

**Bridging the Gap in Corporate Social Responsibility:  
Balancing Short-Term Benefits and Long-Term Risks in  
Nickel Mining in Central Halmahera, Indonesia**

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## List of Acronyms

AMAN	<i>Aliansi Masyarakat Adat Nusantara</i> (Indigenous People Alliance of the Archipelago)
AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> (Environmental Impact Assessment)
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> (Ministry of National and Development Planning)
BAPPEDA	<i>Badan Perencanaan Pembangunan Daerah</i> (Regional Development Planning Agency)
BPS	<i>Badan Pusat Statistik</i> (Central Bureau of Statistic)
BPKM	<i>Badan Koordinasi Penanaman Modal</i> (National Investment Coordinating Board)
CSR	Corporate Social Responsibility
EV	Electric Vehicles
ESDM	<i>Energi dan Sumber Daya Mineral</i> (Energy and Mineral Resources)
IWIP	Indonesian Weda Bay Industrial Park
ISO	International Organization for Standardization
IUP	<i>Izin Usaha Tambang</i> (Mining Business Permits)
JATAM	<i>Jaringan Advokasi Tambang</i> (Mining Advocacy Network)
KSPSI	<i>Konfederasi Serikat Pekerja Seluruh Indonesia</i> (The Confederation of All Indonesia's Workers Union)
LD	Local Development
NGO	<i>Organisasi Independen</i> (Non-governmental Organization)
PSN	<i>Proyek Strategis Nasional</i> (National Strategic Project)
PT	<i>Perseroan Terbatas</i> (Limited Liability Company)
PPM	<i>Pengembangan dan Pemberdayaan Masyarakat</i> (Community Empowerment and Development Program)
PROPER	<i>Program Penilaian Peringkat Kinerja Perusahaan Pengelolaan Lingkungan</i> (Public Disclosure Program)
RIPIN	<i>Rencana Induk Pembangunan Industri Nasional</i> (National Industrial Master Plan)
RPJMN	<i>Rencana Pembangunan Jangka Menengah Nasional</i> (National Medium Term Development Plan)
RKEF	Rotary Kiln Electric Furnace
SDGs	Sustainable Development Goals
SLD	Sustainable Local Development
TBL	Triple Bottom Line
VOC	<i>Vereenigde Oost Indische Compagnie</i> (The United East India Company)
WALHI	<i>Wahana Lingkungan Hidup Indonesia</i> (Indonesian Forum for the Environment)

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## Abstract

The development of transitional energy towards electric vehicles has surged the global demand for nickel, causing it to be a key component in battery technology. This transition has led to a rapid expansion of nickel mining production, particularly in Indonesia which falls under the world's largest nickel producers. The industrialization process has swiftly transformed the social and economic landscape of local community. The presence of mining companies that have been exploiting the natural resources in Central Halmahera, raises hope for the local community for reciprocal benefits as a return for the environmental and social impacts they have encountered. This study aims to capture the impact of Corporate Social Responsibility (CSR) policy of PT. Indonesia Weda Bay Industrial Park (IWIP) in Central Halmahera, North Maluku. Drawing upon the CSR using stakeholder theory and concepts of local development, this study presents key findings to the needs of 'ring one' villages, such as Lelilef Sawai, Waibuan, and Gemaf, where mining extraction have dramatically impacted the area. This research is supported on qualitative method, fieldwork, interview with local stakeholders, NGOs, and government officials, as well an analysis of the company reports, and websites. This analysis points out the complex interplay between development. While the company's CSR strategies have contributed to some aspect of local development, there is a need to also proactively addressing broader concerns, such as health and environmental management risks. The implementation of the company's CSR has been carried out since 2019, however, the CSR efforts have yet to establish a sustainable program. This study highlights the need for a more strategic, robust, and inclusive CSR policies that genuinely benefits the local community and address the complexities of the mining's socio-environmental impact.

## Relevance to Development Studies

This research provides an additional knowledge in a study regarding CSR development, particularly in the nickel mining sector in the case of PT. IWIP, locality of Central Halmahera Regency in North Maluku Province. The notion of transforming to electric vehicles, with nickel serving a crucial role as the key component in battery production while achieving sustainable growth through extraction industries, has sparked a complex debate. The NGOs, local community, and vulnerable group such as women are becoming a vulnerable actor when it comes to development due to their role in pushing for the welfare and sustainable development as well as protection of their local interests. It can generally be perceived as one of the most significant actors whose main objective is to advocate for collective rights, monitoring the nickel activities, and modify social dynamics. This research paper aims to provide contribution to a gap of knowledge in CSR practice and its contribution to local development. Through the application of CSR theory particularly stakeholder theory, and a focus on local development by considering the private and voluntary sector as a key actor for development, this research highlights a nuanced insights into both the success and the gaps into the CSR, primarily in term of long-term sustainable in the villages surrounding the mining operations such as Lelilef, Gemaf and Sagea in Central Halmahera.

## Keywords

Corporate Social Responsibility, Stakeholder, Local Development, Sustainable, Environment PT. IWIP, Central Halmahera, North Maluku, Indonesia

# Chapter 1

## Introduction

### 1.1 Setting the Context of Nickel Mining in Indonesia

Indonesia, particularly the Maluku region, holds a crucial role in the global nickel trade due to its rich geological resources. As global nickel demand has grown by 10% annually- from 2.44 million tons in 2019 to 3.61 million tons in 2023, the rapid expansion of nickel mining in areas like Halmahera has fuelled economic growth, but also raised significant environmental and social issues (CREA & CELIOS, 2024, p.16). Halmahera alone has over 60 nickel mining licenses and numerous smelters spread across extensive land areas (JATAM, 2021, p.7). This rapid industrialization has led to pollution of air, soil, and water, alongside substantial impacts on local livelihoods, public health, and traditional ways of life (*ibid*, p.9). To ensure that the benefits of nickel down-streaming are shared broadly, it is essential to also prioritize community rights and environmental sustainability. Corporate Social Responsibility (CSR) provides companies with a strategic framework to protect these rights while promoting sustainable growth through empowerment and initiatives aimed at improving the quality of life and fostering self-sufficiency (Frederiksen, 2018, p.496)

To put it briefly, the history of nickel mining in Indonesia started in the Verbeek mountains of Sulawesi in 1909 (Khoirul, 2023). Moreover, it was first discovered by the Dutch mineralogist which forthwith became a huge step of exploration in 1934 and continued its first operation in 1941 mainly in nickel ore as a blend of metals and non-metallic materials (McCarthy, 2016). During the 1970 until 2000, Indonesia primarily began exporting nickel resources in raw form to other countries, with small domestic processing into higher-level value products (Khoirul, 2023). Parallel to this, the reliance on raw material exports prompted a shift during the reformation era in 1998-2000, leading to a rise in nationalistic sentiment. As a result, there was a push for policies that encouraged the local processing of nickel to retain more economic benefits within Indonesia and reduce dependence on foreign market. This shift then laid the foundation for Indonesia's modern mineral processing strategies of natural resources including nickel through a process known as down-streaming (Radhica, 2023, pp. 74-76).

### 1.2 History of Indonesia with Nickel Development

The history of nickel development in Indonesia illustrates the profound transformation within its economic and social landscape, particularly in response to the demand for nickel in global low-carbon energy initiatives. Following Indonesia's independence in 1945, the mining sector began to emerge as a critical contributor to national development, with nickel gaining particular prominence due to its essential role in electric vehicle (EV) batteries. According to Qothrunnada et al. (2022), this shift is emblematic of Indonesia's broader transition from fossil fuel dependence towards a green economy. Approximately 30% of Indonesia's nickel resources are concentrated in North Maluku, making this region a central hub for nickel mining (Naryono, 2023, p. 15).

However, the rapid industrial expansion has yielded complex socio-environmental challenges, especially in areas surrounding mining activities. In villages like Lelilef Sawai and Lelilef Waibulan, situated in the Weda Sub-district of Central Halmahera Regency, nickel mining has led to substantial environmental degradation, deforestation, and contamination of local water sources (Nancy, 2022). The encroachment on traditional territories has

disrupted indigenous ways of life, eroding cultural identity, and altering livelihoods once rooted in farming and fishing (Prematuri et al., 2020). This has led to significant social dislocation, with local communities now reliant on manufacturing and industrial labor—a stark shift from their prior agrarian economy centered on crops like cloves and nutmeg.

The arrival of large-scale industrial players such as PT. IWIP has accelerated this transformation, transitioning the local economy toward an industrial base focused on supporting the EV sector (JATAM, 2024). While this industrialization contributes to Indonesia's economic growth and its ambitions in the EV industry, it also highlights the need for balanced development strategies that safeguard environmental sustainability and preserve the socio-cultural fabric of impacted communities.

### 1.3 Contextual Background of the Research

The contextual background of this research centers on the socio-economic and environmental impacts of nickel mining on local communities in Weda, Central Halmahera, specifically in Lelilef Sawai and Lelilef Waibulan villages. The rapid expansion of nickel mining has significantly altered these communities, with consequences extending beyond mere landscape changes to deeper issues like income loss, social inequality, and poverty. As noted by Saturi (2013), many residents, primarily farmers and fishermen, find themselves trapped in poverty due to limited alternative income sources. The shift from traditional livelihoods to dependency on mining has created a deadlock, as villagers struggle to sustain themselves in an increasingly industrialized economy.

Another pressing issue is the disparity in employment opportunities between local residents and migrant workers. According to Rushidi et al. (2021, pp. 82-84), skilled migrants from regions such as Sulawesi, Sumatra, and Java have a comparative advantage in securing jobs within the nickel and creative industries. These migrants often possess educational backgrounds and skill sets that provide them with an edge in the labor market, further compounding economic inequities. This dynamic has created growing tensions between local residents, who often lack similar employment opportunities, and the migrants who benefit disproportionately from the expanding industry (ibid, p. 85).

The socio-economic rifts have spurred demonstrations by local communities, NGOs, and student groups, drawing attention to the widening economic disparity and environmental degradation that accompany nickel mining. As these groups have highlighted, industrial activity has brought about substantial ecological damage, often manifesting as deforestation, pollution, and a degradation of local resources (ibid, p. 10). Additionally, the influx of consumer goods and lifestyles associated with industrial development has intensified cultural and social disintegration among affected communities, resulting in identity crises as traditional ways of life erode (ibid, p. 12).

The Labor Day protests held on May 1, 2024, by workers at PT. IWIP underscore the discontent regarding labor conditions and insufficient advocacy from the Confederation of All Indonesia's Workers Union (KSPSI) within the company. These protests revealed long-standing grievances over inadequate worker compensation, insufficient safety measures, and ineffective risk management practices (TeropongMalut, 2024). This friction reflects broader issues in worker-company relations and exposes a lack of trust, especially concerning workers' rights and protections.

Furthermore, the company's Corporate Social Responsibility (CSR) activities have faced criticism for being sporadic and lacking tailored, long-term strategies. Rather than addressing the unique needs of local communities or focusing on sustainable environmental practices, the CSR initiatives seem misaligned with community values and requirements (ibid,

p. 3). This disconnect limits the effectiveness of CSR efforts and diminishes the potential for achieving meaningful social and environmental impacts.

In light of these conditions, it is evident that solutions are needed that go beyond maximizing production and profit. Instead, there must be a concerted focus on sustainable and inclusive CSR programs that genuinely engage with the needs of the community and the environment. Long-term planning, participatory approaches, and measurable impact goals are essential for CSR activities to yield lasting benefits. In the case of PT. IWIP, the current CSR approach appears inadequate, making this research particularly relevant in assessing the company's policies and practices in social responsibility. By examining the CSR framework, this study aims to highlight areas for improvement and propose strategies that align industrial goals with the socio-environmental well-being of Weda's communities. Such an approach is crucial to fostering a balance between economic development and the preservation of local livelihoods, cultural identities, and environmental integrity.

## 1.4 Research Objectives and Questions

This research paper aims to examine the dynamics of PT. IWIP and their role as company within the context of Corporate Social Responsibility (CSR) and their efforts for community development and whether they see it as their obligation within the community. This study wishes to understand the company's strategic approach and whether the local governments as well as NGOs may involve in strategies, actions, advocacy, and policy to ensure the rights of the communities affected by nickel mining. Therefore, this research paper proposes this following research question.

### **Research Question:**

*“How does the CSR policy of PT. Indonesia Weda Bay Industrial Park (IWIP) specifically shape the social and economic outcomes in terms of community welfare infrastructure development and environmental sustainability within Central Halmahera's local communities?”*

Additionally, this research is also complemented by posing the following three sub-questions:

1. In what ways does PT. IWIP implement its CSR principles and legal frameworks to address local community needs in Central Halmahera?
2. How do the dynamics of PT. IWIP's CSR practices affects local community development in terms of welfare, infrastructure and environmental sustainability?
3. To what extent are the development needs of Central Halmahera's communities defined and addressed within the framework of PT. IWIP's CSR initiatives?

## 1.5 Chapter Outline

This study is divided into eight chapters (Figure 1.5). The first chapter of the paper serves as an introduction, discussing about the context of nickel mining in Indonesia, history of Indonesia with nickel extraction, and finally the background of the study which is informing the focus of the research, its significance, on-going issue, and finally a brief information of CSR issues surrounding nickel mining in Weda, Central Halmahera. In the following section, I also covered the objective of the study as well as the research questions.

Additionally, the rest of this paper is organized as follows: Chapter two presents the conceptual framework such as Corporate Social Responsibility (CSR), Stakeholder Theory and lastly Local Development. Whereas chapter two lays out the literature review and contextual information of nickel mining including the overview of regulation and debates surrounding it. Chapter four explains the research methodology used in this study. Chapter five summarizes the overview of PT. IWIP and their CSR strategies available online as well as its challenges. Meanwhile, Chapter six elaborates an extended discussion and analysis based on the findings of the study retrieved from the fieldwork. Chapter seven summarizes the disconnection of CSR and local needs and how to adapt to strategies forward. Finally, this paper ends with Chapter eight by providing the overall conclusions of the paper and suggestions for future research.

**Figure 1. Organization of Research Paper**

<b>Chapter 1</b>		
1. Setting the Context of Nickel Mining	2. History of Indonesia with Nickel Extraction	3. Contextual Back-ground of the Re-search
<b>Chapter 2</b>		
Theoretical & Research Framework		
<b>Chapter 3</b>		
Literature Review: Contextual Background		
<b>Chapter 4</b>		
Research Methodology		
<b>Chapter 5</b>		
Discussion: Overview of PT. IWIP and CSR		
<b>Chapter 6</b>		
Analysis of Findings: The Problem Streams		
<b>Chapter 7</b>		
The Disconnection and Strategies Forward		
<b>Chapter 8</b>		
Conclusion		

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# Chapter 2 Theoretical Framework

This section specifically presents the framework related to Corporate Social Responsibility, emphasizing the theories that highlight the significance of stakeholders and the role of private sector participation as a key driver of development. The framework here is used as guidelines to answer the research questions. Finally, the concept of CSR that is built on the idea that businesses have an obligation to give back to society beyond their financial interests and legal requirements are introduced. The stakeholder theory and local development which emphasize the importance of recognizing diverse interests of all stakeholders through collective collaboration are presented.

## 2.1 Corporate Social Responsibility

Corporate Social Responsibility (CSR) represents a company's commitment to balancing economic objectives with broader social and environmental responsibilities. Traditionally, CSR has focused on mitigating negative impacts of business operations, such as environmental damage and social inequality, while ensuring compliance with laws and sustainable resource use. Companies engage in CSR for several reasons, including regulatory compliance, reputation building, social investment, and securing a social license to operate, particularly in industries affecting local communities (Frynas, 2009 p. 178). By integrating CSR into their core operations, businesses can gain a competitive advantage and improve long-term sustainability through fostering positive relationship with local communities, government agencies, and NGOs.

