



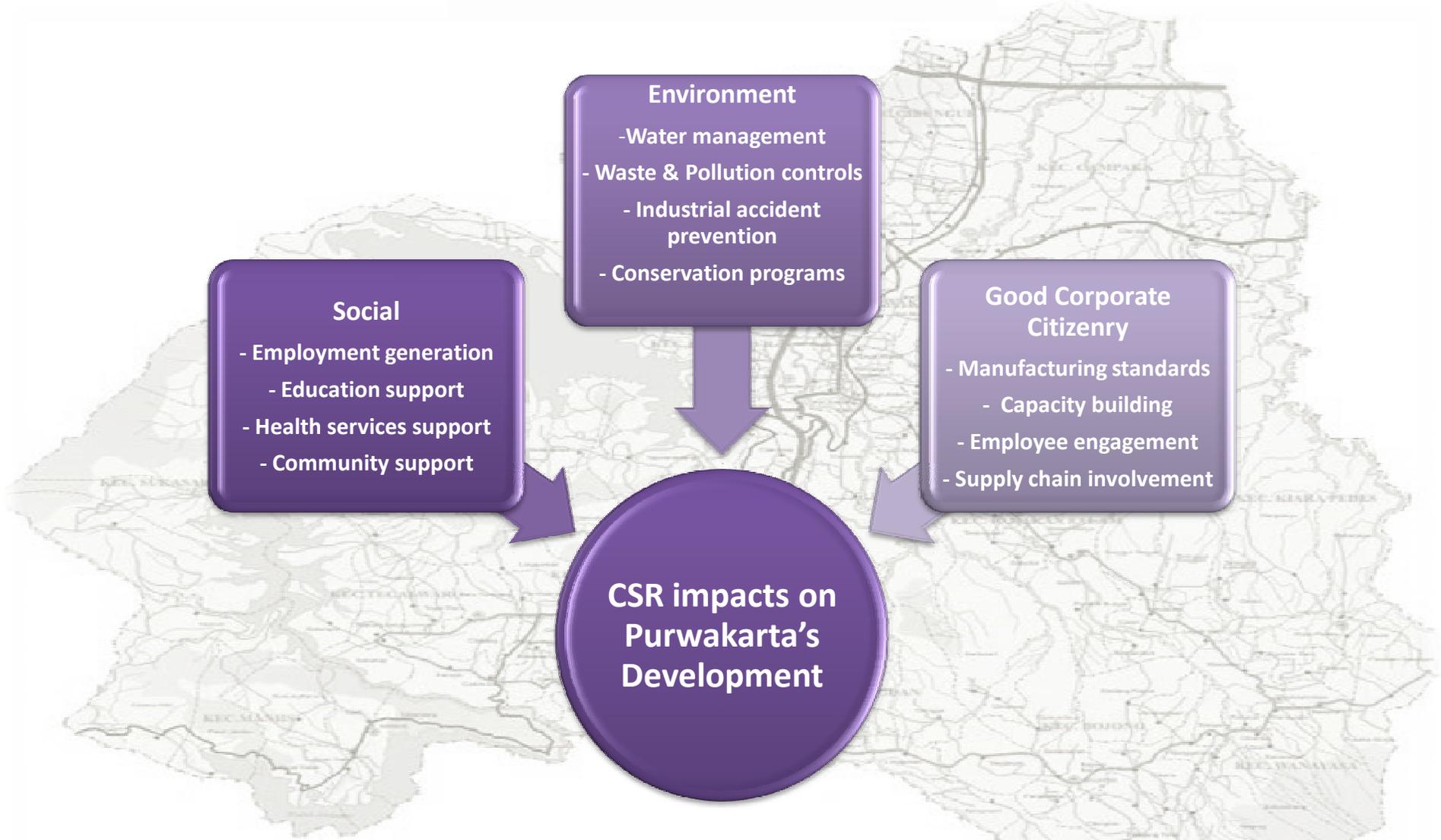
Assessing CSR Impacts – Purwakarta, West Java

Comprising 17 districts and 192 villages Purwakarta is one of the strategically located regencies in West Java. Due to its close proximity to Jakarta and Bandung and suitability for industrial projects, Purwakarta has been transformed over the last 2 decades. It now has a population of over 1 million and enjoys living standards that are relatively better than many surrounding areas. Companies have played a key role in this transformation process. They have created world class manufacturing facilities in competitive sectors like rayon fiber, polyester, spun yarn and related items which are sold in various export markets as well as locally. Apart from creating stable employment for thousands of employees these companies and their employees have also provided a boost to micro, small and medium enterprises in the area.

