

## Can CSR be Politically Transformative? Discussing Its Prospects and Challenges

**Ashari Cahyo Edi**

Departemen Politik dan Pemerintahan, Universitas Gadjah Mada

*Received: 31 Oktober 2018*

*Revised: 19 Oktober 2019*

*Published: 29 April 2020*

### **Abstrak:**

The article discusses the ideas of transformative politics in corporate social responsibility (CSR) in extractive industry in rural Indoensian contexts. The discussion is important because participatory approaches applied in CSR policy and programs have not brought significant impacts on the improvement of citizens' political capacity to be more politically empowered. CSR's procedures, mechanisms, program designs, and institutional elements have not put community as equal partners with the corporations and local elites. As a result, CSR is far from community's control. The ideas of transformative politics put agenda, strategies and alliance to utilize available resources and channels to open up opportunities in political stages and decision making for citizen to push a mode democratic CSR practices. As an initial step, this article identifies limitations and challenges of the strengthening of transformative politics in CSR programs.

### **Keywords:**

rate social responsibility; political CSR; transformative politics

## **Introduction**

Corporate social responsibility (CSR) is defined differently by different people, in a different context, with different perspective and interests. Despite its variations, definition by Blowfield & Frynas (2005) has been well-acknowledged by many other scholars in critical development (Banks, Scheyvens, McLennan, & Bebbington, 2016; Jędrzej G Frynas, 2008; Jędrzej George Frynas & Stephens, 2015; Schneider & Scherer, 2019) for their comprehensive definition about CSR.

*"(a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behavior of others with whom they do business (e.g., within supply chains); and (c) that business needs to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society."*

---

### **Correspondence:**

Departemen Politik dan Pemerintahan, Fakultas Ilmu Sosial dan Ilmu Politik, Universitas Gadjah Mada, Jl. Sosio Yustisia No.1, Karang Malang, Caturtunggal, Kec. Depok, Kabupaten Sleman, Daerah Istimewa Yogyakarta 55281

Email: ashariedi@rocketmail.com.

From this point of departure, CSR is not merely business practices such as public relation strategies to improve a corporation's branding or fulfilling CEOs' narcissism (Petrenko *et al.*, 2016). A corporation may regard CSR as strategies to increase their image towards the public, shareholders, government, or local communities that industry is contributing to the welfare of society (Heath & Waymer, 2019). However, beyond that level, for extractive industries like oil and gas or mining, CSR is an avenue to directly address social and environmental injuries caused by their operation (Idemudia, 2009). These social and environmental injuries imply that contributing through 'immanent impacts' (Banks *et al.*, 2016)<sup>1</sup>—while pursuing its profit-making goals, the business also creates jobs, and indirectly contributing to the welfare and economic prosperity—is far from sufficient. Hence for McLennan & Banks (2019), for business entities to be meaningfully impactful in development, it should recognize the need to shift from "actors in development" to "development actors," and from "contributing to developmental agenda" to "pursuing development outcomes."<sup>2</sup>

*However, why corporations should pursue these shifts? How does it relate to politics?* CSR involves not only 'hard' and tangible power imbalances in the form of financial, expertise, goods, and services that corporations have. Discourse, knowledge, and other 'soft' power exist in the realm of CSR (Siltaoja, Malin, & Pyykkönen, 2015; Vallentin & Murillo, 2012). This positions community in a disadvantaged position. Development discourse in CSR, for instance, dictate "the conduct of conduct" about what should be done, to whom it serves, who is entitled and who is excluded, why and how (Bowles, MacPhail, & Tetreault, 2019). All of these are political. Moreover, this is precisely why the idea of transformative politics is relevant for CSR, as strategies to address asymmetrical power relations.

Another reason for exploring transformative politics in CSR is that because the current context is more pressing than before. Many international development aid organizations and even government have been promoting the roles of the private sector in governance. Fatigues in bureaucratization that is inherent in most efforts of state-based governing styles, we have been witnessing the proliferation of voluntary and multistakeholder-based regulation (Tanimoto, 2019). Furthermore, when corporations found that the host governments do not always perform good governance, corporations have been directly involving to filling the governance gaps; including providing development projects and welfare provisions to the local communities living in their surrounding industry operation (Davy, 2017). While this is helpful in a pragmatic lens, the systemic impacts of this involvement are worrying. Argues that the vested interest of business is to make profits—it is different philosophical basis compared to the state in the way that the latter is ran by elected officials, equipped by political mandates, and can be demanded to perform accountability.

The idea of transformative politics, when situated in the CSR context, is understood to make procedures, mechanisms, and institutions in CSR politically transformative. That is, corporate community development policies (including government regulations and corporate policies), programs, and projects can facilitate communities to be able to influence the projects decision making. Being transformative is more beyond just "involving" participation. It also means that participation in CSR is not just technocratic processes in which corporations follow their development experts or third-party contractors to do professional development projects such as NGOs. Transformative politics involve the capacity to engaged in interest's contestation between communities versus a corporation's CSR agenda, local elites, and even local governments' and politicians' interests. This contestation, following Edward & Tallontire (2009), inevitably occurs in politicisation. "Politicisation is about opening space for the excluded to disagree with, contest and recast development pathways that purport to be in their interests" (p. 830).

For instance, for the sake of coordinated resource allocation in local development, the government intend to function CSR as complementary and supplementary to the regular development plan and budgets. CSR fills the gaps in the government's development capacity (Edi, 2014). Nevertheless, fulfilling the developmental gaps which are organized and decided in partnerships and cross-sector collaboration is not merely managerial questions. In many instances, the trend of CSR practices suggests that government, civil society, ordinary citizens and the companies themselves have been competing to dominate the development discourse and decision-making processes in the CSR cycles (Edi, 2014). The underlined commonality in CSR cases in developing countries contexts (see for Benites-Lazaro & Mello-Théry, 2019; Graafland & Smid, 2019; Schneider & Scherer, 2019) is that the local communities—the ordinary citizens who are directly affected by the company's establishment and operation—often put the last (in the decision making) and the least (regarding access and resources gained through CSR policy).

