

Corporate Social Responsibility Partnership to Alleviate Poverty in Kulon Progo Regency

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Abstract. Corporate Social Responsibility (CSR) partnership between the public sector and the private sector has become a new trend in Indonesia in order to overcome budget constraint. However, most CSR programs are not empowering and the Local Governments tend to share development burden to the private sector. Kulon Progo Regency is the poorest region in Java Island that conducts a CSR partnership through One Village One Sister Company (OVOSC) program. This study viewed community empowerment and the discretion of the private sector in OVOSC program. The research approach of this study was the qualitative approach, which utilize in-depth interviews and literature study. Research results show that OVOSC program is dominated by charity programs. The private companies also have relatively large discretion because the Government tends to share development task to external actors based on the philosophy of gotong royong (mutual cooperation). Kulon Progo Regency Government should endorse the companies to launch more empowerment programs and strengthen the monitoring in order to avoid the companies from abusing the discretion. This research also confirms the statement from Donahue and Zeckhauser (2011) that categorized CSR as an alternative way to engage private players in public missions and different from collaborative governance.

Keywords: corporate social responsibility, poverty alleviation, private sector

Abstrak. Kerja Sama Tanggung Jawab Sosial Perusahaan (TSP) antara sektor publik dan swasta menjadi model baru di Indonesia untuk mengatasi keterbatasan anggaran. Permasalahannya, mayoritas program TSP tidak memberdayakan masyarakat dan Pemerintah Daerah cenderung menyerahkan sebagian beban pembangunan kepada sektor swasta. Kabupaten Kulon Progo merupakan daerah termiskin di Pulau Jawa yang melakukan kerja sama TSP melalui program One Village One Sister Company (OVOSC). Penelitian ini mengkaji pemberdayaan masyarakat dan diskresi yang dimiliki sektor swasta dalam program OVOSC. Penelitian menggunakan pendekatan kualitatif dengan melakukan wawancara-wawancara mendalam dan studi literatur. Hasil penelitian menunjukkan bahwa program OVOSC masih didominasi program karitatif. Sektor swasta juga memiliki diskresi yang relatif besar karena Pemerintah Kabupaten Kulon Progo ingin membagi tugas pembangunan kepada aktor eksternal berdasarkan filosofi gotong royong. Pemerintah Kabupaten Kulon Progo sebaiknya mendorong perusahaan supaya meluncurkan lebih banyak program pemberdayaan serta memperkuat pengawasan untuk mencegah perusahaan menyalahgunakan diskresi. Penelitian ini juga mempertegas pendapat dari Donahue dan Zeckhauser (2011) yang menyatakan bahwa TSP merupakan cara alternatif untuk melibatkan sektor swasta dalam tujuan publik dan berbeda dari collaborative governance.

Kata kunci: penanggulangan kemiskinan, sektor swasta, tanggung jawab sosial perusahaan

INTRODUCTION

Poverty is one of the problems of development that occurs in all countries. Poverty represents public welfare and indicates the failure of development. The global effort to overcome poverty reached its culmination when 189 state leaders signed Millennium Development Goals (MDGs) agreement back in 2000. Poverty alleviation has become the first goal of MDGs (Widiasari, Iedarwati, and Isololipu, 2014: 103). Indonesia is one of the countries that signed MDGs agreement. The agreement was signed by President Abdurrahman Wahid to overcome poverty escalation that was caused by the 1997/1998 economic crisis. Since the Reform era, Indonesia has been successful in reducing poverty rate. Poverty rate was down from 23.43 percent in 1999 to 10.96 percent in 2014. Despite this, Indonesia still has three problems in relation to poverty: (1) the slowing down of poverty rate reduction, (2) the

increasing of inequality, and (3) the high proportion of people with economic and social vulnerability (The SMERU Research Institute, 2015: ii). Poverty is a major issue in Indonesia, hence why the Government has always noted poverty as a priority agenda.

Traditionally, based on welfare state concept, the Government is the main actor in poverty alleviation effort. Government owns strong authority to enter into all aspects of public life (Ridwan, 2011: 229). Since governance paradigm appeared, the Government could not be relied as a single actor in poverty alleviation effort. In governance paradigm era, the society evolves; hence the government is facing more complex problems. The Government has limitations when it comes to solving those problems alone, so therefore they need to collaborate with the external actors (Charalabidis et al., 2012: 264). The collaboration between the Government and the external actors is known as collaborative governance concept. Donahue and Zeckhauser (2011:

4) defined collaborative governance as a condition when government tries to achieve their public goals by collaborating with private companies, social groups, or individuals. Collaborative governance can help the effort of the Government in alleviating poverty.

The Indonesian Government has involved external actors in poverty alleviation effort. There is a budget problem faced by the Joko Widodo's Administrations, because the Government has a limited fiscal space in State Budget that caused by high personnel expenditure. In 2015, the personnel expenditure consumed 41 percent of the Government's expenditure (Rastika, 2014, December 22). As a result, it reduced fund allocation for poverty alleviation programs. In order to overcome budget constraint, the Government tries to involve the private sectors through Corporate Social Responsibility (CSR) programs. The initiative has been declared by Puan Maharani as the Coordinating Minister for Human Development and Culture. Puan Maharani said that the CSR programs from the private companies could help the effort of the Government to alleviate poverty (Coordinating Ministry for Human Development and Culture, 2015).

The Government's initiative to involve the private sector in poverty alleviation has become a trend in some countries. The initiative was pioneered by the Department for International Development (DFID) in 1997 (Jenkins, 2005: 530). The DFID is a United Kingdom government department responsible for alleviating poverty. The method that was utilized by the DFID was involving the private sector through CSR programs. According to Horrigan (2010: 3), CSR is one of the most important issues in the 21st century. The 21st century faces problems for which CSR is part of the answer. Therefore, it is not surprising to see CSR-achieving dominance as a global issue, alongside other shared governance and regulatory challenges such as climate change, sustainable development, human right universalization, poverty eradication, and socio-economic prosperity.

