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**Private Sector Engagement in Indonesia Government Projects
for Poverty Alleviation through CSR Partnerships**

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List of Acronyms

APBN	Anggaran Pendapatan dan Belanja Negara / National State Budget
CMHD	Coordinating Ministry for Human Development and Cultural Affairs
Corp	Corporate
CS	Case Study
CSR	Corporate Social Responsibility

IMF	International Monetary Fund
IR	Industri Rumah Tangga / Home-industry development
KADIN	Kamar Dagang Indonesia / Indonesia Chamber of Commerce and Industry
KOTAKU	Kota Tanpa Kumuh / Slum Area Rehabilitation Program
LLC	Limited Liability Companies
MDGs	Millenium Development Goals
MNC	Multinational Companies
MoU	Memorandum of Understanding
MPH	Ministry of Public Works and Housing
MSA	Ministry of Social Affairs
MSOE	Ministry of State-Owned Enterprise
MSME	Micro, Small, and Medium Enterprises
MWECP	Ministry of Women Empowerment and Child Protection
NC	National Companies
NGOs	Non-Government Organizations
OECD	Organizations for Economic Co-operation and Development
PENA	Pahlawan Ekonomi Nasional / Empowerment Program for Receptients of Social Assistance Program
PPP	Public-Private Partnership
RPJMN	National Medium-Term Development Plan
SDGs	Sustainable Development Goals
SOE	State-Owned Enterprises
SKK Migas	Special Task Force for Upstream Oil and Gas Business Activities
UIF	Unilever Indonesia Foundation
UN	United Nations
VNR	Voluntary National Review

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Abstract

This research paper discusses Corporate Social Responsibility (CSR) partnerships between the private and public sectors in poverty alleviation project using political-economic and institutional analyses in CSR studies. By integrating the approach of political-economic factors both at global and national levels with neo-institutionalism in the literature written by Schlutz and Wehmeir (2010), this paper wants to see how the two approaches interwind with each other and explain CSR practices in Indonesia and how it shapes CSR partnerships between the public and private sectors in poverty alleviation projects. This research paper also explores whether the concept of CSR partnership proposed by Reed and Reed (2008) is adequate to become a solution of the current situation of CSR partnership. This study observes a separate cases of poverty alleviation projects covering State-Owned Enterprises (SOE), National Companies (NC), and Multinational Companies (MNC) alongside the involvement of four different government organization. This study combines textual analysis from a variety of sources with qualitative interviews to observe the complexities of CSR partnerships and their challenges. The results of this study show that the CSR partnership model, which varies based on the type of private sector, can be shaped by neo-institutionalism and political-economic approaches, which also help to explain CSR practices in Indonesia. The differences are primarily driven by regulations, professional norms, and public pressures that interact with political-economic factors, such as national economic systems and the penetration of foreign economies. These aspects are then taken in by each private sector, as shown by CSR reports and individual action. The study further highlights challenges in current CSR partnerships, such as imbalanced power dynamics, difficulty finding appropriate skills, difficulty identifying incentives, limited public awareness on CSR, and cultural differences between the public and private sectors.

Relevance to Development Studies

This research gives additional knowledge in a study about private sector and development, particularly in poverty alleviation. The private sector is becoming a development partner in tackling social and environmental issues in society by allocating some of its profits through CSR projects. The role private sector in that has been investigated and widely debated. This paper aims to clearly state the private sector's position in development without making any judgement about what is right or wrong. This paper instead focuses on the behaviour and operations of the private sector in conducting CSR partnership with government, which can be understood through the lenses of political-economy and institutional setting and are influenced by institutions and the government in a specific context.

Keywords: CSR, Private Sector, Public Sector, Poverty Alleviation, CSR Partnership

Chapter 1.0 Introduction

1.1 Problem definition

Corporate Social Responsibility (CSR) has resulted in a lot of discussion and debate since it first emerged. The debate focuses on what counts as CSR, how significantly it affects society, if it is just business as usual, and whether or not CSR needs to be regulated. Under Indonesia's Investment Law number 25/2007 and Limited Liability Companies (LLCs) law number 40/2007, CSR is formally regulated (Zainal, 2019). CSR for business enterprise is also stated in Social Welfare Law number 11 / 2009 in article 36 about the funding for social welfare program that consists of state budget, regional budget, and funds set aside from business entities as social and environmental obligations and responsibilities (Social Welfare Law number 11/2009, Article 36). CSR is also mentioned in Poverty Law Number 13 / 2011 stated that business entities participate in providing community development funds as a manifestation of social responsibility (Poverty Law number 13/2011, Article 41).

Despite the existence of one mandatory law and three laws that mention social responsibility for business entities in poverty and social welfare programs, there is no explicit regulation that mentions about the implementation of how CSR programs can make a contribution in government programs. Government Regulation Number 47/2012 concerning Social and Environmental Responsibility of Limited Liability Companies includes derivative regulations based on Limited Liability Companies (LLCs) number 40/2007. However, the government's regulation and the law only stated that CSR must be a requirement for businesses that deal with natural resources. In terms of the natural resources defined in the two regulations, there is no additional classification. Furthermore, the regulation only states that CSR initiatives have to be disclosed to shareholders and included in the company's annual work plan, that is then included in the annual report. Moreover, the regulation does not specify what amount a company is required for CSR, for example, as a percentage of its profit.

According to Waagstein (2011, p. 465), even though there is mandatory regulation regarding CSR in Indonesia, the successful implementation is still in doubt and difficult to measure. The regulation is too general and ambiguous, it also fails to provide any implementation mechanism, there is also no clear direction of what the regulation wants to achieve (Waagstein, 2011, p. 465). Using political economics and neo-institutionalism approaches, I tried looking deeper into this, looking at not only the regulations but also additional factors including the national economy, foreign economic penetration, public pressure on businesses, and the norms,

and the interaction between them and how that they define and shape CSR practice in Indonesia and the CSR partnership model in Indonesia, particularly in poverty alleviation projects.

Furthermore, there are quite a number of CSR programs that complement existing government programs. Instead of creating new CSR programs, several companies have chosen to integrate their CSR programs into the poverty alleviation agenda in Indonesia. Although it looks good, the integration is not comprehensive. The absence of clear regulations regarding its implementation makes CSR often nothing more than a public relations gimmick from the business side to participate in the poverty alleviation agenda. Companies that carry out CSR also mostly simultaneously lobby the government for the labour market, deregulation, and fiscal reforms that can lead to the weakening of institutions and social protection systems. (Utting, 2007, p. 701)

Poverty alleviation is now a top priority for global development agenda. According to Kurniawan and Ndaru (2015, p. 145), it became a global priority when 189 state leaders signed the Millenium Development Goals (MDGs) back in 2000 where poverty alleviation has become the first goal of MDGs. The ongoing efforts by the Indonesian government in poverty alleviation is in line with the next global development agenda after MDGs, which is Sustainable Development Golas (SDGs. According to Indonesia's Voluntary National Review (VNR) document, the country is aligning the SDGs agenda with the goals of its national development vision, as stated in the National Medium-Term Development Plan (RPJMN) 2015–2019 and the National Long Term Development Plan (RPJP) 2005–2025 (Republic of Indonesia, 2017, p. iv).

The main strategies of Indonesia to reduce the number of poverty includes improvement of integrated database for poverty alleviation program, integrated social assistance, electricity and gas subsidy distribution, improve financial management of poor people, improve basic services and productive economic programs (*ibid*, p. vi). Indonesia has still experienced several challenges to implemented those strategies including making the government budget effective for the acceleration of poverty alleviation and also strengthening institutional framework for coordination of poverty alleviation programs (*ibid*, p. 17). In terms of budget, the government stated the budget is still not effective and synergized, and also not enough to fund the main strategies of poverty alleviation, thus the government also promotes alternative funding sources, such as cooperation between government and business entities (*ibid*, p. 17). In terms of institutional problem, the government stated that there is low capacity of poverty alleviation institutions both in national and local level, thus the government needs to strengthening and improving institutional capacity at the different level (*ibid*, p. 17)

My research wants to focus on the dynamics of the relationship between CSR and the public sector in conducting partnership projects in the absence of regulations regarding the requirement for CSR to partner with the government to tackle the poverty problem. At the planning level, this research will explore how the partnership between private and public sector occur and how is it shaped by the political-economy factors and institutional setting of CSR practice in Indonesia. By using this lens, this research analyzes in depth on how political-economic factors and institutional settings of CSR interwind with each other and form different partnership models and characteristics from case studies involving government with different types of private sector including State-Owned Enterprises (SOE), Multinational Companies (MNC), and National Companies (NC). Apart from that, this research also looks at the level of process and implementation of CSR programs from both parties, including the private sector and public sector, to see the challenges faced by both parties amidst the existing partnership model without any regulations.

1.2 Justification of the Research

Although there have been numerous studies and talks about CSR, little research has been done that fully explains the CSR partnership model with the public sector that is specific to CSR's involvement in government programs with the goal of poverty alleviation in the absence of regulations in the implementation. CSR studies can be divided into three groups, including preliminary or planning studies, results or impact studies, and process-oriented studies (Lu, et. al., 2019, p.94). While process studies look at CSR implementation and the performance of CSR policies and reporting initiatives, outcome studies focus mostly on the impact of CSR at the program and company level. Planning studies are mainly concerned with policy design and the analysis of the motivations behind CSR involvement. (*ibid*, p.94).

Planning studies mostly talk about the intention and motivation of CSR and the policy of CSR from the public sector. Many authors describe CSR involvement in social and environmental issues as a “win-win” situation. This is mentioned by Muñoz and Muñoz (2018, p. 13), that while firms contribute to society and lighten the government's burden, firms also get a possible positive impact in their economic performance and social acceptance in the community. The win-win terminology also used in another article saying that CSR is considered a ‘win-win’ strategy because it helps firms to increase their profit and it also helps the well-being of the program receiver (Merino and Valor, 2011, p. 161). From a policy perspective, CSR is considered to be able to make a very large contribution in contexts where the state is unable to provide basic services to its citizens (Newell, P. and Frynas, J. G., 2007, p. 675).

Impact studies are the most common studies about CSR that mainly talk about the effectiveness of CSR in solving social or environmental problems. Studies are conducted at various levels starting from the national level or in the form of case studies. In Mauritius, research shows that the business sector through CSR makes a positive contribution in society (Ragodoo, 2009, p. 29). It is noted that on average, the business sector contributes 0.68% of their profits to CSR initiatives (*ibid*, p. 29). However, only 11% of the CSR funds were donated to the poverty alleviation agenda (*ibid*, p. 29). Similar measurements are difficult to do in Indonesia considering that the only data available on CSR is through annual reports available on the stock exchange and there is no comprehensive data on CSR partnerships with the public sector. It is important to include the necessary debate on the ideological foundations of CSR to investigate the actual impact of CSR in poverty alleviation (*ibid*, p. 166).

Usually, studies related to process and implementation are often overlooked within the field of CSR (Newell and Frynas, 2007, p. 676). One of the keys in the process of CSR projects is the involvement of beneficiaries through the process of design, implementation and evaluation of the projects themselves (*ibid*, p. 676). It is important to look at the implementation framework in which the public and private sectors work together and form their complex relationships in the context of CSR (Blagoycheva, 2018, p. 125). I want to expand on the planning studies in this research by using a political-economics and neo-institutionalism approach to find out the private sector's objectives in participating in CSR partnership beyond their desire to enhanced the reputation of their company or increase the value of their products. Instead political-economy will explain how domestic and global pressures, as well as the country's economic system, shape and affect private sector behavior. Neo-institutionalism analysis, on the other hand, explores institutionalization interactions at the macro, meso, and micro levels to identify the characteristics of CSR in each type of private sector and how these interactions influence individual decisions. In the context of implementation, I explore the key challenges to the current CSR process in Indonesia and the ways in which the public and private sectors are affected by them. I also reach a little on the actions that the government can take to tackle these challenges.

1.3 Background of the Study

Indonesia is the study's primary focus, and both local and national governments are involved. As mentioned by Saidi and Abidin (2004, cited in Maulamin, 2017, p. 72), there are at least four models of CSR practice in Indonesia, including direct involvement that means that company runs a CSR program directly, through the foundation or social organization, partnering with other parties, or joining a consortium to support a particular social purpose. According to a

study by Maulamin (2017, p. 79) on 25 Indonesian companies, the majority of the private sector prefers to collaborate on CSR projects with NGOs or social institutions (governments) (52%).