CSR can be viewed as a broad concept, as described by Blowfield and Frynas (2005, pp. 499–502), who see it as an 'umbrella' encompassing various responsibilities related to corporate impacts on society and the environment. This broad interpretation of CSR includes corporate accountability, ethical partnerships, responsible supply chain management, and corporate citizenship. Moreover, companies are expected to engage in practices such as green business initiatives, corporate philanthropy, and promoting human rights, reflecting a comprehensive approach to corporate responsibility (Frynas, 2009 p. 180).

The Triple Bottom Line (TBL) framework, introduced by Elkington (1998), serves as a foundational model for CSR, emphasizing the need to balance Profit, People, and Planet. Uddin et al., (2008, pp. 199–202) highlight the importance of aligning economic growth with social and environmental responsibilities to ensure sustainable business practices. The TBL framework highlights that focusing solely on profit can harm social and environmental systems, while neglecting profitability risks long-term viability. Therefore, sustainable development requires balancing these three dimensions.

Furthermore, Carroll's (1979, pp. 497–505) CSR pyramid divides corporate responsibility into four distinct layers: economic, legal, ethical, and philanthropic. The model was later expanded to highlight the hierarchical order of these responsibilities, with economic and legal obligations serving as the base, while ethical and philanthropic responsibilities are positioned on higher levels (Jamali et al., (2008, p. 443). However, Schwartz and Carroll (2003, pp. 474–499) later revised the model to streamline CSR into three core areas: economic, legal, and ethical responsibilities, proposing a more balanced approach where these dimensions are interconnected and equally important. In parallel to this, Visser (2006, pp. 474–478) offers a modified perspective on Carroll's pyramid in the context of developing countries. In these regions, economic and philanthropic responsibilities take precedence due to cultural values and socio-economic needs, while legal and ethical responsibilities tend to

be less emphasized. This reordering reflects the unique challenges faced by developing nations, where community involvement and philanthropic actions play a more central role in supporting economic development. Visser's model underscores the need for CSR frameworks to adapt to local contexts, ensuring that they address specific socio-economic realities and contribute meaningfully to both business and societal growth.

In summary, CSR is a multifaceted approach to incorporate responsibility that balances economic success with social and environmental stewardship. It provides a framework for companies to not only comply with regulations but also enhance their reputations, contribute to societal well-being, and promote sustainable business practices. Through models such as the TBL and Carroll's pyramid, CSR has indeed highlighted the importance of aligning business goals with broader societal expectations, ensuring long-term sustainability and success for both businesses and the communities they operate in.

## 2.2 Stakeholder Theory

Stakeholder Theory posits that a company's responsibilities extend beyond shareholders to include a broader group of stakeholders—any individuals or entities impacted by the company's activities. Emerging in the 1980s (Freeman, 1984, pp. 233–236), this theory challenged the traditional shareholder-focused model, which prioritized profit maximization. Stakeholder Theory advocates that businesses should consider the interests of employees, customers, suppliers, communities, and the environment, including so-called "silent stakeholders" (Harrison and Freeman, 1999, pp. 479-485). It argues that prioritizing only shareholder returns can lead to long-term risks, as neglecting wider stakeholder interests can undermine business sustainability (Kumi et al., 2020, pp. 181–183). As such, Stakeholder Theory promotes the idea that balancing diverse stakeholder needs is crucial for ethical governance and sustainable corporate practices (Freeman et al., 2010, pp. 7–10).

In the context of Corporate Social Responsibility (CSR), Stakeholder Theory provides a foundational framework for aligning business practices with societal expectations. CSR initiatives often aim to strengthen relationships with various stakeholder groups, acknowledging that fulfilling shareholder demands requires engaging with other stakeholders (Simmons, 2004, pp. 602). This is particularly evident in industries such as mining, where operations significantly affect local communities and ecosystems, necessitating the inclusion of "silent stakeholders" in corporate decision-making (Cesar, 2019, p. 101).

Stakeholder Theory is further divided into instrumental, descriptive, and normative approaches (*ibid*, p.120). The instrumental approach views stakeholder engagement as a strategy to enhance business success, positioning CSR as a tool for competitive advantage (Garriga and Mele, 2004, pp. 51–71). The descriptive approach examines how companies manage stakeholder relationships, documenting behaviours, and impacts (Brickson, 2007, p. 864). The normative approach emphasizes the ethical imperative of considering stakeholder interests, arguing that businesses have a moral obligation to respect the rights of all stakeholders (Donaldson and Preston, 1995, p.65). Integrating Stakeholder Theory with other frameworks, such as the resource-based view, enhances its application. This theory posits that firms with finite resources can better serve stakeholders by focusing on internal capabilities, thus improving value creation, and maintaining competitive advantage (Branco and Rodrigues, 2006, p. 111). This integration underscores that addressing stakeholder needs is not only ethical but also strategically beneficial for long-term business success.

Despite its merits, Stakeholder Theory faces criticism. Some argue that it opens the door to managerial opportunism, allowing managers to justify self-serving actions under the guise of stakeholder engagement (Jensen, 2000, pp. 169–173). Others suggest it complicates decision-making by creating conflicts between shareholders and other stakeholders over

resource allocation. However, advocates maintain that Stakeholder Theory promotes accountability by broadening managerial responsibilities, encouraging ethical decision-making (Garriga and Mele, 2004, pp. 51).

Legal challenges also arise in fully implementing Stakeholder Theory, as traditional laws often prioritize shareholder interests. Nonetheless, the theory can be applied within existing frameworks through principles like the business judgment rule, which allows managers to consider stakeholder interests without violating corporate law (Marens and Wicks, 1999, pp. 272–275). Additionally, Stakeholder Theory is often mistakenly linked with economic systems like socialism, though its focus remains on voluntary exchanges within capitalist structures (Garriga and Mele, 2004).

In conclusion, Stakeholder Theory offers a comprehensive approach to incorporate governance by extending responsibilities beyond shareholders to include all impacted parties. It promotes a balanced consideration of economic performance and ethical obligations, fostering sustainable value for a diverse range of stakeholders. Through its instrumental, descriptive, and normative dimensions, Stakeholder Theory provides valuable insights for addressing complex business challenges, guiding CSR strategies, and aligning business operations with societal values (Post et al., 2002, pp. 6–28).

## 2.3 Local Development

Another important concept to be included in the framework is Local Development (LD). Local development is a multifaceted concept that encompasses economic, social, political, and environmental dimensions. Historically, it was predominantly viewed through an economic perspective, focusing on indicators such as income growth, employment, and productivity (Armstrong and Taylor, 2000, pp. 1–4). This narrow, economically centered view largely aligned with neo-classical approaches, equating development with improvements in these metrics (Beer et al., 2003, pp. 5–9). However, during the 1960s and 1970s, alternative approaches emerged, advocating for community-based and socially-driven development strategies (Geddes and Newman, 1999, pp. 12–15). These perspectives recognized that development must also include goals of social equity, environmental sustainability, and cultural preservation.

The understanding of local development has since evolved to incorporate a broader range of factors, including quality of life, social cohesion, and overall wellbeing (Sen, 1999, pp. 3–9). Critics of traditional, linear development models argue that development follows diverse pathways shaped by the socio-economic conditions of each region (Rangan, 2007, pp. 29–33). This growing awareness emphasizes that sustainable and inclusive development must balance economic progress with broader social and environmental objectives (Scott and Storper, 2003, pp. 579–581). A pivotal moment in formalizing local development occurred in the late 1980s when the European Union introduced it into the global economic framework, particularly through rural development efforts. The 1991 LEADER program exemplified this shift by promoting local initiatives and collaboration, underscoring the importance of regional specificity and empowering communities to harness local knowledge and resources (Pike et al., 2007, pp. 1253–1255).

Sustainability has since become a cornerstone of local development, reinforced by the Brundtland Commission's 1987 report, which called for balancing development needs with environmental sustainability for future generations. Sustainable Local Development (SLD) integrates innovation, green entrepreneurship, and tourism to connect economic growth with social inclusiveness and environmental responsibility. Furthermore, SLD emphasizes gender empowerment and citizen participation, fostering resilience and equity within communities. For this research, Local Development is defined as the holistic social, economic, and political

advancement of a specific region, driven by the capacities of its population, and anchored in principles of justice, equity, and solidarity (Coffey and Polese, 1984, pp. 1–5; Sen, 1999, p. 3). This approach posits that sustainable development is achievable only through active collaboration among local institutions and the meaningful participation of community members.

## 2.4 Research Framework

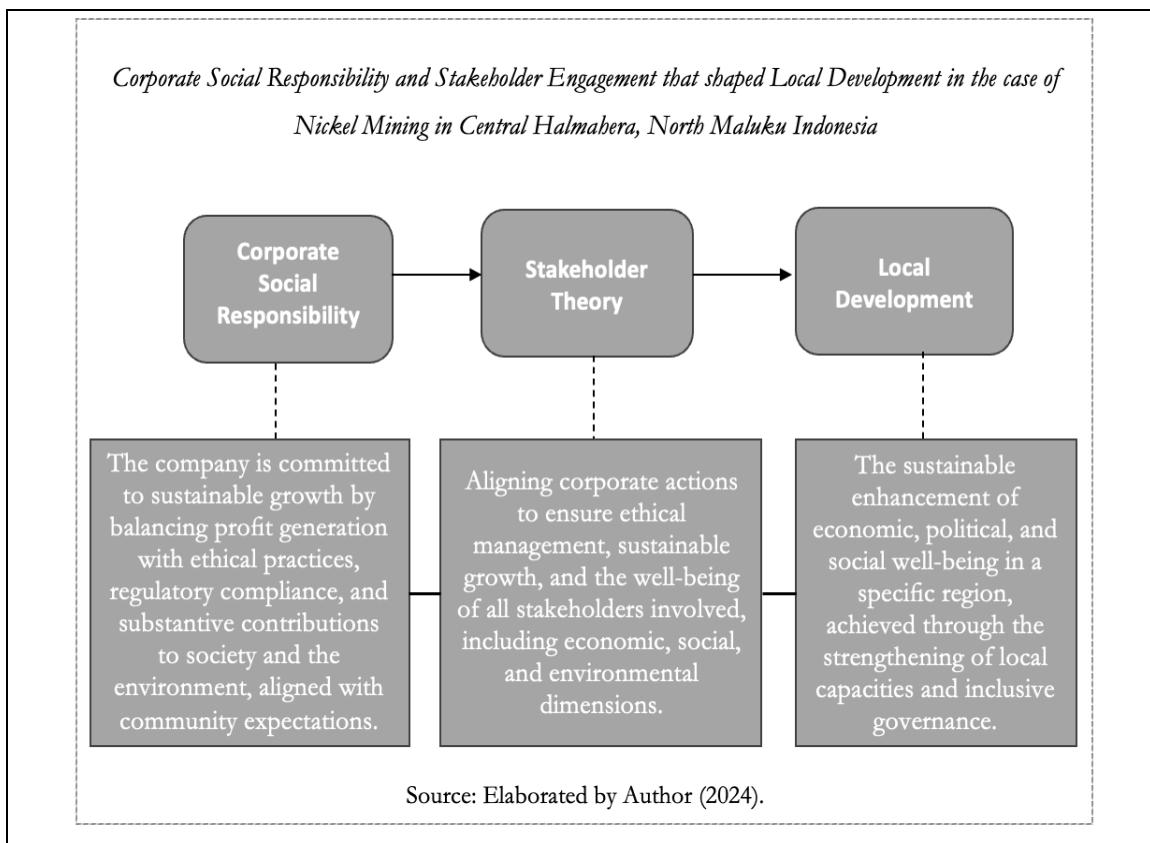
The research framework for this research is built upon three interconnected theories: Corporate Social Responsibility (CSR), Stakeholder Theory, and Local Development, all of which are essential to understanding the dynamics of CSR in nickel mining, specifically within the case of PT. IWIP. Within this framework, CSR is understood as a company's commitment to sustainable growth, balancing profit generation with ethical practices, legal compliance, and positive contributions to the society and the environment (Elkington, 1998). In high-impact industries like mining, where environmental and social implications are pronounced, CSR plays a vital role in minimizing negative impacts while fostering benefits for local communities. In the context of PT. IWIP, CSR must go beyond meeting regulatory requirements; it must contribute to social equity, environmental protection, and the economic advancement of the regions in which the company operates (Frynas, 2009, p.179).

Stakeholder Theory complements CSR by broadening the scope of corporate responsibility to include a wide array of stakeholders, such as employees, local communities, customers, suppliers, and the environment (Freeman, 1984). For PT. IWIP, this means recognizing and addressing the needs and concerns of local populations directly affected by mining operations. Engaging stakeholders in decision-making processes allows the company to manage risks more effectively, build trust, and secure its social license to operate (Simmons, 2004). This engagement ensures that corporate strategies align with the broader interests of stakeholders, which is critical to the long-term sustainability of PT. IWIP's operations. Stakeholder involvement also helps the company prevent potential conflicts that could arise from ignoring these groups' interests (Kumi, Yeboah, and Kumi, 2020, p.182).

In addition, Local Development Theory strengthens the relationship between CSR and Stakeholder Theory by emphasizing the importance of sustainable economic, social, and political growth at the regional level (Pike et al., 2007). For PT. IWIP, local development entails more than just job creation and infrastructure improvement; it involves promoting environmental sustainability and fostering inclusive social practices that benefit local communities. By aligning CSR initiatives with local development goals, PT. IWIP can drive long-term benefits by building local capacities, promoting equity, and ensuring responsible resource management (Coffey and Polèse, 1984). This alignment ensures that the company contributes to building resilient, self-sustaining communities that thrive in tandem with its operations.

The integration of CSR, Stakeholder Theory, and Local Development highlights the necessity for PT. IWIP to balance its economic goals with its broader social and environmental responsibilities. These concepts are deeply interconnected and mutually supportive, as CSR provides the foundation for responsible corporate actions, Stakeholder Theory ensures the inclusion of all affected parties, and Local Development focuses on improving the quality of life in the regions where the company operates (Sen, 1999). By adopting an integrated approach, PT. IWIP can close the gap between its business objectives and its social and environmental impacts. This research seeks to examine how PT. IWIP can align its CSR strategies with stakeholder needs and local development objectives, thereby contributing to sustainable development in the nickel mining industry.

**Figure 2. Research Framework**



Finally, this research framework summarizes the key theories used in this research to explore PT. IWIP's CSR policies and how they intertwined with local development, especially in relations to the local community that are affected by the nickel mining activities in Weda, Central Halmahera, North Maluku, Indonesia.

# Chapter 3 Literature Review

This chapter outlines the discussion on the context of nickel mining in Indonesia, examining the current landscape of the industry and how Corporate Social Responsibility (CSR) practices are integrated within this sector. The challenges, legal obligations, and criticism of CSR in Indonesia's nickel mining sector are presented in this section.

## 3.1 Corporate Social Responsibility in Indonesia's Mining

Corporate Social Responsibility (CSR) in the context of nickel mining in Indonesia is a highly relevant topic that continues to spark debates about its effectiveness and depth of implementation. CSR is defined by ISO 26000 as “the responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development” (Setyadi, 2024, p.86). In the Indonesian nickel mining industry, CSR is not merely a voluntary act but is governed by strict regulations. For instance, Law No. 40 of 2007 on Limited Liability Companies mandates companies to implement social and environmental responsibilities, thereby making CSR a legal obligation (*ibid*, p.83). These initiatives aim to improve education, health, infrastructure, and economic well-being in affected communities, positioning CSR as a vital tool for enhancing the quality of life in areas impacted by industrial operations.