CSR partnership in Indonesia has become more significant in overcoming poverty in the local level. Indonesia has 542 Autonomous Regions, consisted of 34 Provinces and 502 Regencies/Cities. The Local Governments are experiencing poverty problems. At the same time, they have little cash to finance poverty alleviation programs. Even in some Regions, most of their budgets are allocated for paying personnel salary. Personnel salary is not productive, because it is paid to the employees and not directed to the public. According to Marwanto Harjowiryo as the General Director of Fiscal Balance of Ministry of Finance, the large amount of personnel salary can reduce the capacity of the Local Governments to prosper the society (Ratu, 2013, July 22.). In 2014, the data from the Ministry of Finance showed that the Local Governments in Indonesia were consuming 42.78 percent of their budgets for personnel expenditure (Ministry of Finance, 2014: 6).

That condition leads the Local Governments to involve the private sector through CSR programs. The partnership between the Local Governments and the corporations in Indonesia is a consequence of the decentralization of Indonesia. Rahmatullah (2011b:

197) noted two problems of the CSR implementation in Indonesia. First, most corporations simply launch charity programs to the society. A charity program is not empowering the targeted society but instead will make them more and more dependent and addicted to aids. Second, the Local Governments tend to share the burdens of development to the private sector. Besides its positive effect in overcoming constraint, it could impede the efforts of the Indonesian Government to build autonomous and effective Local Governments.

This research aims to see the implementation of CSR partnership in Kulon Progo Regency. Kulon Progo Regency is a poor Region of which the poverty rate once reached 23.32 percent (Statistics Indonesia, 2013: 18). It makes Kulon Progo Regency as the third poorest Region in Java Region after Sampang Regency and Bangkalan Regency. Java Region is known as the economic center of Indonesia, which contributes 57.9 percent of to the gross domestic product (GDP) of Indonesia (Statistics Indonesia, 2014: 1). Despite its role as an economic locomotive, Java Island still has some poor areas. Kulon Progo Regency is the poorest region that conducts CSR partnership in Java Region. Kulon Progo Regency is also categorized as one of the Regions with the highest personnel expenditure. Research from *Warta Ekonomi* in 2013 showed that Kulon Progo Regency was included as the top nine Regions with the highest personnel expenditure in Indonesia (Ratu, 2013, July 22). In 2013, Kulon Progo Regency spent 62.7 percent budget for paying employees. It means, only 37.3 percent budget that could be allocated directly to the public.

CSR partnership is an important solution to deal with poverty and budget constraint problems in Kulon Progo Regency. It is embodied in a program, named One Village One Sister Company (OVOSC) program. OVOSC program is intended to empower poor people in Village scope. In OVOSC program, Kulon Progo Regency Government invites the private sector to empower poor Villages through CSR program. OVOSC program was launched in 7 November 2012 and currently there are seven companies that join the program.

There are two objectives in this research. First, this research is observing community empowerment in OVOSC program. As Rahmatullah (2011b: 197) said, most corporations in Indonesia simply launch charity programs. To be effective in alleviating poverty, CSR programs in Kulon Progo Regency must be decisively empowering. Second, this research is also observing discretion owned by the private sector in OVOSC program. According to Donahue and Zeckhauser (2011: 45), discretion is the defining feature of collaborative governance. If one side makes all the decisions, a public-private relationship is a contract, not a collaboration. Rahmatullah (2011b: 197) stated that the Local Governments in Indonesia tend to share development burden to the private sector. As a Region with high poverty rate and limited fund, Kulon Progo Regency tends to share their poverty alleviation task to the private sector. By knowing the discretion, we would know to what extent does Kulon Progo Regency Government share their poverty alleviation task to the private sector.

Studies on CSR partnership in Indonesia have been conducted by some researchers. Rahmatullah (2011a) conducted research on CSR partnership between the Cilegon City Government and the companies in Cilegon City. Aruan (2013) also studied CSR partnership between East Java Provincial Government and the companies in East Java Province. Edi (2014: 130) also observed and extracted key characteristics of effective partnership in CSR based on three cases in Indonesia and Tanzania (Community-Based School Reconstruction in Yogyakarta and Central Java Province, Multi-stakeholder Forum in Kutai Timur Regency, and Social Development Program in Tanzania). However, the three researchers only investigated partnership principles between the Local Government and private sector. Research on discretion in CSR partnership is a new feature of public administration study in Indonesia.

To answer the research problems, a theory is needed as a basic concept of analysis. This research uses collaborative governance theory. In this concept, the government is not a single actor in development affairs, but there are also private sector and civil society. According to Ansell and Gash (2007: 542), collaborative governance is a new strategy of governing that has developed over the last two decades. This mode of governance brings multiple stakeholders together in common forums with public agencies to engage in consensus-oriented decision making. Ansell and Gash (2007: 543) define collaborative governance as a governing arrangement where one or more public agencies directly engage non-state stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy or manage public programs or assets. Although collaborative approaches may be mandated by courts or legislatures, stakeholder participation is typically voluntary.

Collaborative governance has a defining feature, which is shared discretion (Donahue and Zeckhauser, 2011: 45). Discretion shows up in three discrete domains. The first is production discretion, which is a fundamental motive for collaboration. Private companies have a long experience in producing goods/services in market system. In addition, private players must also have the authority to choose goods/services they want to produce. The second is payoff discretion, which talks about tangible benefits. In some collaborative projects, there are some benefits, such as money, stocks, or business contracts that can likely be obtained by all actors. Each actor has the right to gain and negotiate the benefits. The third is preference discretion. Only in rare cases will a private collaborator's preferences align neatly with those of the government. Preference discretion arises more commonly with nonprofit than for-profit collaborators. Nonprofits tend to have strong interests in particular goals, quite apart from profit maximization of for-profit entities.