This paper argues that CSR can be politically transformative—CSR can contribute to balance the power relations between ordinary citizens with the powerholders—when its designs are subject of power contestation, in a way that it can politically enable ordinary citizens to have control over decision-making. Whether CSR can or cannot contribute to democratizing local politics—in its surrounding operation—depends on not solely business' unilateral-unchecked intention and its ability to balance their business interest and their agenda related to the betterment of society in general. I argue that it is determined by how enabling the CSR institutions so that communities can exert politics. To explore the challenges and prospect of CSR further to be politically transformative, I organize the paper as follows. After clarifying the concept of transformative politics, I provide discussion about transformative politics within the CSR

context. The next sections further explore potentials and challenges. As a preliminary effort, the conclusion reflects on the limitation of bringing the transformative politics in the discussions of CSR.

## Understanding Transformative Politics

Transformative politics means “political agendas, strategies, and alliances for using fledgling democracy in order to introduce politics and policies that may enhance people’s chances of improving democracy as well as their capacity to make better use of it to foster their aims” (Stokke & Törnquist, 2013: 6). Stokke & Törnquist (2013) further outline the key features of transformative politics including “*the primacy of politics via popular organizations and public institutions*”, “*the centrality of citizenship-based democracy*”, “*the inclusive and equal welfare and economic policies from above*” as the result of popular demand from the bottom, and “*the centrality of demands from below for the institutionalization from above of issue-and interest-based representation and citizen participation*” (p. 7-8).

The need to contextualize several arguments drive the idea of transformative politics in CSR. First, political impacts caused by corporations are hardly measured and evaluated. On the one hand, Freedom House and IDEA International, the two most prominent organization performing annual assessments on global democracy, focus more on the status of democracy at the country level and state level. The International IDEA *The Global State of Democracy* (2017), for example, evaluate the substantive essence of democracy covering representative government, fundamental rights, checks on government, impartial administration, and participatory engagement.<sup>3</sup> On the other hand, while *de facto* contributing to government’s public governance through self-regulation and often public-goods provision, the processes and outcomes of these contributions are rarely assessed and evaluated. Hence the absence of such measurement requires the active roles ordinary citizens through their civil society organizations or their political party affiliation and representation in order to hold accountable the private sectors. In sum, the governance roles performed by corporations, in this context through CSR, demand political accountability since these roles affect broader lives of the citizens.

The second argument is related to the protracted dispute, as Polanyi argued if the market should be embedded or dis-embedded to society (Blyth & Mark, 2002). Market advocates may defend that the role of corporations in public governance and development is not the domain of corporations; therefore, it is the state that has a responsibility to perform political accountability. On the contrary, I argue that the political impacts of the CSR directly affect the communities, and the formal and indirect channels of accountability are ineffective<sup>4</sup> to hold corporations accountable. These impacts called as ‘political CSR’ by other experts, yield broad and substantive implications to the political lives of the citizens. Jędrzej George Frynas & Stephens (2015) define the scope of political CSR as follows.

*“[W]ith regard to domain A, our definition of political CSR explicitly encompasses deliberate corporate strategies in response to environmental concerns, intending to influence future government regulation... [W]ith regard to domain B, our definition of political CSR explicitly encompasses the assumption of responsibility for human rights protection by firms that may unintentionally affect the political context in which firms are operating... [W]ith regard to domain C, our definition of political CSR explicitly encompasses self-regulatory business behavior through voluntary social and environmental initiatives that may fill gaps in global governance and national public regulation (p. 286).”*

The third argument concerns the current issues of shortcomings in democracy. On the one hand, democracy has achieved its triumphs as it is now the dominant form of government (Hiariej & Stokke, 2017). Regardless its hegemonic position, Stokke (2018) argues that democracy suffers from weaknesses such as “depoliticization of public affairs, weak popular representation, and technocratic decisionmaking undermine the substance of democracy amidst a global hegemonic rise of electoral democracy” (p. 4). In Indonesia case, regardless of the vast initiatives to revoke the fundamental values and principles of democracy, the major formal-political democratic institutions in Indonesia have been dominated by the pact of powerful actors. The old elites, who were previously benefited from Suharto regime and more politically resourceful, as Djani, Törnquist, Tanjung, & Tjandra (2017) assert, they “are usually unwilling to curb corruption or to foster fair institutions of representation” (p. 3). On the contrary, the poor and marginalized have been in inferior positions; they are unable to secure their access to agencies, decisionmaking processes, and the outcomes of politics.

While democratization also opens the roles of civil society organizations to facilitate citizens to have their interests and needs fulfilled, but the way CSOs works tend to be more private, in a way in which they fail to enact a sense of citizenships among their fellow citizens and the public officials. What is emerging is more clientelistic relations (Berenschot, 2018; Berenschot & Mulder, 2019) between community groups and their patrons in legislature bodies and public service agencies. This specific social and political context of democratic deficits, as a consequence, strengthen the justification for empowering ordinary citizens and communities so that they have the more political capacity to deal with corporations.

How these arguments relevant to realities? What is being written in theory rarely matches with implementations, just as procedural democracy and its substantive substances. The presence of CSR regulations along with its participatory guidance and market-like regulation such as CSR competition and awards, for instance, indicate that the supply-sides (law and regulations) need to partner with demand-sides (pressure from the grassroots). My personal experiences as CSR partnership facilitator, as well as a consultant for extractive industries, suggest that politicization and contestation matters. As verified by Suryani (2010) case study on CSR multistakeholder forum in Kutai Timur, East Borneo, Indonesia, the absence of active community control had led the partnership to elite capture and corruption. The forum and the funds were co-opted by the vice *bupati*

through which he only distributed the projects to his expected voters to win the forthcoming local election (*pilkada*). Representatives from the sectoral groups and villages were marginalized from the decisionmaking.

