Assesing CSR

Mapping Potential Funding for
CSR and Opportunities
for Collaboration with Civil
Society Organizations

people
unlimited
H²VOS

IBCSD

PENABULU ALLIANCE

Background

- Sustainable development is determined sliced synergy three parties:
  - The government,
  - private sector and
  - civil society
- CSR is growing rapidly as a commitment and concern for the company's sustainable development
- CSO as a representative of civil society has an important role but the problem remains:
  - Dependence on foreign donors
  - Lack of capacity and organizational structure
  - Limitations in the development of a long-term program
- CSR and CSO Collaboration → potential to promote partnerships in sustainable development
- Hivos, Penabulu and IBCSD develop action research: mapping the potential funding and collaboration opportunities CSR-CSO

RESEARCH ACTION

- Research approach to develop and manage knowledge together in order to take action for social change

- Process and results of the research are part of the action for solving problems defined with
  - Dimensions research: mapping of CSR funding and potential collaboration with CSO
  - Dimensions of action: advocacy CSOs in accessing and encourage cooperation with CSR

- Penabulu: develeop Jembatan Tiga as a forum for communication, dialogue and cooperation in partnerships for sustainable development

Research Question

- How to map CSR in Indonesia, in terms of territory issues, scope, characteristics of the program and funding scheme?

- What are the factors that cause disparities occur in both the business sector and CSOs, so it is still minimal synergy and co-operation and funding of the program?

- What options form, collaborative mechanisms and appropriate funding scheme for synergy CSO and CSR?

Methodology

- Data collection through:
  - survey methods
  - In-depth interviews
  - Studies document
  - case studies
  - Discussion groups (mini-workshop)

- Research approach:
  - qualitative
  - quantitative

- Implementation Research: October 2012 - May 2013

- Accompaniment: YPFI, PPSW, KSI

Respondents

Method	Respondents		
	Company	CSO	Quantity
Survey-questionnaire	28	23	51
Interview	22	8	30
Case Study	4	3	7
Workshop	-	-	-
Quantity	54	34	89

- 9 companies can not / refused to be interviewed
- Case study: CSR best practices and patterns CSO fundraising
- The sources of the document:
  - literature
  - Report: sustainability and annual reports
  - Official site of the company
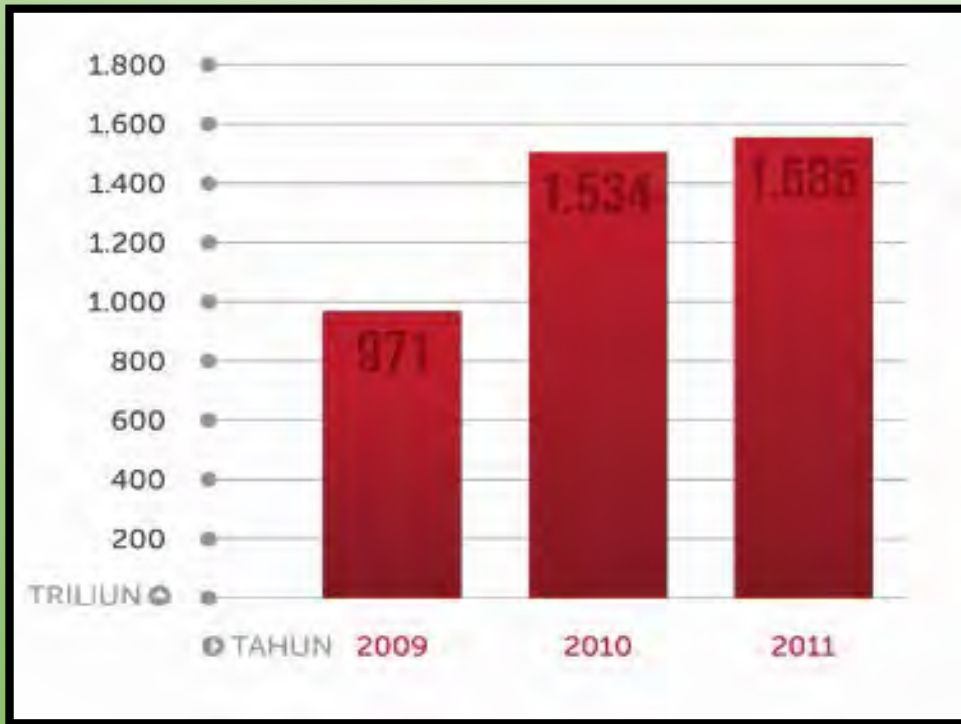
The potential of CSR funds in Indonesia

Table 1. Total company respondents reporting CSR funding for 2009, 2010 and 2011, within AR and SR, and amounts spent on CSR funds administered.
(Source: AR and SR of 59 companies are reported in the official website.)