Production discretion is at the heart of successful collaboration, while both payoff and preference discretion channel self-serving mischief that can undermine the benefits of collaboration. The shared

discretion that is the hallmark of collaborative governance can augment government's capacity for accomplishing public missions and increase the flexibility with which such missions are pursued, but shared discretion also extracts a price. Authority becomes ambiguous, strategic complexity grows, and accountability breakdowns proliferate (Donahue and Zeckhauser, 2011: 18).

Above all, a large share of discretion must rest with a party who is accountable to the public at large. If the government is absent, weak, or undemocratic, this condition is unlikely to take place. Collaboration begins when the government has the monopoly of control. Collaborative governance exists in the mid-range of the distribution of discretion (Donahue and Zeckhauser, 2006: 439). For example, corporate philanthropy is not categorized as collaboration, because corporations have large discretion over their giving. The Government's contract with a private waste-management company is also not collaboration, but delegation. The Government controls the company, and the company is highly a constrained agent.

It is still being a debate among researchers whether CSR can be categorized as collaborative governance or not. As a starting point, this research argues that CSR partnership can be categorized as collaborative governance. As the definition of collaborative governance from Donahue and Zeckhauser (2011), the government involves private sector to achieve public goals. The Author views that CSR is a resource of private sector to achieve the goals. Nevertheless, Donahue and Zeckhauser (2011) merely categorize CSR as an alternative way to engage private players in public missions. Collaborative governance works for deploying private expertise and resources to strengthen government's effectiveness, driven by whatever blend of motives. The private discretion is important—but it is still restricted, because government cannot abdicate its primordial role in designating legitimate collective missions. Meanwhile, CSR has a different approach in utilizing private capacity to public goals. Frequently, the Government is at an operational disadvantage relative to private companies. Companies must act on their own to design CSR programs without the government's intervention. Therefore, the government has disabilities when it comes to defining value, setting priorities, or assessing outcomes (Donahue and Zeckhauser, 2011: 257). By researching discretion, this research can test whether CSR partnership can be categorized as collaborative governance or not.

RESEARCH METHOD

This research used post-positive approach. The author compared collaborative governance and CSR theory with the empirical evidence in Kulon Progo Regency. The research was conducted from March 2015 to November 2015. The data analysis technique that was used was the ideal type (Neuman, 2003: 450), in which the author compared empirical evidence with the theory as an ideal condition. Analysis was based on primary data and secondary data. The primary

data were collected through in-depth interviews with Hasto Wardoyo (Kulon Progo Regent), Sutedjo (Kulon Progo Deputy Regent), Agus Langgeng Basuki (Head of Local Development Planning Board), Triyanto Raharjo (Head of People's Welfare Division), Insan Hidayat (Manager of OVOSC program) and two companies' representatives. The secondary data were collected through literature studies and OVOSC program documents. The Author also conducted field observations to collect additional data.

RESULT AND DISCUSSION

CSR partnership becomes a new trend to alleviate poverty in Indonesia. According to Donahue and Zeckhauser (2011: 255), CSR is a way to engage private players in public missions. Research from Carroll (1999: 269) shows that the study on CSR has begun in 1950s. In that era, CSR was initially known as Social Responsibility (SR). In global context, the term of Corporate Social Responsibility (CSR) has been used since 1970s. Study on CSR has become more popular when John Elkington released his book: "Cannibals with Forks: the Triple Bottom Line in 21st Century Business" in 1998. There are hundreds definitions of CSR. There is no global consensus on a single definition of CSR. Basically, CSR describes a company's obligation to manage its activities to protect the interest of all of its stakeholders. Through CSR, companies voluntarily decide to respect and protect the interests of a broad range of stakeholders while contributing to a cleaner environment and a better society through an active interaction with all (Mullerat, 2010: 14).

Collaboration between Kulon Progo Regency Government and the private sector to alleviate poverty has been initiated since 2011. In that year, Kulon Progo Regency Government did a poverty census. The census showed that Kulon Progo Regency had relatively high poverty rate. There were 111,756 poor people (23.71 percent) in 2011. The census also indicated some Villages that severely had high poverty rate. Based on that condition, Kulon Progo Regency Government focused to alleviate poverty in the small scope, which is Village. At the same time, Kulon Progo Regency had limited funds. Sutedjo as Kulon Progo Deputy Regent said that Kulon Progo Regency Budget was not capable to finance poverty alleviation programs. From the revenue aspect, Kulon Progo Regency Government is still not able to optimize their Local Own-source Revenue. Kulon Progo Regency is also relying heavily from Fiscal Balance Transfer as the main source of revenue.

Recognizing the budget constraint, Kulon Progo Regency Government looked for an alternative source of financing. Hasto Wardoyo as the Regent initiated the involvement of the private sector to help alleviate poverty. There were CSR funds from private companies that could help the effort of the Kulon Progo Regency Government in poverty alleviation. Thus, Kulon Progo Regency Government formulated

a collaborative program with the private companies, which is called the OVOSC program. OVOSC is a program that is focusing on the alleviation of poverty in Village area. In this program, private companies are expected to empower poor Villages in Kulon Progo to be free from poverty. This program was officially launched at 7 November 2012. There are seven private companies that join the program, as the data below shows in table 1.

The private companies in OVOSC program is not only from Kulon Progo Regency, but also from other Regions in Indonesia. To recruit those actors, Kulon Progo Regency Government promoted the OVOSC program through mass media and communicated directly with the companies. In addition, Kulon Progo Regency also has Local Regulation Number 22 Year 2012 on Corporate Social Responsibility (Local Regulation on CSR) and Kulon Progo Regent Regulation Number 30 Year 2013 on Guidelines of Kulon Progo Regency Local Regulation Number 22 Year 2012 on Corporate Social Responsibility (Regent Regulation on CSR) as the legal foundation of the CSR implementation for the companies that operate in Kulon Progo Regency. This means that the participation of the private sector in the OVOSC program can be voluntary and mandatory.

