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Social responsibility policy implementation on upstream oil and gas industry: Study on Saka Indonesia *Pangkah* limited, Gresik regency East Java).

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ARTICLE INFORMATION

ABSTRACT

This study aims to describe the policy implementation of CSR program based on corporate vision and mandate of Oil and Natural Gas Law No. 22 of 2001. It also shows the community acceptance to the CSR programs that have been done. This study used qualitative method with descriptive research type. The unit of analysis taken is the corporate social responsibility program implemented by Saka Indonesia *Pangkah* Limited (SIPL) on the seven villages in *Ujungpangkah* and *Manyar* District, Gresik Regency. The result showed that the policy implementation of CSR through community development program in upstream oil and gas industry did not have standard operating procedure (SOP), that can be used as guidance by Production Sharing Contract (PSC) in carrying out social responsibility program in their operational area, even though it has strong legal basis in the form of Oil and Gas Law no. 22 of 2001. SIPL has implemented corporate social responsibility program based on Oil and Gas Law no. 22 of 2001 through various model approaches based on community need assessment referring on the concept of triple bottom line around the operation area. Thus, local community acceptance of the program is relatively acceptable. Finally, the main strategy of the CSR program run by SIPL aims to secure the company's operations..

1. Introduction

The issue of corporate social responsibility has long been emerging in developed countries. However, in Indonesia, the issue has only recently received considerable intense attention after the issuance of Decree of the Minister of State-Ownership Enterprises no. Kep-236/MBU/2003 on Partnership Program of State-Owned Enterprises with Small Business and Community Development. Minister of SOE's regulation does not explicitly use the term CSR, but the partnership program is set actually synonymous with CSR as well. Furthermore, in a national perspective, CSR is seen as important in the business context. This is evidenced by the emergence of various legislation issued by the Government regulates CSR.

There are so many pros and cons of experts in the concept, implementation and even the legislation rules the CSR. The concept that was initially voluntary eventually became an obligation for a company operating in a community area. The obligation of a company in the application of CSR is no more 'only' to obtain a license to permit for its operational viability pragmatically. The chaos of CSR implementation will be more pronounced if the program implementer is a company that takes raw materials from nature (extractive). In this study, the company is exploitation of natural resources in the form of mineral and oil and gas mining.

Exploitation of natural resources and the environment for the accumulation of profits and capital of the business sector has triggered various forms of public problems such as environmental, social, food and energy crises (Frynas, 2005). Particularly In the mining and oil and gas industries, social responsibility programs are becoming increasingly important as the stronger attention to the extractive industries, for both

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environmental conservation and other reasons such as human rights and protection of the economic and political rights of local communities (Sharma, Pablo, & Vredenburg 1999).

The mining industry has a bad reputation in the perspective of NGO (Non-Governmental Organization) activists, especially environmental one. This is an important consideration of how corporations are always working to improve their image. For example, the case of Shell's oil company's "brutal" business strategy toward the Ogoni region's Nigerian community generates a very bad image of Shell worldwide. Even Green Peace puts this company as the world's "worst" oil and gas corporation after one local environmental activist was hanged by a Nigerian authoritarian regime in the face of their opposition demanding an environmental loss by Shell. As a result of this event, Shell must change its business paradigm by rebuilding business scenarios in the face of changing world views (Davis, 2002). Their relationships between corporations and stakeholders are reviewed as well as they adapt to the socio-political changes that occur both locally and globally.

The upstream oil and gas industry which is also an extractive business has its own rules of procedure in relation to the implementation of its social responsibility program. Implementation of CSR in Indonesia is regulated in Oil and Gas Law no. 22 of 2001 article 9 paragraph (3) stating that the Production Sharing Contracts (PSC) as meant in paragraph (1) shall contain at least the main provisions, among which are the development of the surrounding community and the guarantee of the rights of indigenous peoples. This paragraph shows that community development is part of corporate social responsibility, which must be implemented by the Oil and Gas PSC in Indonesia. This mandate is also expressed in Government Regulation No. 35 of 2004 where every activity of upstream oil and gas business is required to carry out community development and development of surrounding environment.