In the other case, development initiatives done by Newmont's subsidiary company in Sumbawa Barat District, in the Province of Nusa Tenggara Barat had resulted in mix outcomes. On the one hand, the establishment of local NGOs by Newmont had enabled Newmont to have more control over the company-sponsored development projects. However, for residents, these NGOs operated in a for-profit-like entity because Newmont applied used service contract instead of grants. The led NGOs to be more occupied with their fate than advocating the communities' concerns. As a result, neither being intermediated by multistakeholder forum nor civil society organizations like local NGOs, less powerful communities have been unable to assert their voices, interests, and control over agencies, decisionmaking processes, and the development outcomes. The case of Kutai Timur and Sumbawa Barat also suggest that CSR has become a new contested field for the mining/oil-gas corporations, NGOs and communities. The underlined commonality in these cases is the people who are directly affected by the company's establishment, and operation often put the last (in the decision making) and the least (regarding access and resources gained through CSR policy).

### **Situating Transformative Politics in CSR**

It is true that as Newell (2005) asserts, CSR—that is voluntary—is not congruent to the idea of democracy which includes political mandates, accountability relations, and commitment to broader societal governance. Market actors lack all these citizens-state attributes, just because a corporation is not the state. The term corporate citizenships itself, for instance, is more a self-proclaimed and public's expectation for corporations to be good citizens as practiced into socially and environmentally responsible behavior (Goddard, 2005).

However, as mining business has public consequences—in which people surrounding the companies who not a direct part of the business activities may be burdened with environmental degradation due to the business operation, albeit not gaining profit from the business—putting CSR as a public domain is sensible. Therefore, CSR policy should provide an arena for political negotiation between the corporation, the state, and most importantly, community. Sub-ordination among these parties, let say as a corporation against community or corporation and the state against the community or sometimes corporation against the state as happened in some Indonesian regions, as such can hamper the sense of CSR's publicness. Asserting equality among parties in CSR governance, thus, is an unavoidable need.

In that regard, reasserting the argument, CSR can be a central place for promoting transformative politics. In line with Stokke & Törnquist (2013: 5) argument, transformative politics when used to analyse CSR, reflects, “the substantive and more

extensive democratization”, which means the processes of designing and implementing CSR policy enable, “the work towards improved popular control, or more widely defined public affairs on the basis of political equality.” Consideration of context, actors, and relations of power (2013, p. 5) becomes the key to function CSR as a tool for promoting transformative democratic politics.

In practice, CSR as a channel for promoting transformative democratic politics can be done since in the stage of CSR program formulation. It is undoubtedly not all CSR programs need to be planned by involving community participation. For instance, CSR programs for banking industries do not have a clear definition of targeted communities, risks or impacts, and the nature of impacts are indirect. However, as shown from many studies (Jayasuriya & Rodan, 2007), even participation is not enough when there is no opportunity for communities to contest the power of corporations and the elites. In that stage, the stakeholders need to consider the context, actors, and how these actors relate to one another in the local political structure. More often, corporations apply their CSR programs to fulfill the obligation required by the government. For avoiding administrative messiness, corporations then hire national or international partners, usually NGOs, then the local ones, which are more settled regarding administration management.

In CSR program implementation, they also prefer contractors that have bases in national or international level again with the reason of contractor’s professionalism”. Those in locals are left behind because they are deemed to lack of skills, resources, and administrative ability. Although administratively these strategies might help corporations to get their CSR-works more orderly, they do not yield optimal benefits for the local people. Meanwhile, it is people at the local level that directly bear the externalities the corporations bring for their industrial activities. Therefore, since formulating CSR program to implementing the program in the community involving the local people to set up priorities, design the program execution and conduct program evaluation based on the principles of participatory, transparency and partnership are the keys. Again, this is argument applies for the extractive industries.

In the context of contestation towards CSR resources, design of representation is needed. This aim is to balance the existing power imbalance and to consolidate those actors from a different spectrum. The agenda is to shift the elitist negotiation to be more inclusive and broader. Several critical aspects should consider in thinking this representation design.

*First*, as Djani et al., (2017) points out, referring to Solo case, that besides formal forum, consultations informally involving different actor can create new linkages between corporations and ordinary citizens. From this practice, we can contextualize that CSR to be politically transformative, it should be sensitive to power struggle so that any forms of form designed to be a representative body, can manage predatory interest, reduce domination and cooptation, and can cultivate political capacity among diverse sectoral and spatial groups yet been marginalized.

From the supply sides, the corporation point of view, short-sighted strategies that use old elites and too often the oligarch, must be reduced by the opening of the decision-making for the ordinary citizens. Corporations use elites because they think social and political dimensions are not part of their job; instead, it is the job of local governments and politicians to foster democracy. The expected result that corporations can avoid complexities to handle political dynamics has proven to produce more negative political outcomes rather than positive ones. For instance, when dealing only with the elites at the village level, corporations ignore the fact that the elites are the intermediary actor whose interest are rarely coherent with the group they aspire to represent. Why corporations ignore, the elites-communities gap is also related to the fact that the stakeholder approach (Jedrzej G Frynas, 2008) has made corporations only consider groups that have the political capacity to create a negative influence on their operations. Therefore, the design of representation in CSR practices must involve not only formal bodies such as BPD (village legislature bodies), formal sectoral groups like farmers association or youth associations established during the New Order, but also sectoral organizations that emerge independently like labor unions whose members living in a village surrounding the extractive industry. Simultaneously, from the perspective of the demand sides, the people, they need to shift from direct lobbying to corporations through their existing patrons. This patron can be village government officials, the village head, and even NGOs activists working at village levels.

*Second*, political parties and its affiliated grassroots organizations must also actively engage in the representation body that hosting CSR practices. The current condition shows that groups affiliated with political parties or local politicians serve more to their interest. These interests include interest to capture CSR programs only to be distributed to their narrow constituency to raise support in the forthcoming elections. Some party activists also use their political ties to supra-village level to pressure corporations so that their private nonprofit organizations, including Yayasan or NGOs, can have access to be part of CSR implementing agencies. As contractors or grantees, they can take advantages economically and politically from the funding management as well as the program implementation. In contrast to the existing practices, to support this transformative representation, these party-affiliated organization can strengthen their representation linkage with the citizens by using ideological sentiments.

