth study is needed to understand why funders have low interest in financing SMEs in plastic circularity, according to Green Innovators. A study also cites **market uncertainties, insufficient regulation, and a lack of risk mitigation instruments as key obstacles.**

According to a study by GIZ*, **barriers to invest in circular economy include:**

-  **Market uncertainties** (e.g. return-based finance requires a degree of certainty that the project/promoter can generate cash flows in the future),
-  **Insufficient regulatory environment**
-  Investments requiring **large upfront costs for circular infrastructure** investments
-  **Lack of available blending instruments** (e.g. risk mitigation instruments)
-  **Political uncertainty:** missing credible commitments by public authorities (governments) are posing additional risk on (long-term) investment decisions for private sector actors

To further investigate why investors, have low awareness and interest in Green Innovators in Indonesia, we are currently reaching out to several financial institutions with the following questions.

-  What are the challenges and risks faced when financing SMEs working on circularity (e.g., on reuse/refill, waste management)
-  What are your strategies/approaches to de-risking investments in SMEs working on circularity?
-  How do current policies and regulations influence your investment decisions in circular SMEs?

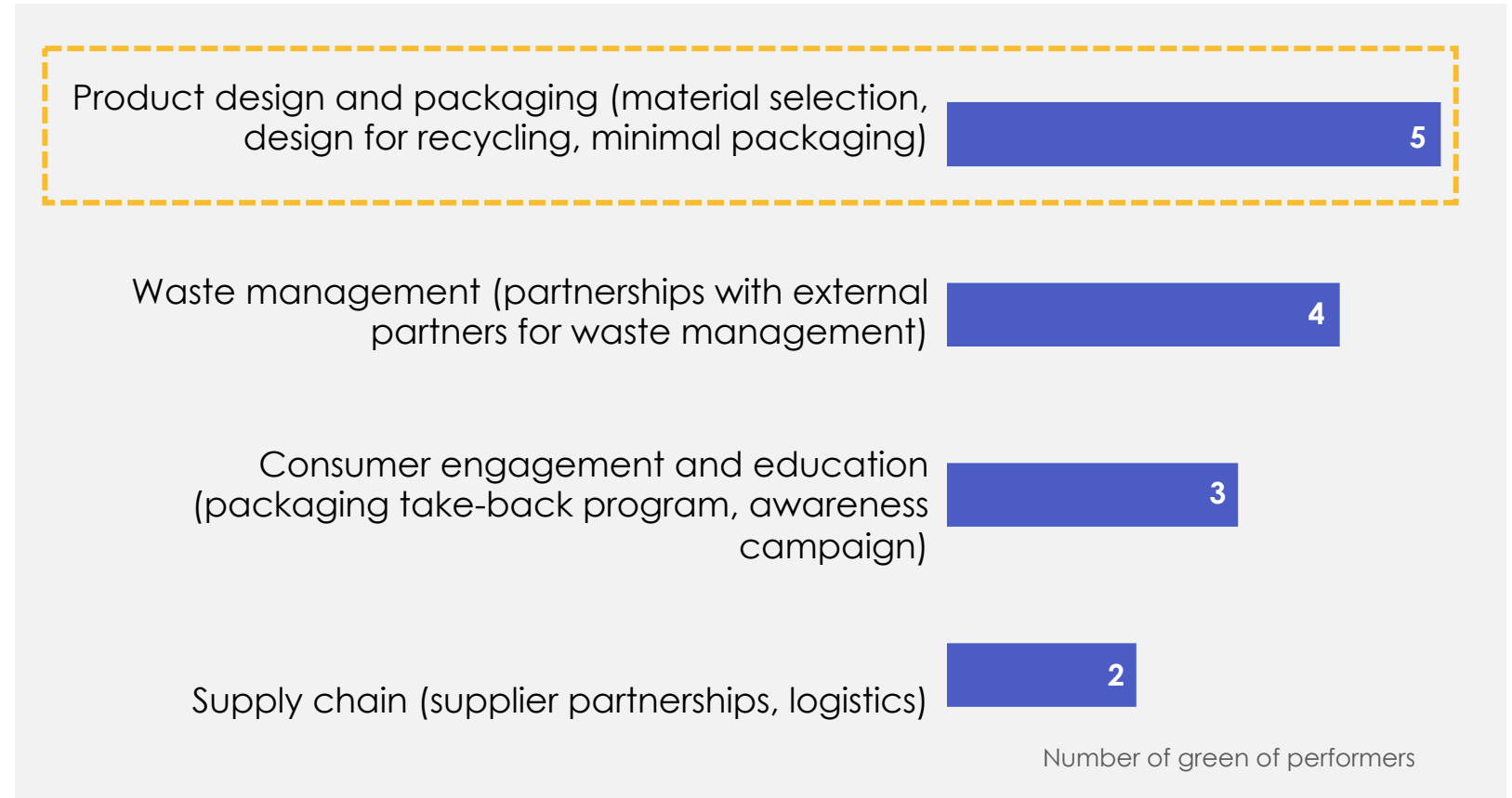
Green Performers

GREEN PERFORMERS integrate plastics circularity into their operations majority for the positive environmental impact, focusing on product design and packaging.