On the other hand, people see the program launched by the company is a mandatory provision. The form of gift from the company is known by the spirit of Philanthropy. Philanthropy or generosity has the meaning of kindness that is manifested in good deeds by helping and providing some property, energy and mind voluntarily for the benefit of others. Donations and charity are indeed forms of philanthropy, but only the earliest stages. The final form of philanthropy is as social investment (Ibrahim, 2005). Based on the philanthropy, business people, large and small companies, have a responsibility to help develop the surrounding community to avoid inequality, gap and social jealousy that can lead to social disharmony. The

corporate social responsibility paradigm needs to be positively responded by all companies to maintain the sustainability of their business. Benefits that are automatically derived from the implementation of community social responsibility include risk reduction, improved good will, reduce costs, build human resources, and improve community welfare. (Ibrahim, 2007). As a form of philanthropy as well as the implementation of obligations on Oil and Gas Law no. 22 of 2001, then every PSC (Cooperation Contractor) shall conduct community development activities.

Community development activities are an integral part of the PSC liabilities of the Indonesian Upstream Oil and Gas business activities. Community development activities can be a facilitator between the company and the community and not a burden for the company to do its activities. In addition to efforts to prevent or mitigate the negative social impacts arising from upstream oil and gas operations, the implementation of community development is also directed to assist the Government in improving the capacity of community empowerment and welfare around upstream oil and gas operations area. In addition, the community development program is a "license to operate" approach where a successful community development program will be able to support the success of upstream oil and gas operations programs. Therefore, it is not surprising that in recent years the development of upstream oil and gas business community has given a significant influence to the upstream oil and gas business itself, in addition to the influence on the environment of the community around the upstream oil and gas operations area. This is important because almost all activities of the company have gaps with the surrounding community both in terms of socio-cultural, economic and technological.

The high performance of the community development program does not guarantee absolute corporation stakeholder relationships, but from this performance it can be seen how corporate commitment, policies and actions towards their stakeholders or especially to nearby communities (Carrol, 1999; Stone, 2001). Technically, evaluation of the performance of programs that have been implemented is a must management to see how accurately the objectives to be achieved and how much achievement has been generated as outcome or outcome of the program (Buchholtz, Allen, & Matthew 1999, Murray, 2004; Warhurst, 2001). In business, the results of program evaluation can be used as an objective presentation of corporate social performance, which then becomes very useful for improving corporate image and consideration materials for potential investors in investing their capital (Orlitzky and John, 2001). Socially, the performance of the community development program in turn can

determine how much social legitimacy (the social acceptance) of stakeholders, primarily surrounding communities, on commitment, attendance and corporate action in general (Prayogo, 2008). Social support or rejection of corporate presence is, of course, highly dependent on how corporate commitments and actions against them, which can be objectively, reflected in community development programs.

Community development activities should be carried out integrally by involving various stakeholders related to the existence of the company. The existence of the company (PSC) raises various changes to the surrounding community either socially, economically, culturally or politically. In contrast, the social and political conditions of society also determine the success and smooth implementation of community development. It is inseparable from the socio-economic and political conditions in the environment around the PSC, thus in the implementation of society and local government should be involved. So the company needs to identify the surrounding social environment related to the socio-political conditions of the community to then be used as a reference in taking appropriate and accurate action with regard to community development activities. SIPL Indonesia Pangkah Limited is one of the Cooperation Contractors (PSC), which manages block work area of Pangkah in Gresik Regency, East Java, which has run corporate social responsibility program as mandated by Law Oil and Gas no. 22 of 2001. Furthermore, this research is to examine the implementation of social responsibility policy in the upstream oil and gas industry and how the acceptance of the operational area community to the program.

2. Theory

2.1. Policy implementation

Policy implementation according to Grindle (1980) is a common process of political and administrative action that can be investigated at the level of a particular program. The implementation process begins when the goals and objectives have been established, the program activities have been prepared, and the funds are ready and distributed to achieve the target. Implementation as an effort to create relationships that enable the objectives of the policy can be realized as a result of government activities. These efforts are designed with a hope of achieving the expected outcome. Policy objectives and targets are set to achieve the desired end result. In short, implementation is a process from policy formulation to policy action in order to achieve the desired end result.