*Third*, there is a need to reform the existing representation designs at the village level, covering not only to have managerial and administrative capacity to facilitate invited participation and nominal representation, but also to have more empowering vision and programs so that the marginalized and the poor can have affirmative facilitation. The failure of development projects is caused by too much paperwork that depoliticized communities with administrative and technocratic dimensions (Jayasuriya & Rodan, 2007), yet unable to facilitate the community to have power, to deal with the power dynamics in their internal institutions. Nowadays, formal representation bodies at



village level show low awareness of historical conflicts, social structures, and asymmetrical capacity among the residents (Antlöv, 2003; Kushandajani & Alfirdaus, 2019; Suwardi, Harsono, & Dkk, 2002). Hence, in the context of CSR, when corporations come to a village and bring development projects, internal orientation in the village government organizations should be shifted from merely administrative and legal adherence about national regulations, to be more politically inclusive and empowering. This shifting can be achieved by making the old elites occupying in the formal position to accept the emerging sectoral groups, to be more accessible. Simultaneously, creating front from within should be a parallel strategy to gradually inserting pro-reformasi actors to reform the institutions from within (Törnquist, Tharakan, & Quimpo, 2009). The village politics, as the other politics at different levels and fields, are always dynamics (Ito, 2017).

Nevertheless, using an institutional perspective, the comprehensive representation is expected to create paths through which community dynamics, interest contestations, and facilitation for empowerment can happen. Back to this paper's argument, CSR has been long designed to serve programmatic and participatory development projects but lacking political empowerment. Formulating design of comprehensive representation that facilitates community empowerment is beyond this paper's intention.

### **Prospects and Challenges: To Be Politically Transformative**

Given the betterment in Indonesian democratization, the promotion of transformative politics through CSR governance in the extractive industries in rural areas is not impossible to underpin. It is true that democratization in Indonesia still faces many challenges, especially for those who have been enjoying privileges through the oligarchy of business and politics. However, in many aspects, there are some crucial strengthening steps taken by the government that supports the democratization of CSR governance; to politicize CSR in order to empower the local communities, the industries' impacted groups, and hence the legitimate CSR targeted groups.

#### **Identifying the prospects**

The very first step is to enact the institution. Since the enactment of Law 40/2007 on Limited Liability Company (*Undang-Undang No. 40 Tahun 2007 Tentang Perseroan Terbatas*), and its implementing regulation namely Government Regulation Number 47/2012n Corporate Social Responsibility (I), CSR was no longer voluntary but mandatory. In particular, based on Law 40/2007 Article 74 Point 1, companies working in the areas in extractive industries are obligated to perform CSR. However, in the other law that regulates investment, CSR is mandatory for any companies regardless of its sector (Article 15 Point B Law Number 25/2007 on Investment).

It is for sure, in Indonesia context, having law and making it implemented is different stories. Therefore, this article argues that a company is held mandatory, then there must be standard because companies cause externalities from their industrial

operations. For these externalities, companies are held accountable to those who suffer from adverse impacts. A standard for handling this is needed, which may include program coverage, full of areas, and approaches applied. This is to highlight the point that CSR functions as a media for companies operating in natural resources for balancing their economic profit with a community's welfare, social security, and environmental protection. As such, development sustainability and social welfare are achieved together.

What is important to make law and regulations become enacted and institutionalized has been long debated among scholars. Dealing with this, some local governments responded with issuing local regulations, as happens in Bojonegoro district, East Java—the other examples are Special Region of Yogyakarta, Jawa Timur, Kalimantan Timur (provincial level), and Kutai Timur, Kota Bogor, Kota Medan (district/municipal level).<sup>5</sup> Through Government Decree No. 23/2011 Bojonegoro district government asserts the local content that refers to the involvement of local people and local resources as priority partners for the companies to conduct their activities, both in daily businesses and in undergoing CSR programs. As such, local workers, local companies, and local materials are put in the priority in the companies' policy of employment, of contracts, and construction, exploitation and dairy industry operations.

The decree is meant to implement the 1945 Constitution mandate, in which earth, water, and resources in Indonesia are for the welfare of Indonesian people. The government decree is meant to support the optimization of economic and social benefits of the oil and gas projects for Bojonegoro community through the empowerment programs for the people, entrepreneurs, district-owned enterprises, village-owned enterprises, and cooperatives of Bojonegoro through contract tender information transparency, management, and profit-sharing.

Having regulation and have it implemented is a different matter. These regulations are indeed proofs of tendencies that democratization is characterized more by the emerging of new institutions without sufficiently assessing the impact of building political capacity. The law is there yet it is subject of contestation to make it effectively implemented. Therefore, the sectoral regulation in CSR should be parallel with the design of democratic representation.

Besides the CSR regulations in the national and district level, there is a new regulation on the village, namely Law No. 6/2014, that potentially supports the transformation of CSR governance to be more participatory, transparent and inclusive. The law asserts that the village has its autonomy to govern the development programs in their local regions. Parties outside the village government must respect the autonomy of the village in order to undergo their programs.

One aspect that the village regulates is the need for new democratic representation that requires the active involvement of the citizens' participation. This includes CSR that

is promoted by the companies, as well as the other programs, supported by NGOs. The law gives a spacious room for the village government to empower their community, to promote more equal relations between the state (institutions in the upper organization as district, province and the national government), companies, and communities, and to optimize village programs for village community's welfare. Although some difficulties still exist, in some areas, the law has been implemented quite effectively. This is good news for the other villages in Indonesia the assert the same.

In addition to the regulation strengthening as mentioned above, the political atmosphere in village community currently that shows us the rise of political participation also becomes the supporting factor for promoting transformative CSR. Edi and Suryawardani's study (2018) found that the village community is highly aware of their local politics. Meanwhile, Kushandajani & Alfirdaus (2019) assert that there is an improvement in village people's participation in politics period to period. While in New Order people were passive and afraid of expressing their voice publicly, in the Reformasi era, people gain the freedom to speak their mind. In Lerep, Semarang, based on Kushandajani and Alfirdaus's finding, while in New Order invitation to village office (Balai Desa) means investigation from the village government apparatus, in Reformasi era this means a request for sharing village people's idea in village meetings. Sometimes, it also means a distribution of social assistance, like rice for the poor, health insurance, and school tuition assistance.

