

## CHAPTER FOUR

### FINDING AND ANALYSIS

#### **A. The Role of Corporate Social Responsibility Forum in Upholding CSR Programs of Companies**

Corporate Social Responsibility (CSR) Forum was established with the aim to synergize the implementation of corporate social and environmental responsibility with regional development programs. The companies that will carry out CSR programs shall be in line with the local government's order to improve the welfare of the community, the development of local government and district government. CSR Forum is also expected to be able to realize the clear boundaries among the company's social and environmental responsibilities and those who shall participate in the program.<sup>37</sup>

Based on the Article 4 of Governor Regulation of Yogyakarta Number 23 of 2018 on The Establishment of a Corporate Social and Environmental Responsibility Forum, CSR Forum has the following roles:<sup>38</sup>

- a. Informing and educating companies about CSR.
- b. Exploring and expanding the company's social and environmental responsibility resources.

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<sup>37</sup> See Article 2 of Governor Regulation of Yogyakarta Number 23 of 2018 on The Establishment of a Corporate Social and Environmental Responsibility Forum.

<sup>38</sup> See Article 4 of Governor Regulation of Yogyakarta Number 23 of 2018 on The Establishment of a Corporate Social and Environmental Responsibility Forum.

- c. Striving to achieve the goals of local governments in efforts to reduce poverty and reduce inequality of community income.

## 1. **Informing and Educating Companies About Corporate Social Responsibility**

The first role of Corporate Social Responsibility (CSR) Forum is to give information and educate companies about Corporate Social Responsibility.<sup>39</sup> In carrying out its first role providing information and educating companies the CSR Forum started with the simple things of gathering companies in Yogyakarta then they were trained on the CSR details such as its planning, governance, execution, until reporting process. Furthermore, the CSR Forum also provides education to companies in order to have a high will and awareness of the importance of carrying out CSR activities, for the sake of the sustainability of the company itself and surrounding society.

In accommodating companies' need, as stated in Article 4 (1) of Governor Regulation of Yogyakarta Number 23 of 2018, CSR Forum is expected to share information and teach them about CSR. It is found that CSR Forum and *Badan Perencanaan dan Pembangunan Daerah* (BAPPEDA) have already conducted several activities to answer the needs and promote the CSR programs.<sup>40</sup>

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<sup>39</sup> See Article 4 (a) of Governor Regulation of Yogyakarta Number 23 of 2018 on The Establishment of a Corporate Social and Environmental Responsibility Forum.

<sup>40</sup> See Article 4 (a) of Governor Regulation of Yogyakarta Number 23 of 2018 on The Establishment of a Corporate Social and Environmental Responsibility Forum.

Doddy Bagus Jatmiko, the chairman of CSR Forum said there have been several meetings discussing core members or administrators of the CSR Forum with large-sized companies. These companies serve as the mentor for other companies. Among large-sized companies are PT Angkasa Pura I,<sup>41</sup> Hartono Mall,<sup>42</sup> Garuda Indonesia,<sup>43</sup> Swiss Belboutique,<sup>44</sup> Bank Mandiri Syariah,<sup>45</sup> and many more. As stated in the Decree of the Governor of the Special Region of Yogyakarta Number 152 / KEP / 2018 concerning Membership Structure of the Corporate Social and Environmental Responsibility Forum of 2018-2020, those large companies are expected to have a good effect on other companies to participate in conducting CSR program.<sup>46</sup>

According to Dody Bagus Jatmiko, there are still many companies which do not aware of the importance of CSR programs for the improvement of Yogyakarta welfare. It means the companies do not understand the CSR programs and the companies are hesitating to implement them. The invitations to join the program have been given only

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<sup>41</sup> PT. Angkasa Pura I (Persero) is a State-Owned Enterprise (SOE) company that provides air traffic and airport business services in Indonesia that focuses on services in the central and eastern parts of Indonesia.

<sup>42</sup> Hartono Mall is a department store owned by PT Delta Merlin Dunia Properti, is a business engaged in Shopping Center Management.