However, partnership models vary widely and depend heavily on the type and scale of the company. MNC such as Unilever for example, have various CSR programs. Most of Unilever's CSR activities are related to core business such as providing training to black soybean farmers for example (Hidayati, 2011, p. 112). CSR is necessary for most Multinational Companies (MNC) to top the index of CSR performance (Gjolberg, 2009, p. 608). This means that the performance of CSR in global firms is determined by the standards set at the global level and most of the programs tend to follow their headquarters' policy. A similar pattern can also be seen in Shell Indonesia's CSR Program called Shell LiveWIRE, where Shell conducted cooperation with the Ministry of Cooperation and Small and Medium Enterprises along with the Ministry of Education to help young businesspeople to start their small business (Reyhan and Rudito, p. 81). Shell LiveWIRE itself is a program from Shell that has existed since 1982 and has been implemented in 23 countries (ibid, p. 81). The variety in programs makes us unable to expect consistency from CSR performance (Gjolberg, 2009, p. 609).

CSR partnerships have immense potential in Indonesia, but they are currently operating on their own because there are no implementation-related regulations that would have ruled CSR practice in Indonesia, in addition to public pressure and social norms. As happened in the case of Shell, LiveWIRE is not complementary to either the program or the targets of existing government programs. In fact, In Indonesia, CSR is part of the Non-Government Funding Sources written in the document of The National Medium-Term Development Plan (RPJMN) for 2020 – 2024 which states that to finance programs at the central and regional levels, it is important to continuously develop public-partner partnership (PPP) schemes, including increasing the role of the private sector through CSR (RPJMN, 2020, p. ix.25). To be able to explain the engagement of firms in CSR projects for poverty alleviation agenda and to understand better of the challenge face by public sector in the absence of regulation regarding implementation, the potential case study can be summarized as:

Case study:

No	Poverty Alleviation Program	Name of Firms	Core business	Type of Firms	Public Sector	Case Study Code
1	KOTAKU (house and slum area rehabilitation)	A Corp	House-financing	State – Owned Enterprise (SOE)	Coordinating Ministry of Human Development	#CS1

					and Cultural Affairs (CMHD), Ministry of Public Works and Housing (MPH)	
2	PENA (empowerment program for recipients of social assistance)	X Corp	Nickel and mining	National company (NC)	Ministry of Social Affairs (MSA)	#CS2
3	Industri Rumah Tangga (IR) / Home-industry development	B Corp	Pharmaceutical, healthcare, and nutrition	NC	Ministry of Women Empowerment and Child Protection (MWECP)	#CS3
4	MUBA Vocational Centre	C Corp	Oil and gas company	Multinational Company (MC)	Musi Banyuasin Regional Government	#CS4

Table 1 Case Study – CSR Partnership Model between Government and Private Sector

* This data was obtained after I conducted a simple research in the media regarding public and private sector partnerships through the CSR mechanism in the field of poverty alleviation

I examined four programs among which the public sector representatives were the Coordinating Ministry of Human Development and Cultural Affairs (CMHD), the Ministry of Public Works and Housing (MPH), the Ministry of Social Affairs (MSA), the Ministry of Women Empowerment and Child Protection (MWECP), and the Musi Banyuasin Regional Government. The CMHD has the function of coordinating, synchronizing, and controlling human development and cultural programs including poverty alleviation. In the meantime, the MSA is in charge of handling government affairs in social welfare, which includes planning initiatives to fight poverty. Repairing slum areas and uninhabitable houses for the poor and low-income communities is the responsibility of the MPH. The MWECP also has the responsibility in raising the income of women, particularly female heads of households. Finally, in order to achieve the national goal, the regional government must reduce the level of poverty in their area. These four programs were chosen because of the existence of CSR funds which help finance these programs to achieve the government's targets.

State-Owned Enterprises (SOE), National Companies (NC), and Multinational Companies (MNC) are the three categories of private sector in Indonesia that regularly engage in the CSR program. This is supported by the statement made by the lecturer of *Politeknik Kesejahteraan Sosial*

(The Social Welfare Polytechnic) which says that the different characteristics of CSR can be seen from the three types of companies that carry out CSR, including SOE, NC, and MNC. This is also stated in the book of Company Law, which differentiates companies into several categories and one of them is seen from the origin of their capital which includes domestic companies (capital originating from national private companies or state-owned enterprises), and foreign or mixed company (Raharjo, 2009, p.04).

In the first case, CMHD, MPH, and A Corp, a part of SOE, worked together on a CSR project for the KOTAKU (Kota Tanpa Kumuh / city without slum) program in 2022. This collaboration has improved the condition of the Semanggi District area in Solo and resulted in the renovation of 47 homes for locals (Adhito, 2022). The project is a part of a pilot program intended to establish a CSR partnership between public and private sector with the objective to end extreme poverty, which is the government's 2024 goal. A Corp is working with the central government to use its targeting data in this project.

The Ministry of Social Affairs and B Corp, a part of National Company, were involved in the second case. As part of a CSR partnership, Pahlawan Ekonomi Nasional (PENANA) provides small and micro enterprises funds and training to enhance the economic standing of former recipients of social assistance. The goal of this program is to improve the ability of former social assistance's receiver to move out of poverty. This program is also a part of the extreme poverty program as the government thinks that training and capital provided to individuals with micro and small businesses can help reduce extreme poverty and improve people's standard of living. (Kemensos, 2023).

The third case involved B Corp that is part of NC and the Ministry of Women Empowerment and Child Protection which carried out CSR projects as a complementary form of home-industry development program for women in 2021 (Kemen PPPA, 2021). Through the provision of funding and training, this program aims to improve the economy for 3,764 women entrepreneurs operating in 16 provinces and 21 districts/cities (*ibid*). Targeting micro, ultra-micro, and those living in poverty enclaves, the home-industry development program has been in operating for three years (Kemen PPPA, 2019). Poverty data in Indonesia define poverty enclaves as areas where a concentration of the poor and vulnerable exists.

In the fourth case, C Corp, an MC representative, and the Musi Banyuasin regional government worked together on a CSR project for the MUBA Vocational Center (MVC) program. The Musi Banyuasin government launched the MVC program in order to produce employment in the oil and gas sector (Musi Banyuasin, 2022)). This is a form of collaboration between the local

government with the Special Task Force for Upstream Oil and Gas Business Activities (SKK Migas), along with both multinational and national companies operating in Musi Banyuasin (*ibid*). According to the regional government of Musi Banyuasin, MVC can reduce the unemployment rate from 4.79% in 2020 to 3.99% in 2021, which is also one of the contributors to reducing the poverty rate in the Musi Banyuasin Region (Christiyaningsih, 2022).

1.4 Research Objective and Questions

The main objective of this research is to explore Indonesia's CSR practices using political-economy and neo-institutionalism approaches, and to determine how these practices have shaped the government and private sector CSR partnership as a model for poverty alleviation projects. The main objective of this research is also to take a look at the main challenges facing the current CSR partnership and determine what actions are available to address it.

Research Question:

How do CSR practices in Indonesia shapes the CSR partnership model between the government and the private sector in poverty alleviation programs and what are the challenges?

Sub-question:

1. How do political-economic factors both at global and national levels explain the CSR practices and shapes CSR partnership models between the government and each type of private sector in Indonesia?
2. How does the institutional setting of CSR in Indonesia from macro, meso, and micro level explain the CSR practices and shapes CSR partnership models between the government and each type of private sector in Indonesia?
3. What are the challenges during the planning and implementation of the CSR partnership project?

1.5 Organization of the paper

This research paper is divided into six chapters. The first chapter serves as an introduction, discussing about the research problem, the background of the study, and the justification of the research which briefly discussing the history of CSR in Indonesia, its significance, ongoing issues, and the knowledge gap in CSR studies. In the following section in the first chapter, I also address

the objective of the study, the research question, and the limitation, as well as my role as a government official working on the project that involves private sector.

The theoretical and analytical framework is covered in the second chapter. This chapter discusses theory and concepts that can be used to support the finding on CSR practices and CSR participation in government projects at poverty alleviation agenda. The political-economy analysis, the neo-institutionalism theory, and the concept of CSR partnership in development are some of frameworks that are helpful in analyzing the study. Additionally, I also go through how these ideas and theories help to explain partnership and CSR activities in the Indonesian context. The methodology discussed in the third chapter provides support for the use of qualitative methods in this research. To answer the research question, this chapter offers data and data sources, data management strategies, and data analysis techniques.

The finding and an analysis of how neo-institutionalism and political economy factors have shaped CSR practice in Indonesia are presented in the fourth chapter. Additionally, it discusses the ways in which those frameworks interact with one another to explain the CSR practice in Indonesia, as well as the CSR partnership model, and the distinctions between SOE, NC, and MNC. The findings on the challenges in planning and implementing CSR partnership in the context of CSR practices in Indonesia are covered in the fifth chapter. The sixth chapter concludes with the study's findings and the answer of the research question.

Chapter 2.0 Theoretical Framework: Concept and Theory Related to CSR and Partnership in Development

2.1 Political-Economy and Neo-Institutionalism Theory in CSR Study

Political-Economy in CSR Study: Corporate Contribution to the Social Problem

The discussion on political economics in CSR study nowadays focuses on how to tackle global environmental and social problems, and the need for private sector involvement (Sadler, D. and Lloyd, 2007, p.616). CSR itself is part of economic liberalization in various ways, how CSR is used by the government and business world to carry out deregulation, facilitate business-friendly reform of economic-political institutions, to meet company needs that are not met by the market, and to meet the needs of the private sector and compensate them from market failure, and make business people shown as responsible entities in a liberal market framework (Kinderman, D., 2009, p. 06). According to Lim and Tsutsui (2012, p. 69 – 70), CSR has become increasingly popular in the past decade in the global level, they ask a question why would contemporary corporations, which have primary goals to maximize profit and shareholder wealth commit to CSR that do not generate immediate or benefits?

A global effort to institutionalize CSR norms began in the 1970s and highlights in the formation of the UN Center on Transnational Corporations in 1974 (Lim and Tsutsui, 2012, p. 71). Then, in reaction to the MNC's operation that has to do with social and environmental issues, the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD) published guidelines (*ibid*). What should be emphasized, however, is that the state's involvement with the process of institutionalization cannot be separated from its connection to worldwide rules and standards regarding CSR. In their paper, Mayer and Philips (2017, p. 144), mentions what he calls outsourcing governance, where the state becomes active with its political action in promoting and shaping the resulting forms of private regulation.

In Indonesia itself, after the fall of the authoritarian government led by President Soeharto dan Asian financial crisis in 1998, the successive Indonesian government had been forced to agree the demands of the IMF (International Monetary Fund) and global organizations that reforms finance and banking in public and corporate governance (Hadiz and Robinson, 2013, p. 35). However, access to and control of public office and state authority continues to be the key factor of how private wealth and social power is accumulated and distributed, just like the era of President Soeharto (*ibid*). Hadiz and Robinson also mentioned that State-Owned Enterprise (SOE)

continued to control access to key sectors of the economy, including in transport and communication, banking, trade, electricity, but at the same time there was deregulation of the finance sector which increased the benefits of global capital for domestic investors (*ibid*, p. 47 – 48). Limited regulations make private conglomerates to mobilize vast new sources of private funding for their own enterprises (*ibid.*, p. 48)

Foreign Economic Penetration	National Economic System
<ul style="list-style-type: none"> - Liberalization economy → global pressure on government and corporations to follow the model - Outsourcing government: the state act as an active actor to promote private regulation 	<ul style="list-style-type: none"> - Oligarch tendency: no clear boundaries between businessman and political leader - Deregulation, state has tendency to deregulatory agenda and promoting private regulatory regimes - Strong SOE in vital industry but also tied to oligarch circles

Table 2 Political - Economy Factor

(*Source:* Author, based on Sadler, D. and Lloyd, 2007; Kinderman, D., 2009; Lim and Tsutsui, 2012; Mayer and Philips, 2017; Hadiz and Robinson, 2013)

The table above explains the political-economic factors both at foreign and national levels that can explain the context of political-economic factors in Indonesia. At the global level, the political-economic condition is characterized by economic liberalization and global pressure on governments and corporations to follow the model of economic and social development, including CSR practice. Institutions such as the UN through the ILO, World Bank, and other institutions force countries in the world, including corporations, to follow the rules of the economic game at global level, otherwise they can be excluded from the world of trade, given sanctions, which leads to the occurrence of economic crisis. In adopting this, the state acts as a promoter of the liberalization of the economy itself. Mayer and Philips (2017, p. 144), call it as outsourcing government, where the state acts as an active actor to promote private regulation. Meanwhile at the national level, Indonesia has economic characteristics that are influenced by the domestic political situation, such as strong oligarchy, even after the democratization period which was marked by the fall of President Soeharto's regime, deregulation tendencies which were marked by the Indonesian government being forced to follow global rules, and strong SOE in vital industry but also tied with oligarch circles.