CSR initiatives in Indonesia's nickel sector have yielded mixed outcomes, with two predominant perspectives on their impact. On the one hand, CSR is seen as a genuine effort to deliver tangible benefits to local communities. Programs often focus on improving community infrastructure, enhancing access to education and healthcare, and addressing socio-economic challenges (Setyadi, 2024, pp. 83-84). Additionally, effective CSR implementation can mitigate the adverse effects of mining activities, such as environmental degradation and social conflicts (*ibid*, p.85). Therefore, as mandated by law, PT. IWIP must ensure that its mining operations not only generate positive outcomes for the company but also contribute to community development and environmental sustainability. Examining PT. IWIP's CSR initiatives is crucial to gaining a comprehensive understanding of the interplay between corporate activities and their social, economic, and environmental impacts.

On the other hand, criticisms of CSR in the nickel mining sector highlight instances where initiatives fall short of community expectations. Some programs have been dismissed as superficial attempts to enhance corporate image without addressing local needs. For example, in North Konawe Regency, CSR initiatives have been criticized for offering minimal compensation and failing to involve communities in decision-making processes, undermining their potential to deliver meaningful benefits (Afiat et al., 2018, pp. 77-78). These situations triggered the notion of how local communities can also benefit from the nickel boom, rather than merely observing as migrant groups dominate the opportunities. To address such disparities, stakeholder collaboration is essential. Most research on CSR contributions to community development, as highlighted by Idemudia (2011, pp. 1-5), emphasizes that CSR initiatives are most effective when implemented through collaborative stakeholder approaches. Partnerships with local governments, non-governmental organizations (NGOs), and affected communities can ensure that CSR programs are tailored to local priorities, fostering long-term social and environmental sustainability. Furthermore, it is equally important to assess the roles of local governments and NGOs in promoting responsible nickel mining practices to determine whether CSR initiatives can effectively balance sustainability with mining operations. In the case of PT. IWIP, its CSR framework offers an opportunity to evaluate

whether current practices align with both regulatory requirements and community needs. Hence, this study wishes to uncover the dynamics of CSR implementation at PT. IWIP and examine whether the company's efforts to meet societal needs and comply with regulations are sufficient or require further refinement. This analysis underscores the dual role of CSR as both a tool for regulatory compliance and a mechanism for achieving sustainable development in Indonesia's rapidly growing nickel mining sector.

### **3.2 Legal Obligations and Challenges of Corporate Social Responsibility**

Corporate Social Responsibility (CSR) in Indonesia's nickel mining sector has become an essential mechanism for addressing the socio-economic and environmental impacts of resource extraction. While CSR is traditionally viewed as a voluntary initiative, Indonesian legislation has transformed it into a legal obligation, particularly for companies involved in the exploitation of natural resources. Law No. 40 of 2007 concerning Limited Liability Companies explicitly mandates that companies implement social and environmental responsibilities. Specifically, Article 74 stipulates that companies must allocate a portion of their profits to support sustainable development and community welfare. These regulations aim to ensure that CSR initiatives are not merely symbolic but contribute meaningfully to community development and environmental sustainability.

The legal landscape governing CSR in Indonesia includes a series of laws and regulations designed to enforce corporate accountability. Government Regulation No. 47 of 2012 provides detailed guidance on planning, budgeting, and reporting CSR activities, emphasizing transparency and accountability by mandating that companies include CSR as an integral part of their annual reporting. For the energy and mineral resources sector, Minister of Energy and Mineral Resources Regulation No. 26 of 2018 reinforces CSR obligations, focusing on community well-being and environmental conservation. Similarly, Law No. 32 of 2009 on Environmental Protection and Management underscores the necessity for businesses to integrate environmental sustainability into their operations, with specific mandates for land reclamation and post-mining environmental management. Despite its strong legal framework, the implementation of CSR in Indonesia's nickel mining sector faces significant challenges. One critical issue is the lack of transparency and accountability in executing CSR programs. Communities often lack access to comprehensive information about the initiatives carried out by companies, making it difficult to assess their effectiveness. Moreover, many CSR programs are not aligned with local priorities, leading to ineffective or purely symbolic outcomes. Instead of empowering communities, these programs frequently adopt a top-down approach, with companies determining initiatives without adequate consultation or engagement with local populations.

However, some CSR programs have made notable contributions. Data from the WTO (2022) indicate that North Maluku's economic growth surged from 6% in 2019 to 23% in 2022, driven by nickel mining activities. The establishment of integrated smelter facilities producing battery cells for electric vehicles has not only positioned Indonesia as a critical player in the global supply chain but also boosted regional economies (Winona, 2022). Nevertheless, these developments have triggered significant social and environmental challenges, particularly for local communities. PT. IWIP's CSR initiatives exemplify both progress and challenges. As reported in its 2023 Kaleidoscope document, PT. IWIP's activities included providing laboratory facilities, planting 5,000 mangrove seedlings, constructing clean water installations, and building public health centers for mining communities. Other programs included improving literacy in Lelilef Sawai, constructing a football field, and collaborating with local governments to develop the Weda region. While these initiatives address diverse

needs, their overall alignment with community priorities and long-term impact requires further assessment.

The government's ambition to position Indonesia as the world's largest nickel producer has also led to profound challenges in regions such as Weda, Central Halmahera. These challenges highlight the need for stronger governance and collaboration between stakeholders, including companies, local governments, and communities. Effective CSR requires a participatory approach, as Idemudia (2011) emphasizes that CSR initiatives achieve the greatest impact when developed collaboratively with stakeholders. Research in North Konawe reveals discrepancies in CSR implementation. For instance, many respondents perceive CSR programs as irrelevant or misaligned with their actual needs. However, a majority—59%—express trust in local government regulations to improve CSR effectiveness. This suggests that governance plays a crucial role in ensuring that CSR programs address local expectations and deliver tangible benefits.

In addition to legal compliance, CSR serves as a strategic tool for achieving business sustainability. Companies that implement effective CSR programs tend to gain legitimacy within the communities where they operate, thereby extending the lifespan of their business activities. For example, well-designed CSR initiatives can foster trust, improve community resilience, and promote collaboration among stakeholders. Magis (2010) further asserts that such capacity-building efforts contribute to social, economic, and environmental resilience, reinforcing the need for long-term stakeholder commitment. However, environmental challenges remain a significant concern. The intensive operations of nickel mining often led to land degradation, water pollution, and biodiversity loss. To mitigate these impacts, companies must integrate environmental sustainability into their CSR strategies. Law No. 32 of 2009 requires businesses to control pollution, manage environmental damage, and ensure the sustainability of ecological functions. For instance, land reclamation and post-mining environmental restoration are critical components of CSR in the mining sector. CSR is not merely about fulfilling legal obligations; it plays a strategic role in ensuring business sustainability. By addressing environmental and social concerns, companies can foster positive relationships with communities, build trust, and enhance their social license to operate. For example, PT. IWIP's commitment to planting mangroves and improving public infrastructure demonstrates how CSR can align corporate goals with broader sustainability objectives. However, such initiatives must go beyond one-off activities to create lasting impacts.

The legal obligations and challenges of CSR in Indonesia's nickel mining sector underscore its dual role as both a regulatory requirement and a strategic tool for sustainability. While legislation has institutionalized CSR, its implementation remains uneven, with significant gaps in transparency, accountability, and alignment with local needs. Effective CSR requires not only compliance with regulations but also robust governance, stakeholder collaboration, and a focus on long-term social and environmental sustainability. As Indonesia continues to leverage its nickel resources for economic growth, particularly through global supply chains, CSR will remain a critical mechanism for balancing industrial development with the well-being of communities and ecosystems. Addressing these challenges will be key to ensuring that CSR fulfills its potential as a driver of equitable and sustainable development.

### **3.3 Key Criticism of Corporate Social Responsibility in Indonesia's Mining Sector**

Corporate Social Responsibility (CSR) in Indonesia's mining sector, particularly in nickel mining, has faced widespread criticism due to its limited effectiveness in addressing local needs and its failure to mitigate socio-environmental challenges. While CSR is intended to balance the interests of profit, people, and the planet, its implementation often falls short

of these ideals. Despite substantial investments and various regulatory frameworks mandating CSR, the initiatives frequently appear symbolic, lacking substantive impact on the communities they are designed to serve. This critique is rooted in several persistent challenges, including inadequate planning, limited stakeholder engagement, and insufficient oversight. One significant criticism of CSR in Indonesia's nickel mining sector is the disconnection between corporate programs and the real needs of local communities. In regions such as Central Halmahera, Syarifuddin (2022) highlights issues such as limited access to clean water, land displacement, and increased social vulnerabilities among affected populations. These concerns underscore the failure of CSR initiatives to address fundamental necessities, thereby fostering mistrust among local communities. Widiatmoko et al. (2020, p.41) further reveal that local conflicts frequently arise due to inadequate compensation for lost lands of productivity, as seen in villages like Lelilef Sawai and Lelilef Waibulan, where communities of farmers and fishermen have experienced significant disruptions from mining activities.

Additionally, the arrival of new migrants to mining areas has intensified competition for economic opportunities, further marginalizing local populations. Asdan et al. (2023, pp. 5-7) argue that this influx has increased ethnic heterogeneity, creating conditions ripe for social conflict. This dynamic has compounded existing tensions, highlighting the need for CSR initiatives that promote inclusive economic development and equitable resource distribution. Unfortunately, many companies prioritize short-term gains over sustainable community welfare, with limited efforts to foster long-term stability or address underlying inequalities. Despite the strategic importance of nickel in supporting the global transition to electric vehicles (EVs), the environmental and social costs of mining often overshadow its economic benefits. As Yusuf and Amalia (2024, p.2) observe, efforts to implement CSR programs in mining regions have faced backlash from local communities and NGOs due to inadequate consultation and misalignment with stakeholder interests. This critique is particularly relevant in the case of PT. IWIP, whose CSR management has been criticized for lacking transparency and failing to engage local stakeholders effectively. Recent reports by Halmahera Post (2024) indicate that PT. IWIP's CSR initiatives lack clarity and fail to consider equitable implementation across all relevant stakeholders, raising concerns about the balance between corporate goals, community welfare, and environmental sustainability.

The lack of meaningful community participation in CSR planning and execution is another key criticism. Non-participatory approaches often lead to poorly designed programs that do not align with local priorities, resulting in limited impact and dissatisfaction. Murdifin et al. (2019, p.116) emphasize the necessity of deeper collaboration between companies, governments, and communities to ensure CSR efforts are sustainable and impactful. However, this level of coordination remains rare, with CSR initiatives often being top-down processes driven by corporate interests rather than genuine community engagement. The absence of a single composite indicator to measure CSR performance further exacerbates these challenges, leaving stakeholders unable to assess the true effectiveness of these initiatives.

The consequences of inadequate CSR implementation extend beyond missed development opportunities to include heightened social tensions and even violence. Hudayana et al. (2020) highlight the case of communal violence in Bahodopi, Central Sulawesi, where ineffective CSR efforts and a lack of trust between companies and communities resulted in conflict. Such incidents underscore the critical need for open dialogue and genuinely empowering CSR initiatives that respect local customary laws and address the root causes of discontent. Furthermore, CSR in Indonesia's mining sector suffers from regulatory gaps that undermine its potential impact. While laws such as Law No. 40 of 2007 mandate CSR, the lack of clear sanctions for non-compliance creates a "lex imperfecta" situation, allowing companies to treat CSR as a minimal requirement rather than a transformative tool. Andrin (2016, pp. 522-523) notes that this regulatory weakness enables companies to comply superficially without meaningful contributions to societal and environmental goals. Narrow

interpretations of CSR by regulatory bodies also limit its scope, neglecting broader issues such as labour rights and human rights. These limitations hinder CSR's ability to holistically support community welfare and sustainable development. Addressing these criticisms requires a shift towards more holistic and coordinated CSR frameworks. Companies must engage communities actively in program development and execution, ensuring that initiatives are tailored to local needs and priorities. Collaboration with governments and NGOs is essential to fostering trust and ensuring that CSR efforts align with broader regional development goals. Adopting a single composite indicator for CSR performance would provide greater clarity and accountability, enabling stakeholders to evaluate the effectiveness of these initiatives more comprehensively. While CSR in Indonesia's nickel mining sector holds significant potential to contribute to community development and environmental sustainability, its success depends on addressing these persistent challenges. A more participatory and transparent approach, coupled with stronger regulatory enforcement, is critical to transforming CSR from a symbolic exercise into a meaningful driver of positive change. Without such reforms, CSR risks perpetuating existing inequalities and failing to deliver on its promise of balancing corporate profitability with social and environmental responsibility.

### **3.4 Regulatory Landscape: Mining in Indonesia**

The regulatory framework governing mining and CSR in Indonesia has undergone significant evolution, reflecting the country's commitment to optimizing the management of its abundant natural resources. In early 2009, the Indonesian government introduced a downstream industrialization strategy through Law No. 4/2009 on Mineral and Coal Mining, aiming to regulate mineral resources, including nickel, more effectively. This law emphasized the government's serious goals of ensuring not only economic growth but also societal development through better resource management. Since its enactment, Indonesia's nickel mining sector has expanded rapidly, benefiting from vast reserves and robust demand. By 2022, Indonesia accounted for 22% of the world's nickel reserves and contributed over 48% of global nickel production (Annur, 2023).

The decentralization policy established through Law No. 22/1999 and later revised by Law No. 23/2014 further redefined the governance of natural resources in Indonesia. Decentralization redistributed responsibilities from the central government to regional administrations, empowering local governments to align mining activities with national regulations while addressing community and environmental concerns. In Central Halmahera, for example, the local government plays a pivotal role in overseeing mining operations to ensure compliance with environmental standards and to safeguard community well-being. However, these responsibilities are fraught with challenges, as communities in mining areas often face adverse effects such as environmental degradation, inequality, and land displacement. Although the local government in Central Weda has introduced financial assistance as compensation, affected communities still endure significant socio-economic vulnerabilities (Mustahab, 2023).

Additionally, the regulatory landscape requires mining companies to contribute to national and regional revenues. Under Law No. 4/2009, companies are obligated to pay royalties calculated based on the sale value of extracted minerals. For instance, PT. IWIP allocates 10% of its nickel ore sales to royalties (Huber, 2021). These revenues are collected by the central government and redistributed to regional governments according to a revenue-sharing scheme. This mechanism ensures that resource-rich regions receive financial benefits from mining operations, potentially addressing local development needs, and mitigating negative impacts. In conclusion, Indonesia's regulatory framework for mining and CSR has established a foundation for resource management that emphasizes economic and societal

growth. However, ensuring the alignment of national policies with local implementation remains critical to addressing the complex challenges posed by the mining sector.

# Chapter 4 Research Methodology

This chapter presents the data strategy used in the research, addressing the ethical considerations, research positionality, and the research limitation encountered during the data collection and fieldwork. To thoroughly analyse and explore the CSR dynamics in nickel mining, this study focuses on the case of PT. IWIP in Central Halmahera Regency in North Maluku province. Adopting a qualitative approach, this research seeks to deeply understand the perspectives of individuals and groups by using interpretative data – such as spoken, or written expressions and observed behaviours to capture participants' experiences (Cresswell & Poth, 2016, p.45). Additionally, the case study method applied in this study offers an in-depth examination within a real-world context, revealing nuanced insights often overlooked by other methods (Yin, 2018).