<sup>43</sup> Garuda Indonesia (GA / GIA) is the first and oldest state-owned airline company in Indonesia which was officially established on January 28, 1949 under the name Garuda Indonesian Airways.

<sup>44</sup> Swiss Belboutique is a company which provides professional expertise and management services for hotels, resorts and inpatient services, founded in 1987 and headquartered in Hong Kong.

<sup>45</sup> Bank Syariah Mandiri is a banking institution in Indonesia. This bank was established in 1955 with the name of the National Industrial Bank and subsequently changed its name to Bank Syariah Mandiri.

<sup>46</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

to eligible member.<sup>47</sup> They have at least legal status, according to H.M.N Purwosutjipto an entity can be categorized as a legal status if the companies meet the following requirements:<sup>48</sup>

- (a) The assets (rights) with a specific purpose are separated from the personal wealth of the allies or founders of the agency.
- (b) The interests are commonly stable.
- (c) There must be a board of committee in the company.

Based on the article 8 of Regional Regulation of Yogyakarta Province Number 6 of 2016 on the Implementation of Corporate Social and Environmental Responsibility, legal entity is meant as companies whose business licenses are issued by the regions, and have subsidiaries or branches or implementation units that carries out their activities in the Yogyakarta region.<sup>49</sup>

By educating companies, CSR Forum is expected to increase corporate awareness of CSR and the realization of Good Corporate Governance. Good Corporate Governance is a process to improve business success and corporate accountability in order to realize the value of long-term capital owners while still paying attention to the interests company stakeholders are based on rules and ethical values. Company stakeholders include owners,

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<sup>47</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

<sup>48</sup> Muhammad Ridwan Lubis, 2018, "Analisis Yuridis Terhadap Kedudukan Keuangan Negara Dalam Penyertaan Modal Daerah Pada BUMD Berbadan Hukum Perseroan Terbatas", *Jurnal Hukum Kaidah*, Vol. 18 (1), p. 90.

<sup>49</sup> See Article 8 of Regional Regulation of Yogyakarta Province Number 6 of 2016 on The Implementation of Corporate Social and Environmental Responsibility.

creditors, suppliers, business associations, employees, customers, the government and the wider community. Implementation of Good Corporate Governance is needed to maintain the survival of a company. The implementation of Good Corporate Governance is based on the principles of transparency, accountability, responsibility, independence, and fairness.<sup>50</sup>

In giving information and educating companies, CSR Forum shall help and guide the companies to do CSR Program such as, planning the program and determining the receiver of the program. By having the plans and programs made by the secretariat of CSR Forum, the companies can allocate their CSR programs to assist alleviating poverty. Based on data obtained from the Regional Government through the CSR Forum secretariat, the programs have been integrated harmoniously and efficiently with the companies' programs, so that both CSR Forum and the companies can adjust their mutual objectives and needs.<sup>51</sup>

Doddy Bagus Jatmiko said that the programs to be carried out had already listed in the Regional Development Work Plan or *Rencana Kerja Pembangunan Daerah* (RKPD), so the companies' programs are determined by the local and should be in compliance with the RKPD. Besides accommodating companies to involved in CSR programs and

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<sup>50</sup> Claudia Lavenia Supit, 2016, "Analisis Penerapan Prinsip-Prinsip Good Corporate Governance Pada PT Wang Konstruksi Indonesia", *AGORA*, vol.4 (2), p. 146.

<sup>51</sup> See Article 7 (c) of Regional Regulation of Yogyakarta Province Number 6 of 2016 on The Implementation of Corporate Social and Environmental Responsibility.

planning what the annual programs, the CSR Forum also provides a space for companies and the people to suggest what programs to be done which in line with their needs. In practice, the CSR Forum has its own channel to receive feedback from the people.