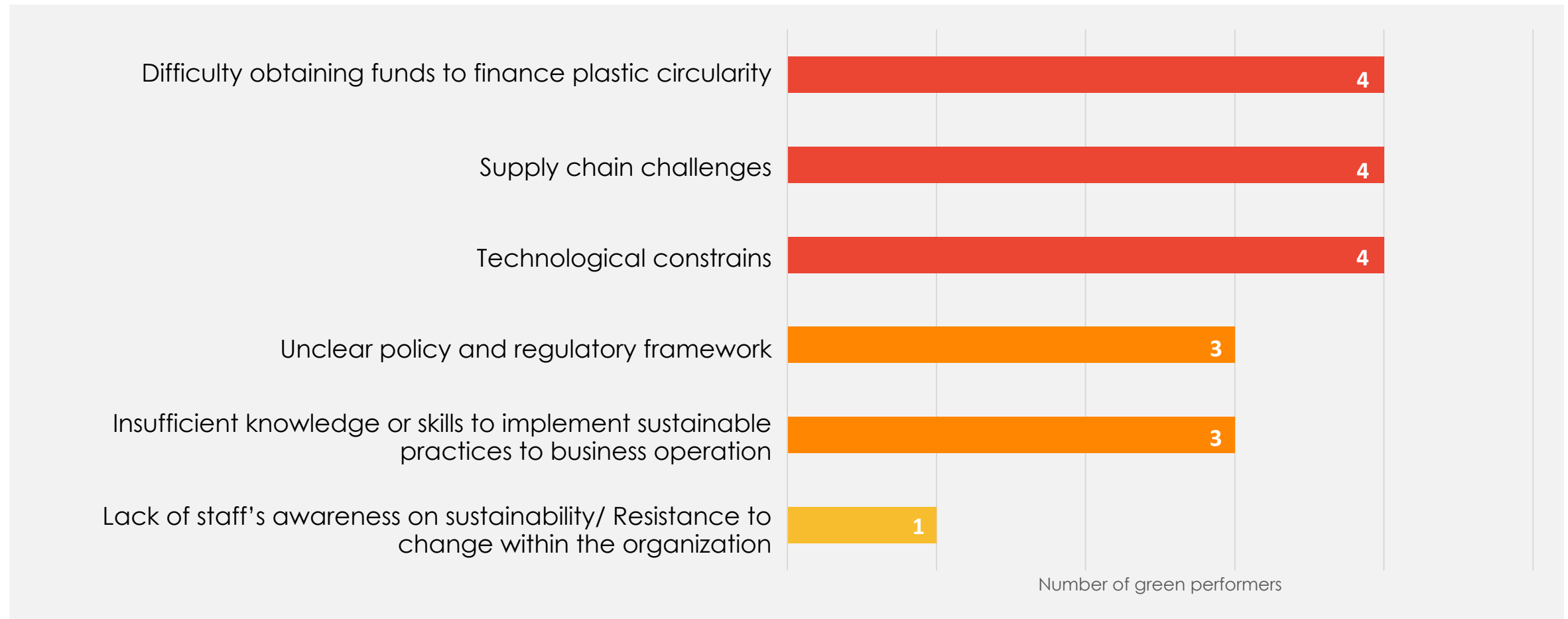
Motivations to integrate plastics circularity into business operations

- 7 create positive environmental impact
- 5 minimising cost
- 3 improving brand reputation
- 2 Meeting consumers' demand

Areas of plastic circularity integration

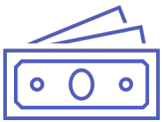


GREEN PERFORMERS find financial, supply chain, technological constrains to be the most impactful barriers in integrating plastics circularity in their business operations

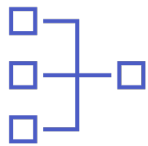


Preliminary Key takeaways

GREEN INNOVATORS



Green Innovators **struggle with accessing finance** due to **low investor interest and unclear regulatory framework**.



They believe a **comprehensive regulatory framework with consistent enforcement** will help overcome current bottlenecks.



An in-depth study is **needed to understand low investor interest**, with obstacles including **market uncertainties, insufficient regulation, and a lack of risk mitigation instruments**.

GREEN PERFORMERS



Green Performers **integrating plastics circularity** primarily to achieve **positive environmental impacts**, yet they face **significant challenges** related to **financial, supply chain, and technological constraints**.



Capacity building can be conducted for SMEs that **have not yet integrated plastics circularity** into their business operations, but an in-depth study is needed to **address the financial, supply chain, and technological challenges**.

Thank you

For further information and collaboration, please contact:

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