## 4.1 Review of Secondary Data

In the beginning of the research process, an extensive and thorough review was done on the available secondary data there is and relevant study literature concerning about the research. This included analysing numerous statistical data, alongside assessing various social, economic, and environmental aspects. Additionally, information such as social dynamics, poverty levels, and pollution rates as a result of nickel extraction were also carefully considered to provide a thorough contextual understanding of the research. This approach has enabled me to narrow down my research questions as well as to identify and examine important analytical concepts such as the debate whether CSR is merely about fulfilling legal requirements, or does it actually extend beyond this obligation especially in the context of nickel mining. Through reviewing the secondary data, it also helps enhanced my understanding of the research area, enabling the development of interview guidelines for various respondent groups to gather the empirical data through the fieldwork. Finally, given the changing nature of the case study and the inability to secure responses directly from PT. IWIP's representatives, an additional technique of content analysis from the company's website was also conducted to gain insights into the company's CSR initiatives and to better understand the scope and nature of their focus.

## 4.2 Primary Data Collection and Interview

To gain a deeper holistic understanding of the CSR dynamics of PT. IWIP, it was essential for me to first examine the capacity and initiatives of the local government in the region, particularly at the provincial level. Understanding the local government's role is pivotal to me to understand their regulatory framework, oversight mechanism, as well as their views of who might've played a significant role in shaping the CSR efforts. Therefore, between 12 August to 15 August 2024, I conducted a semi-structured face-to-face interview in North Maluku's capital city, Sofifi, where I was able to conduct the interview with the Office of Environmental Planning and Protection Service (DLH) as well as the Office of Energy and Mineral Resources (ESDM) at the (Provincial Level). Prior to the interviews, I initially tried to use the snowball sampling by sending out an official letter to the head office of DLH and ESDM to be able to collect information from informants whose perspectives were considered relevant and important to support my data and research questions, which in this case should be the Echelon 2 officer who acts as the policy-makers. However, due to their unavailability, I had been given disposition to other staffs who were also knowledgeable and expert in my

research topic. The interviews were then conducted, on the one hand, for the DLH office, three informants were presented. Whereas for ESDM, two informants were attended. Interviews with both institutions lasted for 30-60 minutes, and were conducted in Indonesian language, *Bahasa Indonesia*.

The interviews align with this study's methodology, employing open-ended questions and group discussions to facilitate an in-depth, reflective exploration of informants' perspectives on the research topic (Creswell & Poth, 2016, p.164). According to Hennink (2020, p.10), "qualitative interviewing is an approach that allows you to understand behaviour, beliefs, and opinions by doing observation, focus group discussion, and content analysis". This qualitative interviewing was chosen as it gathers relevant knowledges in the context of government's capabilities, strategies, as well as their on-going efforts to address the socio-environmental impacts caused by nickel mining company such as PT. IWIP. The informants that I interviewed are detailed in the following table:

**Table 1.** List of Informants (1)

No	Firms/Organization	Informant Names	Position/Role	Code	Date of Interview
1.	Office of Environmental Planning and Protection Service of North Maluku Province (Dinas Lingkungan Hidup/DLH Provinsi Maluku Utara)	Said Basalama Risman Alim Ican Sosale	Interim and Planner at DLH Acting Chief of Cross-Service Division Environmental Planner and Analyst at DLH	LG1	12 August 2024
2.	Office of Energy and Mineral Resources of North Maluku Province (Dinas Energi dan Sumber Daya Mineral/ESDM Provinsi Maluku Utara)	Suryawan Kamarulah Fadli Mahadin	Head Division of Mineral and Coal at ESDM Analyst of Mineral and Coal at ESDM	LG2	15 August 2024

**Source:** Modified by Author (2024)

As an attempt to gain a detailed information of the general issues surrounding CSR and nickel mining operations that are embedded within the local community of Weda in Central Halmahera, I also conducted face-to-face interviews with the director organization and manager of two prominent Non-Governmental Organizations (NGOs)- WALHI or *Indonesian Forum for the Environment* and JATAM or The Mining Advocacy Network, both of which have an active branches in Ternate, North Maluku. The interviews with both organizations lasted for 60-80 minutes. These two organizations play an important role in environmental advocacy as well as social and ecological impacts of the nickel mining extraction. Both organizations have been actively involved in the issue of environmental resilience, risk management, and water crisis since 2018, the same year when the company started its mining operation. This was done due to the fact that I had no idea of how the environmental protection and advocacy for the affected community was being practiced at the local level, and to see whether NGO is shaped by political interests or not for its potency to advocate for

human rights and social economic development (Hilhorst, 2007). The interviewees information is detailed as follows:

**Table 2.** List of Informants (2)

No	Firms/Organization	Informant Names	Position/Role	Code	Date of Interview
1.	Indonesian Forum for the Environment (Wahana Lingkungan Hidup Indonesia/WALHI)	Faizal Ratuela	Regional Director of WALHI North Maluku Branch	N1	18 August 2024
2.	The Mining Advocacy Network (Jaringan Advokasi Tambang/JATAM)	Adlun Fiqri	Programme Manager of JATAM North Maluku	N2	20 August 2024

**Source:** Modified by Author (2024)

### 4.3 Fieldwork Observation

Finally, to delve into the dynamics of the affected communities of Lelilef Sawai, Lelilef Waibulan and Gemaf villages in Weda, Central Halmahera and to gain a more comprehensive understanding on what happened on the field, this study also employs fieldwork observational data, generated from field work in Weda, specifically visiting Lelilef Sawai, Lelilef Waibulan, Gemaf, and Sagea villages from the 1<sup>st</sup> of September, to 13<sup>th</sup> of September. During my fieldwork, I unexpectedly found myself involved in a personal experience, as from September 3<sup>rd</sup> to 6<sup>th</sup> 2024, the coastal villages surrounding the nickel mining area were hit by severe flooding, an event that not only disrupted daily life but also inflicted extensive damage on most of the wooden houses in the Lelilef area. This experience, however, deepened my engagement with the local authorities and community members as it was also my first time witnessing such events. The villages of Lelilef Waibulan, Lelilef Sawai, Gemaf, and Sagea where I visited are all located within PT. IWIP's mining perimeter, have endured significant social and environmental impacts.

Many residents have lost traditional livelihoods in fishing and nutmeg or coconut farming, as much of their agricultural land has been converted for industrial mining operations (Hady, 2018, pp.68-70). Despite those circumstances, I managed to conduct a semi-unstructured interview with three head villages of Lelilef Sawai, Lelilef Waibulan, Gemaf, and two local females from Sagea Village whose names preferred to remain anonymous, to understand how nickel mining intersects with their everyday challenges and to validate first-hand perspectives from the locals. The average duration of the interview was approximately an hour with the head villages, and over 2 hours with the two local females. This is partially due to some language barrier as the two local females only speak the local language of *Mollucan Patani* in which I had to adjust to be able to pick up their words and to understand them better. It was during this time that my proficiency in the *Mollucan Patani* language was put to the test as I engaged with the informants. Finally, this was specifically done by snowball sampling to select informants based on their specific role and locality (Etikan, 2016, p.2).

**Table 3.** List of Informants (3)

No	Firms/Organization	Informant Names	Position/Role	Code	Date of Interview
1.	Local Authorities	Frileks Arbaben	Head Village of Lelilef Sawai	HV1	7 September 2024
2.	Local Authorities	Faisal Djamil	Head Village of Lelief Waibulan	HV2	8 September 2024
3.	Local Authorities	Yoke Jinimaya	Head Village of Gemaf	HV3	11 September 2024
4.	Female Resident	Anonymous	Local Resident	LF1	12 September 2024
5.	Female Resident	Anonymous	Local Resident	LF2	12 September 2024

**Source:** Modified by Author (2024)

While I have been able to conduct interviews with other informants and have developed general interview guidelines (see Appendix). Unfortunately, I didn't have the opportunity to interview the PT. IWIP's external and CSR division despite significant efforts and long waiting periods. I have previously sent formal letters and my timeline of doing research to the company since July 30<sup>th</sup>, followed by follow-ups messages and mails. The initial response was positive. However, the interview never happened. By the time I reached Weda the 1<sup>st</sup> of September during my week of fieldwork, the company unethically rejected my letter. This was informed by one of the staff working at the company to me via phone call and email. Nevertheless, to compensate this, I then relied on the information and data gathered from the local authorities, NGOs, and local governments to understand PT. IWIP's CSR initiatives and efforts towards local development. Further to validate the information from these actors, and due to the limited information available, I also looked through the company's website as a primary data source for this research. The website is available in English; however, for PT. IWIP, the information explains with fewer detailed parts of the content and substance pertaining to CSR.

Furthermore, after collecting the data from the fieldwork, I then employed thematic analysis to interpret and triangulate the information gathered. Thematic analysis is essential for identifying patterns and recurring themes in qualitative data and understanding complex phenomena from respondents who are representatives of each stakeholder in the research (Maguire and Delahunt, 2017, p.3354). The thematic method itself, according to Braun and Clarke (2006) in Maguire and Delahunt (2017, p.3354), is an approach which starts with the stage of introducing the data collected, generating code, looking for themes, reviewing, and defining them before writing up the findings. For this study, thematic analysis is applied to identify patterns in the respondents' answers during the fieldwork interview. In addition to that, responses with similar themes are then grouped into specific categories or subthemes, using codes to facilitate the organization of the data which was retrieved in the field, which was not addressed by the theory or concepts that I used.

## 4.4 Ethical Concern, Positionality and Limitations

Throughout all the research stages, it is important to acknowledge and uphold the importance of ethical standards when doing research as the paper could potentially bring harm to some people who have been part in the research process. During my fieldwork and interview, the context of the research subject and its challenges were explained to the informants. I also highlighted that they could withdraw from the interview at any time they wish without any consequences. They were also asked whether they had questions or anything they would like to add and whether they give consent or not for documentation. Further, as a token of appreciation, I offered a small compensation to the informants in Lelilef, Gemaf and Sagea in a form of internet data quota during my fieldwork. This was done as an exchange for their time and considering that internet is not free in Indonesia as well as the poorly network condition whenever it rains. Finally, all collected data from the informants during fieldwork will be deleted after I officially received my MA degree from the ISS Erasmus University Rotterdam. This will be done to protect their personal data and to avoid the risk of leaking sensitive information that could potentially affect their work.

Having been born and raised in this region, I have witnessed the transformative impact of nickel mining on the local communities and environment. The issue of nickel mining has not only shaped the economic landscape of North Maluku, but it has also sparked significant social debates. My connection to this place, coupled with a profound sense of responsibility to contribute to its sustainable development drives my interests to do this research in this area, particularly by exploring the CSR dynamics of PT. IWIP and the idea that sustainability must be balanced not just environmental considerations, but also the long-term well-being of the affected communities, ensuring that they are not marginalized in the pursuit of industrialization and profit.

However, this study also has several limitations. Firstly, due to the data unavailability from PT. IWIP, this paper could not provide deeper analysis from the company's perspective about their CSR policy strategies as this study failed to secure an interview with PT. IWIP as a crucial stakeholder in understanding their CSR strategies which created a gap of insight into how they company's CSR initiatives are designed, implemented, and being perceived from within. Secondly, the strategy to use local government, NGOs, and the local authorities and community as the other options of data is still relevant, however, this condition may hinder this study to reveal any concrete evidence from the company's perspective, although an analysis from the company's website is provided. Moreover, as a scholar, I see that in order to understand how CSR functions in Indonesia, it is paramount to also consider CSR from a variety of perspectives. I acknowledged that there are various interpretations and perceptions of CSR among stakeholders (private sector, government, local authorities, NGOs) and the diverse influence of norms and values on it.

# Chapter 5 CSR in Indonesia

This chapter is particularly focused to examining PT. IWIP chosen as the case study for this research. The first part of this chapter will provide the company's contextual background, its geographical operation, as well as a summary of its significance within the landscape of nickel mining in the North Maluku region. Secondly, the company's CSR initiatives, values, and strategies are presented based on the publicly available information on their official website. The available information online forms a critical basis for analysis, due to the rejection of direct interviews with the representatives of the company.

## 5.1 Unravelling the Background

PT. IWIP remains as one of the world's largest nickel mining producers to date, especially on batteries production. In 2023 alone, PT. IWIP made a significant contribution to Indonesia's nickel production and its economic growth. The company's production reached 1.72 million tons of nickel, generating a total revenue of approximately 688 million USD. Of this, 30% of the revenue directly contributed to the nation's overall economic growth, highlighting the important role that the mining sector plays in driving the national economic development (Hasyim et al., 2020, p.580). Having contributed to approximately a large tons annually, it is apparent that Indonesia's dominance in the nickel global market is largely due to its vast and rich natural resources in the mining sector, coupled with a strategic investments to fulfil the growing demand for nickel in and the rapidly growing electric vehicles (EVs) battery manufacture.

In order to get a more holistic picture, it is necessary to contextualize the governance of the mining sector, especially in nickel. Conceptually, the current President Jokowi's administration unveiled a bold vision according to the government regulation No.14/2015 which is to transform Indonesia's industrial development landscape into the integrated 2015-2035 *National Industrial Master Plan* (RIPIN) for the development of nickel industrial company in Indonesia<sup>1</sup>, including PT. IWIP that serves as an integrated industrial centre producing various products such as ferronickel and electric vehicle batteries (Ministry of Industry, 2015). Besides, the RIPIN framework also shared the same substance with much broader national development plans, such as the *Indonesia's National Medium-Term Development Plan* 2020-2024 (RPJMN)<sup>2</sup>. This framework serves as a roadmap to industrial stakeholders, including government agencies and investors to assure coherence and synergy in obtaining both economic and industrial objectives, especially in North Maluku regions including Central Halmahera district whereby accelerating industrial based economic through the production of Nickel Pig Iron, Ferronickel, Battery-Grade Nickel, and Stainless Steel has become a priority sector for Indonesia's development agenda besides the other slogan of Maritime Hub of for Eastern Region of Indonesian stipulated under the Indonesia's Medium Term-Development Plan (RPJMN) 2020-2024 (Bappenas, 2020). Under this assumption, the project

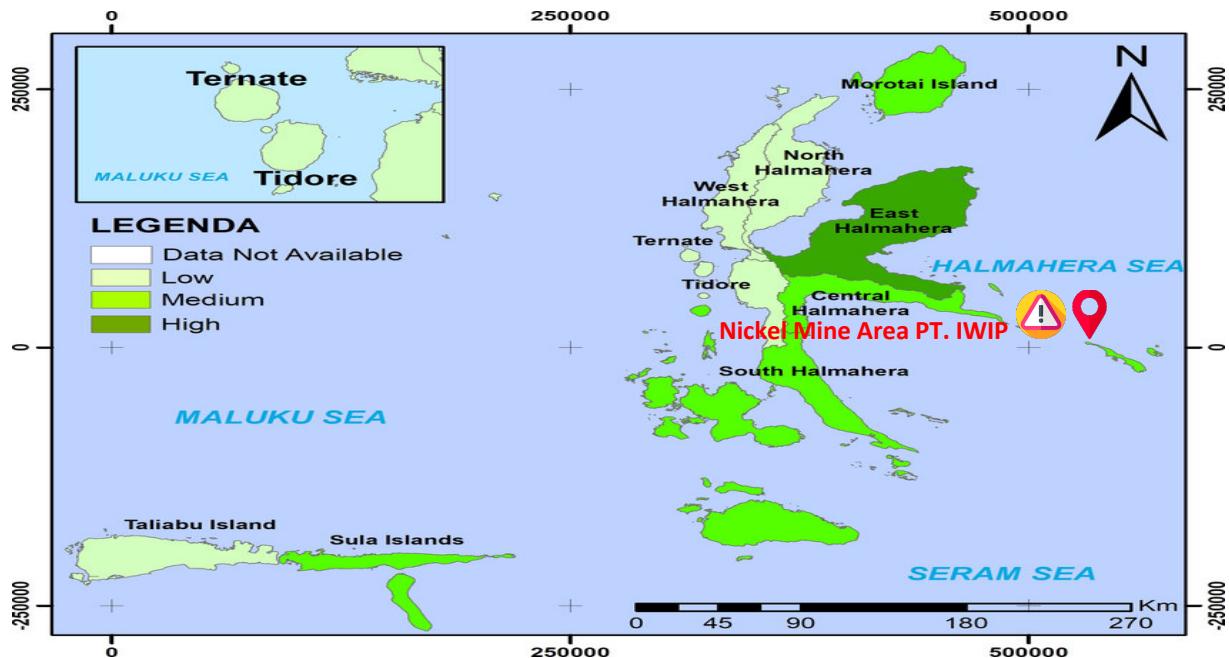
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<sup>1</sup> RIPIN refers to a strategic comprehensive blueprint or framework developed by the Indonesian government as a guideline for the development of industrial sector. This framework underlines long-term goals, priorities, and policies aimed at improving industrial competitiveness, leveraging innovation as well as investments.