## **2. Exploring and Expanding the Company's Social and Responsibility Resources.**

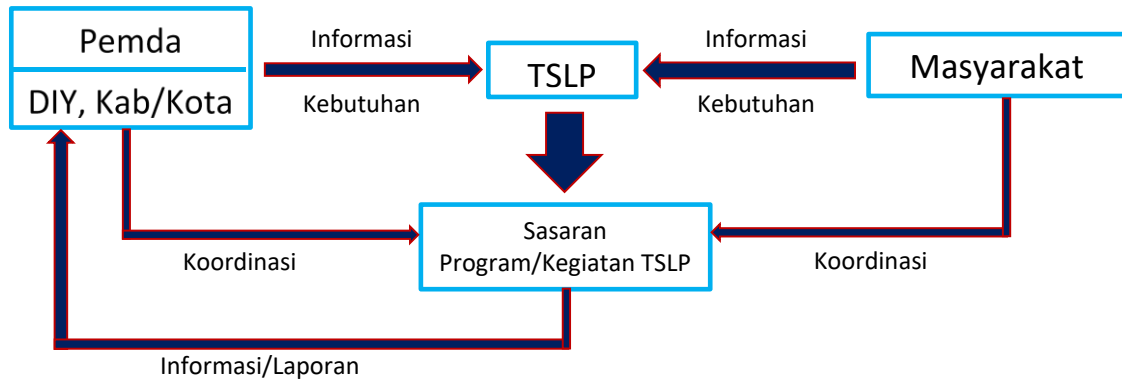
The second role of the CSR Forum is to explore and expand the potency that can be elaborated for CSR activities, with the aim to maintain the sustainability and improve the quality of the implemented program.<sup>52</sup> In order to explore and expand its activities, the Forum provides a public space for people whether it is non-governmental organization or individuals to provide suggestions for future programs. With this feedback, it is expected that the CSR Forum, local the government, and companies can achieve reliable targets.

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<sup>52</sup> See Article 4 (a) of Governor Regulation of Yogyakarta Number 23 of 2018 on The Establishment of a Corporate Social and Environmental Responsibility Forum.

Figure 4.2

### Coordinator Line of Local Government, CSR Forum and Community



Doddy Bagus Jatmiko stated that:<sup>53</sup>

*".... that the pathway was actually made to facilitate the society so that it could be directly received by the forum and discussed for future programs"*

In addition to the annually fixed programs, there are other programs that could be carried out to improve the welfare of the community and make the distribution of social program of the companies reach the target.

In improving the reporting system of the community and companies, the local government through the planning and development agency (BAPPEDA) also invites feedback from the people through website called Poverty Alleviation System or *Sistem Penanggulangan Kemiskinan* (SIMNANGKIS). The website provides information on regional development plans and poverty alleviation carried out by the Regional Government. The website is expected to provide information for companies

<sup>53</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

that want to participate in implementing CSR, and facilitate the public in reporting their needs.

Doddy Bagus Jatmiko said:<sup>54</sup>

*“... with the SIMNANGKIS website and the e-report system it was able to facilitate the community in providing their reports related to the program they wanted to suggest.”*

In addition, Doddy Bagus Jatmiko also said that on the SIMNANGKIS website, there is an e-report system which later becomes the main gateway for the society to submit their reports, not only related to CSR programs, but also other social problems, this is proof that local governments through BAPPEDA and CSR Forum are trying to expand reach in implementing CSR to better understand what the community wants.<sup>55</sup>

The CSR Forum also require to explore all the companies potential including their funding to sponsor the government in regional development. Local governments and CSR Forum, therefore, create partnership programs in carrying out their duties. In order to realizee the integrated CSR programs, commitment is needed in the form of partnerships between stakeholders, especially between the government and companies. Partnership is an agreement between sectors where individuals, groups or organizations agree to work together to fulfil an obligation or carry out

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<sup>54</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

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certain activities, jointly bear the risks and benefits and periodically review the cooperation relationship.<sup>56</sup>

The concept of partnership between the company and the government is an effort to explore the company's CSR potential and service to the community for the improvement of their welfare. In the partnership process, there are basic principles that must be obeyed such as:<sup>57</sup>

- a. Equality or balance: The approach is not top down or bottom up, nor solely based power, but a relationship of mutual respect, mutual respect and mutual trust.
- b. Transparency: this is needed to avoid mutual suspicion between partners.
- c. Mutual benefit: a partnership must bring benefits to all parties involved.

