Implementation of Corporate Social Responsibility of Region-Owned Enterprises on The Conservation of Living Environmental Function of Bengawan Solo River

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Abstract

This article will explain the implementation of CSR by Region-owned enterprises and find out ideal model of CSR management for Region-owned Enterprises on the conservation of living environmental function. The research results indicate that in the implementation of CSR by Region-owned Enterprises, a special team/forum with Regent/Mayor Decision Letter was formed in each regency/city. Both regional and regent’s regulations were made for the CSR management in each regency/city. The implementation of CSR around Solo had been done by Region-owned Enterprises, but only focused on corporate social responsibility instead of environmental responsibility and that related to the conservation of Bengawan Solo river. Special teams on CSR management in regency/city designed activity programs based on inventorization of social and environmental problems. The programs initiated conformed to regents’/mayors’ vision, mission, and program in social and environmental development. During the implementation of CSR programs, cooperation between special team of CSR fund management and relevant stakeholders is required. The team needs to socialize the programs and give similar perception about the concept of implementation of social and environmental responsibility to business actors. In addition, board of CSR fund monitoring consisting of public figures, academicians, and NGOs should be established as social control.

Keywords: Corporate Social Responsibility, Region-Owned Enterprises, Bengawan Solo River.

1. Introduction

Due to the emergence of events over the last decade, Corporate Governance has become an important issue among groups of executives, NGOs, corporate consultants, academicians, and regulators (government) all over the world. Such issues related to Corporate Governance as insider trading, transparency, accountability, independency, business ethics, corporate social responsibility, and investor protection are commonly discussed by business actors. Also, Corporate Governance presents as one of important issues for business actors in Indonesia.

In the context of rise in awareness on the importance of Corporate Governance, Organization for Economic Corporation and Development (OECD) has developed a set of principles of Good Corporate Governance which require flexible application with regards to conditions, culture, and tradition of each country.
Such principles are expected to be a reference point for regulators (government) in building a framework for the implementation of Corporate Governance. For business and capital market actors, the principles serve as a guidance to elaborate best practices for valuation and sustainability of a corporate. They cover equitable treatment or fairness, transparency, accountability, and responsibility.

Forum for Corporate Governance in Indonesia (FCGI) is a professional Nongovernment Organization (NGO) aimed at socializing practices of good corporate governance and describing principle of responsibility which requires recognition of roles of stakeholders as stipulated in law and revealed in good cooperation between corporate and stakeholder in earning wealth, creating employment, and building healthy corporate in financial aspect. This has been corporate responsibility as member of society who obeys law and act with regards to needs of society. Such principle is realized with by raising awareness that responsibility is logic consequence of the emergence of authority, as well as awareness on social responsibility, avoiding abuse of power, becoming professional and upholding ethics, and maintaining healthy business environment.

Every activity performed by a corporate must lead to either positive or negative effects for surrounding environment. However, negative effects of business activities commonly dominate. They include environmental pollution due to corporate irresponsibility in managing and fulfilling the commitment of operating business in ethical manner, which certainly bring impacts to society. For that reason, a corporate can demonstrate its social responsibility to society through Corporate Social Responsibility (CSR) regulated in Law No. 40 of 2007 concerning Limited Liability Companies emphasizing corporate sustainable commitment of operating business in ethical manner, giving contribution for economic development, enhancing quality of employees and local environment, and contributing to social environment in general. In addition, CSR is stipulated in Law No. 25 of 2007 regarding Capital Investment, which requires each investor to perform Corporate Social Responsibility.