Another supporting factor for transformative CSR is the NGOs' activity coverage, which now reaches smaller areas in the village level. In many cases, a crucial case that needs for advocacy happens in the village. The case of Kendeng, in which people in Timbrangan and Tegaldowo village, Rembang district, Central Java reject cement company establishment and operation, encourage local and national NGOs to give supports given the parties against the village people are a big state-owned company and the local and national government (Alfirdaus, 2019). The same cases happen in Kebumen in the case of iron sand mining policy, Batang in the case of energy policy, and many other parts in Indonesia. The existence of local, national, and international NGOs in village areas provides stronger networks, resources, and accesses for village people to advocate for their interest in public policy and development (Alfirdaus, 2014).

The factors mentioned above--as the settled regulations, the rise of political participation in village level, and the strengthening of NGOs in village-level--figure out the prospect of transformative CSR in local Indonesia. This shows us optimism that the enormous amount of money distributed by the mining companies through their CSR programs would not be wasteful.

### **Recognizing the challenges**

Although CSR may be an alternate channel for transformative politics, there are some challenges to face in empirical worlds. Reflecting on the Indonesian context, the most prominent challenge comes from the clientelism, either in district or village level. In district level, in the absence of accountability, district parliament more often acts predatorily by dominating accesses to CSR and directing to their constituencies in clientelist manners (Berenschot, 2018; Berenschot & Mulder, 2019). Moreover, they use their political power to create political settlement involving the local elites and corporations (Frederiksen, 2018, 2019) through which clientelist-manners include and exclude individuals from the CSR developmental benefits. The similar problem is found at the village level. When village representative (BPD, Badan Permusyawaratan Desa) is not functioning, the village government act as the sole power holder and dominate the political settlement that informally directs the CSR programs planning and implementation.

When many discussions have been absorbed with the resource curse at the national level, the village is at risk of being the primary focus of the resource curse. It is the first area hit by negative externalities in environmental, socio-political, and economic aspects. The villages in the main areas of the extractive industry have suffered from the sudden changes of livelihoods. The industry has shifted the area away from its native sector, agriculture. As the land transformed into extractive fields, most of the population, the farmers, face difficulties to enter the industry because of lacking technical/expertise qualifications. Villagers also face extractive industry disasters like flaring and gas leaked that are harmful to human health and plants.

Areas, where extractive industries operate also, shows that corporate community development is political practices that cause political implication rather than merely development projects orienting economic growth. Welker's (2014) findings in Sumbawa Barat District where Newmont Nusa Tenggara, a Newmont Mining Corporation subsidiary operates, confirm that the nature of mediated citizenship, as well as elite capture, have been exaggerated. Village elites like village heads and teachers play dominant roles for Newmont to deliver their community development projects to the communities. These village elites set up local non-governmental organizations (NGOs) which act more like for-profit institutions. NGOs as a form of organizational and legal status are chosen since the cost to establish this type of organization is the least expensive compared to establishing a limited liability company. Newmont, on the other hand, has limited options to refuse to deliver their community development projects through this quasi-NGOs because of being aware the capacity of these local elites to mobilize communities if Newmont fails to adhere the demands. One day of road blockage by villagers, for instance, can make the company suffer from losing \$1 million.

On the other hand, the local elites do not necessarily represent the interest of their communities. Projects are targeted to the supporters and constituencies, leaving behind the poor and marginalized beyond the elites' clients/constituents. Even in a humanitarian case, citizens have been the object of clientelistic politics, whose framing is defined by the elites (Alfirdaus, 2017). This situation places ordinary citizens, including the poor and the marginalized to challenge the dominant power structure. Moreover, communities must face village heads as well as the implementing agencies, the NGOs, regarding how the projects are implemented. Meanwhile, communities must also struggle to access agencies and decision-making process within the corporations. There are indeed variations regarding approaches and strategies employed by communities.

Despite those calamities, and regardless of the corporations' efforts to address the problems through various community development programs, ordinary villagers have been marginalized from extractive benefits and the access to decision-making processes. Despite the proliferation of participatory and multi-stakeholders approaches sponsored by donors and utilized by corporations (Warner & Sullivan, 2017), the goal to give affirmation for ordinary villagers including the poor and the marginalized is still far from succeeding. Decentralization and democratization have indeed created popular frameworks such as participatory development planning at the village level, the establishment of a new institution like village council (Badan Permusyawaratan Desa), and the new democratic roles of villagers as outlined by the New Village Law (Law Number 6/2014). Nevertheless, these new democratic institutions do not change the configuration of elites and elites-ordinary villagers power relations. As Ito (2017) argues, the new democratic institutions and procedures on one layer become sediment with the layer of old power structures. To make it worse, corporations are reluctant to engage in activities that intervene in public governance and political relations in the village and district, regardless that intervention has the potential to make CSR more pro-poor and democratic.

In non-extractive areas, the new village grants (Dana Desa) as ruled by New Village Law is believed to be new fuel for elite contestations and foster money politics in the village head election (Aspinall & Rohman, 2017). This fact raises a question, as in many resource-rich countries where extractive or gold encourage civil war, to what extent that the existence of extractive in the district provides new resources for the old elites to maintain the old power structure or for new predatory elites to enact new domination. In this context, villages in the 'first ring' of extractive industry area have double political challenges. Ordinary villagers have to deal with the political impacts brought by the New Law and its village grants, and also the money that a corporation brings in the form of CSR programs.

When failing to recognize the community's rights, referring to Garvey & Newell (2005), the practice of developmental CSR lacks accountability and representation; a situation that leads CSR to the phenomenon of elite capture (Dasgupta & Beard, 2007), in which elites control and corrupt decision making related to developmental benefits of CSR for their own benefits. Hence the developmental impacts fail to reach most impoverished and marginalized and mostly dominated by the few governmental and societal elites whether they are formal and informal.