Further said by Grindle (1980), a successful policy implementation is influenced by two fundamental variables, i.e. content of policy and context of implementation. Content of policy variables include the following, namely; (1) the extent to which the interests of the target group are contained in the content of public policy; (2) the type of benefits received by the target group; (3) the extent to which changes are desired by the policy; (4) whether the location of a program is correct; (5) whether a policy has specified the implementer in detail; and (6) whether the resources mentioned by a program are supported by adequate resources. Context of implementation variables include the following; (1) how much strength, interest, and strategy are owned by actors involved in policy implementation; (2) the characteristics of the institutions and regimes in power; (3) the level of compliance and responsiveness of the target group. The uniqueness of the Grindle model lies in its comprehensive understanding of the policy context, especially with regard to implementers, implementation recipients, and the arena of conflicts that may occur between the implementing actors, as well as the conditions of the required resource implementation conditions.

2.2. Corporate social responsibility

The definition of CSR according to Hohnen on ISO 26000 (2007) is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behavior that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization.

The term CSR (Corporate Social Responsibility) is increasingly being used extensively by various groups: academics, social activists (NGOs) and especially the private sector. The term is moving into a business trend especially for large and transnational corporations. Even some time ago, CSR has been regulated in Indonesia. This is certainly a bold breakthrough because CSR issues in the international sphere are still in a battle between those who want volunteerism to put forward a moral approach and those who require that CSR be compulsory because the moral approach is deemed inadequate to prevent companies from unethical actions. In addition, CSR studies have become new industrial estates as indicated by the emergence of institutions providing services related to CSR issues. In Indonesia for example there are CFCD (Corporate Forum for Community Development) and IBL (Indonesian Business Links). As for the global scale we are familiar

with BSR, UN Global Compact, WBCSD, CSR Asian Forum and other institutions. Most of these institutions are sponsored by large-cap companies.

Setyadi (2017) argues that in upstream oil and gas activities, a corporation conducting CSR policy has a commitment to improve community life through business policies or behavior and through contributions made. He further said that CSR policy is more directed to contribute in creating more external conditions that can ultimately maintain the sustainability of business interests.

At this point, it becomes less significant for us to track the motivation of these companies active in introducing and conducting CSR. Viewed from the macro-historical point of view, this attitude is more of a reactive action against the wave of democratization and the increasing demand for the company to respect and uphold human rights values and to preserve the environment in its activities (Utting, 2005). Lance (2001) argues that reputation and legitimacy / social licensing are two of the few strategic benefits the company derives. Each party is always looking for incentives. As Moon and Vogel (2008) put forward, the corporate entity conducting CSR is clearly driven by its rationality: profit oriented. However, then profit is not only measured from the financial sector alone, but translated into triple bottom line: financial, environmental, and social. The CSR's range extends to communities, workers and their families, consumers, CSR suppliers to the community or more specified by various groups is CD (Community Development).

2.3. Community development

Community Development (CD) has a close relationship with CSR. It is often said that CDs are part of CSR practice. The ideal CSR combines the four principles of good corporate governance, namely fairness, transparency, accountability and responsibility as the main foothold in harmony, due to the fundamental differences between the four principles. The first three principles tend to be shareholders-driven, because they pay more attention to the interests of the company's shareholders.

Meanwhile, the responsibility principle reflects more stakeholders-driven, because it prioritizes the parties concerned about the existence of the company. Here, the company is not only required to create value-added products and services for the company's stakeholders, but also must be able to maintain the added value that it creates. In principle this responsibility approach to community development more widely applied because it is closer to the concept of empowerment and sustainable development (Supomo in Suharto 2008).

The community development approach is inseparable from sustainable development, meaning that development is indeed to meet the needs of the present generation without compromising the ability of future generations to meet their needs later (World Commission on Environment and Development-Bruntland Commission, 1987). The ongoing development of a company is ensuring the company's business deservedly contributes long-term benefits to its people to consider the social, environmental, ethical and economic aspects, as well as respect for human rights and even the equality of species

3. Research Method

The approach used in this research is qualitative approach. Qualitative research is considered more feasible in the field of social and behavioral sciences as it relates to interaction and interrelation in human behavior and role, both within organizations, groups and individuals (Corbin and Anselm, 1988). The type of research is descriptive. Descriptive research is exposed and provides a systematic, factual and accurate description or painting of facts, properties and relationships between the phenomena investigated (Creswell, 1994). The unit of analysis in this study is the corporate social responsibility program implemented by SIPL Indonesia *Pangkah* Limited on the seven villages of *Manyarejo, Manyar Sidomukti, Manyar Sidorukun in Manyar* District and *Pangkahwetan* Village, *Pangkahkulon, Banyuurip* and *Ngimboh* in *Ujungpangkah* Sub-district of Gresik Regency. The determination of the unit of analysis has been selected to limit the research focus examined. This research applies observation method and in-depth interview with informant in the process of data collection.

