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SUMMARY OF THE MARCH 1997 PROPER PROKASIH EVALUATION

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A Press Release from Indonesia's

ENVIRONMENTAL IMPACT MANAGEMENT AGENCY

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I. PROGRAM EVALUATION

1. Objectives of the PROPER PROKASIH Program.

The objectives of the PROPER PROKASIH are to improve compliance to regulations that are relevant to environmental impact management and to enhance the implementation of a cleaner production approach. The PROPER PROKASIH program is not implemented as a means to substitute the more traditional policy approaches such as legal compliance. Other policies such as economic incentives and legal compliance will continue to be developed and implemented to simultaneously improve compliance and enhance the implementation of cleaner production.

2. Reporting Frequency.

The PROPER PROKASIH reports are basically issued once a year. The progress of companies that are included in the PROPER PROKASIH will continue to be reported, unless the company ceases production. This July report that is based on the end of March 1997 evaluation, is the fourth PROPER PROKASIH report. The first report was issued in June 1995, and included 187 companies of which the results were restrictedly announced to the respective companies. The second report (213 companies) was announced in December 1995 and its results were openly exposed through the media. The third report of which the purpose was to evaluate companies that in the second report were evaluated as still non complying (about 120 companies, with red and black ratings), was issued in October 1996 and was also announced openly in the media.

3. Improvement in Compliance and Improvement in the Implementation of Cleaner Production.

Monitoring performed since June 1995 to July 1997 shows that PROPER PROKASIH is an effective policy instrument to improve compliance. This is obvious from the following aspects:

- Based on the 187 companies that were involved since the beginning (June 1995), initially 35.3% of the companies complied, with this having increased to the current percentage of 49.2. In the same group, the initial 2.7% of companies implementing cleaner production in June 1995 has grown to 4.3%.
- Based on the 213 companies that started to be monitored in December 1995 with a compliance percentage of 43.7%, this has increased to the current percentage of 52.6%. Of the same group, the initial 2.3% meeting the cleaner production criteria has increased to the present 4.2%.

- As a program for increasing compliance and cleaner production using the information policy instrument, the PROPER PROKASIH is an Indonesian innovation and the first in the world. Due to the PROPER PROKASIH's initial success, since the end of last year the Philippines introduced the same program (called ECOWATCH). Their use of the model implemented in Indonesia was mentioned in their announcement. From a number of sources, information obtained suggests that Mexico, Colombia and eight other countries are at present preparing to implement programs similar to the PROPER PROKASIH.

II. COMPLIANCE AND INFORMATION MECHANISM AS A POLICY INSTRUMENT

1. Compliance Mechanism.

In the PROPER PROKASIH the level of compliance can be simultaneously monitored. Results from that monitoring is then translated into an easy to understand form, namely in a rating's form indicated by colours, ranging from gold for factories with the potential of polluting but performing zero emission; green for factories that perform cleaner production activities; blue for factories follow the existing regulations; red for those factories that implement activities but have not attained the necessary requirements; and black for those activities that have pollution potential but do not care to manage them. This information in the form of colour ratings is then broadly exposed through the mass media.

Those enterprises that achieve the blue, green and gold ratings are expected to receive acknowledgment and appreciation from various parties in the society including the government, banks and other financial non-banking institutions, fellow businesspersons and the general public. On the other hand those enterprises that achieve the red and black ratings will be required by various parties to upgrade their level minimal to the blue rating. For companies that export to countries that require production that are processed without any negative environmental impacts (such as the United States, West Europe and Australia), the achievement of the green and gold ratings will become a marketing asset.

2. Success Determining Factors of the PROPER PROKASIH.

Some factors determining the success of the implementation of the PROPER PROKASIH in achieving its objectives. are as follows:

- Information Quality and its Distribution

The confidence of the public in the information quality is one of the success keys. Hence the accuracy of information provided becomes a priority. However, companies are also

given solutions in cases where they face time constraints in achieving compliance. Hence on request, those companies may be temporarily omitted from being evaluated, when implementing environmental audits. The spread of information and the understanding of it, also determines the success of this program.