The OVOSC program has some special processes. There are four processes that will occur in the OVOSC program. The first process is formulation, in which the companies have to choose Foster Village as their CSR location. Companies have the authority to elect

Table 1. The Private Companies in OVOSC Program

No	Name	Origin	Business Fields	Date Joined
1.	Jogja Magasa Iron Ltd	Kulon Progo Regency	Iron Sand Mining	November 7, 2012
2.	Karya Hidup Sentosa.	Kulon Progo Regency	Agricultural Machinery	November 7, 2012
3.	K-24 Indonesia Ltd	Kulon Progo Regency	Pharmacy	November 7, 2012
4.	Sinar Waluyo Ltd	Kulon Progo Regency	Property Developer	November 7, 2012
5.	Natasha Skin Care	Sleman Regency	Face and Skin Care	November 7, 2012
6.	Sriboga Flour Mills Ltd	Semarang City	Wheat Flour	November 25, 2013
7.	SGM Sari Husada Ltd	Yogyakarta City	Nutritional Products for Mothers and Children	September 22, 2014

Source: Kulon Progo Regency Government Document on OVOSC program

Foster Village of their own preference. After selecting the Village, the companies should determine their CSR programs. Kulon Progo Regency Government expects that CSR program can conform to the community needs. Therefore, an assessment is needed as it will become an important tool to formulate the CSR program. The needed assessment is conducted jointly by the companies, Kulon Progo Regency Government, the community, the targeted people, and non-governmental organizations (NGOs) through Focus Group Discussions (FGDs) or surveys. This means that the public can participate directly in CSR formulation process. Nevertheless, the final decision to choose Foster Village and the program is the authority of the private companies. The second process is implementation. This is the process to implement CSR programs that have been formulated. In implementing their programs, the companies can weave cooperation with NGOs or another parties. The companies are also given the time discretion to launch their programs. The companies are free to implement their programs at any time based on their capacities. Kulon Progo Regency Government does not regulate time certainty to the companies in implementing their programs.

The third process is monitoring, which is the process to measure whether the CSR programs are being performed planned. There are two monitoring methods that are utilized by Kulon Progo Regency Government: (a) instructing the companies to submit activity reports once every six months and (b) observing the companies directly when they are doing activities in Foster Villages. Monitoring also becomes a consideration for giving reward to the companies. The fourth process is evaluation. The effectiveness of CSR programs is assessed in this process. If the program is effective, it would be continued. If the program is not effective, it would be modified or terminated. An evaluation meeting between the companies and Kulon Progo Regency Government is held at least once every six months. The community, the targeted people, and NGOs are not involved in the evaluation process.

The processes of the OVOSC program can be seen on the table 2. The Table shows the actor participation in OVOSC program. In governance concept, there are three actors in development affairs, those are: government, private sector, and society. The OVOSC program has four processes and private sector dominates all processes.

Table 2. The Processes in the OVOSC Program and Actor Participation

The Processes of OVOSC Program	Actor Participation		
	Government	Private Sector	Society
Formulation	√	√	√
Implementation	-	√	√
Monitoring	√	√	√
Evaluation	√	√	-
Onshore	√	√	-

Kulon Progo Regency Government plays roles in the formulation, monitoring, and evaluation processes. They do not play any role in the implementation, because CSR implementation is the authority of the companies. Kulon Progo Regency Government only accompanies and monitors the companies in the implementation process. Society is only involved in the formulation and implementation processes. The author sees that the involvement of society in the monitoring and evaluation processes is very important. The society is an actor that works on the ground and knows better the field condition. They could make reports if private companies make deviations. The targeted people and the community should also be involved in the evaluation process, because they are the actors that can assess the effectiveness of the CSR programs.

The first aim of this research is to observe community empowerment in the OVOSC program. A good CSR is essentially must empower the targeted people. According to Ife (2013: 277), empowerment means providing people with the resources, opportunities, vocabulary, knowledge, and skills to increase their capacity to determine their own future, and to participate in and affect the life of their community. Budimanta (2003), cited from Rahman (2009: 9-10), also said that an activity can truly be considered as CSR if it meets the third criteria. The first is continuity and stability. CSR is not an incidental action. It should be built on long-term perspective. CSR is a planned and systematic program, and can be evaluated. The second is community empowerment: CSR is not a simple charity program. The ultimate goal of CSR is to stimulate people to be self-sufficient. And the third is two- way manner. The CSR program should not be solely formulated based on a top-down approach. The companies also should regard public aspirations. An effective CSR is suitably formulated based on public needs.

The OVOSC program is basically designed to give economic parenting and improvement of living standard to the community in poor village. Kulon Progo Regency Government composed three types of activities as a guideline for companies (see table 3).

There are three types of activities in the OVOSC program which will be given to the community. The three activities are just guidelines. The companies are not obliged to adopt those activities. Activities in number 1 and 2 are designed to give basic needs to the poor people; hence their living standard can be upgraded. Activities in number 3 are addressed to improve skills and to give business access for the community. Activities in number 1 and 2 are basically charity programs. Those activities are just providing aids and not giving skills enhancements or business opportunities to the people. Activities in number 3 are empowering, because those activities give skills enhancements and opportunities to the people to be self-sufficient.

The seven companies in the OVOSC program have carried out their CSR programs. The first is Jogja Magasa Iron Ltd. Jogja Magasa Iron Ltd is a local company in Kulon Progo Regency and has eight Foster Villages. The eight Foster Villages are the locations where Jogja Magasa Iron Ltd operates. There are three

Table 3. Types of Activities in the OVOSC Program

No.	Activities	Details
1	Family-Based Aid and Social Protection	Decrepit Aid, Disability Aid, Old Age Assurance, Educational Assurance, Health Assurance.
2	Enhancement of Basic Infrastructure	Village Roads; House Surgery; Water Sanitation; Economic, Educational, and Health Facility.
3	Society and Economic Empowerment	Skills Training, Group Management, Society Institutional Strengthening, Credit Access Opening, Business Management, Partnership, and Job Creation.