Corporate are obligated to perform CSR in conservation of living environment to maintain balance between corporate interests and environmental sustainability. Interaction between society and its environment with the view of ecology in the contexts of space and region offers an approach to perceive events. Ecological approach which considers human as river basin ecosystem related to their environment is one of geographical approaches used to help maintain conservation of Bengawan Solo river basin. Ecological approach gives a perspective that human life is closely related to environment in which human reside. Equipped with skills and technology, human can make maximal use of nature for development. CSR is intended to realize sustainable economic development to improve quality of life and environment beneficial for the corporate, local community, and society to support intertwining relationship of corporate, environment, norm values, and cultural values of local society. It is, therefore, important for regional corporate in Solo in relation with conservation of areas of Bengawan Solo river basin to understand contents of Law regarding Limited Liability Companies, Law regarding Capital Investment, Law regarding Conservation and Management of Living Environment, and Law on Regional Corporate. Furthermore, participation of society surrounding Bengawan Solo river is required.
In the context of Solo river basin management, several problems encountered cover: (1) poverty in upstream areas (socioeconomic problems); (2) decrease in width of forests surrounding areas of Bengawan Solo river by 31.57%: (39,910 ha in 2005 and 23,888 ha in 2007); (3) river bed degradation and cliff collapse leading to high sedimentation; and (4) great flood in Central Java and East Java, particularly Ponorogo, Solo, Sukoharjo, Sragen, Ngawi, Bojonegoro, Babat, and Gresik (Apriatini, 2016).

Coherent river basin management should engage many relevant parties. During this time, the management had been emphasizing on technical aspects such as biophysics, and therefore such project-scale activity did not show satisfactory results, either in the improvement of society wellbeing or environment preservation. Low performance of river basin management in Indonesia is caused by inappropriate arrangement of position and roles of government agencies to manage river basin. Moreover, the low capacity of government agencies to cope with problems of river basin and poor coordination of agencies are supposed to be barriers when managing river basin. Such three factors are of concern in the river basin management (Sunarti, 2006). In reference to the research background, the researchers are interested in conducting a research entitled “Implementation of Corporate Social Responsibility of Region-Owned Enterprises on The Conservation of Living Environmental Function of Bengawan Solo River”.

2. Discussion

2.1 The Implementation of CSR Program by Region-owned Enterprises in Surakarta

The implementation of Corporate Social Responsibility in Surakarta City is regulated in Regional Regulation of Surakarta No. 2 of 2015 on Corporate Social Responsibility. The City Government, congressional quarterly, Mayor of Surakarta has established a CSR Implementation Team in Surakarta. The team leader is the Head of Bank Indonesia in Surakarta with board members and is supported by members of the company (entrepreneurs), public figures, religious figures and academicians. Meanwhile, the Economic Section of the Regional Secretary of Surakarta is the government representative who is in charge of facilitating the implementation of CSR in Surakarta.

2.11 Implementation of CSR by Regional Water Utility Company (PDAM) of Surakarta

In conducting CSR activities, PDAM Surakarta has some implementation activities on conservation in the area of Bengawan Solo river basin. The implementation activities include:

a) Environmental Tax Payment

The concern of PDAM Surakarta for the taking and utilization of Bengawan Solo Water, is realized by among others: (a) paying tax and retribution for taking and using surface water of Bengawan Solo river and (b) paying the cost of water resources management service by Perum Jasa Tirta I.

b) Concern for Community of Surakarta

CSR program of PDAM to Surakarta’s community, especially residents around Bengawan Solo river basin as a form of utilization of the river basin is implemented by: (a) establishing public reservoirs such as those in Pajang, Pasar Kliwon, Semanggi, (b) conducting blood donation activities, (c) conducting liquid waste management in the Mojosongo and Semanggi areas, (d) establishing and holding meetings of customer forums, (e) establishing communication forums at PDAM Kota Surakarta: "Forkompamta" in the Northern Territory which is a forum that discusses
the distribution, quality, quantity, and continuity of water, (f) forming Water Care Society, and (g) establishing PDAM User Group "Tirta Dharma".

c) Concern for Environmental Conservation

It includes activities aimed at preserving and conserving the environment and conserving the environment in the Bengawan Solo river basin that is changing the motto "Serve Cleaner" to "Together with our Restoring Nature". Social Responsibility is done by: (1) making a Master Plan - PDAM Kota Surakarta with District Boyolali which has springs; (2) improving Communication Forum of PDAM Kota Surakarta with other water usage; (3) pioneering and financing the manufacture of infiltration wells (recharge) in various areas of the city of Surakarta; and (4) conducting tree planting events with Universitas Sebelas Maret.