<sup>2</sup> RPJMN stands for a comprehensive planning document developed by the Ministry of National and Development Planning (BAPPENAS) which focuses the country's development goals over a five-year period.

highlights the government's commitment to industrial growth, which also plays a significant role in Indonesia's natural resource management.

**Map 1. Map of North Maluku Province**



**Source:** Bappeda Malut (2022)  
Area by Regency/City of North Maluku Province.

Located in the Eastern part of Indonesia, North Maluku has long been known as the archipelago of Indonesia and has a long rich history in the spice trade market and became the centre of excellence for the four largest Islamic Sultanates in the Eastern Indonesian archipelago such as Bacan, Jailolo, Ternate and Tidore. Today, North Maluku is being named nationally as the land of spices due to the massive number of aromatic plants and spices that grew throughout this province to date. During the Colonial Era of spice trade in the 17<sup>th</sup> century, the Dutch established its power dominance with the Dutch East India Company or historically known as *Vereenigde Oost-Indische Compagnie* (VOC) to monopolize and control the spice trade sector.

Even after Post-Independence in 1949, North Maluku still continued to be a strategic region due to its mineral resources, particularly in nickel mining. With the advent of modernization like today, and as the demand for technology arises, the economic landscape of North Maluku began to shift in the beginning of 2018 as the wealth of mineral resources has drawn the interests from both domestic and international investor, leading to a rise in *Mining Business Permits* (IUPs) being consolidated and implemented. With the emergence of PT. IWIP, surfacing an expansive area of 5,000 hectares, the company is considered strategically situated along the coastline in Central Halmahera Regency with the carrying capacity of 30 *Rotary Kiln Electric Furnace* (RKEF) smelters which then connected to 49 production lines (Rafael, E.C, 2018).

## 5.2 Central Halmahera's Mining Landscape

Map 2. PT. IWIP Smelter in Weda Regency, Central Halmahera



**Source:** Directorate Regional 3  
Ministry of National and Development Planning (Bappenas, 2023)

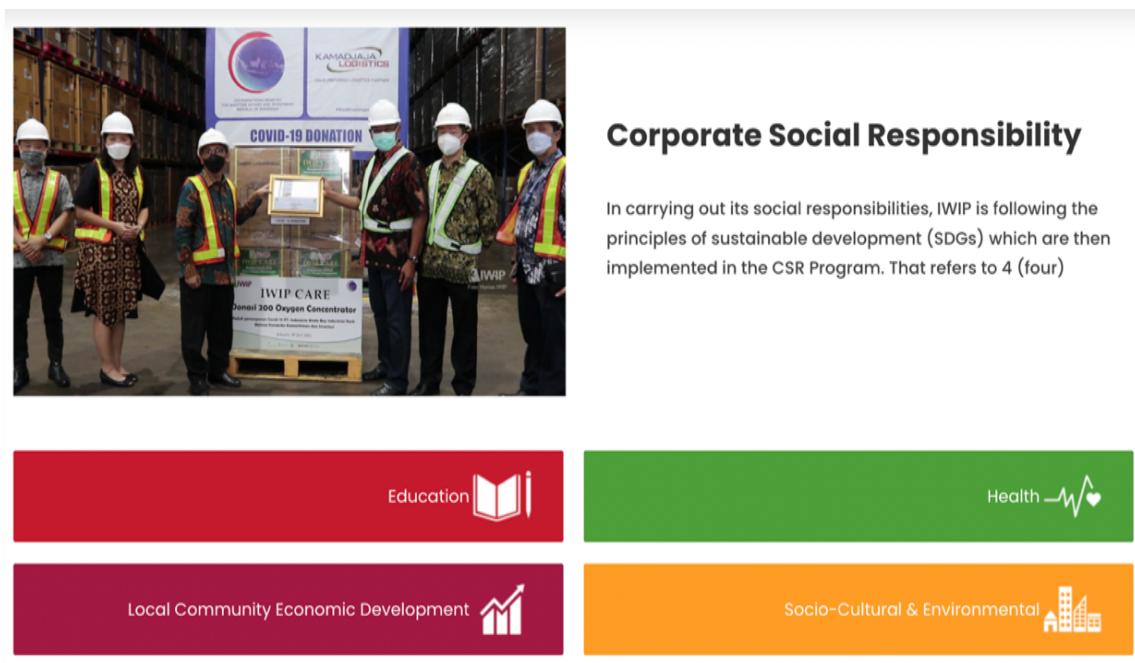
Administratively, while PT. IWIP was formed in a joint venture company primarily comprising of three Chinese investors, namely: *Tsinghshan*, *Zhensi*, and *Hugou* with total investment of 10 billion USD, there are also elements of Indonesian involvement, though not in terms of direct capital investment but rather in regulating and overseeing investment through regulatory bodies and legal framework (Baharudin, 2018). As we know them today, the Indonesian government through agencies such as the *Investment Coordinating Board* (BKPM), together with the *Ministry of Energy and Mineral Resources* (ESDM) actively monitors and regulates these companies, ensuring the active role in advancing to Indonesia's economic and social growth by making sure the compliance with local regulations and policies. As can be seen from the figure above, PT. IWIP's smelter operations are situated along the coastal regions of Lelilef Sawai and Lelilef Waibulan area of Central Halmahera, which is classified as the "ring one" villages, which actually places them in the most directly impacted zone by nickel extraction activities due to their proximity to the mining activities, with a population of approximately 8500 individuals in total (BPS, 2023). Next to this are the "ring two" villages, including Gemaf and Sagea, where most of the communities are traditionally engaged in fishing and agriculture<sup>3</sup>, which also experiencing the secondary effects of those mining operations, such as changes of soil landscape and water provision in Gemaf and lastly the poorly polluted river and in Sagea.

<sup>3</sup> Profile of PT. Indonesia Weda Bay Park (IWIP). <https://iwip.co.id/tentang-iwip/>

## 5.3 PT. IWIP's Principles and Strategy

As part of National Strategic Project (PSN) under the Presidential Regulation No.109/2020, PT. IWIP is required to implement its CSR policies in accordance with the established standards, ensuring that its contributions align with national development goals and deliver social responsibility in addressing community welfare, sustainable infrastructure, and environmental protection. In Indonesia, CSR itself has emerged as a primary approach to local development, particularly those affected by industrialization and mining activities (Hendrayani et al., 2023, pp. 30-33). Looking at its function, PT. IWIP positions its CSR efforts as a key mechanism for supporting development in the industrial ring communities. As part of their obligation, CSR according to Article 74 Law No.40/2007 on Limited Liability Companies are aimed to foster sustainable economic development to improve the quality of life and environment, benefiting both the company and local stakeholders <sup>4</sup>. PT. IWIP has four main focus points as outlined on their website: Education, Health, Local Community Economic Development, and Socio-Cultural Environmental.

**Figure 3. Principles of CSR adopted by PT Indonesia Weda Bay Industrial Park**



**Corporate Social Responsibility**

In carrying out its social responsibilities, IWIP is following the principles of sustainable development (SDGs) which are then implemented in the CSR Program. That refers to 4 (four)

**Education** 

**Health** 

**Local Community Economic Development** 

**Socio-Cultural & Environmental** 

Source: <https://iwip.co.id/en/corporate-social-responsibility/> (2024)

Furthermore, the information selected for the content published on the company's website is the company's four principles of operating their CSR initiatives throughout 2023. By participating in areas such as education, infrastructure, and healthcare, it appears that PT. IWIP seeks to build community resilience as well as social cohesion, aligning their interests with broader societal goals. However, there is no transparency in detail of how the company manage its priorities according to the four principles as mentioned in the figure 2 above.

<sup>4</sup> The Limited Liability Company Law in Indonesia serves as an important framework for CSR, particularly for businesses operating in or related to natural resource sector.

**Table 4: CSR's Initiatives Carried out by PT. IWIP**

<b>Education</b>	<ul style="list-style-type: none"> <li>○ Facilities and infrastructure assistance for 25 schools (Starting from early childhood education programs, elementary school, junior high school, senior high school, vocational high school, to Islamic boarding schools in Central Halmahera)</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>○ Roads construction in Sawai, Waibulan, and Gemaf villages, with a total road length of 7,2 km</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>○ Weda City Hospital Pavilion's Construction</li> <li>○ Covid-19 Treatment in 2020-2021</li> </ul>
<b>Social</b>	<p>Assistance for developing:</p> <ul style="list-style-type: none"> <li>○ Mosque (8 buildings)</li> <li>○ Church (2 buildings)</li> </ul>

**Source:** Company's Website, Elaborated by Author.

Though with limited details available, some initiatives carried out by the company can be identified through (Table 4) presented above. However, according to the information available on their official website, the company has invested its CSR annual budget over the period from 2019 to 2021. In 2019, CSR investments amounted to *Rp. 2,515,518,000*, followed by a notable increase to *Rp. 5,727,576,000* in 2020, and finally a significant increase to *Rp. 23,873,777,565* in 2021 (IWIP, 2024). Despite their substantial funding commitment, detailed information regarding specific budget allocations of CSR or community benefit is limited on the website, leaving key questions about the practical impact and distribution of these funds unanswered. Lastly, if observed carefully, these programs do not highlight other important aspect such as local empowerment that involves direct community participation to nurture common knowledge and develop a skillset tailored to their needs.

# Chapter 6

## The Problem Streams

This chapter lays out a comprehensive analysis of the findings and PT. IWIP's CSR practices as well as their implications for local development, emphasizing the influence of various stakeholders on these initiatives. Drawing from empirical data collected through interviews with key informants, field observations in three villages, and supported by secondary sources, the discussion integrates CSR, Stakeholder theories as well as Local Development to structure the analysis. This chapter critically examines the impact of CSR efforts on essential areas such as education, infrastructure, and public health within Central Halmahera. Furthermore, it addresses the roles and perspectives of stakeholders, including local communities, NGOs, and government entities, to elucidate how these actors shape and respond to the CSR activities and their alignment with regional development objectives.

### 6.1 CSR in Focus: Short-Term Benefits, Long Term Risks

The CSR initiatives undertaken by PT. IWIP within its operational area illustrate a tangible contribution to the welfare of the local community. Through diverse programs like mosque construction, road infrastructure development, football fields, financial aid for the elderly, and educational support, PT. IWIP plays a role in enhancing the quality of life for local residents. The mosque construction program, for instance, highlights the company's commitment to addressing the spiritual and social needs of the community. As indicated in the interview with *HV1*<sup>5</sup>:

“The CSR programs are active nowadays. One that is currently ongoing is the development of Mosque and Church.” (Fieldwork, 2024).

This statement reflects PT. IWIP's focus on addressing community needs through social projects, such as the ongoing mosque construction, which symbolizes the company's efforts to strengthen ties with the community by contributing to religious facilities. Alongside religious support, the company's road infrastructure projects stand out as a CSR initiative with immediate benefits. He further noted,

“Moreover, most common program build is the road infrastructure connecting our villages accesses.” (Fieldnote, 2024).

The road construction, connecting village access points, underscores CSR priorities in improving local connectivity and mobility. This indicates that the company values fundamental infrastructure that facilitates the socio-economic activities of the residents. Furthermore, PT. IWIP's development of a football field highlights its commitment to social contributions beyond mere infrastructure. According to available interview with *HV2*<sup>6</sup>, he also pointed that:

“CSR in my village has contributed to the construction of roads, and a football field.” (Fieldwork, 2024).

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<sup>5</sup> Fieldwork Interview with HV1, in Lelilef Sawai Village (7 September 2024).

<sup>6</sup> Fieldwork Interview with HV2, in Lelilef Waibulan Village (8 September 2024).

This dual focus on roads and recreational facilities like football fields reflects the company's awareness of the importance of physical accessibility and social well-being. Such contributions enhance the quality of village life by providing recreational and physical engagement opportunities, strengthening community relations in the process. In addition, education is a core focus within PT. IWIP's CSR programs, as noted by JATAM N2 <sup>7</sup>:

“Advocacy engaging with the local community, the CSR initiatives in the education and road infrastructure are the two dominant efforts that have been gradually developing over the last 3 years in ring one villages.” (Fieldwork, 2024).

The emphasis on education and infrastructure development in nearby villages over the past three years highlights the company's strategic focus on community needs. The phased approach suggests that PT. IWIP recognizes investment in education and infrastructure as foundational for long-term welfare improvement, while also deepening its relationship and support within the core community around its operations.

Recognizing this, PT. IWIP's CSR initiatives have positively impacted local communities, particularly through financial support for elderly residents and essential infrastructure development, such as village roads. These programs reflect the company's commitment to community welfare, addressing not only economic needs but also the social support of vulnerable groups. By focusing on essential infrastructure and support for the elderly, PT. IWIP plays an active role in fostering an inclusive, sustainable environment for nearby communities. One notable CSR effort is the monthly financial aid of 500,000 IDR provided to village elders aged over 65, initiated in January 2024. As expressed in other interviews with HV1<sup>8</sup>:

“One CSR initiative from the company which has been viewed effective this year is the incentives to provide financial assistance to the elderly in the village. This program has started from January 2024, where elderly over 65 years old received around 500,000 IDR per month.” (Fieldwork, 2024).

Similarly, another informant HV2<sup>9</sup> further reaffirmed the same information:

“The financial assistance targeted to elderly in our village with the amount of 500,000 IDR per monthly has been very helpful in supporting their basic need that alleviates the financial burden of the family”. (Fieldwork, 2024).

This financial assistance program for the elderly in the ring one villages indicates PT. IWIP's attention to the needs of vulnerable groups. The monthly aid helps alleviate the financial burden on elderly residents and their families, fostering a socially harmonious environment. The program also underlines PT. IWIP's commitment to supporting the local community beyond mere economic growth, building social bonds through tangible actions. Moreover, another participant added:

“PT. IWIP's presence in Lelilef Sawai has significantly impacted the local economy, with around 70% of the people here that has started their local businesses, such as renting out their rooms. Some locals who got the job to work for the company invest in rental business, turning their land they sold to the company into business opportunities like guest-houses or hostels <sup>10</sup>”. (Fieldnote, 2024).