Milles and Huberman (2007) stated that interactive data analysis consists of several components, namely: (a). Data collection, (b). Data reduction, (c). Presentation of data, (d) conclusion or verification. Data analysis in this research is done by collecting raw data through interview, observation and literature review. Furthermore, the collected data is changed in written form with the expressed opinion. After changing the records of interviews and observations in the field, then it is expected to be found important things that need to be recorded for the next process. From these important things, the data will be given keyword and code. At the stage of data categorization, data simplification is done by binding the concepts (keywords) in a scale named category. After categorizing the data, a temporary decision will be taken. Triangulation will be done for the check and recheck process between sources with others (Lawrence, 2000).

4. Results

The policy of social responsibility in upstream oil and gas industry by PSC is regulated in Oil and Gas Law no. 22 of 2001 article 9 paragraph (3) stating that the Cooperation Contract as meant in paragraph (1) shall contain at least the main provisions, among which are the development of the surrounding community and the guarantee of the rights of indigenous peoples. This paragraph indicates that community development is part of corporate social responsibility, which must be implemented by the Cooperation Contractor (PSC) of oil and gas in Indonesia. This mandate is also expressed in Government Regulation No. 35 of 2004 where every activity of upstream oil and gas business is required to carry out community development and environmental development around (operational area of upstream oil and gas business).

The implementation of the community development program is further regulated in the Working Guidelines of *SKK Migas* no. 017 / PTK / III / 2005 Second Book on Community Development. PTK 017 aims to provide guidelines for community development as a reference PSC in implementing community development programs to facilitate the implementation of oil and gas exploration and exploitation activities. The areas of community development programs contained in PTK 017 cover the economy, education and culture, health, public and social facilities, and the environment sector.

The above program areas are implemented through several program principles, which include: (1) Commitment of KKS contractors in community and environment development in the area of operation and its surrounding. (2) Community Development (CD) is given in kind. If it is not possible then special approval from the *SKKMigas Hupmas* Office is required. (3) CD is organized on the basis of priority needs of communities and can provide sustainable benefits. (4) The success of the CD is measured by the Key Performance Indicator (KPI) (Program Implementation Measurement System). (5) CD is pursued in synergy with local government. (6) CD programs should not be oriented to political ideology and racial intolerance.

The mechanism for preparing and approving the community development program under Chapter VII of PTK 017 is PSC submitting detailed program plans and CD budget to Hupmas Office for approval based on Work Program & Budget (WP&B) approved by *SKKMIGAS*. Program plans and CD budgets are made quarterly and submitted at the beginning of each month of the current quarter. Changes from the approved program plan and CD budget must be re-approved by *SKKMigas* Hupmas Office.

In chapter VI of PTK 017, the pattern of implementation of community development programs can be carried out solely by PSC through existing organizational functions or in partnership with other parties such as local government, universities, research institutes, self-help groups and? or other institutions. Sanctions given to PSC that do not follow the provisions of the implementation of community development programs as guidelines of this working procedure in the form of warning in writing and non-cost recovery if it turns out this guideline has been done more than once.

Report on implementation of community development program from PSC to *SKKMIGAS* c.q. Hupmas Office every quarter with a copy to the local *SKKMIGAS* Representative no later than the second week after the quarter ended. And if necessary for the interest of stakeholders, *SKKMIGAS* may at any time request a report on the implementation of CD program to PSC.

The budget of community development program is sourced from Work Program & Budget (WP&B) which has been approved by *SKKMigas* thus the budget of community development program issued by PSC can be done by cost recovery. However, based on the Regulation of the Minister of Energy and Mineral Resources no. 22 of 2008 the cost of community development programs or CDs during the exploitation of PSC is not included in the cost recovery mechanism.