Source: Kulon Progo Regency Government Document on OVOSC program

programs conducted by Jogja Magasa Iron Ltd. The first is the establishment of ten Unions in eight Foster Villages. Union is a business entity in Indonesia which established based on the principle of togetherness. Each Union received 100 million rupiah as an initial capital. These Unions are engaged in agriculture, plantation, livestock, and fishery. Jogja Magasa Iron Ltd also gives training and facilitation on management business and marketing. The second program is skills training to make building materials. The skill has never been mastered by the Villagers. Jogja Magasa Iron Ltd gives a new skill to the Villagers in order to expand job opportunities. The first and second program are managed to create new jobs and to generate incomes of the poor people. The third program is health service. This program is directed to treat the poor people who have health problem in the Foster Villages. Nevertheless, this program is sporadic, because it was only enacted at certain times.

The second is Karya Hidup Sentosa. Karya Hidup Sentosa is a local company in Kulon Progo Regency and has one Foster Village that is Tuksono Village. Tuksono Village is the location of Karya Hidup Sentosa's factory. There are five programs conducted by Karya Hidup Sentosa. The first is House Surgery aid for a householder. The householder received House Surgery aid worth ten million rupiah. The second is scholarship aid for 45 poor students. Each student received one million rupiah to pay tuition fees. The third is decrepit aid for 25 poor elderly people. Each elderly person received 200,000 rupiah. The fourth is capital aid to two householders to open small shops. Each householder received ten million rupiah to open small shop. The fifth is a tractor conferment to the local farmer group. All programs conducted by Karya Hidup Sentosa are basically charity programs. The programs are launched once and not sustainable. There is also no skills training or knowledge enhancement programs to the people to be self-sufficient.

The third is K-24 Indonesia. K-24 Indonesia Ltd operates in Kulon Progo Regency. There are two

programs conducted by K-24 Indonesia Ltd. The first is House Surgery for seven householders. Each householder received House Surgery aid worth 10 million rupiah. The second is the establishment of Herbal Village in Sukoreno Village. Sukoreno Village is a Village which has a potential of herbal plantation. K-24 Indonesia Ltd is a pharmacy company which needs raw materials of herbal plant. Subsequently, herbal products from Sukoreno Village will be bought by K-24 Indonesia Ltd and the market. K-24 Indonesia Ltd gives skills training to Sukoreno Villagers to cultivate herbal plants. Besides, the Herbal Village is also created as a tourist village. This program is a long-term project to create new job opportunities and to generate incomes of the Villagers.

The fourth is Sinar Waluyo Ltd. Sinar Waluyo Ltd is a local company in Kulon Progo Regency that operates in Kalidengen Village. Sinar Waluyo Ltd also chose Kalidengen Village as their Foster Village. There are two programs conducted by Sinar Waluyo Ltd. The first is House Surgery for four householders. Each householder received House Surgery aid worth 7.5 million rupiah. The second is land loan facility for poor farmers. As a property developer, Sinar Waluyo Ltd has some land which will be built as property. There are some poor farmers who have no land for farming. Sinar Waluyo Ltd lends four hectares of land to the local farmer groups in Kalidengen Village. This program is actually a charity program. There are no skills training on farming to the people. The sustainability of the program is also not clear, because the land can be built as property at any time.

The fifth is Natasha Skin Care. Natasha Skin Care is a company that operates outside Kulon Progo Regency. Natasha Skin Care has implemented a program to provide basic infrastructure in Donomulyo Village that is House Surgery for two householders. Each householder received House Surgery aid worth ten million rupiah. The company does not have empowerment program to the poor people.

The sixth is Sriboga Flour Mills Ltd. Sriboga Flour Mills Ltd chose Sidorejo Village as their Foster Village. There is a Memorandum of Understanding (MoU) between Sriboga Flour Mills Ltd and Kulon Progo Regency. Sriboga Flour Mills Ltd has a five-year contract to empower poor people in Sidorejo Village. There is a program conducted by Sriboga Flour Mills Ltd, which is skills training to make cakes from wheat flour and oyster mushrooms. This program is managed to create new jobs and to generate incomes of the poor people. Sriboga Flour Mills Ltd gives training program to thirty people in Sidorejo Village. The thirty people are expected to be the agents of change for Sidorejo Village development. Sriboga Flour Mills Ltd also gives marketing training and facilitation to the people for selling the cake and oyster mushroom products. The program is a long-term project and will be implemented until 25 November 2018.

The seventh is SGM Sari Husada Ltd. SGM Sari Husada Ltd has a three-year contract with Kulon Progo Regency Government and chose Kembang Village as their Foster Village. There are three programs

conducted by SGM Sari Husada Ltd. The first is the creation of new entrepreneurs. This program is given to 20 people in Kembang Village. The 20 people are divided into five groups. Each group is asked to start a new business. SGM Sari Husada Ltd gives fifteen million rupiah as an initial capital to each group. This program is complemented by giving seminars on entrepreneurship and leadership, in order to enhance the knowledge of the villagers. The second is skills training to make smoked egg. Smoked egg is a food product which has high price. SGM Sari Husada Ltd gives this training in order to open new job opportunities. The third is family nutrition program. As the producer of nutritional products, SGM Sari Husada Ltd gives knowledge and facilitation to the villagers about family nutrient. This program is designed to enhance health quality in Kembang Village. SGM Sari Husada Ltd also built Nutrition Park as a symbol of healthy behavior campaign.