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<sup>7</sup> Fieldwork Interview with N2, Program Manager of JATAM North Maluku (20 August 2024).

<sup>8</sup> Fieldwork Interview with HV1, in Lelilef Sawai Village (7 September 2024).

<sup>9</sup> Fieldwork Interview with HV2, in Lelilef Waibulan Village (8 September 2024).

<sup>10</sup> Fieldnote from HV1 (2024)

This phenomenon highlights how the company's arrival has stimulated local entrepreneurship, especially in room rental and lodging business, thereby strengthening the local economy of the community.

Overall, PT. IWIP's CSR initiatives such as the construction of mosques and church, road infrastructure, and sport facilities, align with the CSR frameworks previously discussed. According to Caroll's CSR pyramid (1979) and Elkington's Triple Bottom Line (1998), these initiatives demonstrate the company's commitment to fulfilling the social and spiritual needs of the local community. For instance, infrastructure development enhances connectivity, which is crucial for supporting the community's social and economic activities, while the sports facilities contribute to improve health and social interaction. Reflecting from a local development theory, this aligns with the company's efforts to enhance the social cohesion and economic networks, which is also in line with the sustainable development principles (see Figure 3) that integrate economic, social, and environmental goals (Sen, 1999; Coffey & Polese, 1984). In this regard, PT. IWIP can be seen contributing to social development by improving basic facilities that supports the long-term needs of the community. However, while there are positive initiatives in IWIP's CSR, there is also evidence to suggest that their implementation often does not fulfil the community's overall expectations, especially in terms of sustainability and environmental impacts.

### ***a. The Need for Proactive and Long-term CSR Strategies***

The following perspectives and information from the local residents highlight an important concern about PT. IWIP's CSR initiatives, particularly their responsiveness to community needs. One informant shared:

“The CSR itself they depend on what we request, not given directly by the company. The company is willing to support infrastructure, education, or even sports, but we need to initiate the request based on our needs... The approval process can take a long process which sometimes become a problem in our society. Yet, it's not something automatically given at regular intervals <sup>11</sup>”. (Fieldwork, 2024).

The above statement illustrates that the company's CSR is reactive rather than proactive, requiring the community to identify specific needs and undergo a lengthy proposal process to receive the support. While PT. IWIP is open to aiding in areas such as infrastructure, education, or sports, this assistance is neither automatic nor regular. In line with this, another informant from Gemaif village *HV3*<sup>12</sup> noted that:

“The CSR from the company doesn't have a fixed budget. Instead, they operate based on proposals from us.” (Fieldwork, 2024).

The absence of a stable CSR budget, contingent instead on community proposals, reflects an unstable financial commitment. Without a designated funding allocation, local residents face uncertainty and potential delays in accessing essential support. This proposal-based approaches places an administrative burden on the community, complicating sustainable initiatives that depend on routine funding. Further, another resident expressed concerns about inclusivity:

“I consider the CSR initiatives not transparent and is far behind reaching all layers of community, especially us women, to face persistent challenges in daily life with water scarcity.” (Fieldwork, 2024).

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<sup>11</sup> Fieldwork Interview with HV1, in Lelilef Sawai Village (7 September 2024).

<sup>12</sup> Fieldwork Interview with HV3, in Gemaif Village (11 September 2024).

This perspective underscores issues of transparency and accessibility, particularly for women facing daily challenges, such as water scarcity. The lack of openness in CSR allocation suggests a disconnect between the company's initiatives and the needs of vulnerable groups, widening the gap between community needs and corporate support for fundamental welfare issues. Finally, WALHI N1<sup>13</sup> voiced strong opposition to PT. IWIP's investment, highlighting its stance:

“WALHI has been clear from the very beginning in rejecting the investment of this company. Whatever the investment does, it cannot possibly improve the welfare of the people, but we are talking about sustainable and equitable welfare for future generations.”  
(Fieldwork, 2024).

This viewpoint underscores WALHI's emphasis on sustainable and equitable welfare over short-term economic gains. WALHI's stance reflects broader concerns about the long-term environmental and social sustainability of PT. IWIP's presence, as investment efforts appear misaligned with principles of social justice and ecological balance. Local observations further indicate that existing policies lack sufficient attention to community and environmental needs:

“Critical areas like environmental protection and health improvement appeared to have received small attention from our observation with the residents. The policies do not holistically address the issues caused by the presence of these investments in mining. It felt like a mismatch result that does not empower the community and the environment <sup>14</sup>.”  
(Fieldnote, 2024).

This indicates that the current approach fails to address the mining investment's impact holistically, producing a misalignment with community expectations. Rather than empowering residents and protecting the environment, the existing approach feels inadequate, potentially worsening socio-ecological conditions. The following excerpts from local residents illustrate significant ecological and social concerns resulting from PT. IWIP's industrial activities. One resident describes the destruction of buffer zones and its direct effects:

“The root cause is that the ecology in Central Halmahera is mostly destroyed, the buffer zones are gone, and that's what causes the murkiness in the river and leads to uncontrollable floodings.” (Fieldnote, 2024).

In light of the above, this insight highlights that natural buffer zones, essential for absorbing and regulating water flow, have been damaged by industrial operations, causing rivers to overflow and contamination to increase, particularly during heavy rains. Another resident notes the insufficient environmental oversight accompanying mining expansion:

“The recent flooding disaster is largely attributed to the expansive nickel mining operations and the broad issuance of mining concessions by the provincial government and the central authorities without sufficient consideration of the environment's carrying capacities, leading to severe ecological degradation and harming the local communities.”

Here, it is evident that extensive mining activities and unregulated issuance of mining concessions have severely stressed the ecosystem, disrupted environmental balance, and posing risks to local welfare. Additional concerns arise from deforestation and river rerouting to accommodate mining, which further exacerbate flood risks in neighbouring villages as stated:

“The recurring floods impacting our village and the neighbouring villages such as Waibulan and Gemaf are the results of an extensive mining activities that have exceeded the carrying capacity of our environment. Factors such as decreased water absorption due to

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<sup>13</sup> Fieldwork Interview with N1, Regional Director of WALHI North Maluku (18 August).

<sup>14</sup> Fieldnote from N1 (2024).

deforestation for mining activities, combined with alterations to waterways like damming and re-direction of Ake and Sagea rivers, may be disrupting the ecosystem's balance.” (Fieldwork, 2024).

**Figure 4.**  
**Flooding in Ring One Village**



Source: Author, 2024 (Retrieved from Fieldwork)

Along with the above information, these observations are consistent with my fieldwork experiences, where I experienced flooding in Lelilef Village in early September, which submerged the main road connecting Gemaf and Sagea, as illustrated in Figure 5. The rerouting of rivers and removal of forested areas significantly reduce groundwater absorption, leading to persistent flooding issues across multiple villages that. The community also faces severe water contamination issues, pushing residents to rely on bottled water, one for instance stated LF1<sup>15</sup>:

“Since the beginning of 2024, the residents of Sagea Village have increasingly relied on gallons and bottled water due to contamination of their local water supply, which has become dusty and contaminated. Since the company operated and expanded their mine extraction, it has become difficult to have clean water. Whenever it rains, the soil and debris dislodged by excavators on the mountain flows into the gardens and residential areas, with muddy runoff reaching local residents, causing environmental and personal distress.” (Fieldwork, 2024).

As we can see, residents describe the challenges of securing clean water, as sediment runoff from mining operations pollutes local supplies, affecting both personal and agricultural use. These environmental issues have also disrupted livelihoods, forcing fishermen and farmers to adapt to degraded conditions.

### ***b. Effects on Agriculture and Traditional Activities***

Additionally, the effects of nickel mining extend far beyond the immediate environmental issues, it also affects the local fishery and agriculture sectors in the ring one villages of Lelilef and Gemaf. Another informant N1<sup>16</sup> stressed on:

“Whatever the local community do to adopt to the current situation, it won’t be sufficient. In fact, the people are experiencing a shift in their livelihoods because these ecological conditions no longer support their needs. Some fishermen have to go much further out to

<sup>15</sup> Fieldwork Interview with local female resident 1 (12 September 2024).

<sup>16</sup> Fieldwork Interview with N1, Regional Director of WALHI North Maluku (18 August).

catch fish, and some farmers lost their main source of income from their land already. Besides the pollution, the fish stocks have also declined which results in higher costs.” (Fieldwork, 2024).

The contamination of rivers and reduction in fish stocks have pushed fishermen to travel farther for catches, while farmers struggle as their lands degrade, raising expenses and jeopardizing their primary income sources. The destruction of essential natural resources has had an especially severe impact on vulnerable groups. One local resident *LF2*<sup>17</sup> for example mentioned:

“The disruption of these vital resources has been particularly harmful to us women and children which are the most vulnerable groups in the community, as their well-being is directly linked to the availability of these natural resources. Even the animals have been sick and died from our sea. What about us? Some groups of women in our village find it difficult to maintain their profession as fishermen because the seawater in our village is badly polluted which makes it difficult to catch fish. This results into a shift of profession that some of the women are becoming scavengers to make a living”. (Fieldwork, 2024).

This condition underscores the disproportionate effects on women and children, who rely directly on accessible clean water and fertile land to support family needs. The community also faces a new influx of waste due to the increased number of industrial workers, with no effective waste management plan from PT. IWIP. One informant *HV3*<sup>18</sup> specifically pointed out the situation:

“The most pressing concerns currently experienced by the villagers is the massive explosion of waste. The company has reportedly not taken any action to address this issue, leaving us to deal with this unmanaged trash piling up in the area.” (Fieldwork, 2024).

**Figure 5.**  
**Slums Area and Massive Waste between Lelilef and Gemaf**



**Source:** Author, 2024 (Retrieved from Fieldwork)

Such explanations also matched with my fieldwork experiences, where I personally witnessed large amounts of garbage accumulating along the main road connecting the company to the surrounding villages. The photograph as seen in the Figure 4 illustrates the widespread and poorly managed waste issue, which continue to escalate due to the increase in

<sup>17</sup> Fieldwork Interview with LF2 (12 September 2024).

<sup>18</sup> Fieldwork Interview with HV3, in Gemaf Village (11 September 2024).

population engaging in mining activities (Fieldnote, 2024). Here, it serves as a clear example of the environmental challenges posed by the growing industrial presence.

With waste increasing on main roads and in public areas, health and environmental concerns intensify, exacerbated by the absence of waste management efforts from PT. IWIP. The company's industrial expansion has led to environmental degradation, threatening the productivity of local fisheries and agriculture, the main livelihoods of nearby residents. By depleting essential natural resources and introducing new ecological strains, PT. IWIP hinders community resilience and disrupts efforts to foster sustainable, locally driven economic development. As the community struggles to adapt to environmental degradation, opportunities for self-sufficient growth diminish, leaving residents increasingly dependent on limited and unstable external support. These findings suggest that PT. IWIP's CSR initiatives fall short of supporting sustainable, equitable community development. In contrast to a CSR framework designed to foster well-being and mitigate adverse impacts, PT. IWIP's approach lacks both foresight and the commitment needed to meet its responsibilities as a steward of both the environment and local welfare. An effective CSR strategy would require PT. IWIP to allocate resources proactively, ensure transparency, and engage with community stakeholders to address their urgent needs and sustain local resources for future generations.

### ***Summary and Theoretical Implications***

The dynamics of PT. IWIP's Corporate Social Responsibility (CSR) practices and their impact on local development can be effectively analysed through a synthesis of local development theory and stakeholder theory. This approach highlights how PT. IWIP's CSR influences economic sustainability, ecological health, and community engagement within the region. Economically, PT. IWIP has supported small local businesses, including accommodations and service providers that cater to the industrial sector, aligning with local development theory's focus on building resilient economies (Pike, Rodríguez-Pose & Tomaney, 2016). However, this support reveals limitations in the company's inclusive development strategy, as traditional livelihoods such as fishing have suffered due to environmental pollution caused by industrial activities. According to Storper (1997), truly sustainable economic development should empower local communities toward self-reliance, not merely provide temporary employment. To this end, PT. IWIP could significantly enhance its CSR initiatives by prioritizing skill-building programs and offering financial support to local entrepreneurs, fostering a more self-sustaining local economy.

From an environmental perspective, PT. IWIP has implemented measures to prevent flooding, yet these efforts fall short in addressing the broader ecological degradation that endangers community reliance on natural resources. The pollution and habitat loss experienced within the region underscore a critical need for comprehensive ecosystem restoration and more robust waste management practices. Such initiatives could bolster the long-term viability of natural resources essential to local livelihoods, moving PT. IWIP's CSR beyond mitigation toward genuine environmental stewardship.

When examined through the lens of stakeholder theory, which underscores the ethical responsibility of corporations to consider the needs and interests of all affected parties (Freeman, 1984), PT. IWIP's CSR approach reveals notable gaps. The company's CSR framework appears unsystematic, lacking a fixed budget and depending on community proposals, which results in a reactive rather than strategic approach. This absence of a transparent, dedicated CSR budget undermines the consistent fulfilment of community needs and restricts the potential impact of CSR initiatives, particularly for vulnerable groups such as women who face limited access to natural resources. Donaldson and Preston (1995) emphasize that structured CSR programs are essential to create positive, sustained community impact, while Mitchell et al. (1997) advocate prioritizing marginalized groups due to their legitimacy as affected stakeholders.

The exclusion of community members from Environmental Impact Assessment (EIA) processes further exemplifies PT. IWIP's limited public engagement. Public participation is essential for addressing urgent community needs and validating their legitimate stake in the company's operations (Mitchell et al., 1997). By increasing public involvement in CSR planning and implementation, PT. IWIP could foster inclusivity, transparency, and corporate sustainability, thereby reducing conflicts, building public trust, and supporting long-term social and environmental goals (Goodpaster, 1991).

Finally, PT. IWIP's CSR practices, though seemingly intended to enhance local welfare through infrastructure and financial support, have ultimately failed to mitigate significant negative impacts on local development, particularly due to the environmental degradation resulting from its operations. Although initiatives such as road construction and financial assistance for the elderly provide immediate relief, the broader ecological damage—including deforestation, river contamination, and pollution—has disrupted vital resources on which local livelihoods depend. From a local development perspective, this degradation has forced the community to adapt drastically, with fishermen traveling further to find fish and farmers losing productive land. The contamination of water sources, especially, has imposed direct costs on residents, who now rely on bottled water due to polluted rivers and streams. These impacts weaken the foundation of local economic independence and sustainable growth, placing community members, particularly vulnerable groups, in a cycle of environmental dependence and economic uncertainty. As a result, PT. IWIP's CSR efforts fail to support meaningful local development, instead eroding the community's capacity for long-term resilience and self-sustenance.

# Chapter 7 Transforming CSR Into Sustainable Practices

This chapter presents an in-depth analysis of PT. IWIP's CSR initiative in meeting the development needs of the Central Halmahera community and explores potential improvements in the CSR strategy. Employing data from stakeholders' interviews, fieldwork assessments with key sectors of the community, and grounded in theories of CSR, Stakeholder Theory, and Local Development, the discussion critically evaluates the real and perceived impacts of these initiatives. Key areas such as waste management, community health, and economic resilience are examined to determine the depth of CSR influence, with particular attention to the gap between corporate goals and community expectations. Finally, this chapter also looked into the analysis on the collaborative role between local government, NGOs, and community members, providing insights into how these stakeholders shape, interpret, and are impacted by PT. IWIP's CSR efforts.