CD Implementation according to Grindle (1980), this responsibility cannot be separated from organizations or companies that have the power to implement policies related to social responsibility based on the most adequate needs and do not promote the intervention of individuals or groups that harm and hinder the implementation of the program. In this regard, the Government through the Oil and Natural Gas Law establishes the ownership of the moral bond and the obligation to the community which includes the development aspect of its life, which is charged to Oil and Gas Company owners of contractual ownership such as PSC (Production Sharing Contract) or Cooperation Contractor (PSC). This provision is the initial policy as a function of the implementation of social responsibility and its control to set the desired goals and outcomes.

Under the terms of *SKKMigas* in PTK 017, the type of benefits in the use of CSR funds should be made on the principle of achieving community independence, as a moral obligation and a serious undertaking in community development in these sectors. The form may be come in grants or capital loans for business development purposes. This form of social responsibility is based on the principle of optimizing the utilization of natural resources and the potential of the local economy. Other considerations are the utilization of local labor, and the application of business feasibility principles that can be developed. Although in the absolute decision taken by the company based on the

considerations and inputs obtained from the parties involved in the implementation such as CSR related experts, community representatives and community leaders as well as people of institutions or organizations related to the CSR program. This is an appropriate decision-making step to meet the needs of the community and the interests of mutually supportive companies (Subarsono, 2006).

Basic interests of the implementation of corporate social responsibility and the formation of desired benefits are based on the value of mission and objectives that refers to company policy accompanied by approach and motto (PUSDAKOTA, 2015). Thus it is customized and formulated with prevailing trends, community needs, regional development agenda, and branding programs to stakeholders.

In accordance with the findings of research, the implementation of given community development programs such as education, health, socio-economic and environmental giving the community cannot ask for programs and needs to the company as they wish. In fact the village government prefers to allocate program budgets focused on physical development. According to the community, the implementation of community development programs, no transparency related to funding, no control, overlapping development programs between government programs and community development programs. There is a tendency for the government to compromise the CSR program, in other words, the government is only an extension of the company in its policy implementation in line with government policy.

In the realm of conversation with the citizens was evolved social distrust to the local government as well as to the rights holders of oil and gas exploration operators. Information from the government is not up to the whole community. Local officials and legislators do not understand the process of oil and gas exploration cooperation contracts. Programs designed to be unstructured, incidental conditional and charity so as not to touch the concept of community development, the program was not right on target. When compared with the secondary data of the objectives and benefits of the community development program, it is clear that the program's agenda and its implementation are unsuitable and even deviant.

In contrast, the process of implementing corporate social responsibility through several stages of program implementation is conceptualized in the self-management of social responsibility programs, which aims to help communities around the company's operations, especially for affected communities to create opportunities and improve the quality of health, education, environment and social economy. At this stage in the content of the policy, the company has made

significant changes in accordance with the company's policy on social responsibility that serves to provide certainty of targeted achievements. In addition, the implementation of the program is demonstrated by the implementation stages accompanied by the resources involved as executors of the company's policies with certain competencies and capabilities to support the successful implementation of the policy (Subarsono, 2006). The stages in question are assessment, implementation, monitoring until evaluation. It is able to show the measurement and success level of a policy based on process, effect, level of change, communication between organization/institution and attitude of implementer and environment policy and program applied (Grindle, 1980).

The policy implementation should have the support of adequate resources. It aims to target and implementation goals of the policy can run well and achieved according to the concepts and plans that have been made (Subarsono, 2006). The funding source of the oil and gas industry CSR program is derived from the PSC fees allocated in its operational cost plan and other sources. The use of funds is done with the principle of achieving community self-reliance in the form of a grant or working capital loan for business purposes. Principles of CSR fund management are done in a transparent, accountable, flexible, and in accordance with the principle of benefit. Quality of human resources becomes one of the determinants of regional competitiveness. More than half of the population in Gresik is poorly educated and the majority work as traders and fishermen. Based on the results of in-depth interview and secondary data, the problem encountered in terms of human resource workforce in Gresik Regency is the lack of skilled laborers in the field of work. Objective conditions of local communities may not necessarily be accessible to the extractive industries as upstream oil and gas.