Following Ito (2011), in a post-colonial state like Indonesia, citizens' right assertion is politically a relational process that involves power relations between citizens and powerholders that it could not be solely understood as legal and normative entitlements. This legal term means that the fulfillment of rights—to gain developmental benefits of CSR-funded community development projects—for the ordinary villagers/communities living in the surrounding area of extractive companies is determined by the political capacity of citizens to influence the decision-making processes regarding planning, implementation, and monitoring of CSR-funded community development projects.

The ordinary villagers surrounding extractive companies must negotiate and involve in political contention and contestation against the local elites. Elites want to capture the decision-making processes as well as the outcomes of CSR-funded community development projects because they see CSR as resources. On the one hand, community development projects of CSR can be resources for local elites like village heads to deliver development projects and public services to their constituents and political supporters back in the village elections. This is a continuing role for village heads who have been acting as intermediary actors between state and citizens in villages during the New Order era (Antlöv, 2003).

As shown in many cases in Indonesia, when the local government failed to perform local development and welfare provisions, communities surrounding the mining demanded corporation 'pseudo state' which through a 'co-producing patron-clients' relations. Back to Newell's (2005) argument, while communities' expectation is high and corporations produce externalities, citizens and corporations are not tied in politically-mandatory relations. No legitimate political avenues are legally mandated, as well as both 'rights' and duties' are not defined by constitutions or regulations. Nevertheless, a corporation like Newmont has capacities to define which communities that can access their development projects and essential public services. The community in the central area so-called the first ring also construct a membership among their fellow villagers as the residents of the first ring. This status is granted to be prioritized as development projects and primary public services beneficiaries. This boundary of membership scope is often utilized by residents in the first ring to set barriers for people coming outside the first ring. In this sense, a community has built a sense of "us" and "them." "We" means that

they have rights to access for and to be distributed the CSR projects. To make it worse, even if the needs of ordinary villagers in surrounding communities of extractive industry, the absence of institutionalized political linkages between citizens-corporation will only produce 'social protection recipient citizens' (Tessitore, 2011), rather than "shaper" and "maker".

Another discussion related to CSR-funded community development and citizenship is the dominance of the stakeholder approach. Stakeholder approach has made corporations focus more on actors who cause adverse impacts on corporation operation, yet ignore the poor and powerless communities who are impacted the most (Jedrej G Frynas, 2008). The approach creates layered and mediated relations, commonly elites play the brokerage functions, for the poor and the powerless to complain or access CSR development programs (Ito, 2011, 2017). In some the case of Newmont Nusa Tenggara, as Welker (2007) found in Sumbawa Barat, elites can efficiently mobilize the community to do road blockages and strikes against a corporation to make their demands responded. This mobilization occurs when corporations allocate their development projects to community members who are not the constituents or political supporter of the elites. The elites also mobilize the poor to block the roads or even to refuse corporate community development projects when corporations deny their local content application.

## Conclusion

Considering the enormous potentials of resources provided through CSR, mainly distributed by companies operating in natural resources exploitation, it is crucial to promote transformation in CSR governance. While in the past and current periods access to CSR is dominated by elites both in local and national level, in the future CSR have to give the most benefit for the local people who bear the most impacts of the extractive industries. The transformation of CSR governance, indeed, requires a transformation in politics.

The government has provided a set of regulations that assert participation, transparency, partnership, and the inclusion of the local people, as found in Law No. 40/2007. Some local governments strengthen this with the government decrees that assert the participation, inclusion, and justice for the local people, as found Bojonegoro government decree No. 23/2011. In addition to the regulatory supports from the government, political participation of the village people rises significantly since the Reformasi era. NGOs' advocacy coverage has also reached people at the village level. These factors become a vital modality to push the transformative CSR in village areas.

Despite the supporting factors of transformative CSR, we could not ignore that there are still many challenges in realizing transformative CSR. The weaknesses in decision making, either in district or village level, are the most significant constraint.

Legislature body in the district and village level which theoretically should represent the village people's voice more often speak for their interests. Village elites also dominate access to CSR resources. Not surprisingly, in many areas people in extractive villages often become the last (in decision making related to CSR) and the least (in accessing to CSR). They remain living in poverty, although the extractive operations have yielded a massive profit for a few people that live far away from their village.

Given the challenges the people face in concretizing transformative CSR, it is crucial to strengthen the enforcement of regulations, to mainstream democratic substance within this regulation enactment, and to politicize it before the relating parties that CSR is also the arena for community to claim their rights. The introduction of democratic representation body that encompassing political spectrum (political parties and its affiliated organizations), civil society organizations (not only the existing state corporatist-organizations but also new/emerging independent organizations) is intended not only to mitigate the asymmetrical power but also to consolidate pro-democratic actors.

## Acknowledgment

The initial draft was written as a course paper of "Democracy and Social Democratic Development in the Global South," Department of Political Science, University of Oslo, April-June 2018.

## Funding

My participation was funded by Power, Welfare, and Democracy Project, a-5-year research program organized by the Department of Politics and Government, Universitas Gadjah Mada, University of Oslo, and Norwegian Embassy. The content of this paper is personal work and does not represent both the projects and the funder.

## References

- Alfirdaus, L. K. (2014). To Be Self Advocates: How Southeast Asian Countries Can learn from Three Indonesian Areas' Experiences in Dealing with Extractive Industries. In E. Fitrian, F. Seda, & M. Yesi (Eds.), *Governance of Extractive Industries:Assesing National Experiences to Informs Regional Cooperation in South East Asia*. UI Press:Institute for Social Service Reforms.
- Alfirdaus, L. K. (2017). Disengaged Citizens: Involuntarily Returned and Relocated Transmigrants in Southern Kebumen. *PCD Journal*, 5(1), 89–112. <https://doi.org/10.22146/pcd.26314>.
- Alfirdaus, L. K. (2019). Mining Sector Under New Law of Decentralization: A Lesson from Some Districts in Central Java Province. *Politik Indonesia: Indonesian Political Science Review*, 4(1), 63–77. <https://doi.org/10.15294/ipsr.v4i1.15620>
- Antlöv, H. (2003). Village Government and Rural Development in Indonesia: The New Democratic Framework. *Bulletin of Indonesian Economic Studies*, 39(2), 193–214. <https://doi.org/10.1080/00074910302013>.
- Aspinall, E., & Rohman, N. (2017). Village Head Elections in Java: Money Politics and