- Increasing trend of corporate profits in 3 years (2009-2011). 2011 = 1,585 T

- AR and SR reports of 59 companies did not reveal the amount of funds all their CSR

- If the assumption is no allocation of funds for CSR from 58 companies in 2011 was 1-5%, the potential of CSR funds are:
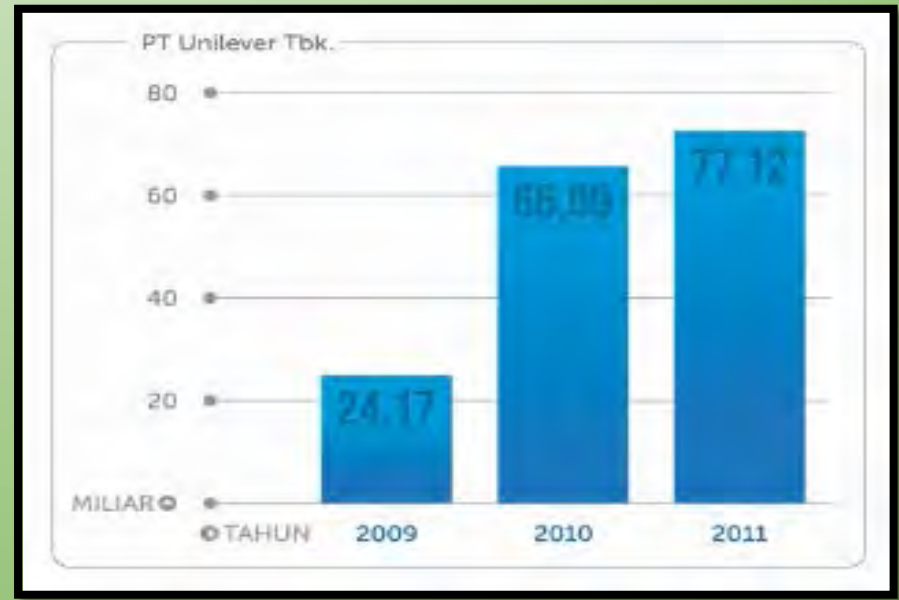 - 1% = 16 trillion
  - 5% = 79 trillion

Allocation of funds CSR

Year	The number of companies that reveal the CSR allocation	Amount (billions of dollars)
2009	13	1.459
2010	16	2.074
2011	16	2.519

Source: Annual Report and Sustainability Report 58 state-owned companies, the National Private, Private Foreign
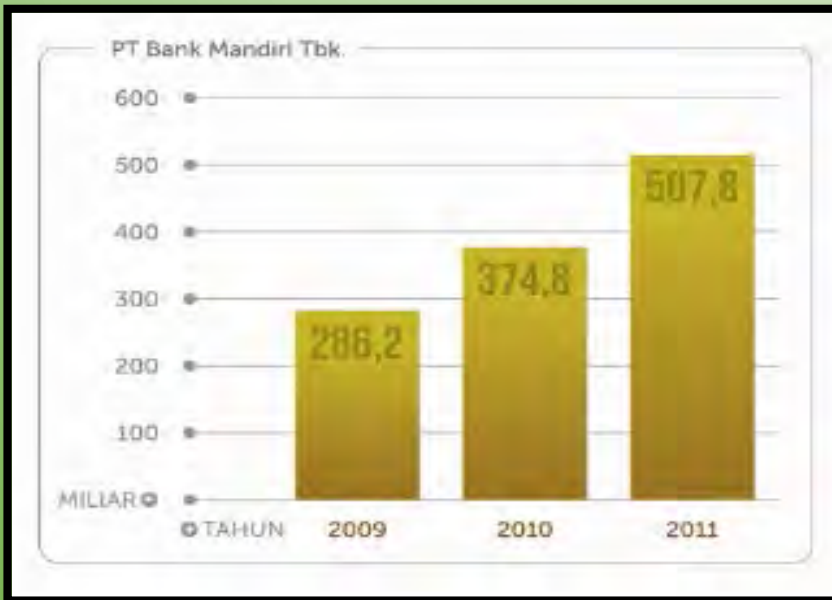
CSR Bank Mandiri