In many industrialization cases, for example, in feasibility study at first a company will open up new job vacancy as a profit side for the local community. But in reality for inadequate education and expertise for the business reasons, local people cannot work in it. Even if the local people are accommodated as workers in the industry is more in the non-skill labor position such as office boy or security guard. Industry is more accepting or accommodating workers from outside the region in accordance with the criteria, resulting in an increase in urbanization rates in the region. Therefore, if not paid attention to policy makers, especially district governments, then local communities can be marginalized.

4.1. SIPL Indonesia Pangkah Limited Social Responsibility Policy Implementation

Saka Indonesia *Pangkah* Limited in this case is called SIPL, is a subsidiary of *PT. Saka Energi* Indonesia engaged in the upstream oil and gas sector, conducts business and investment activities in the form of exploration, exploitation, oil and gas business development and other energy sources and is committed to contribute to the development of communities in the company's operating areas. As part of the community, SIPL believes that community development is conducted in conjunction with emphasizing the importance of collaboration among corporations, governments, and communities around operational area. Through this collaboration, a productive relationship will be created mutually beneficial, and able to build long-term relationships between companies and stakeholders.

The legal basis of the company in the implementation of SIPL's social responsibility policy is contained in the Corporate Social Responsibility Guidelines of *PT Saka Energi Indonesia* No. 001900.PO/SIPL.GOV/UTM/I/2015 which regulates the mechanism of community development program to be corporate commitment in the form of Corporate Social Responsibility (CSR). In carrying out the CSR, SIPL understands the need to build strategic partnerships with those who are able to answer the needs of the community and achieve company goals in the form of programs, donations, and sponsorships (SIPL, 2015).
In running an effective and consistent CSR, the Government and Responsibility (GR&SR) Department is responsible for identifying and anticipating the social problems surrounding communities are likely to impact on the safety and sustainability of the company's business. CSR Fund is managed by the GR & SR Department with a consistent and disciplined concept of managing funds appropriately and transparently. All CSR activities refer to company procedures and applicable regulations.

The definition of Corporate Social Responsibility (CSR) in SIPL context is a social enterprise contribution or action to encourage community development around the operating area as well as outside the operating area, and see opportunities as a form of sustainable corporate investment and drive the achievement of the company's business objectives. CSR includes Program, Donation, and Sponsorship. The foundation of the CSR approach is to build good relationships between stakeholders, communities, and corporations, and ensure results according to the objectives to be achieved. The priority of SIPL's CSR is in line with the company's business objectives. SIPL prefers to work with organizations (relevant to CSR program categories) that have similarities in developing communities through local

economic empowerment, improving the quality of education, improving the quality of public health, environmental conservation, and socio-cultural development in the community. SIPL supports disaster related activities.

The theme of the program that SIPL runs in its implementation always begins with activities such as social mapping, social study and assessment program. This activity is carried out by internal staff as well as involving NGO consultants and universities that have the competence of this field. Among the NGOs and universities undertaking these activities are *Perkumpulan Untuk Peningkatan Usaha Kecil* (PUPUK), Spektra, and Urban Community Empowerment Center (PUSDAKOTA) from University of Surabaya.

SIPL has participated in several programs involving the public, but because it is not properly socialized, so many people do not know it. The interviews results with some residents, they stated that the SIPL rarely make open communication to the community. Based on the SIPL's CSR implementation report shows that the field of public facilities construction occupies the largest portion compared to other fields. According to the villagers, PSC has played a role in the construction of pavement roads, drainage, fishing halls, fishing boat moorings, and the provision of clean water facilities their environment. Citizens also mentioned that the role of PSC in the aid to his village often creates jealousy from other villages or sub-districts that are not part of PSC operational areas because they do not receive similar assistance from any party.

However, the implementation of the CSR program in the field of economic development has not been implemented yet. The community expects direct financial assistance to ease the economic burden on the villagers, such as food aid, medical expenses and so on. PSC may not provide assistance in the form of cash, although the form of capital is rolling, the public will consider this fund is a grant so rarely return it. It is considered able to turn off the potential citizens to be independent in the business. Based on the research findings, the community acknowledged that SIPL has actually facilitated vocational training includes sewing, processing of seafood products, automotive training, welding, carpentry and office administration. Unfortunately, these trainings are not followed by efforts to market business results and job placements as well as villagers' expectations. So even though their skills have increased with the training, but they have not been able to market the product and work in SIPL, the community still considers the existing training is still considered less useful in an optimal way. People consider these trainings have not been able to improve the living standard of the community significantly.