From the above explanation, there are seventeen programs conducted by the seven companies, as the table 4. Analyzed from the theory of community empowerment, there are only seven programs from four companies that empower the targeted people. Those seven programs give skills and knowledge enhancements to the people. The skills and knowledge are useful to ensure that the people will be self-sufficient in the future. The programs number 1, 2, 9, 14, 15, and 16 are designed to create new job opportunities and to generate incomes of the poor people. The program number 17 is designed to provide insight to the people for adopting healthy behavior. If the people are healthy, they could do their economic and social activities smoothly. The other ten programs are charity-based programs. The programs simply provide money or facilities, but the programs do not give skills or knowledge enhancements to the targeted people. The ten programs are sporadically implemented and not sustainable. The people tend to rely heavily on these charity programs in the future.

The Author sees that the companies could choose charity programs because Kulon Progo Regency Government did not enforce them to choose empowerment programs. It is the authority of the companies to choose program as they want. Based on CSR concept, the Government cannot interfere with the companies deeply in designing CSR programs. This situation confirms the statement from Rahmatullah (2011b), wherein most corporations in Indonesia simply launch charity programs to the people. Although this research is not aimed to explore CSR implementation all over Indonesia, it still strengthens

the thesis, by using Kulon Progo Regency as a sample. Besides Rahmatullah (2011b), other researchers also assert that CSR in Indonesia is still dominated by charity programs, such as Saidi et al (2003); Rachman, Efendi, and Wicaksana (2011); or Ardiansyah (2015). Their remark is that charity program is not sustainable and cannot resolve the problem in the society.

There are four of seven companies that carry out empowerment programs. The empowerment programs were designed based on FGDs and surveys by the companies. The four companies conducted FGDs and surveys by involving the community. Based on the FGDs and surveys, the true problems in the community were exposed and the companies could design the appropriate programs to handle it. It differs the other three companies, whereas they did not conduct FGD and survey before choosing CSR programs. They selected CSR programs by their own volitions. As a consequence, their CSR programs are not sustainable and do not meet the public needs. Based on this case, the author argues that public participation in CSR planning is considerably significant to meet the public needs.

The second research problem of this research is to observe discretion owned by the companies in OVOSC program. The result shows that Kulon Progo Regency Government gives five discretion to the private companies in OVOSC program. The first is the discretion to choose Foster Village. Based on the theory, this discretion is categorized as production discretion. The decision to choose Foster Village is the authority of the companies. The companies could also choose more than one Foster Village, based on its willingness. Before choosing the Foster Village, Kulon Progo Regency Government facilitates the companies by giving recommendation on some poor Villages. The companies could conduct a survey before they choose Foster Village. Here are the three schemes of Foster Village election (see figure 1).

The OVOSC program has three schemes of Foster Village Election. In the first scheme, the companies choose the poorest Village based on the recommendation from Kulon Progo Regency Government. Kulon Progo Regency Government prioritizes the poorest Villages to be assisted by the companies. For the example, Sriboga Flour Mills Ltd has chosen Sidorejo Village as the Foster Village based on Kulon Progo Regency Government recommendation. Sidorejo Village was the poorest Village in Lendah Sub-district of which poverty rate reached 27.09 percent in 2013. In the second scheme, the companies choose Foster Village that has similar characteristic with their business fields. Kulon Progo Regency Government does not recommend the poorest

Scheme 1	• Companies choose the poorest Village in Kulon Progo Regency
Scheme 2	• Companies choose the Village which has similar characteristic with them
Scheme 3	• Companies choose the Village where their businesses operate

Figure 1. The Schemes of Foster Village Election in OVOSC Program

Villages, but the Villages that has similar characteristic with the company business field. For the example, K-24 Indonesia Ltd chose Sukoreno Village as their Foster Village. K-24 Indonesia Ltd and Sukoreno Village have the same characteristic. K-24 Indonesia Ltd is active in pharmacy field, whereas Sukoreno Village has a herbal farming potential. Eventually, K-24 Indonesia Ltd chose Sukoreno Village to be created as a Herbal Village. In the third scheme, the companies choose the Village where their businesses are located. This scheme is used by local companies, such as: Jogja Magasa Iron Ltd, Karya Hidup Sentosa, and Sinar Waluyo Ltd. Agus Langgeng Basuki as Head of Local Development Planning Board said that this scheme is suitable with Javanese philosophy: “luwih becik pager mangkok tinimbang pager tembok” (bowl fence is better than ring fence). In accordance with the philosophy, companies should do virtues to the community around, in order to increase community ownership towards the companies.

The second discretion owned by the companies is the discretion to choose program in the Foster Village. This discretion is also categorized as production discretion. There are four schemes of program election to the Foster Village (see figure 2).

There are four schemes of program election in Foster Village. In the first scheme, the companies choose the program which is suitable with the condition of their Foster Village. The program is adapted with the causes of poverty and/or economic potential of Foster Village. As an example, K-24 Indonesia Ltd has chosen the establishment of Herbal Village in Sukoreno Village. The program is suitable with herbal farming potential in Sukoreno Village. In the second scheme, the companies choose program that is aligned with their business fields. Through this scheme, Kulon Progo Regency Government utilizes the specialization of the companies to improve Village development. For the example, Sriboga Flour Mills Ltd is a company engaged in flour production. In the OVOSC program, Sriboga Flour Mills Ltd chose program that suitable with their business field, that is skills training to make cakes from flour in Sidorejo Village.

In the third scheme, the companies are allowed to continue the CSR programs they did in the other Regions. This scheme is used by SGM Sari Husada

Ltd. Before joining the OVOSC program, SGM Sari Husada Ltd did their CSR program in the form family nutrition program in Klaten Regency, Central Java Province. Currently, SGM Sari Husada Ltd is continuing that program in Kulon Progo Regency. In the fourth scheme, the companies choose the program based on the Activities in the OVOSC program guideline (see Table 3). This scheme is mainly used by the company that does not have an image about CSR activity. For the example, this scheme is used by Natasha Skin Care. Natasha Skin Care did not have an image about the CSR program that will be launched in Kulon Progo Regency. After conducting a consultation with the Kulon Progo Regency Government, Natasha Skin Care decided to choose House Surgery program.

