



**Closing Address by H.E. Mohamad S. Hidayat
Minister of Industry, Republic of Indonesia**

**“Successful Corporate Social Responsibility – A Key To Obtaining Millennium
Development Goals”**

**Assalamualaikum Wr. Wb
Good day and greetings for all of us**

**Prof. Nila Moeloek,
Mr. Sarwono Kusumaatmadja,
Mr. Rio D. Praaning Prawira Adiningrat,
Distinguished Guests
Ladies and Gentleman**

I am honoured to address the International Conference on ***CSR AND COMBATING MALNUTRITION: OBTAINING MILLENNIUM DEVELOPMENT GOALS (MDGs) IN INDONESIA*** and to share with you some thoughts about Corporate Social Responsibility and its increasing relevance for development issues. This event is one of the efforts held by PT. PA CSR that needs to be given high appreciation.

As you may know, Indonesia is the first country with a law on Corporate Social Responsibility. Law Nr. 40/2007 was adopted at the request of Parliament, and still lacks implementation regulations. At this conference we have the opportunity to help with an optimal understanding of the Law that obviously seeks to support civic society. I give a great value on the effort of the organizers of this conference to not only try to define CSR, but also to complete this effort with an immediate practical project.

I am very pleased to host, after this session, a special dinner for several industries that are in principle ready to engage in such CSR that malnutrition in our country can effectively and on a sustained basis be reduced. I am pleased to see that the World Food Program takes part in this effort. I am proud of our Indonesian women who are willing to work on the ground to distribute whatever the industries will produce. And I welcome the presence of major media because part and partial of combating malnutrition is communication. Not only about a healthy life style but also to remind us all that hunger does exist in a plentiful world. I deeply hope that this conference and the industry discussion will give birth to a practicable and sustained basis for the combat of malnutrition. Our Government will seek to support this effort with the means at its availability.

Let me remind you, that these industries are here not because any law requires this. They are here because it is in the *joint interest of them and of civic society that our children grow up to be able and well-paid consumers that contribute ever more tax to the State – while fulfilling their potential as civilians*. It would be premature and a kind of slaughtering of the chicken with the golden eggs, if we would tax the private companies to engage in CSR. We want to see these companies grow, so that they can bring up taxes in accordance with existing laws while an appropriate part of their income, commensurate with their capabilities and position in society, and in line with their professional activity, is invested in CSR – and in such a way that both the industry and civic society prosper. Only that way CSR is sustainable. Indeed that is the kind of CSR that I could support – and I can consider to facilitate.

Allow me to express the hope that this important academic work indeed will inspire all stakeholders to put all words to deeds.

While considering a definition for CSR, I was reminded of the words of Milton Friedman. In 1970 he was asked : what does CSR mean for you? He said: *there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits as long as it stays within the rules of the game, which is to say, engages in open and free competitions without deception or fraud*. The world has developed since. Matters have become more integrated. Or rather, we are finding out how integrated they may always have been without us knowing it. Such inter-relatedness indeed couples the environment with good working conditions; couples proper waste management with cheap and plentiful clean water; couples proper construction policies with less flooding; couples better food technology and transport and distribution with less disease, less waste and less pollution; couples employment with good schools. Etcetera.

I feel therefore more for with the words of Peter Drucker: *business turns a social problem into economic opportunity and economic profit, into productive capacity, into human competence, into well-paid jobs and into wealth*. In my experience here in Indonesia some of the multinational companies are doing precisely that. Apparently they do not need a law that instructs them to engage in cooperative projects with society. But the Law may give them guidance, and may come up with clearly reliable and controllable benchmarks that allow the Government to facilitate and stimulate through a combinations of credits and tax relief, or the withdrawal of that if nothing is accomplished. This would also be an additional element in strengthening competition – and in a most positive sense for society. Should there be penalties if a company does not engage in CSR? From my previous words you can deduct that companies miss out on credits if they do not act appropriately: so the penalty is in not receiving what others get. In my view, such a law will optimally serve both society and industry – and indeed Government, since industries will in fact take on some of the tasks that normally and naturally fall within the responsibilities of Government.

This is where Government can start to *steer*. If National, Regional or Local Government wishes certain of its own plans or projects to be co-funded by industry, and a CSR angle is

clearly possible, through its credit and relief system Government can substantially *steer* CSR – be it on a totally voluntary basis – to these plans and projects.

This picture could be completed with the integration of contributions of multilateral funds and foreign aid. Indeed the most complete integration of northern country's development aid with CSR of their own companies and our Indonesian development plans integrated with CSR of companies in Indonesia would lead a minimum of wasting aid, a maximum of efficacy and optimal transparency.

It becomes clear that CSR is in no way an additional legal requirement on top of existing labor law, environmental law, competition law, tax law, health law, or whatever law. These laws exist and must be implemented anyway. CSR will not change that requirement and neither will allow companies to circumvent these laws. ***CSR is a special (and different) category of voluntary requirements in a free market economy that allows Government, Industries and Society to streamline their mutually relevant plans and projects within their own competence.*** So neither should the Government sit in the chair of the entrepreneur, deciding for him how to run his company: nor should industry be able to force the Government to assist in its CSR projects.

Mr Chairman, Ladies and Gentlemen, this conference is focusing on CSR and MDGs ,especially MDG 4 and 5. We have time to realize these goals by 2015. So I would like to address some specific problems that I perceive with regards to CSR and its proper implementation.

We should learn from failures in the past, when companies donated hospitals, schools, solar platforms, waste incinerators, etc to communities, but communities were not able to manage these facilities. Perhaps we can learn from some of the more traditional examples, as provided by the food industry. One of your speakers is Ibu Sri Urip, former President and CEO of Unilever. She can perfectly explain how her company invested in Indonesian farms, in Indonesian transport and distribution systems: the Indonesian companies, mostly SMEs, prospered and Unilever made a handsome profit – on a sustained basis. To teach SMEs about Good Manufacturing Practices, to teach them about precision in storage and transport, to train them in cleanliness throughout a production process. These examples demonstrate that CSR works best if it is included in a company's normal budget. That is a far cry from what some experts seem to demand: that companies must engage in areas which are not of their competence or of their continued interest. Such activities – and I say this as a former entrepreneur – are doomed to fail.

This also applies when NGOs or humanitarian organizations request companies for funding. Of course there are blessings in such donations. But if there is no mutuality in the relationship no project will be of long duration. Philanthropy is based on generosity. Society indeed need this kind of generosity but we cannot feed millions of malnourished children on this basis. Nor can Government develop a policy on the basis of incidental donations.

Let me conclude. CSR is already quite active in Indonesia while the CSR law is not yet. What we see, is that communities and their structures working with enterprises are prospering. Successful projects in health, education and environment sectors are most likely successful if they are somehow part of a company's ongoing interest. Silent witnesses of the oldest successful forms of CSR are in food production. So it stands to reason that exactly these companies take the lead in connecting CSR to Malnutrition.

So, Mr Chairman, Ladies and Gentlemen, if Indonesia wants to obtain its Millennium Development Goals, what we need are successful CSR.

Thank you for your attention.

Jakarta, Desember 2010
Minister of Industry

Mohamad S. Hidayat