Neo-Institutionalism Theory

The main thesis of this theory is CSR can be thought of as a context-specific construct that is frequently interpreted differently in different place because it shaped by regulative, normative, and cognitive components of various institutional context (Brammer et.al., 2012, cited in Risi, et. al., 2022, p. 06). Institutional theory is rarely discussed CSR study, it is also relatively new theory to explain concepts related to CSR in recent developments (Brammer, et.al., 2012, p. 04). Institutional theory is defined to find out how the influence of social institutions on the way companies work, results, and the dynamics of economic organizations (Morgan, et. al., cited in Brammer, et.al., 2012, p. 04).

Bremmer explains cases from the United Kingdom in his writings on institutional theory in CSR studies. He states that the emergence of neoliberal economic policies, which are connected to Margaret Thatcher in the 1980s, and the development of CSR were closely linked (Brammer, et.al., 2012, p. 10). CSR in instutitonalism perspective also came from the political construction of CSR itself, that assume that CSR is more than just another way of increasing profits (*ibid*, p. 05). The political construction is not only construct by formal institution such as laws, business association, civil society groups, or trade unions but also by informal institutions such as religious norms, customary practies, or tribal traditions (*ibid.*, p. 08). By that assumption and definitions, institutional theory offers a new lens for understanding how and why CSR is practice is different between countries (*ibid.*, p. 08).

Another literature define institutional theory in CSR is useful to explain how institutional environment affect and brings changes in corporates motives to engage with CSR (Campbell, 2007, cited in Bihari and Shajahan, 2022, p. 109). Schlutz and Wehmeir (2010, p. 11) then came with the idea of neo-institutionalism where the theory see institutions as routines, beliefs, norms, cultural rules, or ideas that give collective meaning. Neo-institutionalism describes the process of institutionalization of CSR at various levels starting from the micro-level (actors of organizations), meso-level (corporations, organizations, public and audiences), and macro level (environment and institutions) (Schlutz and Wehmeir, 2010, p. 13). In this context, during the institutionalization process, each actor in different levels socially negotiate the meaning of CSR to illustrate why firms institutionalize CSR and how it is incorporated, negotiated, and carried out (*ibid*, p. 10). The new-institutionalism framework could be useful as an analytical tool that explains the behavior of firms involved in poverty alleviation programs that can be explained at the macro level (explaining formal institutions such as poverty regulations as long as the contextual condition of CSR in Indonesia),

meso (to see the value of corporations, how the public perspective shapes their decisions), and micro-level (the perspective of internal staff that is often represented by the CSR manager).

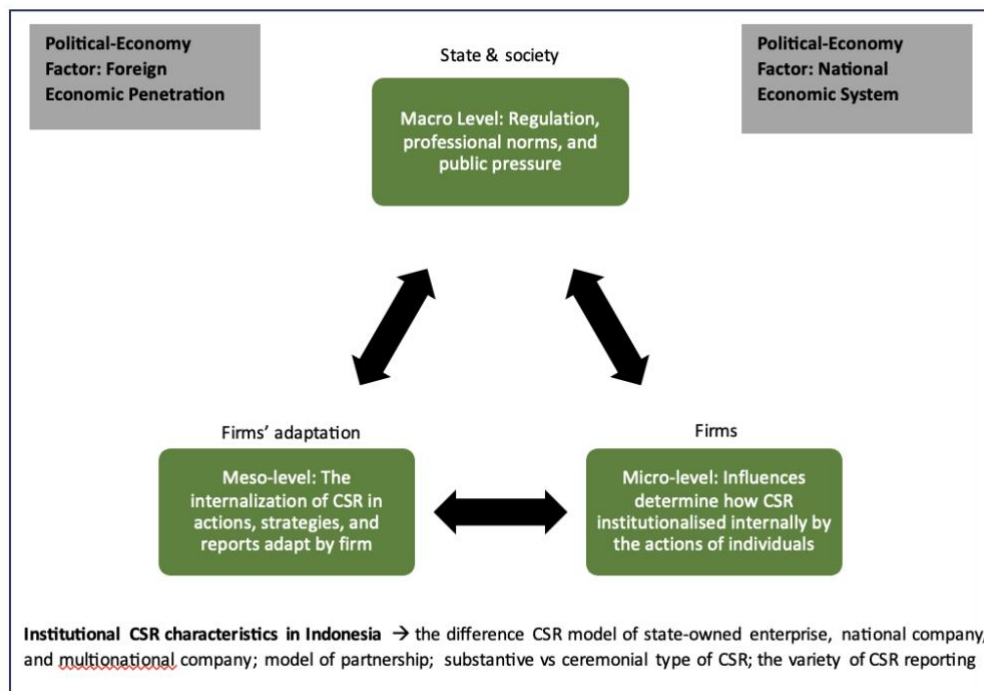


Figure 1 Theoretical Framework of Political-Economy and Neo-Institutionalism Factors on CSR Practice in Indonesia

2.2 Implementing CSR Through Partnership

Social partnership can be used to government and any other parties to solve social problem that is going to involved many organisations such as private sector and civil society to work together to offer solutions that also benefits all of the parties that is involved in the partnership (Seitanidi and Crane, 2008, p. 413). According to Reed and Reed (2008, p. 04), economic liberalization is one of the major part why there is a changing role of corporations in development which marked by the industrialization economy that has characteristics including modernization, the new regulation of MNC, transfer of technology which facilitate by *New International Economic Order*, a proposal from the UN to regulate the MNC in the form of Code of Conduct on transnational enterprises. The changing role of corporations in development is the major factor why partnerships have become massive, the role of the private sector is considered crucial in overcoming social and environmental problems.

The year of 1980s and 1990s is known as *the Rise of Partnerships for Development*, where development actors engage more with the activity of corporations, especially MNC (Reed and Reed, 2008, p. 05). During the 1990s, NGOs changed their approach to working with MNC, then starting in 1997, the UN also collaborated with MNC, through Ted Turner, an American

Entrepreneur, donating \$1 billion dollars to support UN activities (*ibid.*, p. 05). In the same year, the World Bank also issued the Business Partners for Development program, a program created to help the Bank advise governments on various issues, including the consequences of privatization (*ibid.*, p. 05). In 1999, *the Global Compact* from the UN was established the goals of fostering more corporate responsibility, advancing the UN and private sector collaboration for the benefit of poor nations, and including the private sector in policy discussions (*ibid.*, p. 05). According to Reed and Reed (2008, p. 13), there are four different types of partnership that includes business entities, such as Conventional Business Partnership (CBPs), Corporate Social Responsibility Partnership (CSRPs), Corporate Accountability Partnership (CAPs), and Social Economy Partnership (SEPs), that can be seen as follows:

No	Type of Partnership	Characteristics
1	Conventional Business Partnership (CBPs)	<ul style="list-style-type: none"> - Business has a responsibility to increase the effectiveness in the delivery of public service while governments have a regulatory duty to guarantee the benefit - The business partner prioritizes profit over other factors like public relations (direct revenue)
2	Corporate Social Responsibility Partnership (CSRPs)	<ul style="list-style-type: none"> - Voluntary based, corporations have no obligation to join - Clear positive incentives for corporation to participate (not in the form of direct revenue)
3	Corporate Accountability Partnership (CAPs)	<ul style="list-style-type: none"> - As a form of critics of CSR approach - More social accountability over corporations: make sure companies behave ethically, with a strong sense of responsibility toward shareholder and the community at large
4	Social Economy Partnership (SEPs)	<ul style="list-style-type: none"> - As a form of critics of CAP approach - Social purpose is more important than profits

Table 3 Type of Partnership of Business Entities in Development

(Source: Author, based on Reed and Reed, 2008)

In order to examine how CSR partnerships operate in Indonesia between the public and private sectors, this study focuses on the characteristics of CSR partnerships as well as their actual implementation. The most common goal of CSR is to connect sustainable development and the

market economy, which sees the potential of private sectors as development agents (Hamann and Acutt, 2003, p. 255). Within a partnership framework, the private sector collaborates with civil society through NGOs or government. In order to have a successful partnership in CSR, there are several challenges that must be considered, including (Reed and Reed, 2008, p. 19):

1. Availability of incentive to form partnerships, such as public relations, marketing opportunities, and obtaining sensitive political and market information that can give them an advantage over rivals
2. It is essential for both parties to have a suitable combination of skills and abilities to reach their common goals
3. Certain requirements ought to be in place to guarantee an equitable distribution of power amongst the partners. This is to neutralize the power relationship between each partner and the pragmatic motivation of the business entities

Chapter 3.0 Methodology

3.1 Qualitative Interviews and Secondary Data Analysis

In this research, I am using qualitative research as my main approach. According to Hennink (2020, p. 10), “qualitative research is an approach that allows you to examine people’s experiences in detail by using a specific set of research methods such as in-depth interview, focus group discussion, observation, content analysis, visual methods, and life histories or biographies.” Qualitative approach is useful to use in this study because I want to understand behaviour, beliefs, and opinions of the study participants, in this context of CSR and public sector (Hennink, 2020, p. 11). I also want to explain their view and behaviour and understand the processes such as how people or organizations make decisions (*ibid*, p. 11).

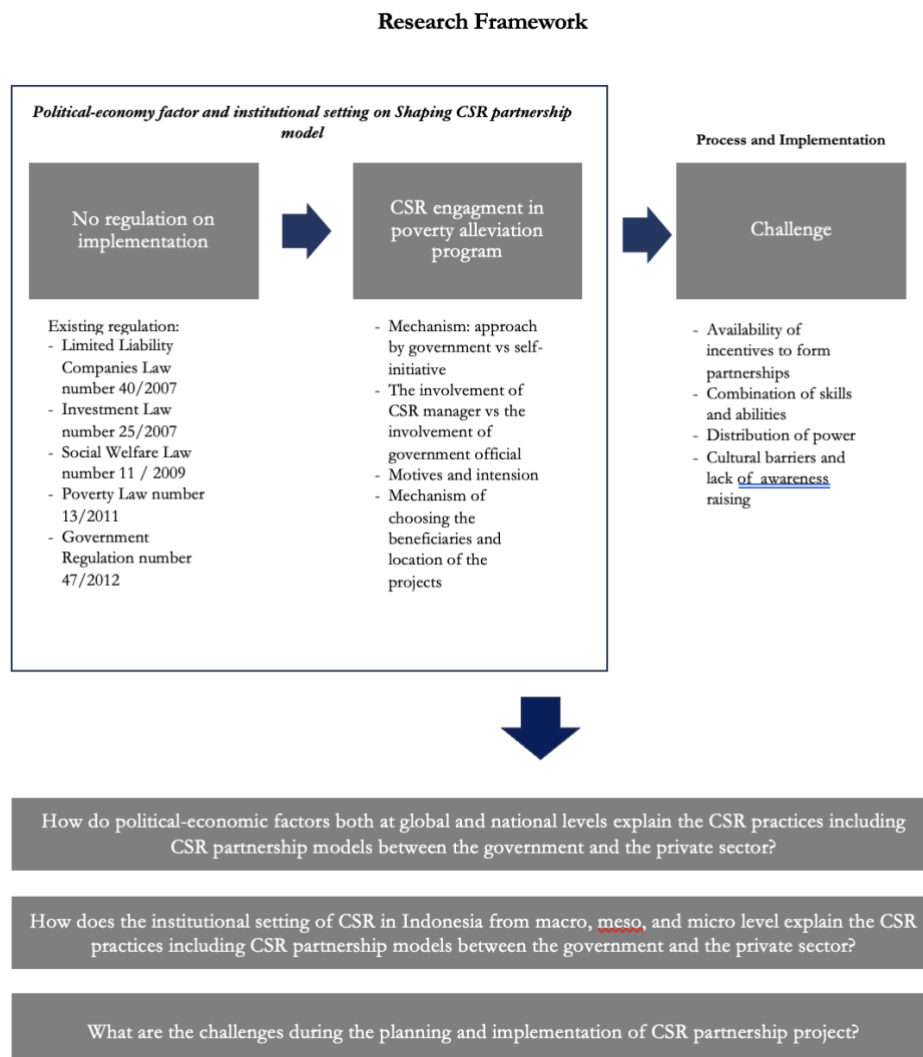


Figure 2 Research Framework

The research framework from planning level through implementation level is described in the above framework. First, I took a close look at each regulation that currently exists and integrated it with the collection of research that has already been written about CSR regulation in Indonesia. Aspects of neo-institutionalism are analyzed at the macro level using regulatory analysis. Apart from that, I also used earlier texts that explored CSR practice at the national and international levels, the relation between politics and CSR, and news texts that provided a general overview of how political-economy factors affect CSR conditions in the Indonesian context. The next section of my research involved interviewing representatives of the public and private sectors and gathering secondary data from accessible sources, including academic journals, news articles, and CSR reports, which could offer additional context for the information I collected from informants. The informant consists of:

No	Firms / Organization	Informant Position	Role	Code	Case Study Code
1	A Corp (SOE)	Head of Corporate Relations and Community Development	Actively involved in partnership project / project: KOTRAKU	F1	#CS1
2	B Corp (NC)	Head of Health, Safety, Security, and Environment	A representative of B Corp in / project: IR	F2	#CS3
3	C Corp (MNC)	Community Relation Officer	CSR Officer in Oil and Gas Company	F3	#CS4
4	Coordinating Ministry for Human Development and Cultural Affairs / <i>CMHD</i> (Government)	Deputy for Social Welfare Improvement	An official unit for extreme poverty elimination projects / project: KOTAKU	G1	#CS1

5	Ministry of Public Works and Housing / MPH (government)	Sub-coordinator of evaluation of data and publication management reports	An official An official unit for extreme poverty elimination projects / project: KOTAKU	G2	#CS1
6	Ministry of Social Affairs / MSA (Government)	Directorat General of Social Empowerment	An official in the unit for PENA projects / project: KOTAKU	G3	#CS2

Table 4 List of Informants (1)

I conducted interviews with Non-Governmental Organizations (NGOs) in addition to those who could provide context for my case study. This was done with snowball sampling, which involved collecting information from informants whose perspectives were considered important in order to support data analysis and address my research questions. In order to gather more comprehensive background information on CSR practices in Indonesia, I also talked with academic through interviews. The informants consist of:

No	Firms / Organization	Informant Position	Role	Code
1	CSR Forum	National Coordinator of Forum CSR	Actively involved in partnership project between government and privat sector. Based on interview with <i>CMHD</i>	N1
2	Politeknik Kesejahteraan Sosial	Lecturer and Ex-Community Development	Academic in CSR field	A1

	(The Social Welfare Polytechnic)	Officer in the Privat Sector		
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Table 5 List of Informants (2)

The CSR Forum is a non-governmental organization (NGOs) which has administrators at both national and provincial levels and has more than 300 company members (Forum TJS LBU, 2023). The CSR Forum was established by the Ministry of Social Affairs of the Republic of Indonesia on 24 May 2016 (*ibid*). the Ministry of Social Affairs contributed to financing the operational activities of the CSR Forum from 2016 to 2019 which was used for awareness raising for companies throughout Indonesia, informal meetings between companies and the government, as well as intensive management meetings.¹ However, funding was stopped in 2020 due to budget refocusing at the Ministry of Social Affairs due to the COVID-19 pandemic and changes in leadership². The CSR Forum is relevant as a research subject because of its role as a bridge between the private and public sectors which forms many models of cooperation between the two.

After gathering that data, I analyzed the data collection using the thematic analysis method. Thematic analysis is a process for identifying patterns or themes from data obtained through qualitative methods (Maguire and Delahunt, 2017, p. 3354). The thematic analysis process starts from familiarizing yourself with the data, generating initial code, searching for themes, reviewing themes, defining themes, and writing-up (Braun and Clarke, 2006, cited in Maguire and Delahunt, 2017, p. 3354). I started the thematic analysis by collecting data from informants representing the public sector, private sector, academic, and NGOs, and complemented it with secondary data obtained from regulations, academic journals, news, and CSR reports. Next, I started by grouping the data, all of which was based on the concepts and theories of political economy, neo-institutionalism, and CSR partnership. In addition, I also grouped the data according to what was obtained in the field, which was not addressed by the theory or concepts that I used.

3.2 Scope and Limitation

This study uses a political economy and neo-institutionalism framework to discuss the planning and process levels of partnerships between public and private sectors in Indonesia's poverty alleviation program. Impact studies are not covered in this discussion. This study is unable to answer the question whether the CSR performed in the case studies have positive impact on society. This study has limitations related to the time frame because it only covers the period

¹ Interview with N1, in Zoom Meeting (04 August 2023)

² *ibid*

from 2019–2023. It indicates that the study was done to prepare for a shift in the roles of CSR representative in the public and private sectors and to align with the implementation of all CSR laws. Another source of limitation is the data's accessibility, as some governments or businesses involved in partnerships reject to be interviewed.

3.3 Positionality

My position as a civil servant in Coordinating Ministry for Human Development and Cultural Affairs has given benefits and challenges in conducting and gathering data for this research. This research topic itself came from my experience as a civil servant in Deputy of Coordination for Social Welfare Improvement for the past three years. My position gives faster and easier access to some interviewees because there are several projects that is conduct by my department in the office. However, this can lead to interview bias where personal affiliation of the interviewer can directly affect the validity and reliability of the finding of the study (Salazar, 1990, p. 569). Nevertheless, in order to avoid such bias, I examine other previous research and discuss with representatives of other government and business organizations. As a scholar, I see that in order to understand how CSR functions in Indonesia, it is necessary to consider CSR from a variety of perspectives, while as a civil servant, I tend to follow a single narrative regarding CSR's impact on efforts to alleviate poverty. I acknowledged that there are different interpretations and perceptions of CSR among stakeholders (private sector, government, people, and scholars) and the influence of norms and values on it.

Chapter 4.0 The Political-Economy and Neo Institutionalism Anslysis on Corporate Social Responsibility (CSR) in Indonesia

This chapter focuses on discussing the political-economy and neo-institutionalism factors that shape CSR practice in Indonesia including how it can explain the CSR partnership model between the government and each type of private sector in poverty alleviation programs in Indonesia. In particular, the first part of this chapter will discuss how political-economic factors both at global and national levels which are explained by foreign economic penetration and national economic system shapes the CSR model in Indonesia. Then in the second part, this chapter will discuss in neo-institutionalism analysis starting from the macro, meso and micro levels that form the CSR model in Indonesia. In the third part, the focus is on analyzing the characteristics of CSR in Indonesia and how political-economy and neo-institutionalism are interwind and shape the characteristics of CSR practice in Indonesia, including the partnership model that is explained from the three case studies as well as the visible differences in each type of private sector. which includes State-Owned Enterprise (SOE), National Company (NC), and Multinational Company (MNC).

4.1 Political-Economy Economy Factors: Foreign Economy Penetration and Indonesia's Economic System

At the international level, political-economy explains that the international economy shapes government and corporate behavior (Lim and Tsutsui, 2012, p. 78). Based on the results of research conducted by Lim and Tsutsui (2012, p. 83), due to economic liberalization, wealthy nations frequently enact neoliberal policies at their country and exert pressure on other nations to do the same, which might lead to a trend to embrace ceremonial CSR obligations. Within this framework, ceremonial commitment pertains to the performance of certain rituals, which may or may not be accompanied by concrete actions. In the current economic system, there is pressure to show commitment to CSR but practice does not always follow this commitment.

Countries is not a single player on the promotion of CSR in the current global economic system. MNC seem to play a crucial role in standardizing CSR reporting in compliance with international standards. As a result, MNC become less receptive to the regulations in their place of operation (Hoffman 1999, Levy and Kolk 2022, cited in Fortanier, et. al., 2011, p. 670). They notice a discrepancy between national requirements and compliance with global standards, which leads them to develop new institutional arrangements that are better suited to their company's

situation (Seo and Creed, 2002, cited in Fortanier, et. al., 2011, p. 671). What Lim and Tsutsui (2012) and Fortanier, et. al. (2011) discovered to explain the impact of the global economic framework, including MNC's practice, explains the notable distinctions between MNC CSR practices and those of other types of Indonesian company such as SOE and NC.

The commitment of CSR for large MNC is very different from the CSR commitment of other types of private sector such as NC and SOE. SOE strictly complies with the regulations of the Ministry of State-Owned Enterprise, while NC and MNC have different characteristics. MNC have very strict rules regarding CSR, CSR models and programs must be in accordance with those determined by their company at the global level³ This can be seen from what Unilever does through the Unilever Indonesia Foundation (UIF), they have clear achievements and measurements regarding their CSR programs, tend to collaborate with Non-Government Organizations (NGOs), and their CSR is integrated. with the company's business strategies⁴.

However, this means that MNC do not really use the regulations or standards used by the Indonesian government, cooperation is rarely implemented and usually their CSR programs stand-alone without considering national development targets. This can also be seen from the Shell LiveWIRE program, for example by Shell, which has been around since 1982 and has been implemented in 23 countries (Reyhan and Rudito, p. 81). Cargill also has a Good Agricultural Practices program for cocoa and palm oil farmers (Cargill, 2018). Unilever for example has the *Saraswati Program*, which began in 2006, which is a program for women farmers to support black soybean production, one of Unilever's products (Hafiz, 2015, cited in Nabila, 2023, p. 01). All three have the same characteristics, including not being directly affiliated with the government, collaborating with NGOs without going through the government or directly to the community, and being directly related to the core business of MNC that carry out CSR (except B Corp or Shell LiveWIRE).

Different things come from MNC operating in the oil and gas sector, such as C Corp which collaborates with local governments to participate in the Muba Vocational Center (MVC) program. *"We are doing a cooperation with local government in our mining area, all in accordance with the needs of our core business. Like the MUBA Vocational Center program for example, we did that because there was a need to absorb local workers in the oil and mining sector."*⁵ There are two things that make MNC in the oil and gas company sector somewhat different from MNC in other sectors, first, because of the existence of SKK Migas which is a separate body formed by the president which strictly supervises

³ Interview with N1, in Zoom Meeting (04 August 2023)

⁴ Interview with A1, in Zoom Meeting (03 September 2023)

⁵ Interview with F3, in Zoom Meeting (22 August 2023)

company operations in the oil and gas sector, second, there is a mandate in Limited Liability Companies Law number 40/2007 which specifically mentions the oil and gas sector.⁶

Meanwhile, at the national level, political-economy research identifies domestic power structures, especially the degree of collusion between political and economic elites (Lim and Tsui, 2012, p. 79). Major corporations promote anti-regulatory logic to maximize profits, avoid government regulation, and gain legitimacy as social actors by working with policymakers (*ibid*). In studies regarding CSR in Indonesia, the private sector in Indonesia tends to provide charity as a form of social responsibility (Trihermanto and Nainggolan, 2019, cited in Nainggolan, et. al., 2021, p. 923). Findings also state that government ownership as reflected in SOE has a high commitment to CSR activities, while privately-owned enterprises with political connections are more concerned with social actions in the form of charitable donations and environmental activities (*ibid*).

From the case studies in this research, SOE adopts different levels of partnership from NC and MNC companies. SOE, represented by A Corp, said that CSR is a direct order from the Ministry of, its implementation is also strictly regulated in the SOE Ministry's Law, so that A Corp plays an active role from planning to monitoring and joint evaluation with the government. Ministers are the president's subordinates, so there is a power relation that makes SOE inevitably carry out programs that are part of the government's priorities. At the program level, political elements also play a role, for example, for the A Corp program itself which collaborates with CMHD and MPH to eradicate extreme poverty. The program was first implemented in the city of Solo, the city led by President Jokowi's son, Gibran Rakabuming Raka, who is currently running for vice president in the next election. As mentioned by Yudhistira, there are a lot of national government projects in Solo compare to other region, indicating that there is abuse of power because there are special preferences for development, one of which is carried out through SOE or the national state budget (Idris, 2023).

The extreme poverty elimination is one of the national priority programs. One of the strategies for addressing extreme poverty is to reduce poverty enclaves by fixing homes and decreasing the number of slum areas that is stated in the Presidential Instruction Number 4 of 2020. One of the priority projects carried out by Gibran, who was recently nominated as a vice presidential candidate by one of Indonesia's strongest coalition parties after only three years serves as a mayor and no prior political experience, is the reduction of the number of slum areas in the city of Solo. According to the official documents of vision and mission for the presidential candidate, under Gibran's leadership, Solo was able to cut its slum areas down from 359,55

⁶ Interview with A1, in Zoom Meeting (03 September 2023)

hectares to 118 hectares (Prabowo Gibran, 2023, p. 81). Meanwhile, covering 76 hectares, the Semanggi District is a part of the CSR project lead by CMHD and MPH along with A Corps (Pemerintah Kota Solo, 2022). Furthermore, one of Jakarta's unicorn start-ups has contributed to CSR efforts in the Semanggi neighborhood, which are linked with A Corps, MPH, and CMHD's CSR projects⁷. This means that A Corps is not the only private sector that conducting CSR initiatives in the region to support the leadership of Gibran as a mayor in Solo City.