Villagers are more in need of employment they claim to prefer to get rough jobs, such as cleaning service or security guard provided paid by SIPL.

The above exposures indicate that in practice, SIPL CSR programs cost a lot of money but the benefits are still less perceived by the community. If effectiveness is understood as the achievement of predetermined objectives, and the objectives herein are translated as sustainable development dimensions of community development to the villagers as one of its stakeholders, so this program have not reached its effectiveness yet. The ineffectiveness of the implementation of this program is based on the community's answer, it could be because it is not well socialized to the villagers as well as the extent of the working area of the implementation of the program cause the impact of the program felt by the villagers is not very significant.

For communities surrounding the exploration area, the CSR program is nothing more than a compensation method for a small part of the negative impact of environmental damage caused by the exploitation of the PSC. CSR programs with various variations have not succeeded in creating justice and prosperity for the community. Funds issued for CSR programs by PSC are not at all comparable with the value of mining material exploited from its territory, not to mention the calculated loss of society due to the negative impact of environmental damage. Almost all CSR programs aim to develop sustainable societal economics, but based on the reality of society, CSR is just a tool to give empty hopes to local people.

Another interesting thing that is also monitored by local communities in the implementation of the CSR program is that there is a substantial expenditure from this fund as a contribution to various community organizations that have nothing to do with the communities surrounding the oil and gas operations area and also do not become recipients of the negative impact of environmental damage. The obligation of CSR programs for PSC has also opened up opportunities for the emergence of NGOs who like to take on the name of local people to get funds from the company. Many such NGOs are unknown and not trusted by local communities. In some cases, although such NGOs are rejected by local communities, PSC is very happy to maintain them because they are very useful for the purpose of "securing" the company's operations. Ironically, while the poverty and oppression of local people who are victims of oil and gas continues, luxury and arrogance are shown by workers and contractors who make local people increasingly cornered.

It is at this critical stage that the CSR program is critical to convince the public that the presence of PSC of the control of natural resources in the region will compensate them in the form of programs that will improve their socio-economic welfare. So far, the drafting and implementation of CSR in the oil and gas sector has not been able to resolve poverty around the area of operations and conflicts, which is indicated by some resistance to CSR activities and programs. CSR programs are also still independent from local government development programs, resulting in overlapping. CSR also has not been able to empower the community to be independent. The conflict of interest of stakeholders in the implementation of CSR is also still prominent. In addition, PSC's motive to perform CSR is a contractual or regulatory obligation, not a moral call.

One of CSR's key to success is the participation of the community arising from their own will and desire to move in the implementation of the program. The form of community participation is to provide input to determine the direction of the program, active in the preparation of planning, suggestions and considerations in the preparation of activities. The community has the right to know the program in detail, to benefit from the implementation of the CSR program. Furthermore, to implement the CSR program, an organization should be formed which may be a commission composed of representatives of companies, communities and local governments. The established organization has a function as the coordinator of all activities proposed by the community, consultation forum and program determination to be implemented and as supervisor of ongoing program implementation. In addition to having rights, the community also has an obligation in maintaining the results of program implementation obey the agreed agreement and maintain the security of the continuity of the oil and gas industry companies located in the region. Meanwhile, the task of local government in implementing CSR is to conduct guidance and supervision while their role is as a facilitator between PSC and the community in case of conflict between them.

Based on in-depth interview with SIPL GR & SR division related to CSR program it appears that PSC has understood the concept and its implementation. PSC, in this case SIPL, has experienced a lot of progress and they are no longer showing by narrowing the meaning of Corporate Social Responsibility (CSR) to Community Development and philanthropy alone. It is clear that they are aware of their strategic position in developing national and regional economies. It is also clear that they are fully aware that the environmental aspect is a very important part. They know that sustainable development has become a common ground in CSR. Though, its manifestation is not yet fully balanced among the environmental-socio-economic elements.

Good policy formulation required participation, accountability and transparency. One fulfillment indicator of these prerequisites is the role of

stakeholders in the formulation of program policies. The intensive involvement of stakeholders from the drafting process to the implementation of the program is essential so that the program policies can be widely understood and accepted and can improve the social control system to minimize the negative impacts that may arise and support the effectiveness of the implementation of the policy. This can facilitate PSC in obtaining capital loans from financial institutions because many financial institutions require their borrowers to interact properly and systematically with stakeholders.