Doddy Bagus Jatmiko stated that the local government realized that CSR had a wide influence in helping the government alleviate poverty reduction efforts, as well as improving the welfare of the community. Therefore, the potential of implementing CSR was huge. The allocations of government funds for poverty reduction are still limited, with these conditions requiring the support and active involvement of the business world. CSR activities can certainly target community groups that have not

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<sup>56</sup> Rahmatullah, 2012, "Model Kemitraan Pemerintah dengan Perusahaan dalam Mengelola Csr: Studi Kasus Di Kota Cilegon", *Informasi*, Vol. 17 (1), p. 38.

<sup>57</sup> *Ibid.*

been touched by poverty reduction programs, so that a better quality of life can be felt by the community equally.<sup>58</sup>

### **3. Striving to Achieve The Goals of Local Governments in Efforts to Reduce Poverty and Reduce Inequality of Community Income.**

The Corporate Social Responsibility (CSR) Forum last role is to achieve local government goals in poverty reduction and reducing income inequality. In this case, the CSR Forum is expected to be able to make CSR carried out by the company be in line with what the local government wants in overcoming the problem of poverty. If the target of local government in poverty reduction through CSR programs is achieved, it indicates that the partnership program provided by the government to companies in Yogyakarta has good results.

Changing the development paradigm from the *money follow function* to the *money follow program* makes many budget policies need to be changed. One is the focus of funding on large programs that leverage and have a direct impact on society. The national policy that sets Yogyakarta Province economic growth at 6.02% is a separate assignment for Yogyakarta Province. Yogyakarta Province economic growth conditions amounted to 5.05% in 2016. To achieve the growth target can no longer be done with conventional financing models. In this case, a breakthrough in development financing must be done, one of which is by increasing the role of the private

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<sup>58</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

sector in financing development through the mechanism of *Public Private Partnership* (PPP), Corporate Social Responsibility (CSR) or the other.<sup>59</sup>

There are several supporting factors in implementing program synergies between the government and companies, including: the government's commitment to reducing poverty and unemployment supported by companies. Companies gets benefit from cooperation with the government, where CSR programs are better targeted, and the company feels helped in implementing its CSR. The contribution of each party that has partnered has become the driving force for the forum and CSR Forum programs. The government has a commitment to finance the operations of CSR Forum institutions, by budgeting through the *Anggaran Pendapatan dan Belanja Daerah* (APBD), while the company is funding synergized CSR programs.<sup>60</sup>

One of the CSR Forum's efforts to achieve government goals is through existing partnership channels.<sup>61</sup>In its implementation, the partnership that is carried out is not always ideal one, because sometimes it is based on the interests of the partners. Partnerships between companies and the government and the community can lead to three scenarios:

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<sup>59</sup> Gubernur Daerah Istimewa Yogyakarta, 2018, *Laporan Keterangan Pertanggungjawaban Daerah Istimewa Yogyakarta*, sub-chapter 2, p. 35.

<sup>60</sup> Rahmatullah, *Op. Cit.*, p. 45.

<sup>61</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

1. The pattern of counter-productive partnerships. This happens if the company is still based on conventional patterns, only prioritizing the interests of shareholders or pursuing profit as much as possible.

2. Semi productive Partnership Patterns. Government and community or society is considered as objects and problems outside the company.

3. Productive Partnership Patterns. Placing partners as subjects to have mutual benefit. The company has high social and environmental concerns, then the government provides conducive climate for the business world, and the community provides positive support to the company.<sup>62</sup>

Partnership supporting factors show the pattern of partnership in CSR Forum institutions leading to productive partnerships, where companies have high social and environmental concerns, while the government provides conducive climate for ongoing cooperation. Furthermore, the government and the CSR Forum through its secretariat, make plans regarding CSR programs that will be carried out so that they are in line with what is expected by the government, the planned program will be included in the *Rencana Kerja Pembangunan Daerah* (RKPD) which is then ratified together with the *Dewan Perwakilan Rakyat Daerah* (DPRD). From there, it will produce several programs in the form of packages where the packages