The third discretion is profit discretion. This discretion is categorized as preference discretion. Essentially, the OVOSC program is nonprofit, but the companies are allowed to gain profit. According to Taylor (2013: 43), there are two values about CSR. The first, companies do CSR as a moral awareness to provide community needs. The second, companies do CSR to enhance their profits in the future. The statement indicates that occasionally companies are doing CSR to enhance profit, not to fulfill community needs. According to Triyanto Raharjo as the Head of People’s Welfare Division, Kulon Progo Regency Government allows the companies to promote their products in order to get profit. Private companies still need product marketing in order to keep their businesses running. In promoting their products, the private companies have to obey two rules, those are: (1) do not force people to buy the products and (2) the products offered are not the products that are prohibited by the law.

The fourth discretion is the discretion to conduct cooperation’s with third parties. This discretion is mainly used by the companies that do not have CSR division or the companies that need third party to support CSR programs. The third parties are NGOs, communities, universities, or other groups. It means that Kulon Progo Regency endorses the companies to involve other actors in CSR implementation. There are two companies that use this discretion, those are Sriboga Flour Mills Ltd and SGM Sari Husada Ltd. Sriboga Flour Mills Ltd cooperates with a university—that is Gadjah Mada University—to help deliver

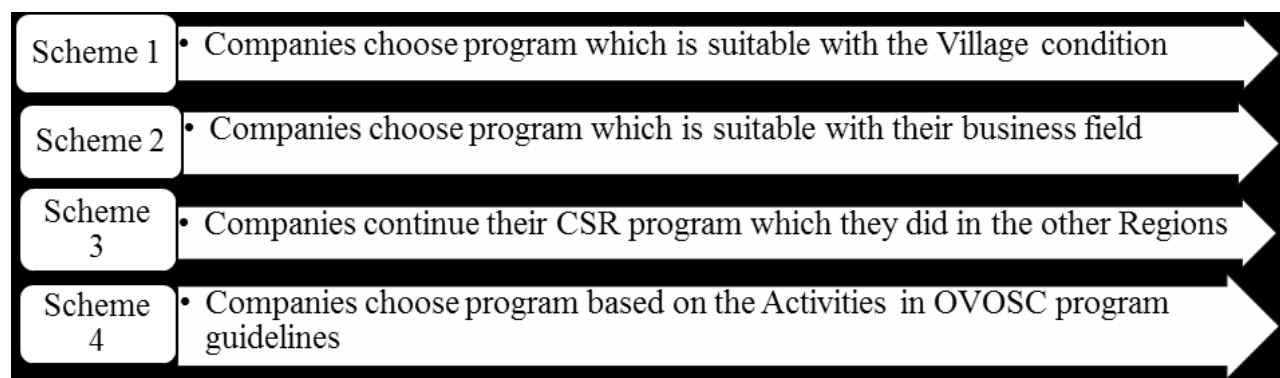


Figure 2. The Schemes of Program Election to the Foster Village

skills training program in Sidorejo Village. Whereas SGM Sari Husada Ltd cooperates with NGO—that is Yayasan Ikrar or Ikrar Foundation—to help provide entrepreneurship and leadership trainings in Kembang Village. This discretion is important to support production discretion. In producing goods/services, the private sector can be supported by third parties to enhance efficiency and effectiveness.

This discretion is a good thing in CSR activity. Companies need to expand their CSR activities by cooperating with the third parties. The third parties have better understanding when it comes to the condition of the community, hence the CSR program can be suitable with the community condition. This model of CSR is also useful to revive NGO roles. Many NGOs in Indonesia cannot perform their activities due to limited funds. Cash flows from companies can help NGOs to contribute again in the society. The negative aspect of this model is that companies might depend on third parties and not trying to develop their CSR Divisions. In addition, the companies might invite the third party that has negative track record in the public. It could be a risk that harms the image of the Government.

The fifth discretion is the discretion to obtain information from Kulon Progo Regency Government. The information that can be given to the companies is all information about poverty condition, Village profile, or the other information related to the OVOSC program. This discretion can be useful to support production discretion. Without sufficient information, the private sector cannot choose goods/services that relevant with the public needs. On the contrary, the discretion has negative points. Private sector also has the opportunity to obtain secret information from Kulon Progo Regency Government. Those information are the personal data of poor families and diagnosis on the causes of poverty. It could be a risk for the Government if private sector abuses the secret information. To prevent that, Kulon Progo Regency Government obliges the companies to make waivers in order to avoid the misuse of the information.

Here is the matrix on the discretion owned by the private sector in the OVOSC program (see table 5). Based on collaborative governance theory, the private sector must have discretion and decide what they want to do, not act as a mere contractor. In the OVOSC program, Kulon Progo Regency sees the companies as legitimate partners and gives them discretion. There are five discretions owned by the private sector in the OVOSC program. The first two discretion are categorized as production discretion. These discretion give the freedom to the companies to formulate and implement their CSR programs efficiently and effectively. The third discretion is the discretion to gain profit. This discretion is categorized as preference discretion. Kulon Progo Regency Government realizes that companies are profit-oriented organizations. This discretion is granted for the companies in order to preserve their businesses in the future. The fourth discretion is the discretion to cooperate with third parties, which is useful for the companies to enhance the efficiency and effectiveness of CSR programs. The fifth discretion is information discretion that is

useful for the companies as considerations to make decisions. There is no payoff discretion, because the companies and Kulon Progo Regency Government did not negotiate benefit in the OVOSC program.