While Corporate Social Responsibility or CSR efforts of these companies are notable their scale, implementation and impacts need to be better understood. There are also some serious challenges such as haphazard zoning that has resulted in dense populations residing adjacent to large plants, employment pressures due to limited new projects and automation based expansion by existing factories, environmental challenges associated with Jatiluhur lake and Citarum river basin, concerns regarding proper end use of funds and inadequate infrastructure development which is resulting in greater expectations from the corporate sector.

Leading strategic advisory and management consulting company, IndonesiaWISE has been focusing on Purwakarta focused CSR impact research and assessment since 2009. The main objective is to assist well meaning companies in enhancing their CSR programs and making them more holistic from a multi stakeholder perspective. It is hoped that this ongoing research and socialization will help make Purwakarta a model for positive CSR related impacts in the country. For further details please contact information@indonesiawise.com





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Purwakarta bustles with the impacts of industrialization. Living standards as seen from the criteria of civic infrastructure, housing education and employment opportunities, have shown improvements over the past decade. There are a large number of micro, small and medium enterprises that have benefited from the economic growth created by the large manufacturing companies in the region.

Cooperation between the local government and the corporate sector has been quite consistent and Purwakarta is frequently ranked as a top tier investment destination. Industrial harmony has generally been maintained.

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One area of concern is the close proximity between industry and residential communities. While this is a feature across much of Indonesia, in Purwakarta residential communities are within close distance of heavy manufacturing that are energy intensive and use various raw materials including hazardous chemicals. Some companies also have built large captive coal based power plants to ensure uninterrupted power supply for their operations.

It is critical that companies manage their operations to avoid industrial accidents and comply with environmental norms strictly and consistently.

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Purwakarta is strategically located in the Citarum river basin. This river basin has been found to be seriously polluted and categorized as ‘Black’ by the Ministry of Environment. Since the river basin and the sprawling Jatiluhur lake are a vital source of water for not just Purwakarta but the capital Jakarta, water management must become a very urgent priority.

Serious multi stakeholder initiatives are required to be undertaken over the long term. Companies can play 2 important roles – first ensure their operations are careful about water usage and effluents discharge and second to proactively participate in credible water conservation efforts as part of their CSR.

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Majority of the large companies that dot the Purwakarta landscape were set up in the 70s, 80s and 90s. Large scale new investments have been limited in the last decade though established players have expanded their capacities substantially. With greater automation there is a pressure on factory employment.

Due to the economic prosperity in the regency and consumption potential there has been a spurt in micro, small and medium enterprises. Several struggle due to lack of capital and access to bank finance. This represents a good CSR opportunity for companies and some have started schemes including linking SMEs to their waste handling and supply chain partners.

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Education is one of the main themes seen in the CSR efforts of companies. Some have constructed schools while others provide scholarships, teaching aids, funding for school facilities and support for vocational training. Given the growing young population in Purwakarta education is expected to remain an important CSR theme.

Companies can further assist by supporting efforts of schools to update curriculums, building computer & science labs, providing career counselling for graduating students and creating institutions of higher learning like engineering polytechnics that can provide better manpower for industry.

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Currently CSR programs are also undertaken related to construction and support for mosques and religious activities, support for healthcare facilities, providing building materials and infrastructure support like bore wells, road repairs and drainage.

Companies tend to 'adopt' neighboring villages and work on selected projects. Some positive CSR indicators include a greater involvement of company employees to create a sense of ownership, a preference for specific projects to donations, using retired personnel to monitor implementation, proactive engagement and compilation of activities into reports. This will remain an important discipline requiring senior management attention in the coming years.

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