- Brokerage in The Remaking of Indonesia's Rural Elite. *Journal of Southeast Asian Studies*, 48(1), 31–52. DOI: 10.1017/S0022463416000461.
- Banks, G., Scheyvens, R., McLennan, S., & Bebbington, A. (2016). Conceptualising corporate Community Development. *Third World Quarterly*, 37(2), 245–263.
- Benites-Lazaro, L. L., & Mello-Théry, N. A. (2019). Empowering Communities? Local Stakeholders' Participation in The Clean Development Mechanism in Latin America. *World Development*, 114, 254–266. <https://doi.org/10.1016/j.worlddev.2018.10.005>
- Berenschot, W. (2018). The political Economy of Clientelism: A Comparative Study of Indonesia's Patronage Democracy. *Comparative Political Studies*, 51(12), 1563–1593. <https://doi.org/10.1016/j.worlddev.2019.05.021>
- Berenschot, W., & Mulder, P. (2019). Explaining Regional Variation in Local Governance: Clientelism and State-Dependency in Indonesia. *World Development*, 122, 233–244. <https://doi.org/10.1177/0010414018758756>
- Blowfield, M., & Frynas, J. G. (2005). Editorial Setting New Agendas: Critical Perspectives on Corporate Social Responsibility in The Developing World. *International Affairs*, 81(3), 499–513. <https://doi.org/10.1111/j.1468-2346.2005.00465.x>.
- Blyth, M., & Mark, B. (2002). *Great Transformations: Economic Ideas and Institutional Change in The Twentieth Century*. Cambridge University Press.
- Bowles, P., MacPhail, F., & Tetreault, D. (2019). Social Licence Versus Procedural Justice: Competing Narratives of (Il) Legitimacy at the San Xavier Mine, Mexico. *Resources Policy*, 61, 157–165. <https://doi.org/10.1016/j.resourpol.2019.02.005>
- Dasgupta, A., & Beard, V. A. (2007). Community Driven Development, Collective Action and Elite capture in Indonesia. *Development and Change*, 38(2), 229–249. <https://doi.org/10.1111/j.1467-7660.2007.00410.x>.
- Davy, A. (2017). Managing Community Expectations Through Partnerships. In *Putting Partnerships to Work* (pp. 238–246). Routledge.
- Djani, L., Törnquist, O., Tanjung, O., & Tjandra, S. (2017). *Dilemmas of Populist Transactionalism*. Yogyakarta: PolGov Publishing.
- Edi, A. C. (2014). Undang-Undang Desa dan Reposisi CSR Perusahaan. *Flamma Review*, 42, 8–9. doi:10.20476/jbb.v21i2.4326.
- Edward, P., & Tallontire, A. (2009). Business and development—Towards re-politicisation. *Journal of International Development: The Journal of the Development Studies Association*, 21(6), 819–833. <https://doi.org/10.1002/jid.1614>
- Frederiksen, T. (2018). Corporate Social Responsibility, Risk and Development in the Mining Industry. *Resources Policy*, 59, 495–505. <https://doi.org/10.1016/j.exis.2018.07.007>.
- Frederiksen, T. (2019). Corporate social responsibility, risk and development in the mining industry. *Resources Policy*, 59, 495–505. <https://doi.org/10.1016/j.resourpol.2018.09.004>.
- Frynas, J. (2005). The false developmental promise of corporate social responsibility: Evidence from multinational oil companies. *International Affairs*, 81(3), 581–598. <https://doi.org/10.1111/j.1468-2346.2005.00470.x>
- Frynas, Jędrzej G. (2008). Corporate Social Responsibility and International Development: Critical Assessment. *Corporate Governance: An International Review*, 16(4), 274–281. <https://doi.org/10.1111/j.1467-8683.2008.00691.x>
- Frynas, Jędrzej George, & Stephens, S. (2015). Political Corporate Social Responsibility: Reviewing Theories and Setting New Agendas. *International Journal of Management*