Problems on the Implementation of CSR Program by PDAM Surakarta include:

a) Water is sold by PDAM Surakarta to the society of Surakarta with a high cost of Rp. 2,250 per cubic meter, making it unprofitable for the poor.

b) In the fulfillment of clean water, PDAM Surakarta cannot make water source by making deep wells.

Solution to overcome the obstacle of CSR Program Implementation by PDAM Surakarta is by increasing the capacity of Water Treatment Plant (IPA) in Bengawan Solo river in northern area up to 100 l / s and making of IPA in southern Bengawan Solo river predicted to reach 300 l / ss. The two IPAs are used to serve 60 thousand of PDAM customers in Solo.

2.12 Implementation of CSR by Regional Company of Jurug Zoo (TSTJ)

Based on the results of the research, it has been obtained some information about environmental conservation in the area of Bengawan Solo river basin conducted by TSTJ as follows:

a) planting trees such as Trembesi trees, banyan and others with a distance of 30 meters from the river basin.

b) working with investors to do renovations in the form of environmentally friendly buildings such as trough buildings, rides, and animal cages.

c) conserving fauna and flora.

d) banning tree felling around the Bengawan Solo river, unless the tree falls due to natural factors and immediately re-planting / reforesting.

e) doing waste management in accordance with the type of waste.

f) in collaboration with the Universitas Sebelas Maret and the Ministry of Public Works, to create a water channel that leads to a place in the form of a small lake with the purpose of conservation.

Constraints in the implementation of CSR Program by TSTJ Regional Company is the allocation of TSTJ management funds taken from the Regional Budget (APBD) which is still limited and the purchase of tickets by visitors of TSTJ is still relatively small. Meanwhile, the need for maintenance of flora and fauna should be routinely performed. The solutions to overcome constraints in the implementation of CSR Program by TSTJ Regional Company are as follows:
a) recruiting managers who are not only competent in the field of conservation but also in the field of entrepreneurship in order to manage TSTJ professionally and apply the principles of Good Corporate Governance.

b) creating an environmentally grand design to develop TSTJ conservation agency.

c) increasing promotion through internet and international event to attract investors from both domestic and abroad who have concern in the field of nature conservation.

d) exploring the potential of local wisdom (legendary story) which is conducted in the form of Cultural Festival with the aim to increase the number of tourists who come to TSTJ as well as invite new investors. One of the examples of Cultural Festival activities that can be displayed is the Larung Agung Joko Tingkir and Syawalan TSTJ.

e) cooperating with Gembira Loka Foundation of Yogyakarta in developing the management of TSTJ Surakarta.

2.13 Implementation of CSR by Regional Company of City Warehousing Center (PPK) in Pedaringan, Surakarta. The social and environmental responsibility programs carried out by PPK Pedaringan are:

a) Planting of teak tree species around the banks of the Bengawan Solo River, Kali Anyar river and the area around PPK Pedaringan, Surakarta

b) Planting of teak trees on the road in Jebres urban village, Jebres sub-district of Surakarta

2.14 Implementation of CSR Program by Bank Solo and Credit Agency of Pasar Kliwon sub-district of Surakarta.

Bank of Solo and Credit Agency of Pasar Kliwon sub-district of Surakarta have no CSR program related to preservation of Bengawan Solo river basin area. The orientation of CSR implementation by both banks is partnership assistance to Micro Small Medium Enterprises (UMKM) in increasing their business through capital assistance.

2.2 Implementation of CSR by Region-owned Enterprises (BUMD) in Wonogiri Regency

Implementation of CSR program in Wonogiri regency has formed a special team that has the main duty of coordinating and conducting CSR activities that are adjusted or combined with the development program of Wonogiri regency which has been established by the Regional Agency for Planning and Development of Wonogiri Regency.