## 7.1 Bridging the Gap: The Disconnection Between CSR and Community Needs

The data reflects that PT. IWIP's CSR approach, while ostensibly aligned with compliance under Law No. 40 of 2007 on Limited Liability Companies, primarily responds to legal and community demands rather than proactively addressing community welfare. This approach, as explained by CSR theory, limits the potential of CSR to function as a transformative tool for community empowerment. Rather than fostering sustainable benefits, PT. IWIP's CSR practices appear more focused on meeting regulatory requirements, evident in the company's scaled-up CSR only after increased public pressure. A resident's reflection *HV1*<sup>19</sup> highlights this sentiment:

“Yes, the CSR program was already in place back then in 2019, as companies are obliged to invest in CSR as part of their operations, though at that time it wasn't comparable to what PT. IWIP is doing now.” (Fieldnote, 2024).

This reactive approach limits CSR's impact, as initiatives like infrastructure development fail to address the core issues affecting community well-being, such as environmental and health risks resulting from industrial operations. Moreover, stakeholder theory underlines the importance of considering all affected groups, yet PT. IWIP's CSR approach lacks comprehensive engagement with local stakeholders, particularly in managing environmental impact. For instance, despite some economic improvements, residents report severe ecological harm, as one informant noted<sup>20</sup>:

“We experienced better transition in economic but massive damage in our environment and health facilities”. (Fieldnote, 2024).

It underscores the company's focus on short-term economic gains, often at the cost of environmental and health stability. The community's ongoing environmental struggles indicate a lack of substantive CSR efforts to mitigate these issues, suggesting PT. IWIP's CSR initiatives inadequately account for the direct needs of key stakeholders, particularly those bearing the brunt of industrial effects. Environmental damage is especially apparent in the community's challenges with waste management and water contamination. Residents express

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<sup>19</sup> Fieldnote from HV1 (2024).

<sup>20</sup> Fieldnote from HV2 (2024).

disappointment in PT. IWIP's insufficient waste management, which is expected to be a core CSR responsibility under both CSR and stakeholder theories. One local authorities *HV3*<sup>21</sup> for instance conveyed this frustration:

“I am convinced the company holds responsibility for waste management, they did not build a waste bank nor taken meaningful steps to address these issues through their CSR programs.” (Fieldwork, 2024).

This reflects a gap in PT IWIP's commitment to handling waste, leaving the burden of unmanaged waste on local communities. The lack of waste infrastructure, coupled with rising pollution levels, highlights a misalignment between PT. IWIP's obligations and its actual contributions, further widening the divide between community needs and CSR outcomes. The implications for public health, particularly due to limited healthcare services in the area, indicate that the company's CSR efforts have yet to genuinely prioritize long-term community welfare. From a local development theory perspective, PT. IWIP's CSR efforts, such as infrastructure improvements, offer some immediate economic benefits but fall short of fostering sustainable local growth. For example, the contamination of water resources and damage to agricultural land disrupt vital aspects of local livelihoods. One female resident *LF1*<sup>22</sup> also lamented:

“Our water is contaminated... We demand clean water tanks since early 2024 to supply our water sources, but it has not been realized to date.” (Fieldwork, 2024).

### ***Summary and Theoretical Implications***

PT. IWIP's failure to address water contamination highlights missed opportunities in its CSR approach, revealing a disconnect with essential environmental sustainability practices that support community resilience. Local development theory emphasizes the integration of environmental stewardship with economic development as fundamental to building sustainable, self-reliant communities, yet PT. IWIP's CSR strategy does not align with these principles. Instead, the company's actions reflect a compliance-based approach, focusing on short-term economic objectives at the expense of long-term environmental and social welfare (Freeman, 1984; Donaldson and Preston, 1995). This lack of proactive engagement risks undermining local self-sufficiency and exacerbating vulnerabilities within the community, contrasting with the broader goals of CSR, Stakeholder Theory, and local development theory, all of which advocate for sustainable growth and empowered stakeholder relations (Harrison and Freeman, 1999; Cesar, 2019).

In conclusion, PT. IWIP's CSR efforts, in their current form, do not effectively contribute to sustainable community development. Rather than realizing the full potential of CSR to address socio-environmental challenges, PT. IWIP's approach remains primarily reactive, shaped by compliance rather than genuine community partnership. To build meaningful, long-term impact, PT. IWIP must evolve its CSR strategy to emphasize proactive engagement, inclusivity, and environmental stewardship. This shift would require PT. IWIP to adopt a more transparent and participative approach, prioritizing open dialogue with the community, addressing urgent issues such as environmental protection, and investing in sustainable infrastructure. A genuine commitment to these principles could transform PT. IWIP's CSR initiatives from regulatory fulfilment into a balanced, resilient partnership with the local community, fostering mutual growth and long-term sustainability.

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<sup>21</sup> Fieldwork Interview with HV3 in Gemaf Village (11 September 2024).

<sup>22</sup> Fieldwork Interview with LF2 in Sagea Village (12 September 2024).

## 7.2 Local Government Capacity: Pathways Forward

In the context of local government, an informant from provincial government of North Maluku *LG1*<sup>23</sup> illuminated:

“In my view, regarding the Environmental Impact Assessment (EIA), we created initially as guidance, then it undergone several amendments, and after Government Regulation No. 22/2021, the environmental permit follows the business permit. This is what has caused the authority to be centralized”. (Fieldwork, 2024).

In addition, Law No. 3/2020, alongside the Government Regulation No. 22/2021, has centralized control over Indonesia’s mineral and coal mining sector, retracting regional authority in a bid to streamline permitting and enhance efficiency. However, this aligns with findings from *The Mining Advocacy Network* (JATAM), which revealed that licensing authority for mining and smelting is now exclusively vested in the central government, creating dependency, and limiting local governments’ capacity to oversee corporate activities <sup>24</sup> (Fieldnote, 2024). While centralization promotes policy consistency, it undermines the “locality state” principle, risking the neglect of social and environmental impacts and underscoring the need for inclusive, regionally responsive policy implementation. However, another governmental informant from *LG1* further added:

“IWIP is already part of the *Public Disclosure Program* (PROPER)<sup>25</sup>, a performance assessment program companies directly monitored by the Ministry of Environment and Forestry”. (Fieldnote, 2024).

With this, it can be seen that the CSR governance in Indonesia’s mining sector is also deeply connected to regulatory oversight, with the Ministry of Environment and Forestry’s PROPER program serving as a primary framework for assessing environmental compliance. Thus, PT. Indonesia Weda Bay Industrial Park (IWIP) has earned PROPER recognition for its stringent management of liquid waste, air emissions, and hazardous materials, highlighting its strong conservation commitment. Other than that, another informant *LG2*<sup>26</sup> pointed out:

“The intensity of the rain from July-September 2024 was so high. So, there are many factors. The areas that used to be water catchment have now become settlements. Swamps that should have been water retention areas have now been filled in to become settlements. So, flooding is caused by many factors, not just mining”. (Fieldwork, 2024).

Flooding is indeed remain a significant challenge linked to mining, with IWIP taking proactive measures like emergency response teams, community support, and avoiding river blockages to mitigate impacts. However, the issue is complex and influenced by high rainfall, extreme weather from tropical cyclones, and land-use changes around mining areas, as noted by a study from Worlanyo and Jiangeng (2021). Population growth and urban expansion diminish natural water catchment areas, exacerbating flood risks, as confirmed by research on land-use pressures (Pahuluan, Soeprobawati, & Hadiyanto, 2017; Tierolf, de Moel, van Vilet, 2021).

Furthermore, underpinning beyond the regulatory constrain, an informant from *LG2* explained:

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<sup>23</sup> Interview with LG1 in Sofifi, North Maluku (12 August 2024).

<sup>24</sup> Fieldnote from N2 (2024).

<sup>25</sup> PROPER is an initiative launched by Indonesia’s Ministry of Environment and Forestry aimed at enhancing the environmental performance of companies operating within the county.

<sup>26</sup> Interview with LG2 in Sofifi, North Maluku (15 August 2024).

“The enactment of Law No.3/2020 has reshaped CSR dynamics in Indonesia’s mining sector, centralizing governance, and reducing local oversight, which narrows the scope of the CSR’s impact on local communities”. (Fieldnote, 2024).

This shift marks a departure from previous decentralization efforts intended to promote regional autonomy, encourage community participation, and ensure sustainable resource management. Instead, the centralization of authority now aims to streamline permit processes, improve operational efficiency, and minimize local conflicts, albeit at the cost of diminished local engagement in strategic decision-making (Gumilang, Oktariani & Suswinda, 2022, pp. 871-873).

### ***Summary and Theoretical Implications***

Therefore, reflecting from CSR framework, companies like PT. IWIP are expected to balance profitability with responsible practices and environmental care (Elkington, 1998). However, the centralization of governance limits local government and the company’s capacity to connect directly with affected communities, giving CSR initiatives as an impression of formality rather than genuine impact. Meanwhile, the Stakeholder Theory emphasizes that CSR should serve all stakeholders, including local communities, employees, and the environment (Freeman, 1984). Yet, new regulations reinforce centralization, restricting local government’s ability to monitor or engage in supportive roles. Finally, Local Development Theory further argues that CSR should foster regional sustainability beyond economic contributions. Efforts such as skills training, sustainable land management education, and investment in renewable energy can align PT. IWIP’s operations with the community development goals.

While PT. IWIP’s investments in infrastructure and employment support local economies, authentic sustainable development requires a commitment to environmental resilience and land stewardship (Pike et al., 2007). Without sufficient local oversight, CSR risks prioritizing national over regional concerns, leading to perceptions of superficiality. However, for the CSR to be effective, it requires rigorous strategies and policies that prioritize goals that are centered on local communities’ development and implement initiatives that genuinely contribute to the long-term regional development agenda. To sum up, Indonesia’s recent regulations No. 3/2020 reshape CSR in the mining sector by centralizing authority, potentially limiting responsive, locally adapted initiatives. While PT. IWIP’s environmental practices and PROPER recognition highlight its commitment to sustainability, broader issues such as flooding required an integrated, multi-stakeholder approach to ensure the long-term environmental resilience.

## **7.3 Building Impact: CSR Strategies for Local Development**

To improve PT. IWIP’s CSR effectiveness and its positive impact on the local community, a strengthened collaborative approach with local government, NGOs, and community members is essential. This partnership fosters open dialogue, allowing for shared knowledge and resources to tackle complex issues such as environmental challenges and social welfare (Karsadi & Aso, 2023; Tahir et al., 2022). By collaborating, PT. IWIP can better understand the community’s needs and aspirations, leading to more targeted and inclusive solutions. Capacity building initiatives, like skills training and support for small business, are crucial for helping local communities build economic resilience and reduce dependency on environmentally sensitive resources impacted by mining (Genchi et al., 2020, p.3782).

Reflecting from the case of PT. IWIP, a focus on long-term sustainable development is key. This can be achieved through enhanced social accountability and inclusive mining practices that engage all stakeholders. CSR programs should support healthcare, education,

and environmental rehabilitation through reforestation and waste management improvements (Mudd, 2010; Ohshiro et al., 2016). Policy support from local governments is necessary to monitor mining activities, emphasizing conservation and community well-being (Nurlaela et al., 2020; Clarkson, 1995). PT. IWIP can further minimize environmental impact by adopting innovative technologies, such as automated monitoring systems and eco-friendly extraction methods (Thiagarajan & Koh, 2021). Collectively, these actions enable PT. IWIP to implement a responsible, sustainable CSR approach that supports community welfare and protects the surrounding ecosystem.

## Chapter 8

### Conclusion

This study stems from the complex reality of Corporate Social Responsibility (CSR) practices in Indonesia, particularly within the mining sector, where CSR is mandated by law as a corporate duty to positively impact communities and the environment. However, the implementation of CSR in this sector reveals two dominant perspectives: one viewing CSR as a genuine contribution with tangible benefits for nearby communities, and another considering it a mere formality aimed at enhancing corporate image without substantial local impact (Setyadi, 2024, p.85). Against this backdrop, this research explores the dynamics of CSR practices by PT Indonesia Weda Bay Industrial Park (IWIP) and assesses their influence on the lives of local communities in Central Halmahera.

This research explores PT. IWIP's approach to Corporate Social Responsibility (CSR) and community development, examining whether the company considers CSR as an obligation toward local communities while analysing the roles of local government and NGOs in protecting the rights of populations impacted by nickel mining. Drawing on CSR theories by Blowfield and Frys (2005) and Elkington (1997), the study frames CSR as a corporate commitment to social and environmental accountability beyond profit motives. This implies that PT. IWIP is expected to positively influence the community and support environmental conservation by practicing social accountability, fostering ethical partnerships, and managing a sustainable supply chain. The study further interprets the implications of PT. IWIP's CSR practices on local communities using the concept of local development from Pike, Rodriguez-Pose, and Tomaney (2016), supported by Storper's (1997) notion that effective regional development requires harmonizing economic, social, and political forces to build competitive and resilient local advantages. Additionally, Freeman's (1984) stakeholder theory guides the analysis of each stakeholder's role, suggesting that PT. IWIP should balance diverse interests to create sustainable relationships.

In terms of methodology, this study employs qualitative interviews, field observations, and secondary data analysis from news sources, academic journals, regulatory documents, and CSR reports related to the case study companies.

The research findings indicate that PT. IWIP's CSR initiatives demonstrate both beneficial impacts and considerable challenges for the local community, particularly when analysed through the perspective of local development theory. Economically, PT. IWIP's support for small businesses aligns with resilient local economy goals, yet its impact remains limited due to a lack of sustainable development initiatives that build community self-reliance. Environmentally, the company has taken steps to mitigate flooding, yet fails to address the broader ecological consequences of pollution and habitat degradation, which erode the community's natural resource base. Additionally, while infrastructure projects, like roads and schools, provide short-term benefits, delayed timelines and declining quality highlight the need for better accountability. Health concerns, particularly respiratory issues from industrial pollution, underscore a critical need for improved healthcare access. Overall, PT. IWIP's CSR initiatives would benefit from adopting a more sustainable, inclusive, and participatory framework to build enduring community resilience in economic, environmental, and health-related areas.

Furthermore, the study reveals that PT. IWIP's CSR strategy, analysed through the lens of stakeholder theory, uncovers key areas requiring improvement, particularly in transparency, inclusivity, and proactive engagement with the community. Stakeholder theory posits that corporate responsibilities extend beyond shareholders to all impacted parties,

including local communities, governments, and NGOs, advocating for fairness and participation as key elements of sustainability (Freeman, 1984; Donaldson & Preston, 1995). PT. IWIP's reliance on community proposals without a structured CSR budget highlights an ad-hoc approach that limits its effectiveness, particularly in meeting the needs of marginalized groups, such as women affected by resource constraints. This approach contrasts with best practices in stakeholder engagement, which suggest the need for consistent financial allocation and focus on vulnerable stakeholders (Mitchell et al., 1997). Additionally, limited regulatory oversight from local governments due to centralized licensing further emphasizes PT. IWIP's responsibility to establish collaborative social and environmental safeguards. NGOs like WALHI and JATAM have also pointed out the need for CSR efforts to prioritize environmental protection over infrastructure, which would align better with ethical stakeholder engagement. A more transparent, participatory CSR model could foster trust, reduce tensions, and promote sustainable community development in alignment with stakeholder theory principles.