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<sup>62</sup> Rahmatullah, *Op. Cit.*, p. 41.

have many choices, such as development packages, community empowerment packages and so on.<sup>63</sup>

Doddy Bagus Jatmiko said:

*“... the program, after being included in the RKPD, was then given to the company, and the company that chose them wanted to help the local government with which package, so the implementation authority remained with the company”.*

An example of a development package is a program created to assist regional development by building infrastructure that helps the region to improve the welfare of its people, such as constructing school buildings, village buildings, or the improvement of people's homes to make it more feasible to use. In the selection of the package the company is given the flexibility in choosing a package, where companies choose a package that is in accordance with what they want, then they help the realization of the package using the CSR funds they have.

Doddy Bagus Jatmiko said:<sup>64</sup>

*“...this was one of our efforts to align the CSR program with the company-owned program, so we planned the program and after that the company chose what programs they wanted to help use their CSR funds”.*

Every year the company is obliged to provide a report regarding the CSR activities. One of the CSR Forum duties is to assist the company in making an annual report, which will later be submitted to the Governor of

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<sup>63</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

<sup>64</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

Yogyakarta Sri Sultan Hamengkubuwono X through the CSR Forum as a material to do evaluation for the preparation of the next CSR program. In article 18 of Local Government Regulation number 6 of 2016 concerning The Implementation of Corporate Social and Environmental Responsibility; it explains the evaluation, guidance and supervision of the programs of the CSR Forum.

Article 18 (2) explains what is meant by evaluation; it is to juxtapose the suitability of the results of program planning and activities of the Regional Government with the implementation of CSR programs and activities. By evaluating the annual report of the CSR Forum regarding the implementation of the company's CSR program in Yogyakarta, at the same time its providing guidance and supervision of the implementation of the program.<sup>65</sup> However, because of guidance and supervision are not carried out directly when the activity is carried out, this can lead to some discrepancies with what demanded by local governments such as which communities are the recipients of CSR programs?, Was the program implemented appropriately?,etc. These are questioned by the people as in the annual report no explanation of the details. The information was given only in numbers.

This can lead to non-transparency of the company in providing annual reports of CSR activities carried out, the local government through

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<sup>65</sup> See Article 18 of Regional Regulation of Yogyakarta Province Number 6 of 2016 concerning The Implementation of Corporate Social and Environmental Responsibility.

Local Government Regulation No. 6 of 2018 on The Implementation of Corporate Social And Environmental Responsibility has set about imposing sanctions on companies that do not carry out CSR or do CSR but do not comply or not transparent. Article 8 explain that companies can be subject to sanctions related to CSR, such as written (administrative) sanctions and publication sanctions in print media.<sup>66</sup>

## **B. The Obstacles of Implementing Corporate Social Responsibility Programs in Yogyakarta**

In carrying out its roles, of course the Corporate Social Responsibility (CSR) Forum experiences several obstacles that hinder the process of increasing CSR and alignment with government programs, in this section we will explain the actual constraints faced by the CSR Forum.

### **1. Informing and Educating Companies About Corporate Social Responsibility**

The Corporate Social Responsibility (CSR) Forum has important roles in raising CSR and raising company awareness of the sustainability of CSR to increase the welfare of people. CSR Forum is helping to reduce social problems, such as planning programs to be carried out, determining which groups of people will receive assistance and making reports which are then used to evaluation, guidance and supervision. In the function and task of accommodating companies in Yogyakarta to carry out CSR, there are

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<sup>66</sup> Article 8 Regional Regulation of Yogyakarta Province Number 6 of 2016 concerning The Implementation of Corporate Social and Environmental Responsibility.

several problems encountered either by the CSR Forum itself and companies or from Regional Planning and Development Agency or *Badan Perencanaan dan Pembangunan Daerah* (BAPPEDA) in terms of implementing CSR in Yogyakarta, one of the problem is lack of corporate awareness to carry out CSR.