CSR Unilever

The increase trend of CSR Fund

- Increased corporate profits
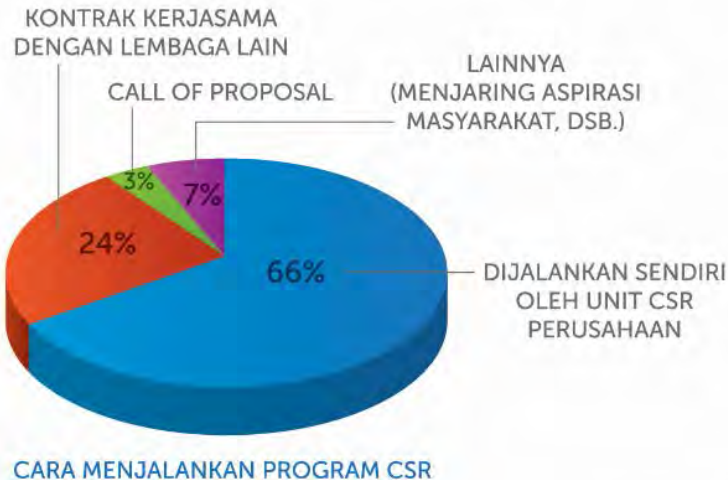
- Understanding of the company's global standards and guides: sustainability and social responsibility such as UN Global Compact, ISO 26000, GRI etc

- Pressure of government regulation: Law. 40 of 2007 on Limited Liability Companies

- Decentralization and regional autonomy

- The tendency of new issues: MDGs and climate change

- Climate of competition among companies in building CSR

Patterns and Characteristics of CSR Programs

- Research conducted on 28 companies indicated that the majority focused on education issues (19%), followed closely by firms committed to improving the living environment (18%), and health (16%).

- while other programs focused on the economy, arts and culture, farming, or infrastructure (<10%). This shows that issues involving education, environment and health are the primary CSR subjects nurtured by companies.

SPONSORSHIP KEGIATAN

LAINNYA (KERJASAMA PEMBERDAYAAN & GERAKAN SOSIAL BUDAYA, JASA PROBONO, DSB.)

BEASISWA/ FELLOWSHIP

BANTUAN DANA LANGSUNG

BANTUAN DALAM BENTUK BARANG

PENGEMBANGAN INFRASTRUKTUR

PENGEMBANGAN KAPASITAS & PELATIHAN

BENTUK BANTUAN PROGRAM CSR

CSR Funding Management Plan

KONTRAK KERJASAMA DENGAN LEMBAGA LAIN
CALL OF PROPOSAL
LAINNYA (MENJARING ASPIRASI MASYARAKAT, DSB.)
3% 7%
24%
66%
DIJALANKAN SENDIRI OLEH UNIT CSR PERUSAHAAN

CARA MENJALANKAN PROGRAM CSR

SPONSORSHIP KEGIATAN
BEASISWA/ FELLOWSHIP
LAINNYA (KERJASAMA PEMBERDAYAAN & GERAKAN SOSIAL BUDAYA, JASA PROBONO, DSB.)
3% 14%
14%
14%
19%
19% 17%
BANTUAN DANA LANGSUNG
BANTUAN DALAM BENTUK BARANG
PENGEMBANGAN INFRASTRUKTUR
PENGEMBANGAN KAPASITAS & PELATIHAN

BENTUK BANTUAN PROGRAM CSR

- Of 28 companies interviewed, the majority ran their CSR programs in the form of a unit or division within their organization specifically committed to CSR (66%), while a smaller segment reported that all of their CSR activities were managed by other institutions (24%).

- Fewer still developed what is known as 'call of proposal' plans. The largest share of community assistance was in the form of physical goods (19%), capacity building and training (19%), followed by provision of infrastructure (17%), and direct financial assistance, such as scholarships and sponsorship activities (14%).