The government representatives at the district level are the Wonogiri Regency Social Offices, having responsible for facilitating the district government with the private sector. The Special Team of District CSR named CSR Forum of Wonogiri District has members including some elements of entrepreneurs, community leaders, non-governmental organizations, and academicians.

The forum chaired by Head of Central Java Bank (Wonogiri branch) is assisted by the chairman of officer in charge, Lukito Edhi Sartono, SH based on the Decree of the Regent of Wonogiri No. 42 of 2014 on the Formation of Forum of Social Responsibility of Business in Wonogiri Regency in the period of 2014-2017. The leaders are Director of PDAM Giri Tirta Sari, Director of PT Deltomet, Director of PT Air Mancur, Director of RS Amal Sehat, Head of BPR BKK Wonogiri, Head of BRI Wonogiri Branch, Director of PKU Muhamadiyah Hospital, Head of BPR BKK Eromo, Director of PT Niagatama Raharja, Director of PT Telkom Wonogiri, Director of Bengkel Surya, Chairman of Yasuka Motor, Chairman of CV
Karya Tunggal, Director of Regional Company Giri Tunggal Publisher, Head of Baru Department Store, Head of Kurnia Kasih Motor, Head of Bank Mandiri, Head of Luwes Department Store, Director of PT Libra Permana, Head of BPR Sukadana, Chairman of NGO Persepsi, Head of NGO Wong Cilik Center, Director of PT Parna Raya and Director of PT Tanisia Jaya. They will be in charge of building partnerships with businesses and communities in supporting the successful implementation of social welfare in Wonogiri regency.

BUMDs in Wonogiri Regency have seven Regional Companies: BPR BKK Wonogiri, BKK Eromoko, BPR Giri Sukadana, Medika Giri Husada Services, Giri Tirta Sari Water Company, Giri Tunggal Printing, and Surya machine shop. Each regional company does not have a CSR program integrated with other regional companies in an integrated and implemented by each regional company. Particularly, local companies associated with the financial services business or banking that have implemented a regular CSR program every year with a magnitude of about 2.5% of net income. However, this CSR activity is oriented towards the joined customers. There are no CSR programs related to the preservation of environmental functions or more specifically the conservation of the Bengawan Solo River Basin.

The Giri Tirta Water Company has carried out environmental and social responsibility activities related to the environment i.e. tree planting activities, where PDAMs provide seeds, but the implementation is done incidentally if there is a request from a particular community group to celebrate a particular event. Therefore, the activity is not routine. PDAM also provides clean water to citizen experiencing drought in Wonogiri. CSR activities are coordinated by the district team, namely CSR program activities of a central state-owned company to assist community in Wonogiri District. For example, CSR program from Pertamina and from Central Bank Indonesia.

2.3 The Implementation of CSR Program by Region-owned Enterprises in Klaten Regency

Social and environmental responsibility in Klaten Regency is regulated in Regional Regulation of Klaten Regency Number 9 Year 2014 on Corporate Social Responsibility and Environment. In Klaten district, a CSR Forum was established, chaired by Wahyu Hariyadi, Head of Economic Planning, the Regional Body for Planning and Development of Klaten Regency. Members of CSR Klaten Forum include banking services, BUMD, printing, hospitals and convection. In Klaten, there are at least 131 medium and upper scale companies. In accordance with the rules, they must set aside two to four en presses of their profits for CSR. Klaten Regency has six Regional Offices namely BPR Klaten, Regional Water Utility Company, Aneka Usaha company, BPR BKK Tulung, BKK Klaten, and Syariah Bank of Klaten.

Klaten CSR Forum cooperates with the Investment Agency and Service Integrated One Door (DPMPTSP) in monitoring the company in the implementation of CSR. In Regional Regulation of Klaten Number 9 Year 2014, it has been explained that CSR is both legal and corporate ethical commitment and effort to minimize negative impact and maximize positive impact of company existence for stakeholders both economically, environmentally and socially in order to sustainable development. Klaten CSR Forum will promote socialization activities to companies that aim to establish coordination in the implementation of CSR programs to enhance synergy in planning and implementation.