- Reviews*, 17(4), 483–509. <https://doi.org/10.1111/ijmr.12049>
- Garvey, N., & Newell, P. (2005). Corporate accountability to the poor? Assessing the effectiveness of community-based strategies. *Development in Practice*, 15(3–4), 389–404. <https://doi.org/10.1080/09614520500075763>.
- Goddard, T. (2005). Corporate Citizenship and Community Relations: Contributing to the Challenges of Aid Discourse. *Business and Society Review*, 110(3), 269–296. <https://doi.org/10.1111/j.0045-3609.2005.00016.x>.
- Graafland, J., & Smid, H. (2019). Decoupling Among CSR Policies, Programs, and Impacts: An Empirical Study. *Business & Society*, 58(2), 231–267. <https://doi.org/10.1177/0007650316647951>
- Heath, R. L., & Waymer, D. (2019). Elite Status Talks, But How Loudly and Why? Exploring Elite CSR Micro-Politics. *Corporate Communications: An International Journal*. <https://doi.org/10.1108/CCIJ-11-2017-0113>.
- Hiariej, E., & Stokke, K. (2017). *Politics of citizenship in Indonesia*. Jakarta: Yayasan Pustaka Obor Indonesia.
- Idemudia, U. (2009). Oil Extraction and Poverty Reduction in the Niger Delta: A Critical Examination of Partnership Initiatives. *Journal of Business Ethics*, 90(1), 91–116. <https://doi.org/10.1007/s10551-008-9916-8>.
- Ito, T. (2011). Historicizing The Power of Civil Society: A Perspective From Decentralization in Indonesia. *The Journal of Peasant Studies*, 38(2), 413–433. <https://doi.org/10.1080/03066150.2011.559015>.
- Ito, T. (2017). Everyday Citizenship in Village Java. In *Citizenship and Democratization in Southeast Asia* (pp. 51–67). Brill.
- Jayasuriya, K., & Rodan, G. (2007). Beyond hybrid regimes: more participation, less contestation in Southeast Asia. *Democratization*, 14(5), 773–794. <https://doi.org/10.1080/13510340701635647>.
- Kushandajani, & Alfirdaus, L. K. (2019). Women's Empowerment in Village Governance Transformation in Indonesia: Between Hope and Criticism. *International Journal of Rural Management*, 15(1), 137–157. <https://doi.org/10.1177/0973005219836576>
- McLennan, S., & Banks, G. (2019). Reversing the lens: Why Corporate Social Responsibility is Not Community Development. *Corporate Social Responsibility and Environmental Management*, 26(1), 117–126.
- Newell, P. (2005). Citizenship, Accountability and Community: The Limits of the CSR Agenda. *International Affairs*, 81(3), 541–557. <https://doi.org/10.1111/j.1468-2346.2005.00468.x>
- Petrenko, O. V., Aime, F., Ridge, J., & Hill, A. (2016). Corporate social responsibility or CEO narcissism? CSR motivations and organizational performance. *Strategic Management Journal*, 37(2), 262–279. <https://doi.org/10.1177/0149206317699521>
- Schneider, A., & Scherer, A. G. (2019). State Governance Beyond the 'Shadow of Hierarchy': A social Mechanisms Perspective on Governmental CSR Policies. *Organization Studies*, 40(8), 1147–1168. <https://doi.org/10.1177/0170840619835584>
- Siltaoja, M., Malin, V., & Pyykkönen, M. (2015). 'We are All Responsible Now': Governmentality and Responsibilized Subjects in Corporate Social Responsibility. *Management Learning*, 46(4), 444–460. <https://doi.org/10.1177/1350507614541199>
- Stokke, K. (2018). Democratization in the Global South: From democratic transitions to transformative Democratic Politics. *Geography Compass*, 12(12), e12412. <https://doi.org/10.1111/gec3.12412>

- Stokke, K., & Törnquist, O. (2013). *Democratization in the Global South: The Importance of Transformative Politics*. Springer. <https://doi.org/10.1057/9780230370043>
- Suryani, D. (2010). The Politics Of CSR In Local Autonomy Era: A Study Of Multistakeholders Forum In Kutai Timur District, West Kalimantan, Indonesia. *Jakarta: Center for Political Research, Indonesian Institute of Sciences*.
- Suwardi, Harsono, & Dkk. (2002). *Politik, Demokrasi dan Manajemen Komunikasi*. Malang: Galang Press.
- Tanimoto, K. (2019). Do Multi-stakeholder Initiatives Make For Better CSR? *Corporate Governance: The International Journal of Business in Society*. <https://doi.org/10.1108/CG-08-2018-0267>.
- Tessitore, S. (2011). One Step Beyond: From Social Protection Recipients to Citizens. *IDS Bulletin*, 42(6), 13–20.
- The International IDEA. (2012). *Manajemen Kepemiluan Selama Masa Transisi: Tantangan dan Peluang*. Swedia: Publication Office: International IDEA.
- Törnquist, O., Tharakan, P. K. M., & Quimpo, N. (2009). Popular Politics of Representation: New Lessons from the Pioneering Projects in Indonesia, Kerala, and the Philippines. In *Rethinking Popular Representation* (pp. 197–222). Springer.
- Vallentin, S., & Murillo, D. (2012). Governmentality and the Politics of CSR. *Organization*, 19(6), 825–843. <https://doi.org/10.1177/1350508411426183>
- Warner, M., & Sullivan, R. (2017). *Putting Partnerships to Work: Strategic Alliances for Development Between Government, the Private Sector and Civil Society*. Routledge.
- Welker, M. (2007). The Rationality of Corporate Social Responsibility in Indonesia. *Southeast Asia Program*, 16.
- Welker, M. (2014). *Enacting The Corporation: An American Mining Firm in Post-Authoritarian Indonesia*. Univ of California Press.

## Note

- <sup>1</sup> McLennan, Kuir-Ayius, Kombako, and Sagir (2017) also outline the range of motivations of corporations for conducting CSR.
- <sup>2</sup> Further debate about the role of "social responsibility" of business can be seen on Milton Friedman, Whole Foods' John Mackey, and Cypress Semiconductor's T.J. Rodgers on "Rethinking the Social Responsibility of Business," *Reason*, October 2005. See also Friedman's *The Social Responsibility of Business is to Increase its Profits* in *The New York Times Magazine*, September 13, 1970. Friedman's Social Responsibility has been reprinted by Springer (2007).
- <sup>3</sup> Stokke (2018) criticizes the formal and procedural measures of democracy by using the IDEA's substantive indicators.
- <sup>4</sup> The example of a formal and indirect channel is local government regulations. On paper, communities address their grievances or dissatisfaction caused by corporations (i.e. misallocation or mistargeted of CSR programs; or decision about CSR programs made by multistakeholder forum in which local government and MPs participate in as representation of formal and authoritative institutions) through their elected representative (local MPs or *anggota DPRD*) and the elected leader (district leader/*bupati* or mayor/*walikota*). Nonetheless, as happening in representative democracies, local elected leader and MPs members have limitation and shortcomings such as their allegiance to narrow constituencies and particular issues. Hence, communities need to politicize actively and to get involved in power contestation. In contrast to the business perspective, contestation in this respect is needed as a way to solve democracy deficit.

Hence, it is perceived as more constructively. In the case of Kebumen with its sand mining, or Rembang with its cement industry, the problem in political representation requires communities and civil society to advocate their demands by directly engaging with companies.

<sup>5</sup> Up to 2016, according to Public Interest Research and Advocacy Center (PIRAC), there were 90 local regulations (*peraturan daerah* or *perda*) on CSR. Among them were 15 at the provincial level, 59 districts level, and 16 city level perda. *Republika*, 13/12/2016.

### **About Author**

**Ashari Cahyo Edi** is lecturer in Department of Politics and Government Studies, Gadjah Mada University. He has research area about corporate social responsibilities and politics of village.