Therefore, it can be understood that PT. IWIP's CSR initiatives lack a focus on sustainable development that encourages community self-reliance and do not address environmental impacts with adequate commitment. Moreover, PT. IWIP's CSR practices fail to establish a consistent framework that prioritizes stakeholder engagement. Local communities and NGOs have limited opportunities to engage in dialogue or help design CSR programs that meet local needs effectively. This issue stems from the exclusion of stakeholder perspectives in program planning. Instead of creating a structured, sustainability-oriented approach for the environment and community, PT. IWIP's CSR efforts appear as symbolic gestures, offering only short-term impact to fulfil regulatory obligations. The findings of this study lay a solid groundwork for future research utilizing alternative methods, such as quantitative surveys within local communities, to capture a broader range of public perceptions and to assess CSR's impact on social and economic well-being indicators in a more measurable way. Additionally, future research should also incorporate interviews with key personal within PT. IWIP to fully capture their strategies and valid information. Moreover, addressing these challenges requires equal representation for all stakeholders to share their views on proposed CSR programs. Facilitating this exchange through collaboration among local authorities, communities, NGOs, and regional governments ensures a comprehensive understanding of local needs. Furthermore, the central government should provide clearer CSR guidelines for the nickel mining sector, aligned with sustainable development objectives, while implementing stronger regulations to empower regional governments in monitoring and evaluating CSR initiatives. Such an approach would encourage CSR efforts that are more responsive and tailored to the local context.

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# Appendices

## Appendix 1

### List of Informants

No	Firms/Organization	Informant Position	Date of Interview
1	Office of Environmental Planning and Protection Service of North Maluku Province (Dinas Lingkungan Hidup/DLH Provinsi Maluku Utara) ( <i>LG 1</i> )	Interim and Planner at DLH	12 August 2024
		Acting Chief of Cross-Service Division	
		Environmental Planner and Analyst at DLH	
2	Office of Energy and Mineral Resources of North Maluku Province (Dinas Energi dan Sumber Daya Mineral/ESDM Provinsi Maluku Utara) ( <i>LG 2</i> )	Head Division of Mineral and Coal at ESDM	15 August 2024
		Analyst of Mineral and Coal at ESDM	
3	Indonesian Forum for the Environment (Wahana Lingkungan Hidup Indonesia/WALHI) ( <i>N1</i> )	Regional Director of WALHI North Maluku Branch	18 August 2024
4	The Mining Advocacy Network (Jaringan Advokasi Tambang/JATAM) ( <i>N2</i> )	Programme Manager of JATAM North Maluku	20 August 2024
5	Local Authorities ( <i>HV1</i> )	Head Village of Lelilef Sawai	7 September 2024
6	Local Authorities ( <i>HV2</i> )	Head Village of Lelilef Waibulan	8 September 2024
7	Local Authorities ( <i>HV3</i> )	Head Village of Gemaf	11 September 2024
8	Female Resident ( <i>LF1</i> )	Local Resident	12 September 2024
9	Female Resident ( <i>LF2</i> )	Local Resident	12 September 2024

## Appendix 2

Interview Guide for Dinas Lingkungan Hidup/Office of Environmental Planning and Protection Service of the North Maluku Province #DLH

### Interview Information

Date  
Location  
Name of the institution  
Name / Code of the interviewee  
Gender  
Age Range  
Role of the interviewee in the institution

### Personal Introduction

My background  
Research objectives and limitations  
Explanation of how the interview is built up  
Confidentiality and Ethics  
Questions about notes and recording  
Do you have any questions for me before we begin?

### General Questions

1. Could you please describe what you are doing in this institution?
2. How is it your role and work related to nickel, environmental planning, and protection?

### Regulatory, Framework related Questions

3. Could you provide an overview of the regulation that governs nickel mining in North Maluku, specifically related to the environmental protection?
4. How does your institution ensure that PT. IWIP complies with this environmental regulation?
5. Are there challenges faced by your institution in regulation and monitoring mining activities?

### Environmental-related Questions

6. In your view, what are the most significant environmental impacts observed from the nickel mining operations at PT.IWIP?
7. How does your office assess and address the environmental risks associated with nickel mining?
8. Can you discuss any data or findings from recent environmental impact assessment related to PT. IWIP's operations?
9. With the heavy rain and the recent flooding events occurring in Weda Central Halmahera, which have also affected mining villages such as Dukolamo, Lelilef, and Gemaf what specific actions has your institution undertaken to address and mitigate the impact of these floods on the affected communities and environment?
10. Lastly, given the recent flooding, can you confirm whether the floodwaters contain hazardous materials classified as B3 Waste?

### **CSR and Community-related Questions**

11. Can you explain, how does your institution engage with local communities affected by nickel mining activities?
12. In your view, what are the common concerns or feedback you receive from the community regarding PT. IWIP's mining operations?
13. In your opinion, what specific CSR activities by PT. IWIP have had the most positive impact on the local communities?
14. How does your institution address and incorporate the community's feedback into your regulatory practices?
15. In your view, what measures has PT. IWIP implemented to mitigate their environmental impact caused by their mining activities? How effective have this mitigation has been according to your assessment?
16. Are there any significant CSR activities done by PT. IWIP that you think is developing well? How has these initiatives impacted the communities?

### **Collaboration and participation related Questions**

17. How does your institution collaborate with PT. IWIP to ensure environmental protection standards are delivered?
18. How do you perceive the coordination between national and provincial governments in regulating nickel mining?
19. Can you share any examples of successful collaboration between your institution and PT. IWIP on CSR initiatives?

### **Monitoring-reporting related Questions**

20. How does your institution monitor the environmental and social impacts of PT. IWIP's CSR initiatives?
21. Can you share what kind of reporting mechanism are in place for PT. IWIP to report their CSR and environmental practices if there is?

### **Future-hopes related Questions**

22. In your view, what improvements or changes would you recommend for PT. IWIP to enhance their environmental and social responsibility?
23. What do you believe should be the future priorities for PT. IWIP CSR's areas and initiatives?
24. Lastly, we know that CSR has been regulated in Law Number 40 of 2007, what makes you think that CSR should be mandatory / or voluntary? Why? And do you think is it necessary to add more government regulation to follow up the law?

That sums up my last question. Is there anything that you would like to add? / Do you have any further suggestion for my project (people to talk to, literature readings, etc) ? In the case of further questions, may I come back to you again? I personally thank you for your time and your valuable answers today. I highly appreciate your efforts and time.

## Appendix 3

Interview Guide for Dinas Lingkungan Hidup/Office of Energy and Mineral Resources of  
North Maluku Province #ESDM

### Interview Information

Date  
Location  
Name of the institution  
Name / Code of the interviewee  
Gender  
Age Range  
Role of the interviewee in the institution

### Personal Introduction

My background  
Research objectives and limitations  
Explanation of how the interview is built up  
Confidentiality and Ethics  
Questions about notes and recording  
Do you have any questions for me before we begin?

### General Questions

1. Could you please describe your role and responsibilities in this institution?
2. How is it your role and work related to nickel, environmental planning, and protection?

### Regulatory, Framework and Involvement

3. First of all, can you provide an overview of the regulation that governs nickel mining in North Maluku, specifically related to energy and mineral resources?
4. How does your institution view the on-going massive nickel extraction in Central Halmahera at PT. IWIP?
5. What is your institutions role in managing the nickel at PT. IWIP?

### Environmental related Questions

6. In your view, what are the most significant environmental impacts observed from the nickel mining operations at PT.IWIP?
7. How does your office assess and address the environmental risks associated with nickel mining?
8. Lastly, given the recent flooding in mining area, can you confirm, or do you have the data whether the floodwaters contain hazardous materials that are classified as B3 Waste?

### CSR and community related Questions

9. Is there any engagement from your institution with the local communities affected by nickel mining?
10. In your view, what are the common concerns or feedback you receive from the community regarding PT. IWIP's mining operations?
11. In your view, what specific CSR activities by PT.IWIP have had the most positive impact on the local communities?

12. How does your office address and incorporate the community's feedback into your regulatory practices?
13. Are there any significant CSR activities done by PT. IWIP that you think is developing well? How has these initiatives impacted the communities?

**Collaboration and participation related Questions**

14. Does your institution collaborate with Dinas Lingkungan Hidup / Office of Environmental Planning and Protection Service to ensure environmental protection standards are met?
15. Are there any mechanism for your institution to provide input or feedback on PT. IWIP's CSR initiatives/policy?

**Monitoring-reporting related Questions**

16. How does your institution monitor the mineral, environmental and social impacts of PT. IWIP's CSR initiatives?

**Future agenda and improvements**

17. What improvements or changes would you recommend for PT. IWIP to enhance their environmental and social responsibility?
18. What do you believe should be the future priorities for PT.IWIP CSR's areas and initiatives?
19. We know that CSR has been regulated in Law Number 40 of 2007, that makes it one of the roles of government in CSR agenda in terms of mandating, do you think is it necessary to add more government regulation to follow up the law?
20. What makes you think that CSR should be mandatory / or voluntary? Why?

That sums up my last question. Is there anything that you would like to add? / Do you have any further suggestion for my project (people to talk to, literature readings, etc) ? In the case of further questions, may I come back to you again? I personally thank you for your time and your valuable answers today. I highly appreciate your efforts and time.

## **Appendix 4**

Interview Guide for NGOs Partners (WALHI/ Indonesian Forum for the Environment and Jaringan Advokasi Tambang/The Mining Advocacy Network)

### **Interview Information**

Date  
Location  
Name of the institution  
Name / Code of the interviewee  
Gender  
Age Range  
Role of the interviewee in the institution

### **Personal Introduction**

My background  
Research objectives and limitations  
Explanation of how the interview is built up  
Confidentiality and Ethics  
Questions about notes and recording  
Do you have any questions for me before we begin?

### **General Advocacy Role**

**Opening:** First of all, can you describe the main focus of your organization's advocacy and initiatives regarding PT. IWIP nickel mining operations in Weda, Central Halmahera?

1. What specific environmental, social, and community issues have your organization have been addressing in relation to PT. IWIP's activities?
2. In your particular areas of field, what is the real problem do you observe within the nickel mining activities in Weda?
3. How does your organization collaborate with other NGOs, local communities, and government agencies to address these issues?

### **Environmental and Social Measurement**

4. What are the primary environmental concerns associated with PT. IWIP's nickel mining operations that your organization has identified?
5. How does your organization monitor and document the environmental impact of PT. IWIP's activities?
6. In your view, what are the key social issues that have arisen in the communities affected by PT. IWIP's mining operations?
7. In your organizational views, how has PT. IWIP's presence impacted the livelihoods, health, and well-being of local communities?
8. Can you provide examples of any social initiatives or programs that have been implemented to mitigate these impacts if there are any?

### **Community Involvement related Questions**

1. How does your organization engage with local communities to raise awareness and advocate for their rights and interests?
2. As an organization, how effective do you think PT. IWIP's CSR initiatives have been in addressing community needs and concerns?

### **Indigenous People and Cultural**

9. Based on your experience, can you provide an information on how has PT. IWIP's mining operations affected indigenous communities and their cultural heritage in the region?
10. What steps has your organization taken to protect and promote the rights of indigenous peoples affected by these mining activities?
11. Can you share any success stories or challenges faced in advocating for indigenous rights in this context?

### **Policy Advocacy, Strategies related Questions**

12. What legal or policy advocacy does your organization advocate that have been most noticeable or impactful from your perspective?
13. How does organizations typically communicate its concerns and voices to the company?
14. How effective have these advocacy efforts been in addressing about changes in policies or practices related to PT. IWIP's CSR operations?
15. Can you provide examples of any legal actions or campaigns your organization has undertaken against PT. IWIP?
16. What kind of challenges or barriers have your organization encountered in incorporating organization's advocacy into policy decision?
17. How does your organization work with other stakeholders, including local governments, international organizations (if any), and academia, to address the impacts of nickel mining?
18. What role do you see for multi-stakeholder collaborations in mitigating the negative impacts of mining and promoting sustainable development?

### **Way forward and Recommendation**

19. Based on your organizational experiences, what are the key lessons learned in advocating for environmental and social justice in the context of PT. IWIP's operations?
20. What recommendations would you enforce to PT. IWIP, local authorities and other stakeholders to improve the situation in Weda, Central Halmahera?
21. With the heavy rain and the recent flooding events occurring in Weda, which have also affected mining villages such as Dukolamo and Lelilef, what are your views about this? Are there plan to be taken to address and mitigate the impact of these floods on the affected communities and environment from your organization?
22. As an active organization, how do you envision the future of environmental and social advocacy in the region, particularly in relation to mining activities?

That sums up my last question. Is there anything that you would like to add? / Do you have any further suggestion for my project (people to talk to, literature readings, etc) ? In the case of further questions, may I come back to you again? I personally thank you for your time and your valuable answers today. I highly appreciate your efforts and time.

## Appendix 5

Interview Guide for Local Authorities (Head Villages) and Local Residents/Villagers

### **Interview Information**

Date  
Location  
Name of the institution  
Name / Code of the interviewee  
Gender  
Age Range  
Role of the interviewee in the institution

### **Personal Introduction**

My background  
Research objectives and limitations  
Explanation of how the interview is built up  
Confidentiality and Ethics  
Questions about notes and recording  
Do you have any questions for me before we begin?

### **Roles and Responsibility related Questions**

1. Can you describe the overall impact of nickel mining activities by PT. IWIP on the local communities both in Lelilef Sawai and Lelilef Waybulen?
2. What are the most significant changes you have observed in the villages since the mining operations began?
3. Why do you think it's important to protect the environment and the community?

### **Economic Impact**

4. In your experience, how has nickel mining affected the local economy and employment opportunities in your villages?
5. Have local businesses and traditional livelihoods been impacted by the mining activities? If so, how?

### **Social and Health Impact**

6. What kind of social changes have you observed in the community since the start of nickel mining operations?
7. Are there any health issues or concerns among the community members that you believe are linked to the mining activities?
8. How has the influx of workers and new residents associated with the mining operations affected the social dynamics of the village?

### **Environmental Impact**

9. Based on your observation, what are the most noticeable environmental changes in your village as a result of the nickel mining operations?
10. In your view, how have these environmental changes affected the daily activities and the well-being of the villagers?
11. Are there any specific natural resources (e.g., water, soil, forests) that have been significantly impacted by the mining activities?

### **Indigenous Rights related Questions**

12. How has the nickel mining impacted the indigenous population in your village?
13. Are there any traditional practices, cultural sites, or heritage areas that have been affected by the mining activities?
14. What kind of measurements are being taken in the villages to protect the rights and interests of indigenous people so far with the on-going mining activities?

### **Community Engagement and CSR Initiatives**

15. In your experience, are there regular meetings or forum where villagers can express their concerns and provide feedback to the company?
16. Are the villagers aware of PT. IWIP's CSR initiatives? How is this information communicated to the community?
17. Can you provide examples of specific CSR projects or programs that have had a positive impact on the village?
18. Are there areas where you believe PT. IWIP's CSR efforts could have been improved?
19. Besides CSR initiatives, are there any other forms of compensation or support that the company provided to the affected community?
20. Can you share any specific examples of how the community has been supported or assisted by the company?

### **Conflicts or Disputes**

21. Have there been any conflicts or disputes between the village and PT. IWIP so far? If so, what were the main issues, and how were they solved?

### **Future Hopes**

22. What are your main concerns and hopes for the future of your village in the context of ongoing nickel mining activities?
23. What kind of recommendations would you make to PT. IWIP and local government authorities to improve the situation for the village?
24. Is there any additional information or perspective you would like to share regarding the impact of PT. IWIP's nickel mining on your village?
25. What message would you like to convey to PT. IWIP and other stakeholders involved in the mining operations?

That sums up my last question. Is there anything that you would like to add? /Do you have any further suggestion for my project (people to talk to, literature readings, etc) ? In the case of further questions, may I come back to you again? I personally thank you for your time and your valuable answers today. I highly appreciate your efforts and time.