- Sensitiveness of the Company regarding their Image.

Those companies that are sensitive about their public image are inclined to be more concerned with their ratings. An example is the relatively higher ratings of foreign investment companies. In this sector the oil and gas companies attained a relatively high compliance rating since their image in their country of origin as well as internationally is an important factor. PT Indobharat Rayon that previously obtained the black rating, has now achieved the blue rating due to image sensitiveness of its main company in the country of origin.

- Market Pressure.

Consumers in some western countries require products that are produced without causing any negative environmental impacts. Hence, importers in those countries mention those requirements when procuring the products. For companies that manufacture those products (in particular that of the commodity group such as textile), the black and red ratings become a disadvantage, hence they will put efforts to rapidly achieve the blue ratings, while blue, green and gold ratings are an asset to these companies. For example, PT Sri Rejeki Isman Textile (SRITEX) that won a contract from the NATO to produce military uniforms. The contract stipulated that in the manufacturing of their products it was required to avoid pollution. Based on this, the company in less than no time improved its ratings from red to blue by implementing a waste minimisation program. At present this company is trying to achieve the green rating.

- The Company Environment

The environment of the company is also a decisive factor. Company environment may mean associated businesses such as in the case of the rubber industry. With the support and directives of the associated companies, these rubber factories will combine in handling their pollution problems, creating a ratings "migration" to the blue ratings from a lower rating. Company environment can also mean the reaction of financial institutions against their ratings' evaluation. As an example, PT Papyrus Sakti that previously did not comply, succeeded in achieving the blue rating, since this company experienced difficulties in entering the capital market. Some other companies were reported to comply after experiencing difficulties in obtaining loans from their bank for the expansion of their business.

- Cultural Nature of Company Owner

The attitude or cultural nature of the company owner is one of the decisive factors. The owner may push or require the company management to implement compliance.

However, their attitude does not ensure compliance. For instance in the case of the owner PT Inti Indorayon Utama who changed his attitude due to international exposure. Initially it was difficult to change the cultural nature and attitude of the company's management to be more sensitive to the environment. Rapid expansion of the company can weaken the supervision, hence unable to represent the owners' attitude in practice. PT Texmaco is an example. Eventhough there was a high environmental awareness by the owner, but due to the large scope of his responsibilities, this attitude was not reflected in the management.

III. DEVELOPMENT OF THE PROPER PROKASIH

PROPER PROKASIH has achieved its objectives. The main constraint to PROPER PROKASIH is the limited number of companies and businesses. Hence, it is deemed necessary to improve the intensity and scope of this program so that its advantages may be enhanced. The improvement of effectiveness and use is necessary to be achieved, taking into account the following:

1. Its function as a policy instrument to improve compliance.

Until present many companies have not complied with environmental regulations. This condition is aggravated by the increase of businesses in the context of economic globalization, increasing the potential for pollution. On the other hand, the interest of the low-income public in obtaining water for daily use is more and more endangered by the above mentioned increase in pollution potential. Besides, the growth of industries also require good quality water as one of their raw materials. Hence, a good and healthy environment is needed to improve fair distribution and economic growth.

2. Its function to increase competitive power in the global market.

As discussed above, consumers in countries such as the United States, West European countries and Australia, demand that the products they procure do not cause environmental impacts during the manufacturing processes. Hence the importers of those countries demand the same requirements. As such, the recommendations of PROPER PROKASIH to comply with valid regulations (blue rating) and to push for the implementation of cleaner production (green and gold ratings) may improve the competitiveness of these products in particular export commodities to those countries.

IV. Further Steps:

Further steps in the implementation of the PROPER PROKASIH program, are as follows:

1. Increasing partnership.

Increasing partnership with sectoral departments, local governments, associated businesses, as well as financial institutions will be maintained. Cooperation with environmental laboratories will be intensified to improve laboratories' role in the determination of companies "potential of achieving green", potential of achieving blue", and "no opinion". Participation of laboratories will improve the capacity of PROPER PROKASIH.