2.4 The Implementation of CSR Program by Region-owned Enterprises in Sragen Regency
Sragen Government has established a forum to attract corporate social responsibility (CSR) funds of all companies in Bumi Sukowati. Withdrawal and management of CSR funds are set by regent regulation. The management of CSR and BUMD in Sragen regency in an integrated manner is managed by Corporate Forum for Community Development (CFCD). The CFCD secretariat office is located in the Poverty Reduction Service Integrated Unit (UPTPK) of Sragen Regency. Sragen Regency has eight Regional Companies, namely BPR Syariah Sukowati, Sragen Trading (Gentrade), Tirta Negoro Regional Water Company (PDAM), BPR. Djoko Tingkir, BPR BKK Karangmalang, BKK Tanon, Terpadu machine shop, Printing and Publishing. CSR assistance is given directly to groups of underprivileged citizens through UPTPK supervision.

2.5 The Implementation of CSR Program by Region-owned Enterprises in Karanganyar District.

Karanganyar District has five Regional Companies namely Regional Water Utility Company (PDAM), BPR Bank Karanganyar, BPR Bank Daerah Karanganyar, BPR BKK Tasikmadu, and BKK Karanganyar. Implementation of CSR in Karanganyar District is by direct deliveries from companies to recipients located around the company. Assistance was handed over to the orphanage, environmental development, employee child scholarships, and mass circumcision.

2.6 The Implementation of CSR Program by Region-owned Enterprises in Sukoharjo Regency.

Corporate social and environmental responsibility in Sukoharjo regency is regulated in Regional Regulation of Sukoharjo regency No. 15 Year 2016 on Corporate Social Responsibility and Company Environment (TJSLP). In order to integrate, synchronize and harmonize TJSLP program with regional government program, Sukoharjo regency government formed a forum consisting of society, company, college and regional government. Sukoharjo regency has several Regional Companies, namely Regional Company of Printing and Publishing, Perumda Aneka Usaha dan Jasa, and Regional Water Utility Company (PDAM) Tirta Makmur.

3. Conclusion

Each Government of District / Regency in Solo Raya region has arranged CSR in the form of Regional Regulation and Regulation of Regent. The existing Regional Regulations govern more of the corporate social responsibility system to society and less about corporate responsibility to the environment. Region-owned Enterprises (BUMD) of Solo in the form of Regional Enterprises (Perusda) and there are districts that have the form of Limited Liability Company (PT) and Perumda (Public Company) have implemented the social and environmental responsibility to the community. Implementation of CSR program in regency / city region of Solo, has formed a special team of CSR fund managers of regencies reinforced by Regent regulation (Decree). Nevertheless, the implementation is still not well integrated, so some BUMD implement its CSR programs individually and incidental as well as the implementation of CSR focus on community social responsibility programs. District / City Government facilitates the establishment of a Special Team for CSR management by being reinforced in the Decree of the Regent / Mayor. As a representative of the district / city government, it is more appropriate that the regional apparatus organization (OPD) who will be in charge of the economy and in the position as the facilitator. The special team of CSR management consists of elements of private companies, Regional Companies, NGOs, academicians and community leaders. It is independent and independent and is in charge of designing the implementation of CSR in the districts / cities based on: (1) Inventory of social problems of
society and environment in Regency / City. (2) Programs and activities in the Regency / City that adjusted to the vision and mission of the Regent / Mayor Program. (3) Implementation of the adjusted CSR between business lines with programs / activities that require CSR funding assistance.

Based on the research the need for cooperation between the Special Team of CSR fund managers and relevant stakeholders to establish CSR programs that adjusted to the vision and mission as well as the program plan of development activities in the district / city government. The CSR Fund Manager Special Team (Forum) needs to socialize the program and share the perception about the concept of the implementation of social and environmental responsibility to business actors in each district / city. A supervisory board for the implementation of CSR funds should be established, consisting of community leaders, academics, and non-governmental organizations (NGOs) as social controls.

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