4.2 Neo-Institutionalism Analysis on CSR Practice in Indonesia

Macro-Level: Regulation, professional norms, and public pressure

The current main regulation of CSR is Limited Liability Companies (LLC) Law Number 40/2007 that mentions about the obligation of LLC that does a business in Indonesia and Investment Law Number 25/2007 that mentions about the obligation of every investor in Indonesia -sia to conduct CSR programs. The two-regulation is most frequently mentioned in several literatures about regulation and CSR practice in Indonesia including Zainal (2019, p. 174), Fajar (2018), and Waagstein (2011, p. 456), those has stated that both laws give CSR a mandatory nature in Indonesia. However, both laws are considered to be contradictory because Investment Law Number 25/2007 states that every investor is obliged to conduct CSR while in LLC Law Number 40/2007, CSR is only required for those who do business in natural resources. The CSR Forum in their interview stated that the LLC Law Number 40/2007 is mainly used by the company. The CSR Forum stated: "*So far, the obligation is only limited to companies engaged in the extraction of natural resources, so that other companies do not feel that CSR is an important activity to do.*"

The ambiguity of regulations can also be seen from the different terms used. LLC Law Number 40/2007, uses the term *perseroan terbatas*, while Investment Law 25/2007 uses the term investor. The term difference between the two laws occurs because of a special classification in LLC Law Number 40/2007, where a limited liability company refers to a company whose position is regulated by a legal entity.

No	Regulation	Key Point
1	Limited Liability Companies Law number 40/2007	<ul style="list-style-type: none"> - Article No. 74 Point 1: Companies that carry out their business activities in the field of and/or related to natural resources are required to carry out Social and Environmental Responsibility - Term used: <i>Perseroan terbatas</i>

⁷ Interview with G2, in Zoom Meeting (12 August 2023)

2	Investment Law number 25/2007	<ul style="list-style-type: none"> - Article 15 Point 2: Every investor is obliged to carry out corporate social responsibility - Investment is all forms of investing activities, both by domestic investors and foreign investors to do business in the territory of the Republic of Indonesia - Article 34 Point 1: business entities or individual businesses as referred to in article 5 which do not fulfill the obligations as stipulated in article 15 may be subject to administrative sanctions including written warning, restrictions on business activities, freezing of business activities, revocation of business activities - Term used: <i>Investor</i>
3	Social Welfare Law number 11 / 2009	<ul style="list-style-type: none"> - Article 36 Point 2: Sources of funding as referred to in Article 32 letter c includes funds set aside from business entities as social obligations and responsibilities and environment - Term used: <i>Badan Usaha</i>
4	Poverty Law number 13/2011	<ul style="list-style-type: none"> - Article 36 Point 1: Source of funding for poverty alleviation includes funds set aside from the company - The funds set aside from the limited liability company as referred to in paragraph (1) letter c are used as much as possible for poverty alleviation - Term used: <i>Perusahaan Perseroan</i>
5	Government Regulation number 47/2012 on Limited Liability Company Social and Environmental Responsibility	<ul style="list-style-type: none"> - Article 3 point 1: Social and environmental responsibility as referred to in Article 2 becomes an obligation for companies that carry out their business activities in sector and/or related to natural resources under the law. - Article 4 point 1: Social and environmental responsibility is carried out by Directors based on the Company's annual work plan after obtaining approval from the Board of Commissioners - Article 6: Implementation of social and environmental responsibility is loaded in the Company's annual report and accountable to the general meeting of shareholder - Term used: <i>Perseroan terbatas</i>
6	State Owned Enterprise Law No. 19 / 2003	<ul style="list-style-type: none"> - Article 90: SOEs within the limits of decency can only make donations to charity or social goals in accordance with the provisions of the legislation.
7	Regulation of the Minister of State-Owned Enterprises Number PER-05/MBU/04/2021 Concerning Social and Environmental Responsibility Programs for State-Owned Enterprises	<ul style="list-style-type: none"> - The <i>TJSL</i> (CSR) program is carried out systematically and integrated to ensure the implementation, achievement success and management of the impact of the <i>TJSL</i> Program - The <i>TJSL</i> program includes the following stages: planning, implementation, supervision, reporting.

Table 6 Regulation of CSR in Indonesia

(Source: Author, based on LLC Law, 2007; Investment Law, 2007; Social Welfare Law, 2009; Poverty Law, 2011; Government Regulation on LLC, 2012; SOE Law, 2003; Minister of SOE Regulation on CSR, 2021)

Indonesia tends to use a mandatory basis and has regulations to oblige firms to carry out CSR. However, one rule and another tend to overlap. Apart from that, there are no clear provisions regarding the implementation of CSR either at the level of law or government regulation. Provisions covering how CSR is implemented, what percentage of profits are used for CSR needs, who is responsible for the program, what mechanisms to use are also not included in the regulations. This ambiguity is also found in other laws that regulate CSR, including Social Welfare Law number 11/2009 and Poverty Law number 13/2011. The only thing that clearly regulates CSR is the Amendments to the Regulation of the Minister of State-Owned Enterprises Number PER-05/MBU/04/2021 Concerning Social and Environmental Responsibility Programs for State-Owned Enterprises. In these regulations, everything is contained from the planning process to reporting, the obligations of directors at each stage, the preparation of periodic reports and annual reports, as well as coordination that can be carried out with other institutions outside the state-owned enterprise. Meanwhile, CSR in poverty alleviation is mentioned in the regulations of poverty alleviation, but only limited to sources of funding as mentioned in Social Welfare Law number 11/2009 and Poverty Law number 13/2011. There is no article regarding the obligation for the private sector to set aside CSR funds for the poverty alleviation program.

Professional norms or standards in the context of CSR refer to ethical and social responsibility standard that set the behaviour of firms in conducting CSR (Valentine and Fleischman, 2007, p. 658). Professional norms help government and public to ensure that companies act in socially responsible and sustainable manners. Sometimes, this is written and stated in the form of education, licensing, and certification processes issued by the government or the business association itself (*ibid.*, p. 658). In the Indonesian context, professional norms can be seen in the CSR regulations themselves for each type of company. This can be seen from how the state regulates the private sector to ensure that the private sector moves to pay attention to social and environmental aspects. Apart from that, from an educational perspective, the Indonesian Chamber of Commerce and Industry (KADIN) also has its own guidelines regarding CSR (KADIN, 2015). This reaffirms that at the macro level, institutional setting in Indonesia support private governance, where the market becomes independent from social institutions, which is marked by private actors such as KADIN for example, increasingly playing a role as regulators and important development actors (Mayer and Philips, 2017, p. 143)

KADIN is part of Indonesia's economic reforms after President Soeharto. Although KADIN has already been formed in 1987, the role of KADIN expanded after reforms in 1988, along with pressure to liberalize market economy and IMF's command to make a smooth economic transition by making fair regulations for the business sector (Hartono, 2011, p. 87). As

mention in their official website, “a forum for all Indonesian entrepreneurs in the fields of state business, cooperative business and private business. With this, the KADIN acts as a forum and vehicle for coaching, communication, information, representation, consultation, facilitation and advocacy for Indonesian entrepreneurs” (KADIN, 2023). According to Hartono (2011, p. 183), KADIN is a symbol of the shift in the economic-political system in Indonesia from state corporatism led by President Soeharto and his collages to societal-based corporatism. The state has stopped dominating the policy making process in the economy, but interest groups such as KADIN, which consists of old elites, as representatives of the old oligarchs, are the ones dominating today (Hartono, 2011, p. 183).

In terms of public pressures, studies show that CSR issues are not the main factor for Indonesian consumers when they buy something (Ramadhini, et. al., 2020, p. 34). This is because there are many low-income families in Indonesia, which are characteristic of developing countries, which makes them prefer products based on their ability to pay, without considering the CSR of the company that produces the goods. This shows that the pressure from the public on CSR is not so strict, reflecting that the public is not too concerned about firms' compliance with social and environmental issues. However, for the role of the media, there is a positive influence from media exposure for CSR (*ibid.*, p. 35). This makes CSR reporting important for companies, regardless of the quality of the CSR itself.

Meso-level and Micro Level: The internalization of CSR in actions, strategies, and reports adapt by firm and the actions of individuals

No	Type of Firms	Characteristic of CSR
1	State-Owned Enterprises (SOE)	<p>Strongly influenced by regulations, the tighter the regulations the better the program, the partnership model is more possible because of the obligations of the shareholder (government), there are no significant cultural differences with the public sector</p> <p>Characteristics of CSR Reports: complete, easy to access, clear indicators of success, has characteristic to follow national agenda (national development plan)</p> <p>Action of individuals: tends to follow regulations and shareholders (government)</p>

2	Multinational Companies (MNC)	<p>Strongly influenced by regulations in global companies (private governance, state act as a regulator), partnerships are mostly carried out with NGOs, if they are included in oil and gas companies they are strongly influenced by Law 40/2007 but do not strictly regulate the number of profits made that must be set aside for CSR, there are high cultural differences with the public sector</p> <p>Characteristics of CSR Reports: complete, easy to access for some cases, clear indicators of success, has characteristic to follow global agenda (SDGs)</p> <p>Action of individuals: tends to follow regulation by global companies</p>
3	National Companies (NC)	<p>there are no clear rules regarding implementation, if they are included in oil and gas companies they are strongly influenced by Law 40/2007 but do not strictly regulate the number of profits made that must be set aside for CSR, tend to be charitable, cultural differences depend with company scale, partnership model are rarely found, CSR quality is influenced by company scale</p> <p>Characteristics of CSR Reports: incomplete, sometimes difficult to access, tends to be one with the annual report and CSR is only reported in one chapter, does not have clear indicators of success</p> <p>Action of individuals: only carry out the program when a proposal comes in, CSR is flexible</p>

Table 7 Analysis of Meso-Level and Micro-Level Institutionalism of CSR in SOE, MNC, and NC

(Source: Author, based on the results of interviews with informants and research via the company website, explained in this chapter)

As mentioned by A Corp, the CSR program in KOTAKU project began in 2019 without the involvement of other parties like CMHD. At the beginning, the project started because the Ministry of Finance asked the Director of A Corp to fund the KOTAKU project that is coordinated by KemenPUPR by the sponsorship from World Bank. In 2021, CMHD started the initiative of extreme poverty alleviation which includes the KOTAKU program as one of the leading programs to resolve poverty enclave. Since 2019, reports regarding A Corp's involvement in providing housing in the KOTAKU program have been submitted. A Corp in their reports also states that the CSR program is aligned with the development plans with regional government and national government (SMF, 2022, p. 179). A Corp 's knowledge of the targets of government programs is in line with the characteristics of a state-owned enterprise which is bound by regulations and follows the direction of the government's board of commissioners.

According to the CSR Forum, MNC demonstrate various characteristics when it comes to their CSR reports and strategies. CSR Forum claim that multinational corporations give thoughtful consideration to the conduct of their overseas companies and that there are global regulations regulating how they interact with the public. In an interview, C Corp stated that a more comprehensive understanding of CSR is necessary, taking into consideration not only the company's interactions with the outside world but also its treatment of its employees. C Corp explained its attempts to improve the company's work environment, including efforts to support remote work, work-life balance, and frequent employee training⁸. Meanwhile, regarding the vocational school program for communities in mining areas that is related to the poverty alleviation, it is mentioned in the sustainability report at the global level which states that the program is very useful for young local people developing their technical skills and gaining experience in mining industry⁹. From this it can be seen that multinational companies are very concerned about their global company regulations rather than government regulations, even though the vocational school program is a program that was also initiated by the regional government. – not focused on government targets and programs in particular.

In contrast, B Corp tends to avoid referring to specific government targets and programs for the purpose to upholding its own unique brand in its CSR efforts. I argue that a partnership with the government is charitable in nature because B Corp does not take part in setting goals, creating plans for programs, or assessing them. As stated by the company representative, B Corp

⁸ Interview with F3, in Zoom Meeting (22 August 2023)

⁹ *ibid.*

only supports the government program that offers Micro, Small, and Medium Enterprises (MSME) certification. This is consistent with what the CSR Forum stated:

“However, for large companies at the national level, implementation is still somewhat ambiguous. They sometimes implement CSR only based on reactions from the surrounding community, for example when there is resistance at their business location from the surrounding community, they only carry out CSR based on that, or only implement CSR when a proposal comes in”

4.3 How Neo-Institutionalism and the Political-Economy Elements Interact to Influence CSR Partnership Model in Indonesia

Lim and Tsutsui’s (2012) paper examines the interaction between political economy and institutional setting. The integration between those two according to Lim and Tsutsui (2012, p. 77) can explain why global CSR frameworks are widely dispersed yet implemented inconsistently around the world. However, they only cover the discussion on institutional pressure and local receptivity in the discussion about institutional setting. Meanwhile, I go over Schultz and Wehmeir’s (2010) neo-institutionalism theory which goes into greater detail to explain how organizations institutionalize at the macro, meso, and micro levels. Neo-institutionalism analysis is more adequate to address my research question since it offers a thorough examination at every institutional level and explains how they interact to influence employee and organizational behaviour.