Partnership for Managing CSR Programs

- Regarding partnership models for managing CSR programs, the largest share of respondents said they preferred to work directly with relevant community groups (27%), government (24%), and CSOs (20%).

- The smallest proportion of respondents opted to work with consulting firms and mass organizations.

LAINNYA (PELAJAR, KARYAWAN, LEMBAGA PENDIDIKAN, DSB.)

KELOMPOK MASYARAKAT

PEMERINTAH

8%

24%

27%

20%

7%

14%

LSM

ORGANISASI MASSA

PERUSAHAAN KONSULTAN

MITRA MENJALANKAN PROGRAM CSR

Allocation Amounts and CSR Funding Absorption

BESAR ALOKASI DANA CSR TIAP TAHUN

10–50 MILIAR — DI ATAS 100 MILIAR — 50–100 MILIAR — KURANG DARI 10 MILIAR

10% — 5% — 25% — 60%

SERAPAN PENGGUNAAN DANA SETIAP TAHUN DARI YANG DIANGGARKAN

TERSERAP LEBIH DARI 75% — TERSERAP KURANG DARI 50% — TERSERAP 50%–75%

43% — 42% — 15%

Of the 28 companies interviewed, a large majority allocated less than IDR 10 billion per year (60%), whereas other companies allocated between IDR 10-25 billion a year, and others still allocated between IDR 25-50 billion a year (10%).

A minority of companies allotted over IDR 50 billion per year. Interestingly, not all CSR funds were used for intended funding activities, as 42% of companies had low absorption rates (beneath 50%), 15% of companies had moderate absorption rates (50-70%), and 43% had high absorption rates (over 75%).

CSR Function for Company

- Some companies view the utility of CSR as a means of assuring business continuity (25.8%), improving their image (23.83%), or decreasing the likelihood of social conflict (20.81%).

- Some firms said CSR supported marketing efforts (15.44%), while others cited various other reasons (14.09%).

- Most companies see CSR as a manner of supporting business stability. CSR is also viewed as a strategic means of mitigating conflict, and a method of improving a company's reputation.

MENDUKUNG PEMASARAN

LAINNYA (GLOBAL BUSINESS ETHICS, VALUE PERUSAHAAN, DSB.)

MENGURANGI RISIKO KONFLIK

MEMPERLANCAR OPERASI PERUSAHAAN

14,09%   20,81%

15,44%

25,84%

23,83%

MENINGKATKAN CITRA PERUSAHAAN

MOST IMPORTANT CORPORATE BENEFITS OF CSR PROGRAMS

Cooperative Opportunities for CSR and CSOs – Corporate Perspectives

Corporate Perspectives
CSOs are experts at developing concepts and presenting studies, but are less adept at implementing field work, and are often utopian, impractical, and lack relevance.
CSOs frequently endorse programs that do not correspond with business priorities. They occasionally are fanatical in championing certain issues while failing to recognize other evolving matters, and prefer pursuit of advocacy rather than development concerns.
CSOs are often overly independent and incapable of nurturing collaborative strategy.
CSOs can be unprofessional and administratively incompetent in terms of diligent documentation, reporting, and publication.

The majority of companies said they do seek access to opportunities for cooperation with CSOs. Unfortunately, most firms admit that, in their experience, they have encountered communication difficulties in dealing with CSOs.

Opportunity for CSR and CSO Cooperation – CSO Perspectives

| CSO Perspective |
|---|
| CSR is considered one small aspect of overall corporate image. It has been called cosmetic capitalism, or a simple tool to pacify communities. |
| CSR is not managed transparently in terms of reporting and offering information, and is organized as an awkward bureaucratic corporate scheme. |
| CSR still largely comprises charitable programs that 'provide fish, but not fishing gear', and therefore do not result in longer term community empowerment. |
| CSR efforts do not sufficiently comprehend or accommodate the unique characteristics of programs carried out by CSOs. |
| CSR programs always favor local concerns that only benefit corporate interests, particularly around the areas of a company's operations, while neglecting other regional needs of greater necessity. |