The awareness of companies in implementing CSR programs is very necessary for the sustainability of the CSR program itself, so that all parties can get the benefit from the implementation of CSR. The people feel increasingly helped by the programs provided, and the company itself gets a good name from the implementation of the CSR program. By having a good relationship with the surrounding community makes the company more trustworthy by the wider community, and the government feels helped by the company's CSR program.

Because seeking profit is not the sole purpose of the company, the company must pay attention to social and environmental interests as part of the company's goals.<sup>67</sup> In it is practice, there are still many companies in Yogyakarta that are not aware on the importance of the implementation CSR programs to the community or to the company itself, Doddy Bagus Jatmiko said:

*".... there are actually a lot of companies in Yogyakarta but only a few of them do CSR programs , but there are also some companies that have implemented CSR programs but are not members of the CSR Forum, which is difficult to reached in asking them to join to the forum"*<sup>68</sup>

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<sup>67</sup> Mukti Fajar. N.D, *Op. Cit.*, 2013, p. 96.

<sup>68</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.



In order to increase awareness of companies in implementing CSR, the CSR Forum and BAPPEDA held a meeting by inviting 200 companies in Yogyakarta. In the meeting only 50 companies were present and only 25 companies were willing to be the member of the CSR Forum. This proves that there is still a lack of awareness of the company regarding the implementation of CSR and perhaps many companies lack understanding about CSR.<sup>69</sup>

Indonesia has explicitly required companies to carry out CSR activities by the enactment of Law Number 25 of 2007 concerning Investment. It is obliged to the limited liability companies to carry out corporate social and environmental responsibility by the enactment of Law Number 40 of 2007 concerning Limited Liability Companies. By the enactment of Local Regulations of Yogyakarta Number 6 of 2016 concerning Implementation of Corporate Social and Environmental Responsibility, all companies in Yogyakarta are obliged to implement the Corporate Social Responsibility.

In its production activities, the company may have a lot of negative impact on the surrounding environment where the company was established. The surrounding people who feel disadvantaged by the activities of the company will do a protest about the company's activities and their trust on the company will be lost. Therefore the company must think

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<sup>69</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

about the welfare of the surrounding community, especially in the place where the company does its activities.

By doing CSR or increasing awareness of implementing the CSR, the company will also get good feedback, such as:

- (ii) Improve company image
- (iii) Develop cooperation with other companies
- (iv) Strengthen the company's brands in the public
- (v) Differentiate the company from its competitors<sup>70</sup>

## **2. Exploring and Expanding the Company's Social and Responsibility Resources**

Another problem faced is the dualism of the reporting system, the reporting regarding the submission of programs carried out directly by the community and carried out by the Regional Government to the CSR Forum in determining the issues that are entered for use as considerations, but direct reporting by the public cannot be realized immediately because it requires a study and program planning carried out for the future program which program will be included in the program design for the following year, if these problems must be addressed through CSR programs carried out by the companies.

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<sup>70</sup> Putri Rahmayani, 2017, "Pentingnya CSR Terhadap Perkembangan Suatu Perusahaan", [https://www.kompasiana.com/ptri\\_ramayani/594188a1dd0fa829302bf662/pentingnya-csr-terhadap-perkembangan-suatu-perusahaan](https://www.kompasiana.com/ptri_ramayani/594188a1dd0fa829302bf662/pentingnya-csr-terhadap-perkembangan-suatu-perusahaan), Accessed on Saturday, 23 November 2019 at 22:46.

Government that had a role as executives or executors of development can coordinate with the private sector along with their CSR programs and the community represented by accountably non-governmental organization and has a legal entity in implementing development agendas in accordance with agreements and regional development plans, through the division of labour and working area accompanied by periodic evaluations.<sup>71</sup>

The programs that are actually implemented are programs that have been designed and are listed in the Regional Development Work Plan or Rencana Kerja Pembangunan Daerah (RKPD) which is approved every year for regional development, this indicates that in this case the implementation of CSR program alignment already has coordination and synchronization an aligned program based on a database and measurable community needs.

But the program planning and studies that have been carried out are in vain because in practice the planned program is just a plan because the company itself determines whether they want to do the program or not, because the implementation of the program is entirely the authority of the company even if it has been planned by BAPPEDA with CSR Forum through the approved RKPD.