The interaction between political-economy and institutional setting in Lim and Tsutsui’s results produced several findings, including international NGO pressure such as pressure from international NGOs which influences the uniformity of CSR initiatives across the world, the existence of bilateral exports that makes the government have the capacity to suppress companies to carry out substantive commitments, but at the same time also not necessarily to corporate commitment to substantive CSR, as well as long-term economic relations that makes companies are sometimes not pressured to carry out substantive commitments in CSR (Lim and Tsutsui’s, 2012, p. 83). I examine how political-economic factors interact at the macro level to examine how they influence CSR practices in Indonesia at the meso and micro levels, including the partnership model between various private sector types, in my analysis of the relationship between political-economics and neo-institutionalism. Lim and Tsutsui’s (2012) approach helps me in

understanding the role of international NGOs, the impact of economic liberalization, and variations in substantive and symbolic CSR.

Mandatory vs Voluntary Based and Professional Norms: The Importance of Regulation in CSR Partnership Model and the Dominant Role of Business Entities

In discussion whether tight rules are required for CSR practices in Indonesia, one of the main points of discussion in the academic interview was the debates between mandatory and voluntary CSR. According to the academic, mandatory approach is the best option for enhancing CSR activities in Indonesia. The academic states:

“There is a view at the global level that in Indonesia it is quite unique, because CSR is voluntary in origin, basically the private sector wants to help, not because it is required by anyone, but in Indonesia it is quite unique. Everything including CSR must be regulated, but even though it has been regulated, there are still many companies that do not have in-depth knowledge about the importance of CSR for their business.”

CSR activities in Indonesia frequently coincide with other agendas, like business and political agendas. Furthermore, it is difficult to distinguish between business and politics in Indonesia as many national company executives, commissioners, and business owners hold positions in ministries, houses of representatives, or regional leaders.¹⁰ According to Rosser and Edwin (2010, p. 08), the Indonesian conglomerates that also has a position in the government has an excessive amount of influence over CSR activities in Indonesia, including the decision between required and voluntary approaches. This class is strongly in favor of a voluntary approach to CSR and is working to undermine mandatory requirements by claiming that they both cause capital flight—the withdrawal of capital to nations outside of Indonesia—and divert money that ought to be returned to shareholders or reinvested for CSR (Rosser and Edwin, 2010, p. 08).

Since the beginning of the formation of LLC Law Number 40 of 2007, there has been discourse to strictly regulate CSR, including the amount of profit that must be used for CSR. However, business organizations including KADIN released a joint statement asking the House of Representatives to revoke the mandatory requirements for CSR and asked to provide positive incentives for companies to carry out CSR such as tax concessions and considered that mandatory CSR would weaken Indonesia's competitiveness (*ibid.*, p. 14). This changes many things, including

¹⁰ Interview with A1, in Zoom Meeting (03 September 2023)

the issue of CSR obligations which only apply to natural resources and there are no details regarding implementation and what percentage of profits must be used for CSR. (*ibid.*, p. 14). This highlights the relationship between political and economic variables, wherein economic liberalization reduces the role of the state and self-regulation takes center stage in CSR rules. The presence of a dominating class, specifically the business class, which shapes Indonesia's political and economic structure, also has an impact on this.

Whenever this is questioned, the public sector's response is always the same: new rules are needed, or if there are already policies in place that control CSR practices in Indonesia, then assistance is needed¹¹. They want more rules on program design, program intervention locations, and implementation. Different reactions have been given by the business sector when it comes to the necessity of new restrictions on top of those that are currently in place. For A Corp, the guidelines provided by MSOE are sufficient. But A Corp anticipates the development of distinct laws for SOE that are within the jurisdiction of both the Ministry of Finance and the MSOE in order to provide more latitude in the application of CSR, especially with regard to program spending. Meanwhile, C Corp claimed that Law Number 40 of 2007 sufficiently regulated the company's responsibilities concerning natural resources, especially in light of the strict regulations surrounding the global company's need to maintain sustainability and social responsibility. According to B Corp, rather than being controlled, the present constructive structure of interactions between the public and private sectors should be maintained and strengthened.

The first and second research sub questions are addressed by the preceding findings. First, political economy influences economic liberalization and the growth of outsourced governance, which in turn shapes CSR practices in Indonesia. The development of regulations dominated by KADIN, the absence of government authority, and attempts to maintain a voluntary approach, meaning that businesses outside of natural resources are not required to implement CSR, are examples of how these factors also shape neo-institutionalism at the macro level. Only SOE specifically said that it needs derivative rules, according to the responses provided by the private sector, which represented NC, MNC, and SOE. This is because, in essence, SOE's CSR activities are heavily influenced by the laws that MSOE issues. This has implications for partnership models in three main categories of businesses: MNC frequently follow international standards rather than those unique to the countries in which they operate; NC have no set standards, thus they can apply CSR in a variety of ways.

¹¹ Interview with G1, in Zoom Meeting (24 July 2023), Interview with G2, in Zoom Meeting (12 August 2023), Interview with G3, in Zoom Meeting (22 August 2023)

Global and Public Pressures: The Substantive vs Symbolic CSR Practice and Its Implication to CSR Partnership Model in Indonesia

As mentioned above, Lim and Tsutsui's (2012, p. 83) revealed that corporate commitment to CSR that is shaped by global pressure is not always prompted by the government's awareness of the value of CSR and reporting, and in fact, it may be discouraged. When it comes to CSR, organizational actions fall into two categories including substantive and symbolic. Substantive actions are those that an organization takes in a tangible manner to accomplish specific objectives or outcomes, while symbolic actions are those that an organization takes to convey a symbolic message or demonstrate its presence without considering the objectives and consequences of the actions performed (Shabana and Ravlin, 2016, p. 302 – 303). CSR practices that put the project's outcomes and sustainability first are rarely found in Indonesia, instead, they are typically identified by the incorporation of a CSR strategy and budget into the regular operations of the firm¹². Actually, only a small number of businesses have taken this action because of regulatory constraints and the predominance of the business class. These businesses are mostly MNC, which benefit from global corporate guidelines. The remainder of their CSR initiatives are ceremonial in nature; what counts is that the business has already demonstrated that it is engaging in CSR¹³.

Only A Corp and C Corp could provide their company's CSR plan and reporting documentation in response to the question of whether the CSR plan had been included into the business strategy. While C Corp, an MNC, stated that their worldwide firm likewise closely regulates the same thing, A Corp, an SOE, claimed that CSR plans and reports are mandated and governed by MSOE rules. A report is released annually by B Corp; however, they stated that the implementation is flexible and based on the needs of the organization and its priority areas. We can see from this that regulations requiring corporations to plan and disclose clearly as well as evaluate their CSR performance in the Indonesian setting are necessary in order to encourage substantial CSR. Inside the framework of an SOE, the MSOE sets the regulations, whereas the global corporation inside the framework of an MNC sets them.

In addition, regarding public pressure, Indonesian society's socioeconomic and political circumstances have an impact on CSR policies within Indonesian businesses. As previously stated, while income still has a very little influence on consumer choices, a company's CSR performance does not have a significant impact on those decisions. This leads to the majority of Indonesian customers favoring things based on their worth in relation to their money. As a matter of fact, raising public awareness among various stakeholders plays a significant part in motivating

¹² Interview with A1, in Zoom Meeting (03 September 2023)

¹³ *ibid.*,

corporate organizations to give greater thought to social and environmental considerations, particularly those related to their business (Ramadhini, et. al., 2020, p. 36).

This finding also provides answers to the first and second sub-questions. First, there are political-economic factors that enable international pressure for CSR commitment to impact CSR practices in Indonesia at the government level. The government, through current regulations, encourages companies to engage in CSR, but it is not obligated for them to do so, meaning that government commitment rarely turns into company commitment. However, because of the previously noted propensity towards self-regulation, MNC with worldwide expansions typically engage in more substantive CSR; however, they do not employ the partnership technique. Because of the requirements under MSOE legislation, SOE has a tendency to engage in substantial CSR and willingly cooperate with the government. In the meantime, NC is more ceremonial because to its flexibility and the lack of public pressure to engage in partnerships or meaningful CSR activities.

Chapter 5.0 Challenges Faced in Achieving a Successful CSR Partnership

This chapter focuses on discussing the challenge of current partnership model between government and each type of private sectors by using the key concept of challenges in CSR partnership to achieve a successful partnership by Reed and Reed (2008), and identify whether the challenge and conditions to have a successful partnership is similar in each of case study with different type of program and different types of private sector. This chapter not only writes and analyzes the challenges of partnerships in development found in the case studies, but also looks at the extent to which these challenges and conditions are relevant in the Indonesian context amidst the political-economic and institutional conditions of CSR in Indonesia. Then in the second part, this chapter focuses on identifying what the public sector has done to stimulate the private sector to do more CSR in their programs, including explaining what the public sector can do to make its programs more attractive to the private sector and address the challenge of partnership under current situation.

5.1 The Reality of Current Partnership between the Government and the Private Sector

Organization / Actions	Government on Private Sector			Private Sector on Government		
	CMDH (G1)	MPH (G2)	MSA (G3)	A Corp (F1) *SOE	B Corp (F2) *NC	C Corp (F3) *MNC
Incentive	Additional funding	Additional funding	Additional funding	Reputation in shareholder's, public relation	Public relation	Public relation, comply with global company's regulation
Suitable Skill	Source of funding, supervisory task	Source of funding, supervisory task, executor	Source of funding	It is written in the MoU	It is not written in the agreement	It is not written but follow the provisions of SKK Migas
Equal Power Relation	feel entitled to determine the location of the beneficiaries	feel entitled to determine the location of the beneficiaries	give freedom to the companies	feel entitled to determine the location of the beneficiaries	feel entitled to determine the location of the beneficiaries	Follow the provisions of SKK Migas

Table 8 Partnership between the Government and the Private Sector

(Source: Author, based on the results of interviews with informants, explained in this chapter)

The Incentive to Form a Partnership

According to Reed and Reed (2008, p. 19), pragmatic motivation is necessary for the private sector to join the partnership with civil society or government. The motivation that they mentioned includes public relations value, marketing opportunities, and gaining political and market information from the other parties (Reed and Reed, 2008, p. 19). Before talking about pragmatic private sector motivation, I believe it is also important to mention government's motivation, and see how the reality of government motivation is different or not from the private sector. The government's motivation for partnerships in the context of this case study is somehow similar which is to reduce poverty numbers. This was conveyed by CMHD for example, saying that "the involvement of the private sector is aligned with the Presidential Instruction Number 4 of 2022 about extreme poverty elimination, where the private sector can contribute to achieving government's target in 2024 regarding extreme poverty". This motivation is also followed by the reality of limitations of government's budget in poverty reduction.¹⁴

In the discussion about pragmatic motivation, different things come from each case study that represents different types of private sector, in the case of SOE, pragmatic motivation tends to be clear, because they follow what is ordered by the government. As stated by A Corp, "*Our main goal is to support the government program to resolve slum areas by repairing houses and settlements to improve the standard of living of people who fall into the extreme poverty category.*" Specifically for this context and case, public relations and marketing or market information are not the main motivation for A Corp in doing partnership with CMHD and MPH. Incentives for SOE can be in the form of approval from the government, so that the government, which is the main shareholder, continues to support the company's activities. However, in the interview, A Corp also mentioned the importance of publication, "we hope that with the presence of the media in covering CSR, we can be even more famous, but not for business purposes, but to show how A Corp also plays a role in society".

In a different case, in the PENA program involving MSA and X Corp, MSA has realized the importance of public relations in the absence of regulations regarding CSR. "*We realized that we cannot force the private sector to participate in our program, so the least we can do is give awards to them*". The private sector's contribution to the implementation of social welfare is carried out through philanthropy or CSR mechanisms which cover several categories including poverty, neglect, disability, remoteness, social disability, victims of natural disasters and victims of violence¹⁵. To encourage the participation of the private sector, MSA gives appreciation to the private sector

¹⁴ Interview with A1, in Zoom Meeting (03 September 2023)

¹⁵ Interview with G3, in Zoom Meeting (22 August 2023)

which has carried out social responsibility in the field of implementing social welfare¹⁶. However, awards are not comprehensive in nature so that each government organization sometimes has a different understanding of the urgency of the awards themselves.