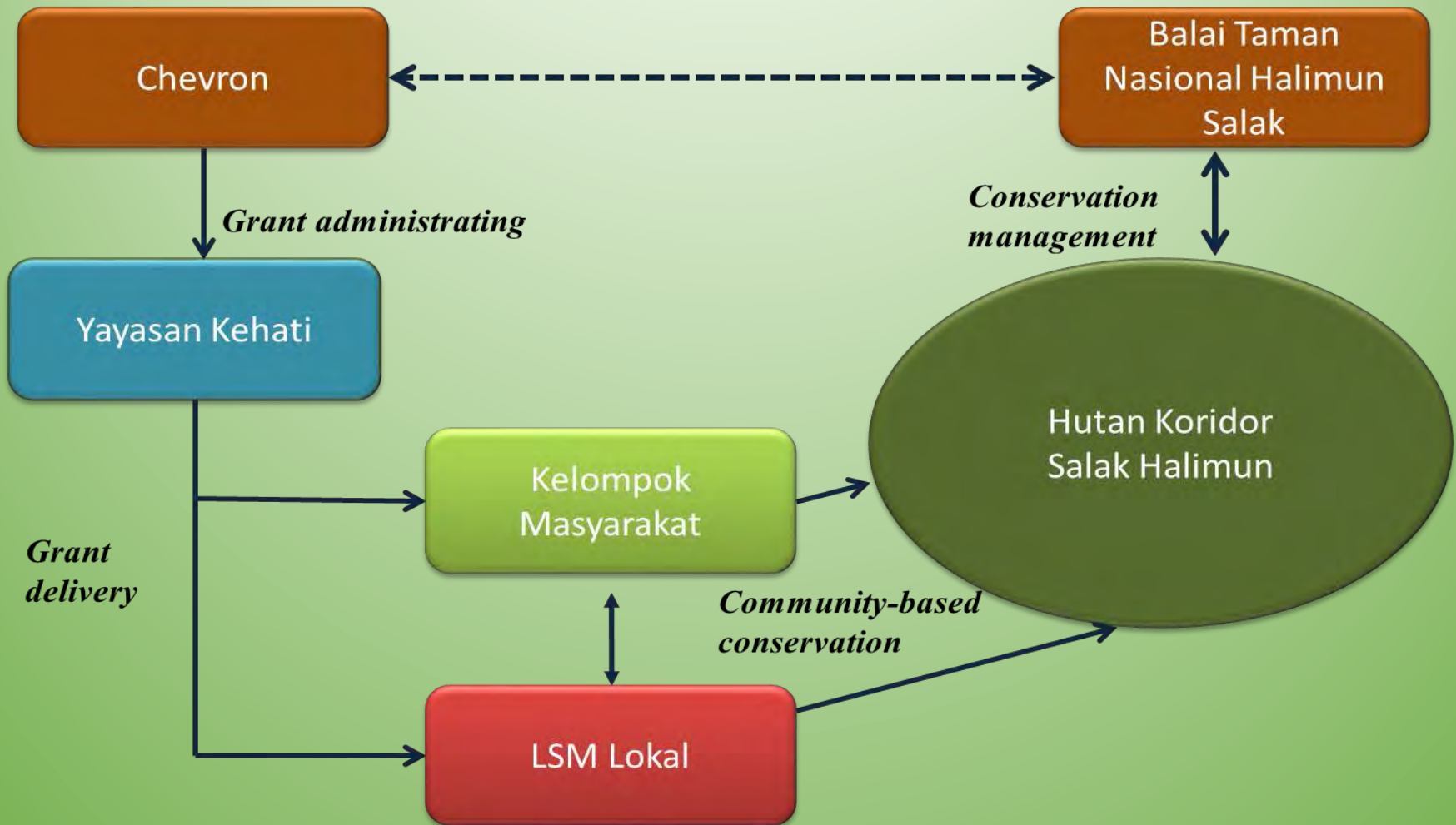Largely neutral towards CSR, and found it difficult to communicate with the company