The author sees that the private companies in the OVOSC program relatively have large discretion. There is a tendency that Kulon Progo Regency Government hands over the poverty alleviation task to the private sector. In the discretion number 1 and 2, the companies have the final authority to determine Foster Village and programs, although Kulon Progo Regency Government had given recommendation and consideration. In the third discretion, the companies are allowed to cooperate with any parties they want. In the fourth discretion, the companies are free to promote their products to the community. The fourth discretion could make an ambiguity between CSR program and product marketing. The companies tend to implement CSR program as a camouflage to market their products. In the fifth discretion, the companies can obtain any information related with the OVOSC program, including information that is classified as secret.

In one side, the large discretion is useful for the companies to alleviate poverty effectively and efficiently. In the other side, the large discretion is reducing the Government's control. The companies are prone to abuse the discretion, for instance exploiting the OVOSC program as a medium of product marketing and business continuity. Based on the field findings, some companies have no voluntary sense to alleviate poverty. Some of the companies professed that they involuntarily join the OVOSC program due to the mandate from Local Regulation on CSR. The companies also acknowledge that they join the OVOSC program in order to ease their business continuations in Kulon Progo Regency. The author saw that some companies distributed their products to the people when they were implementing CSR programs. Based on the observation, the monitoring effort conducted by Kulon Progo Regency Government was weak. Kulon Progo Regency Government does not always accompany the companies when implementing CSR programs. The author suggests that Kulon Progo Regency Government should strengthen monitoring in order to avoid the companies abusing the discretion.

Kulon Progo Regency Government actually intended to share some development tasks to external actors. Hasto Wardoyo as Kulon Progo Regent said that poverty alleviation efforts that have been carried out in Indonesia are not effective, because the Government has become the single actor. Therefore, the private sector and the society must have a big role in poverty alleviation. Poverty cannot be alleviated by the Government alone. Here is the statement of Hasto Wardoyo:

"In alleviating poverty, if it is only conducted by Government...like all this time...it cannot be effective. So I want to make an acceleration that the private sector must have a big role. We have the gotong royong movement and it can be translated in many ways." (An in-depth interview with Hasto Wardoyo, March 25, 2015)."

Hasto Wardoyo added that the OVOSC program was designed based on the local wisdom of Kulon Progo Regency people, which is gotong royong (mutual cooperation). In the philosophy of gotong royong, all components of the State—those are Government, private company, and society—cooperate together in development affairs. It is reasonable if Kulon Progo Regency Government gives large discretion to the companies in OVOSC program. Gotong royong is Indonesian local wisdom that must be preserved by the Government. The incorporation of local wisdom in public policy is really required. Saharuddin (2009: 18) stated that local wisdom is less regarded, because the Government mostly adopted foreign values in designing poverty alleviation programs. Rather, foreign values arguably do not suitable with the condition of Indonesian people. The actualization of local wisdom by Kulon Progo Regency Government is an appropriate measure to alleviate poverty.

Based on the result of this research, CSR partnership cannot be categorized as collaborative governance. By using CSR scheme, the companies have relatively large discretion compared with that of the Government. The government cannot interfere with CSR program further, because CSR is the authority of private companies. In the OVOSC program, Kulon Progo Regency Government could not enforce the companies to choose empowerment programs. The companies have strong authority to choose what they want to do in CSR scheme. The Government does not have control to the private companies. In collaborative governance, Donahue and Zeckhauser (2006) stated that a large share of discretion must rest with a party who is accountable to the public at large, which is government. Collaboration begins when government has the monopoly of control. Based on this fact, the author argues that CSR partnership in Kulon Progo Regency is not collaborative governance. The author does agree with Donahue and Zeckhauser (2011) statement that CSR is different from collaborative governance. This research confirms that CSR partnership is categorized as an alternative way to engage private players in public missions and different from collaborative governance.

Seeing that the companies have large discretion, the author thinks that Kulon Progo Regency Government relies heavily to the private sector. It is true that Kulon Progo Regency is a poor Region with limited funds to alleviate poverty, but it is critical for the Government to find alternative source of funding to deal with the problem. CSR funds from private sector can be the solution. Nevertheless, if relying too much on CSR funds, it would make the Government cannot find new ways in increasing Local Own-source Revenue. It would hinder Kulon Progo Regency Government to be an autonomous Local Government. The Government discretion should not be less than the company's discretion. Kulon Progo Regency Government must remain as the leader and the pioneer of development affairs. As the country that adopt welfare state concept, Indonesian Government—both at the Central and Local levels—have to keep its traditional role as the main actors of development affairs.

CONCLUSION

Kulon Progo Regency is a Region that has high poverty rate and limited budget. To overcome those problems, the Government conducts CSR partnership with the private companies through the OVOSC program, in which poverty alleviation effort is focused in Village scope. There are seventeen CSR programs conducted by seven companies in the OVOSC program. The OVOSC is still dominated by charity programs. There are only seven programs that can be categorized as empowerment programs. It confirms the statement from Rahmatullah (2011b) that most corporations in Indonesia simply launch charity programs to the society. This research suggests that CSR formulation must involve public participation, so that CSR program could be suitable with public needs.

There are five discretion owned by the private sector in the OVOSC program, those are: 1) the discretion to choose Foster Village, 2) the discretion to choose programs, 3) the discretion to gain profit, 4) the discretion to cooperate with third parties, and 5) information discretion. Kulon Progo Regency Government gives large discretion in order to share some development tasks to the external actors, based on the philosophy of gotong royong. Nevertheless, the companies are prone to abuse the discretion to secure their business continuities. As recommendations, Kulon Progo Regency Government should endorse the companies to launch more empowerment programs, just not simple charity programs. Kulon Progo Regency Government also should strengthen monitoring in order to avoid the companies abusing the discretion.

Based on the context in Kulon Progo Regency, CSR partnership cannot be categorized as collaborative governance, because the private companies have larger discretion than the Government. In CSR scheme, private company has strong authority to design CSR program mostly without any intervention from the Government. Based on the fact, this research confirms the statement from Donahue and Zeckhauser (2011) that categorizes CSR as an alternative way to engage private players in public missions and different from collaborative governance.

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