In the MVC program, the pragmatic motivation is mainly driven by the obligation of oil and gas companies to conduct a CSR program in Indonesia as stipulated in LLC Law Number 40 / 2007. The MVC program itself is a program initiated by the local government of Musi Banyuasin. There are several oil and gas companies that also participate in MVC program, not only C Corp. MVC itself is a result of cooperation between SKK Migas and companies that operated in the region of Musi Banyuasin. As mentioned by C Corp, "We are doing this as a part of our cooperation with SKK Migas, we believe that cooperation is necessary because it empower the local people to also join and contribute in oil and gas sector in Indonesia". As a representation of MNC, I also ask C Corp about how importance CSR is for their company and how MVC program is align with their global company regulation regarding CSR, the representative of C Corp then mentioned, "*yes of course it has full support from our headquarter, it is in line with C Corp's commitment to the sustainable development with our efforts to give economic impact to the communities in our site area*". The answer from C Corp once again confirms the differences in partnership dynamics between each type of private sector.

Pragmatic motivation, as mentioned by Reed and Reed (2008), cannot be completely simplified as just a matter of public relations and marketing opportunities, as well as gaining market information. In fact, through the case studies examined, pragmatic motivations can be very different depending on the type of companies as well as the context and situation of the program itself. Pragmatic motivation is an explanation of the "*win-win*" concept which is a characteristic of CSR practices that is described in various kinds of research on CSR. The government as an actor of development has the motivation to involve the private sector so that their burden and the private sector are defined as having an interest in gaining public relations and marketing opportunities, while in this case, public relations and marketing opportunities are not only factors to balance the motivation of the government and the private sector.

A Suitable Combination of Skills and Abilities to Reach Their Common Goals

According to Reed and Reed (2008, p. 19), a suitable combination of skills and abilities to achieve each other's common goals is one of the potential challenges that need to be addressed in partnership in development. A combination of skills means that each party has their own specialty

¹⁶ Interview with G3, in Zoom Meeting (22 August 2023)

in order to achieve the goal of the partnership, this has to be clear from the start regarding what skills are needed to achieve the goal of the partnership. A Corp as a representation of SOE mentioned about the division of tasks between them and the government, "*we have a division of tasks that is mentioned in the MoU, along with the timeline of the project and the responsibilities of each party*". Although there is already a division of task between each party, both CMHD, MPH and A Corp admit that there are still challenges related to division of task. Challenges include selecting beneficiaries for home improvement programs. This is actually the authority of the government, but A Corp has the desire to be involved because of its responsibility to shareholders which is the Ministry of Finance.

A Corp itself admitted that it was greatly helped by the regulations from MSOE, the ministry responsible for running SOE in Indonesia. The rules from MSOE which outline the planning process to reporting make A Corp feel responsible for CSR projects carried out with the government. "*I think the presidential instruction to involve the private sector in extreme poverty elimination is also useful for us, the private sector to know what their expectations are on us. In terms of A Corp and government partnership, it is very clear what they want, what they expect, and the communication between us and the government is relatively easy so we can have a quick action on the problem.*" From what A Corp said, it can be seen that in the context of this case, regulations are very important for SOE in identifying skills and abilities to achieve the common goals of the partnership.

Meanwhile, B Corp said that the full implementation of the IR program was carried out by B Corp in collaboration with universities. "*Since we are focusing our program to the home-industry which is included in the micro entrepreneur group, we have focused on improving home-industry products, one of which is by providing halal certificates, for this we collaborate with universities and the government only supports and connects to halal certification institutions.*" In Indonesia, halal certificates are crucial for small and micro enterprise groups. It is essential for them to get the certificate to guarantee their product to increase consumer confidence, increase selling points, and expand the market (Sophia and Prodjo, 2022). From the answers given by B Corp, B Corp as a representation of NC does not seem to be too concerned about the clarity of the division of tasks at the start. This can also be seen in B Corp's answer "*we are doing the implementation, we also determine the beneficiaries in the areas that have become our target areas, we only report to the government*", which indicates that the government in this case does not play an active role and enough to know the development of B Corp.

C Corp as part of MNC said that the division of tasks must be clear at the start, because that is one of their requirements for funding the program. "*This is part of our cooperation with SKK Migas and the local government, and we are not the only company that participates in the MVC program. SKK Migas have a clear goal from the start, we are not the only one who participate, but also other oil and gas companies*

in Musi Banyuasin. Apart from that, the training is carried out by other companies engaged in training certification institutions for the offshore petroleum industry, so we are only obliged to fund, supervise and employ the participants of the training." Looking at the case studies above, the government mostly views the private sector as a source of funding. Therefore, there is potential for talent and ability transfer to the private sector that the government does not undertake. In other words, when a cross-sector team works well together, everyone in the group has to have access to a network, resources, skills, and abilities that will enable them to achieve their objectives. (Hartman and Dhanda, 2018, p. 191).

Distribution of Power Amongst the Partners

The distribution of power between the private sector and the public sector can be seen from the CSR practices carried out by both. According to Reed and Reed (2008, p. 20), power imbalance can limit the development impact of partnerships, for example partnerships only occur in locations that benefit the private sector but are not based on government priorities. This happens in many cases, for example in the Unilever initiative which provides training to women in the sweet soy sauce production area (Nabila, 2023, p. 01). In Indonesia, it is very common to find cases of CSR carried out in the company's business operations areas, this happens because usually CSR can also be used as a tool to withstand community resistance in the company's business operations areas¹⁷ Usually this happens frequently in oil and gas companies, they focus their CSR on their operational areas¹⁸. The same thing happened in the collaboration between C Corp, Musi Banyuasin, and SKK Migas, where CSR was focused on the oil and gas operation area.

Meanwhile, A Corp tends to follow what is ordered by the government. When asked about the criteria for selecting the location, A Corp answered that the selection of the location was based on the agreement in the coordination meeting involving CMHD, MPH, and A Corp, *"even though we would leave the location selection to the government in this pilot project, we also have the criteria that must be met by the regional government if the region wants to be developed like Solo, such as the activeness of the regional government and the willingness of the regional government to be involved from upstream to downstream with us."* CMHD itself initially chose Solo City because Solo City was a city that was ready for intervention at that time.¹⁹ Although it has not been answered what the criteria for readiness are meant by them.

In a different case, MSA said that in the absence of derivative legislation, it is challenging for the government to coordinate CSR and that it will be challenging to carry out measures to address power disparities and foresee attempts by the private sector to prioritize benefits alone. According

¹⁷ Interview with A1, in Zoom Meeting (03 September 2023)

¹⁸ *ibid.*,

¹⁹ Interview with G1, in Zoom Meeting (24 July 2023)

to MSA, "CSR is typically not mandatory in Indonesia, we expect that more technically complex derivative rules will be created to address the ever-changing demands and difficulties associated with implementing CSR, particularly at the regional level." One feature of CSR in Indonesia, specifically in relation to CSR in NC and MC, is the macro-level institutional framework and political-economic component, which are typified by weak national regulations that result in power disparities. A partnership cannot be solely based on pragmatic incentive, claim Reed and Reed (2008, p. 19), as there will always be a power imbalance that leads to the private sector keeping all of the gains for themselves.

5.2 What Actions can the Government Take to Promote Its Initiative?

Proceeding Beyond the Reality of Partnership

It is stated in the law and in program planning documents that the government truly needs CSR funds for the poverty alleviation program. Therefore, the government is really in favor of any kind of assistance or recommendations to enhance the CSR partnership model for the program aimed at reducing poverty. According to Reed and Reed (2008, p. 19), the government must also ensure that businesses have incentives and practical strategies to achieve "win-win" outcomes in CSR initiatives. However, based on what has been discussed above, private sector pragmatic motivations are not very strong if they are limited to discussing public relations and marketing opportunities.

The government needs to observe the differences between the various private sector types whose actions are greatly influenced by the institutional setting and political economy factor from the CSR practice in Indonesia. The Ministry of Finance, for instance, is a shareholder in A Corp, and pragmatic motivation in SOE is based on reputation to them. This means that the government needs to consider the incentives provided at the SOE level, which are obviously different from those offered by NC or MNC. Regarding MNC, the government may rename its initiatives in order to conform to international MNC regulation, so that the degree of CSR engagement in the form of government-MNC partnerships can rise.

The private sector should be considered by the government not only as a source of funding but also for its potential and capabilities in terms of suitable skills. For instance, CMDH and MPH stated that A Corp, a representative of SOE, is expected to be able to assist in overseeing the operation of the program²⁰. From this, A Corp hired a field supervisor to monitor the construction

²⁰ Interview with G1, in Zoom Meeting (24 July 2023)

of the house from 0% to 100% progress²¹. When it comes to MNC, the government can also pick up tips from their CSR initiatives, which typically have more precise success criteria. MNC have better evaluation standards for the accomplishment of their CSR initiatives, despite the fact that they are not flawless in reality²². NGOs and other external institutions are typically partnered with them to evaluate the effectiveness of their programs²³.

A more thorough analysis of the necessity of derivative regulations is required to guarantee equal power relations and prevent the private sector from profiting more from CSR than the actual development goals. To ensure equal power relations between the public and private sectors in this context, precise regulations pertaining to the technical implementation of CSR partnerships are essential. The relationship between CMHD, MPH, and A Corp demonstrates this, each party believes they have equal authority to intervene in the program due to the ministerial level's explicit regulations. In the meantime, for instance, when B Corp and MWECP work together, MWECP transfers all implementation to B Corp, Thus, B Corp's advantage in program implementation and willingness to cooperate with MWECP is limited to funding and project implementation.

Raising Awareness and Addressing Cultural Barriers

One of the points raised by the concept presented by Reed and Reed (2008, p. 19) regarding the difficulties in CSR partnerships is the need to overcome cultural barriers and raise awareness that I got from informant interviews. MSA claimed that cultural disparities between the public and private sectors present the largest obstacle. In addition, according to the Forum CSR, the largest obstacle is the disparity in communication styles between the public and private sectors, which also affects how each organization is oriented. For instance, the hierarchical culture that permeates the government can have an impact on how the public and private sectors interact because, in certain cases, the government adopts a top-down strategy and rejects the private sector, creating the appearance of a hierarchy in their partnership model²⁴.

On the other hand, the private sector's challenges were attributed to a lack of awareness regarding government programs. This is consistent with B Corp's statement that it would like to make more contributions and learn about the government programs that are in place, but that access is challenging to come by. Academic expressed a similar view, saying that many businesses were genuinely trying to figure out where to allocate their CSR funds but were hindered by

²¹ Interview with F1, in Zoom Meeting (01 August 2023)

²² Interview with A1, in Zoom Meeting (03 September 2023)

²³ *ibid.*,

²⁴ Interview with N1, in Zoom Meeting (04 August 2023)

Indonesia's inexperienced partnership model²⁵. Both CMHD and MPH responded to the call for the CSR Forum to be resurrected in order to regularly bring together the public and private sectors. Since 2016, the CSR Forum claims to have been functioning as a conduit between the public and private sectors for the implementation of CSR projects²⁶. The CSR Forum wasn't made official until 2020 when Minister of Social Affairs Regulation No. 9 of 2020 was passed.²⁷ The CSR Forum has been supported by the state budget ever since, for about a year. Nevertheless, following a change in the Minister, the initial funding was discontinued and reallocated to the pandemic management program in 2021²⁸. From that point on, the CSR Forum has tended to wait for company initiatives rather than actively coordinating with them.

About this matter, the private sector has virtually the same response. A Corp stated that the government's invitation plays a crucial role in encouraging the private sector to contribute to government initiatives, such as the program to reduce poverty. C Corp added that government initiatives that have the potential to receive private sector support need to be heavily promoted. B Corp made similar remarks about increasing awareness-raising and maintaining regular communication between the public and private sectors. In order to address cultural barriers, each type of company essentially emphasizes the significance of government awareness-raising and improved communication.

Regarding the challenges encountered by CSR partnerships in the Indonesian setting, the case study I selected, and what the government may do to solve these difficulties, the findings in chapter five provide a solution to the question posed in sub-question three. According to Reed and Reed (2008), equitable power relations, suitable skills and abilities, and incentives are the key challenges. The government in Indonesia does not yet recognize the value of pragmatic incentives because it views the private sector as only a partner to secure more funding, neglecting the significance of pragmatic incentives for the various companies. Other than that, and this presents another challenge, there is no mapping on the distribution of duties based on the skill sets of the different teams. The government's preferred site in line with the national priority plan only happens in specific circumstances, and even then, it is subject to competing interests, as was the case with Solo City, contributing to a power imbalance. In addition to the issues raised by Reed and Reed (2008), informants discussed cultural obstacles and the government's lack of awareness-building in CSR partnerships.