2. Extensification of number and type of businesses.

In June 1995, PROPER PROKASIH started by involving 187 manufacturing companies. At present this number has increased to 270. With the consolidation of this program implementation, the number of companies will continue to increase. The types of businesses will also increase. For the end of this year it is planned to include hotels, real estates and mining.

3. Improving Human Relations.

As mentioned above, the understanding and support of the public (government, business and general public) remains a success determining factor. Hence, public relations efforts will continue to be improved.

4. Extension of Information to Foreign Countries.

In the context of providing guidance to countries interested in implementing programs similar to the PROPER PROKASIH, preparations have to be performed in coordination with the Department of Foreign Affairs. Also information regarding PROPER PROKASIH that are of a general nature have to be provided to Indonesian embassies in the United States, West European countries and Australia.

5. Increasing Assistance.

To assist companies that intend to improve their ratings to PROPER PROKASIH, technical assistance facilities have to be provided in the form of consultation and work meetings. Input from companies participating in PROPER PROKASIH to improve effectiveness and advantages of this program continue to be needed.

RATING EVALUATION OF 187 PROPER PROKASIH PARTICIPATING INDUSTRIES (JUNE 1995)

RATING	TOTAL
GOLD	0
GREEN	5

BLUE	61
RED	115
BLACK	6
TOTAL FACTORIES 187	

RATING EVALUATION OF 187 PROPER PROKASIH PARTICIPATING INDUSTRIES (DECEMBER 1995)

RATING	TOTAL
GOLD	0
GREEN	4
BLUE	72
RED	108
BLACK	3
TOTAL FACTORIES 187	

RATING EVALUATION OF 187 PROPER PROKASIH PARTICIPATING INDUSTRIES (MARCH 1997)

RATING	TOTAL
GOLD	0
GREEN	8
BLUE	84
RED	92
BLACK	3
TOTAL FACTORIES 187	

RATING EVALUATION OF PROPER PROKASIH PARTICIPATING INDUSTRIES (DECEMBER 1995)

RATING	TOTAL
GREEN	5
BLUE	88
RED	115
BLACK	5
TOTAL FACTORIES 213	

**RATING EVALUATION OF PROPER PROKASIH PARTICIPATING
INDUSTRIES (MARCH 1997)**

RATING	TOTAL
CLOSE	2
GREEN	9
BLUE	104
RED	93
BLACK	5
TOTAL FACTORIES 213	

**RATING EVALUATION OF 270 PROPER PROKASIH PARTICIPATING
INDUSTRIES (MARCH 1997)**

RATING	TOTAL
GREEN	14
BLUE	135
RED	116
BLACK	5
TOTAL FACTORIES 270	

**RATING EVALUATION OF PROPER PROKASIH PARTICIPATING
INDUSTRIES (DECEMBER 1995)**

RATING	TOTAL
RED	115
BLACK	5
TOTAL FACTORIES 120	

**CHANGE IN 120 PROPER PROKASIH INDUSTRIES PARTICIPATING SINCE
DECEMBER 1995 (IN OCTOBER 1996)**

RATING	TOTAL
CLOSE	1
GREEN	1
BLUE	35

RED	77
BLACK	6
TOTAL FACTORIES 120	

**RATING EVALUATION RESULTS OF 93 PROPER PROKASIH INDUSTRIES
IN DECEMBER 1995 (BLUE, GREEN)**

RATING	TOTAL
GREEN	5
BLUE	88
TOTAL FACTORIES 93	

**RATING EVALUATION RESULTS OF 93 PROPER PROKASIH INDUSTRIES
(MARCH 1997)**

RATING	TOTAL
CLOSE	1
GREEN	8
BLUE	67
RED	17
TOTAL FACTORIES 93	

**RATING EVALUATION RESULTS OF NEW PROPER PROKASIH
INDUSTRIES (MARCH 1997)**

RATING	TOTAL
GREEN	5
BLUE	31
RED	23
TOTAL FACTORIES 59	