

Sustainability of CSR Activities of Indonesian State-Owned Enterprises



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Corporate Social Responsibility

I. Research Objective:

How can CSR activities create an integrated link to guarantee sustainable development of communities?

II. Background Information:

Indonesia is the 1st country in the world with a mandatory Corporate Social Responsibility (CSR) obligation for state-owned enterprises. Ministerial Decrees: BUMN No. Kep-236/MBU/2003 and Per-05/MBU/2007.

Ministerial Decrees describe the frame of CSR activities but do not provide an universal definition for the term CSR. So far CSR activities are understood as:

A. Community Development Programmes: Grant Programmes

B. Partnership Development Programmes: Loan Programmes

A. Community Development Programmes: Grant Programmes for the following sectors:

- ⇒ Education
- ⇒ Health
- ⇒ Environment
- ⇒ Infrastructure
- ⇒ Public services (schools, water supply, wastewater, market places etc.)
- ⇒ Disaster (preparedness)

B. Partnership Development Programmes: Loan Programmes mainly for the agro-sector with the following objectives:

- ⇒ Companies want to give something back to communities where the companies are working in. CSR contributions are direct contributions to the communities and are not considered as part of the national regional development programmes.
- ⇒ Companies want to show their appreciation to the communities.
- ⇒ Companies want to develop their economic environment respectively to create a win-win situations with communities.
- ⇒ Companies want to set up sustainable cooperation with communities.

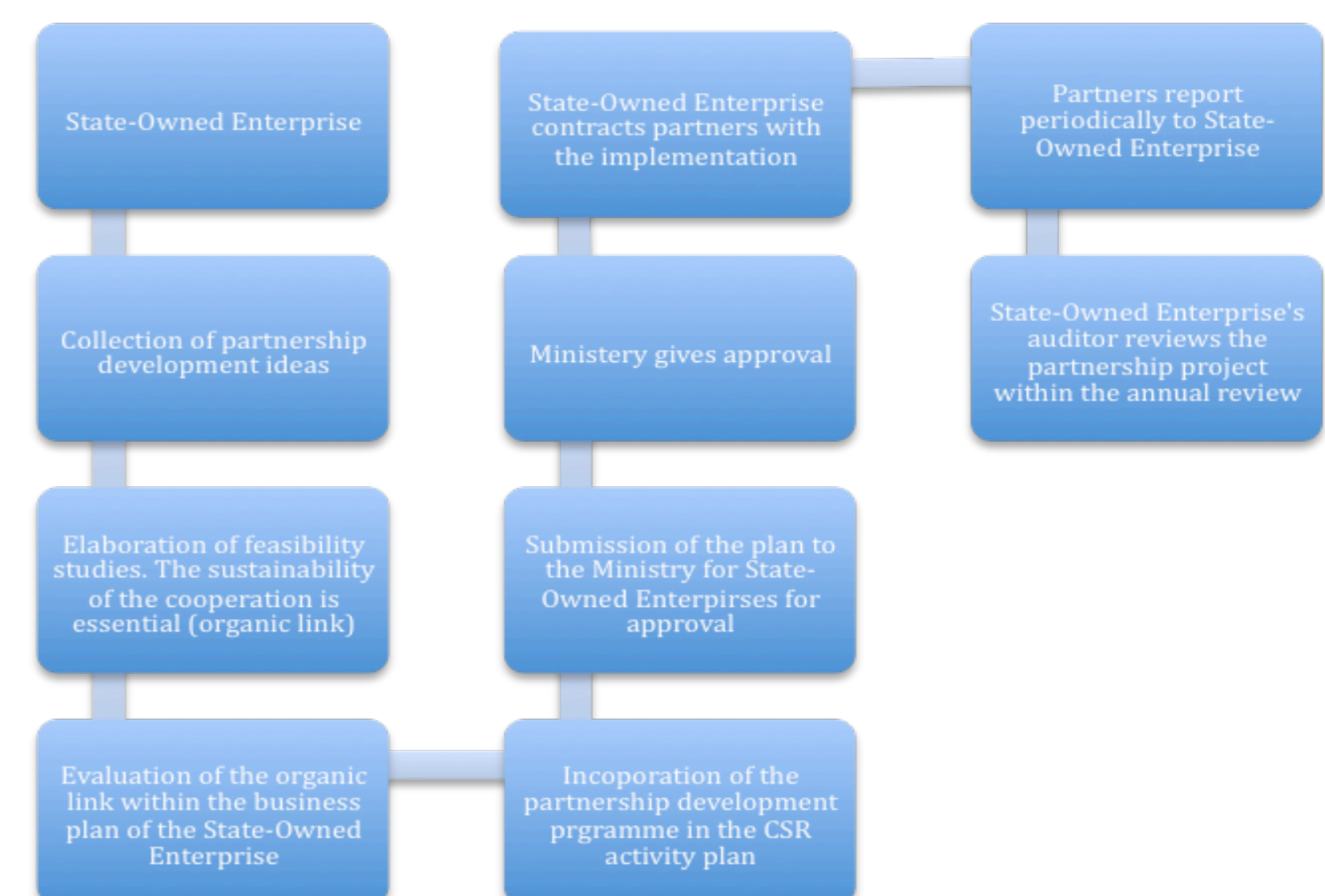
A. Community Development Programmes:

- ⇒ **Grant Programmes;**
Beneficiaries: Communities, Individuals or Institutions



B. Partnership Development Programmes:

- ⇒ **Loan Programmes with fixed 6%¹ interest rate;**
Beneficiaries: Cooperatives, Farmers, Clusters and Small-and-Medium-sized Enterprises (SME)



¹ current interest rate: April 2010

IV. The Integrated (Organic) Links:

A. Community Development Programmes:

- ⇒ State-Owned Enterprise as donor for max. 3 years in one and the same community development project.

B. Partnership Development Programmes:

- ⇒ State-Owned Enterprise as (1) supporter and advisor for partnership development project as long as it is economically justifiable; (2) sponsor vouches for the return of loans.

V. Sustainability through Integrated (Organic) Links:

- ⇒ CSR definition that State-Owned Enterprises get a common understanding about CSR activities;
- ⇒ CSR Management Information System (CSR-MIS) as and integrated Information System in the regular Management System;
- ⇒ CSR auditing even after the funding programme has stopped;
- ⇒ Continuation of co-operations of activities once started as CSR activities with communities and partners on a non-financial level.

VI. Conclusion:

The integrated (organic) link requested by the Ministerial Decrees for CSR activities needs vehicles to gain sustainability such as

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| ⇒ Common understanding about the term CSR; | ⇒ Continuous auditing and reporting; |
| ⇒ Business plans and feasibility studies for CSR activities; | ⇒ A nation-wide compendium of CSR activities of State-Owned Enterprises; |
| ⇒ CSR value per CSR unit; | ⇒ Quality standards CSR activities in terms of benchmarks |
| ⇒ A CSR-MIS beyond the funding period; | |

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