²⁵ Interview with A1, in Zoom Meeting (3 September 2023)

²⁶ Interview with N1, in Zoom Meeting (04 August 2023)

²⁷ *ibid.*,

²⁸ *ibid.*

Chapter 6.0 Conclusion

This research paper came from a very simple idea, as a government employee in one of Jakarta's government offices, I had seen several examples of the private sector's involvement in government initiatives meant to reduce poverty. My goal was to reveal the real complexities of this relationship and show that it goes beyond simple collaboration between two parties. Without thoroughly examining the history of partnerships in the development of the private sector, governments frequently view private sector involvement in development as assistance. Understanding partnership in development beyond that is crucial for researching the actions of the private sector, which is split into three segments in Indonesia: State-Owned Enterprises (SOE), National Companies (NC), and Multinational Companies (MNC). The government can enhance the potential of CSR partnerships by examining the practice of CSR in different types of private sector.

The goal of this study is to explore how institutional and political-economic factors interact to shape CSR partnerships in Indonesia. I use the national economic system and foreign economic penetration notions set through by Lim and Tsutsui (2012) to explain the influence on political-economy to CSR practice in Indonesia. Regarding institutional analysis, I use the neo-institutionalism theory mentioned by Schlutz and Wehmeir (2010). This theory determines the ways in which institutional settings at the macro, meso, and micro levels are integrated and communicated, and afterwards shapes the behavior of the private sector in their CSR practice. The primary argument of this theory is that CSR is a social construct, and that the implementation of CSR can be influenced by the context of time and place. Furthermore, I use Reed and Reed's (2008) description of CSR partnership, which describes it as a type of collaboration between the private sector and other sectors, including the government. In order to address the research question, I used a combination of qualitative interviews and secondary data analysis from publicly accessible sources, including news articles, journals, regulations, and CSR reports from companies in the study cases.

In order to answer the first sub-question, "*How do political-economic factors both at global and national levels explain the CSR practices and shapes CSR partnership models between the government and each type of private sector in Indonesia?*" I used political-economic analysis from Lim and Tsutsui (2012) combined with the thoughts of Hadiz and Robinson (2013) to look at the political-economic context in Indonesia. These two pieces of literature helped me to answer the question in the first sub-question because both is relevant and applicable in this context to answer my research question and address

the core issue regarding how political economy shapes CSR practices including CSR partnership models in Indonesia. In the findings, it is identified that political-economic factors shape differences in CSR commitment and practices in poverty alleviation projects from each type of private sector including SOE, NC, and MNC. Due to economic liberalization, self-regulation, and the power of the business class, organizations such as KADIN are dominant in developing regulations and encouraging voluntary approaches. Furthermore, SOE also tend to follow government programs, and MNC tend to follow regulations from overseas companies more than from Indonesia government.

My second sub-question, *“How does the institutional setting of CSR in Indonesia from macro, meso, and micro level explain the CSR practices and shapes CSR partnership models between the government and each type of private sector in Indonesia?”* is answered with the use of neo-institutionalism analysis. Neo-institutionalism analysis could clarify the relationships and mutual impact between levels, making it appropriate and applicable in the Indonesian setting. First, through neo-institutionalism analysis, I discovered important distinctions between SOE, NC, and MNC's CSR features in their involvement in poverty alleviation projects. A Corp as a part of SOE is comply to the national regulation and government project, it can be seen by the company's well-defined CSR goals and reports, as well as its commitment to the national priority agenda which is poverty alleviation as state in National Medium-Term Development Plan (RPJMN) 2019–2024. As a representation of NC, B Corp, on the other hand, has the characteristic of putting symbolic CSR into practice rather than substantive CSR, and its employees typically wait for CSR initiatives to happen rather than organizing them. Finally, as a member of an MNC, C Corp prioritizes the rules of their international business, thus they do not feel pressure to comply to the national priority agenda or form a partnership to meet that goal. However, there are exemptions to this norm, like C Corp, which is subject to strict regulations from SKK Migas.

I use Reed and Reed's (2008) CSR partnership concept to explain the implementation of CSR partnerships and their challenges to answer third sub-question, *“What are the challenges during the planning and implementation of the CSR partnership project?”*. In their paper, they discuss the obstacles and factors that need to be taken into account for government and private sector partnership to be successful. These include realistic motivations, appropriate skills, and equitable power dynamics. This framework made it simpler for me to organize the challenges and the reality of CSR partnerships in poverty alleviation projects in Indonesia. These challenges include the lack of a skills and ability mapping between partnership actors, the government's inadequate identification of practical incentives for different private sector types, and the existence of a power imbalance that permits the private sector to take advantage of more incentives than the government.

Nevertheless, almost all of the informants questioned from the public and commercial sectors, as well as from NGOs and academia, brought up the problem of cultural barriers and the government's lack of awareness-building in CSR partnerships. These points are not included in the literature by Reed and Reed (2008). Therefore, more research on the CSR partnership model and its challenge based on empirical cases is needed.

The whole research question: “*How do CSR practices in Indonesia shapes the CSR partnership model between the government and the private sector in poverty alleviation programs and what are the challenges?*” is addressed by combining the earlier findings. The political economy and institutional elements that have shaped Indonesian CSR practice—including the country's CSR partnership model—are examined in this research paper and helps me to respond to the main research question. I can find elements that can affect Indonesia's CSR practices on a national and international scale by using political economic analysis. External economic penetration into the Indonesian national economy shapes the macro institutional level. Though CSR is mandatory in Indonesia, CSR laws are generally inadequate, making it difficult for the public and private sectors to collaborate. Since Indonesia competes with other developing nations for investment, it is also unable to regulate the private sector too strictly. As a result, mandatory regulations stricter than Law Number 40/2007, which merely governs company obligations in natural resources, are still a long way off. A further example of outsourcing governance is the existence of KADIN near the government as a private regulator that also issues guidelines for CSR. In addition, CSR in Indonesia is more ceremonial in nature due to oligarchic tendencies and politics' strong hold over national business and SOE. This allows the program to be structured to serve the interests of the ruling class, as was the case in Solo.

The challenges faced with the existing partnership model revolve around the lack of well-defined incentives, weak knowledge of adequate skills, power imbalance, cultural barriers, and lack of awareness from government. In order to create a more efficient partnership model, the government must be able to distinguish between the characteristics of the various private sectors and conduct a deeper evaluation of the private sector's role in poverty alleviation. Unfortunately, this study showed that, due to MSOE's regulatory support, only SOE is most likely to be fully engaged in poverty alleviation projects. In the meantime, the government must give MNC and NC more attention if they wish to maximize the use of CSR funds for the purpose to achieve the 2019–2024 RPJMN's target for poverty alleviation.

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Appendices

Appendix 1 List of Interviews

No	Firms / Organization	Informant Position	Date of Interview
1	A Corp (SOE)	Head of Corporate Relations and Community Development	Zoom Meeting - 01 August 2023
2	B Corp (NC)	Head of Health, Safety, Security, and Environment	Zoom Meeting – 25 August 2023
3	C Corp (MNC)	Community Relation Officer	Zoom Meeting - 22 August 2023
4	Coordinating Ministry for Human Development and Cultural Affairs / <i>CMHD</i> (Government)	Deputy for Social Welfare Improvement	Zoom Meeting - 24 July 2023
5	Ministry of Public Works and Housing / <i>MPH</i> (government)	Sub-coordinator of evaluation of data and publication management reports	Zoom Meeting - 12 August 2023
6	Ministry of Social Affairs / <i>MSA</i> (Government)	Directorat General of Social Empowerment	Zoom Meeting - 22 August 2023
7	CSR Forum	National Coordinator of Forum CSR	Zoom Meeting - 04 August 2023
8	Politeknik Kesejahteraan Sosial (The Social Welfare Polytechnic)	Lecturer and Ex-Community Development Officer in the Privat Sector	Zoom Meeting - 03 September 2023

Appendix 2 List of Question (Semi-Structured Interview)

Current Legal and Regulatory Framework with Regard to CSR And Its Public Sector Partnerships

Methods of Data Collection: semi-structured interview, literature review / regulation analysis

List of Questions:

List of Questions to Academics and NGO
How would you describe the evolution of CSR regulation in Indonesia over the past decade? What key changes or developments have taken place?
What are the main legal frameworks and regulations that govern CSR activities in Indonesia? How do these regulations impact businesses and their CSR initiatives?
Are there any specific industries in Indonesia that are more heavily regulated in terms of CSR due to their environmental or social impact? How do these regulations differ across industries?

The Motivation and Incentives for Firms to Engage in CSR Project for Poverty Alleviation in The Absence of Regulation, And How do They Select the Projects

Methods of Data Collection: semi-structured interview

List of Questions:

List of Questions to Academics
In your opinion, what are the key motivations for companies in Indonesia to engage in CSR initiatives? Are these motivations primarily driven by legal requirements, ethical considerations, or business advantages?
Are these motivations consistent across different industries and sectors?

From your research, have you observed any shifts in firms' motives for engaging in CSR over time?

What role does leadership and top management play in shaping a company's motives and intentions for CSR? How do personal beliefs of CEOs or key decision-makers influence the direction of CSR initiatives?

Do you see differences in the motives and intentions of large multinational corporations, big or small national company, and state-owned enterprise?

Based on your research, what recommendations would you give to firms looking to align their CSR motives with long-term sustainable outcomes?

List of Questions to Private Sector

Can you tell me how are you decided to conduct a partnership with public sector?

Can you tell me about your firm's involvement in CSR project?

What do you expect from this partnership?

Why do you want to engage?

What criteria does your firm consider when deciding which poverty alleviation program to support?

How do you assess the potential impact of the project before deciding to give money on it?

The Challenges

Methods of Data Collection: semi-structured interview

List of Questions:

List of Questions to Academics

Some of CSR programs are complementary to government programs, as an academic, how do you see that? Is this in line with the voluntary and charity nature of CSR?

In your research, what examples of successful partnership-based CSR initiatives in Indonesia have you come across? What made these initiatives effective and sustainable?

What are the key challenges that the public sector often faces when trying to collaborate with firms for CSR initiatives?

How does the allocation of responsibilities and risks between public and private partners influence the outcomes of CSR initiatives? What strategies can be employed to ensure a balanced partnership?

List of Questions to Public Sector

Can you tell me how are you decided to conduct a partnership with private sector?

How do you make sure the goal of the public sector is aligned with the CSR program?

What is the main challenge you have when partnering with the private sector?

How do you address potential conflict of interest when working together with privat sector?

What mechanism or methods do you use to do monitoring and evaluation for the program?

What steps do you take to build trust and relationship with the privat sector?

Follow-up regulation

Methods of Data Collection: semi-structured interview, literature review, data analysis

List of Questions:

List of Questions to Academics
What are the major challenges that firms operating in Indonesia typically face when trying to implement effective CSR programs? How do these challenges relate to regulatory aspects?
How do you see the future of CSR regulation unfolding in Indonesia? Are there any trends or potential changes that firms should be aware of?
List of Questions to Private Sector
is there any specific challenges or barriers your firm faces when selecting or implementing CSR project in the absence or regulation?
We know that CSR has been regulated in Law Number 40 of 2007, that makes it one of the role 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?
What makes you think that CSR should be mandatory /or voluntary? Why?

List of Questions to Public Sector

is there any specific challenges or barriers your organization faces when doing a partnership with privat sector?

We know that CSR has been regulated in Law Number 40 of 2007, that makes it one of the role 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?

What makes you think that CSR should be mandatory /or voluntary? Why?

Do you think the challenge in partnership between public sector and private sector can be solve if there is any more detail regulation about CSR?

What can the public sector do (or has been done) to stimulates firm to do more in CSR in the absence of regulation?

Methods of Data Collection: semi-structured interview

List of Questions:

List of Questions to Academic
What strategies can the public sector employ to ensure that partnership-based CSR initiatives are aligned with the broader development goals and needs of the local communities?
Based on your research, what recommendations would you provide to policymakers and practitioners in the public sector to enhance the effectiveness of partnership-based CSR initiatives?
List of Questions to Private Sector
According to your experience, what can public sector do to make firm do more CSR in your program?
List of Questions to Public Sector
can you tell me how are you decided to includes private sector in doing your program?
According to your experience, what can public sector do to make firm do more CSR in your program?

We know that CSR has been regulated in Law Number 40 of 2007, that makes it one of the role 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?

how do you facilitate and promote your program and the CSR involved? are you promoting it through the government website or through the media?

Is there any reward from the government or particularly from your organization regarding CSR? How are you measuring that?

Is there information portal in government or particularly in your organization about CSR partnership?