The question what company should be invited to take part appear.

Doddy Bagus jatmiko said:

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<sup>71</sup> Neemra Zahra, 2013, "Masa Depan Program CSR: Kemitraan Swasta, Pemerintah dan Masyarakat", <https://www.kompasiana.com/neemra/551f7130813311f4379df0b0/masa-depan-program-csr-kemitraan-swasta-pemerintah-dan-masyarakat>, Accessed on Sunday, 24 November 2019 at 17:33.

*".... if the company feels that the planned program is not in accordance with what is desired by the company, then the company may not do it, and the problem arises when the company carries out CSR activities outside of what has been planned in the RKPD whether it can be called a forum performance or not "<sup>72</sup>*

In article 8 (1) Governor Regulation of Yogyakarta Number 23 of 2018 concerning The Establishment of Corporate Social and Environmental Responsibility Forum, it says that the administrators of the CSR Forum which according to the Governor's Decree of Yogyakarta number 152 / KEP / 2018 on Membership Structure of the Corporate Social and Environmental Responsibility Forum 2018-2020, has the right to provide and submit proposals for CSR activities from the company to the forum to be synchronized with local government programs, but if you look back at what was delivered by Doddy Bagus Jatmiko the author assumes that in planning the programs carried out by the local government the company is not involved or the forum is not involved, so that it can happen.<sup>73</sup>

In addition, Doddy Bagus Jatmiko also said that the only companies that are bound and active are those listed in Yogyakarta Governor Decree number 152 / KEP / 2018 regarding the membership structure of the corporate social and environmental responsibility forum 2018-2020, so that in practice it cannot force companies that do not listed in the decree, because

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<sup>72</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

<sup>73</sup> See Article 8 (1) Governor Regulation of Yogyakarta Number 23 of 2018 concerning The Establishment of Corporate Social and Environmental Responsibility Forum.

companies feel they are not bound so there is no need to do CSR or do CSR by synchronizing programs with local governments.<sup>74</sup>

### **3. Striving to Achieve The Goals of Local Governments in Efforts to Reduce Poverty and Reduce Inequality of Community Income.**

In order to achieve the goals of Local Government, the last problem is the lack of supervision. Supervision has become important for the continuity and sustainability of the program. This becomes important because in this case all the processes of the program can be seen, such as whether the program is right on target, whether the program is running well, and so on. The problem, however, is that supervision is only carried out when the annual report is submitted.

The imposition of CSR to companies in the Limited Liability Company Law and the Investment Law is an implementation of state sovereignty, and a constitution is given to regulate, maintain and supervise the use and management of the country so as to provide maximum prosperity to the people. CSR obligation is government control over company activities. Market without control, will cause injustice, human rights violations, damage the environment, monopolies and others. However, the supervision

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<sup>74</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

conducted is not direct supervision when the program is run, the local government only supervises the implementation using the final report.<sup>75</sup>

Doddy Bagus Jatmiko said:<sup>76</sup>

*“...direct supervision is not implemented yet because in the regulation the government only do a evaluation and supervision through the annual report from the CSR Forum, so the society is expected to help the government to supervise the programs, and make it on target”.*

Regulations regarding supervision of the implementation of CSR in Indonesia have not been comprehensively regulated in the Investment Law and the Limited Liability Company Law as a statutory regulation that requires the implementation of CSR even in Government Regulation No. 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies as implementing regulations for CSR in the Company Law only regulates matters that must be done internally by the company. For example, CSR activities must be approved by the board of commissioners or the General Meeting of Shareholders. In this implementing regulation, there are no provisions that govern company obligations to the central government. It also does not regulate the duty of the central government in supervising companies in carrying out CSR.<sup>77</sup>

But in its development, factually, CSR oversight in Indonesia is partially scattered within the scope of supervision by regional governments

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<sup>75</sup> Jem Bendel, et.al, 2010, *Capitalism in Question: The Lifeworth Annual Review of Corporate Responsibility*, Australia, Lifeworth and Green Leaf Publishing, p. 8 – 9.