Unilever Case: black soybean supply chain collaboration Inclusive model of bussiness
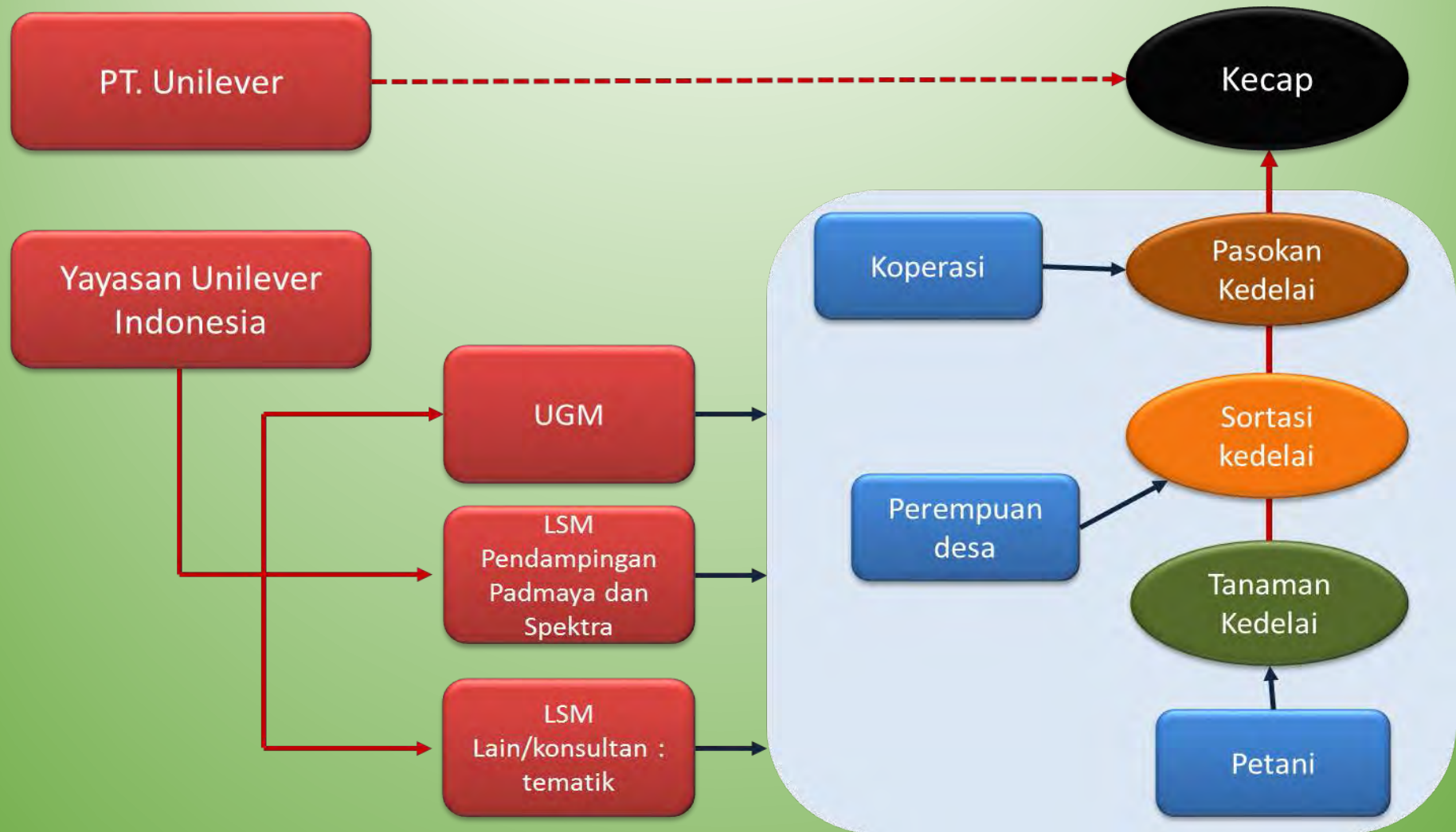
Chevron Case : Forest Conservation Corridor Salak Halimun
Model of grant making

CONCLUSION

- Increased funding transparency of CSR has not been followed in the amount of funds that are easily accessible and publicly known

- CSR needs to understand the potential of CSOs in a variety of creative and community-based programs

- CSOs need to understand CSR standards / guidelines, mechanisms and priorities of CSR programs

- CSR and CSO Collaboration could consider a model inclusive bussiness and grant making

- Need to bridge the media and 3rd party partnerships: government, private sector and CSOs for sustainable development