<sup>76</sup> Based on the interview with Doddy Bagus Jatmiko as the Head of The Community Welfare Sub-Field in BAPPEDA of Yogyakarta on November 11th, 2019.

<sup>77</sup> A.B Susanto, 2007, *Strategic Management Approach Corporate Social Responsibility*, Jakarta, The Jakarta Consulting Group, p. vii.

through provincial and district / city regulations. Regarding supervision, in Regional Regulation of Yogyakarta Province No. 6 of 2016 concerning Implementation of Corporate Social and Environmental Responsibility, it has been specifically stated that the preparation of reports made by companies through the CSR Forum, is given to the Governor of Yogyakarta for evaluation. Article 18 of the regional regulation stated that:<sup>78</sup>

1. The Forum Secretariat helps the Governor prepare an evaluation of the implementation of the CSR, based on the CSR implementation report.
2. Evaluation as referred to in paragraph (1) matches the suitability of the results of program planning and Regional Government activities with CSR program and activity implementation.
3. The results of the evaluation referred to in paragraph (1) and paragraph (2) shall be used as material for the Governor in carrying out evaluation and supervision.

CSR regulations at the local level generally contain more guidance on what companies must do their CSR obligations to provide scope that is in accordance with the needs and requirements of each region.<sup>79</sup> This regulation on CSR is in line with the theory of commitment and partnership

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<sup>78</sup> See Article 18 of Regional Regulation of Yogyakarta Province No. 6 of 2016 concerning Implementation of Corporate Social and Environmental Responsibility.

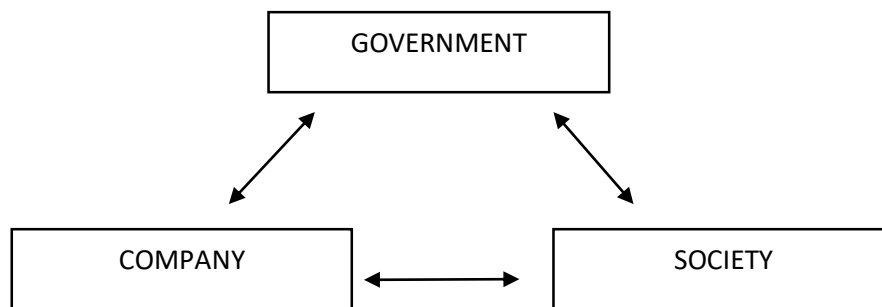
<sup>79</sup> Laensia Andriani, 2016, "Mandatory Corporate Social Responsibility In Indonesia", *Mimbar Hukum*, Vol 28 (3), p. 519.

among stakeholders for the implementation of CSR. This theory explains that stakeholders are strategic part in implementing CSR. The identification of stakeholders is very important, because if the stakeholders have been validated according to the company's strategy on CSR then a work program will emerge.<sup>80</sup>

From the working program, other partnerships emerge in the execution of CSR programs to run effectively. CSR requires the government and the community (civil society) so that the program is not separately implemented. For this reason, there is the term "Tri Sector Partnerships".<sup>81</sup>

**Table 4.2**

**Tri Sector Partnership**



These three elements must form an open collaboration and add value to each other so that when the partnership collaboration strategy is brought to

<sup>80</sup> Dwi Kartini, 2013, *Corporate Social Responsibility Transformasi Konsep Sustainability Management dan Implementation di Indonesia*, Bandung, Refika Aditama, p. 52.

<sup>81</sup> *Ibid.*



the technical level it will produce comprehensive CSR supervision functions in all circles.

The forum that act as CSR control mechanisms by the Regional Government are recommended mechanisms for implementing CSR so that companies will have an idea within the scope of CSR implementation about what the community needs, and ultimately CSR implementation will be on target. Therefore, supervision of the CSR program can not only implemented by the Governor of Yogyakarta, from the CSR Forum itself muts pay attention to the supervision including the companies itself who implementing the CSR Programs, but by *“Tri Sector Partnership”* the society are expected to be more active in helping the CSR Forum and Government in supervising the CSR Programs