The collaboration undertaken by the PSC will not only include one stakeholder but certainly with many other stakeholders at the local, national and international levels. The cooperation that exists between PSC and the stakeholders will form a multi stakeholder. The establishment of multi stakeholders will facilitate the PSC to implement and oversee the program policies. The need to improve the ability to identify and strengthen the role of multi stakeholders is an important aspect in the preparation and implementation of a program's policies. It is also expected to create a synergy between the company and the surrounding community so as to realize the activities of safe and acceptable exploitation of oil and gas by the community. In general, the various development schemes that enter the village still place local communities in the limited positions of the beneficiaries. This means that the local community cannot participate in determining the program that became his needs. The SIPL party as Pangkah block operator has had a blueprint for the TJS program focusing on education, health, socio-economic and environmental issues. It's just that, education, health, socio-economic, and environment like how and what, the village cannot ask. In general, the village government itself focuses more on programs that go for the construction of physical facilities and infrastructure. Law No. 22 of 2001 has not been able to accommodate the local interest that it is feared to further reduce the welfare of the society in the future considering that the people have not landed to maintain their subsistence, while for the diversification of their business does not have sufficient expertise and sufficient capital.

It is in this context that the implementation of CSR in the design of community self-reliance and the future orientation of PSC and community interests is urgently needed. Therefore it is necessary to plan and design CSR programs in accordance with the place where the program is implemented and can be accepted by all parties, not as one has been designed unilaterally by the PSC. Therefore, the most important thing to build a synergy and mutual understanding is to build an agreement from the beginning between the company and society is expected not derived from the public complaints that CSR programs that run seem redundant or forced.

4.2. Local Community Acceptance to CSR Program by SIPL Indonesia Pangkah

The community acceptance of the program is relatively acceptable despite the ever-increasing number of protests. Demonstration of protesters has been pointed out by external intervention and social jealousy because youth groups are not involved in community development programs. However, the company undertakes two solution efforts by routinely approaching the communication patterns with the target stakeholders formally and informally, and socializing and educating the public about the company's maintain relation. The activity of maintaining relation done can bring closer relationship between the company and the community around it. In this case many things can be used for the media to build the closeness of this relationship. Among others, by providing sponsorship support to positive activities organized by the community or target stakeholders.

Sponsorship support has been effective enough to build the image that companies have social concerns. In social relations, sponsorship support is also beneficial to build corporate togetherness with the community or stakeholders. Social maintain is a way of looking at how SIPL is part of the community, and vice versa. So the presence of SIPL can be felt by society and society put SIPL as guest of honor. Growing mutual respect in a relationship is an invaluable trust capital.

Based on the findings, the strategy used in the implementation of the CSR program and external relations is SIPL always try to keep the bottom up flow, it is starting from collecting the aspirations of the community first, then being inaugurated at the village level. SIPL uses several helpers to implement a CSR program tailored to its area of expertise. This is in addition to improving the quality of the program, also due to the limited number of SIPL human resources available in the region. The strategy used by SIPL was good enough that initially by approaching the community groups to be involved, despite the jealousy of other groups. This approach is effective for more intense communication development.

Strengthening and approaching to the existing formal government in the village as the person in charge of CSR program implementation. It is expected to support the accuracy of programs needed by the community as well as to maintain the continuity of the program. Another implementation strategy is to provide awareness to internal CSR and External Relation teams in the field to understand the meaning and purpose of the program. These strategies include:

a). Social Induction: The introduction of social conditions to SIPL staff or vendors who will interact in the field with the community.

b). *Kulonuwu*n: In every beginning and end of the project/development activity is always communicated and if necessary involving the community.

c). *Silaturrahim*: A community approach program by visiting or gathering people in a place as a routine activity adapted to the traditions of the local community.

5. Discussion and conclusion

To overcome the misunderstanding that can lead to conflicts in society and with companies and obstacles in the implementation of the program, it is necessary to optimize the role of community relations of PSC, namely the mechanism of determining the program, Including the form of the program, the limits of the PSC authority in determining the program, the unlisted program funds in the profit-sharing fund (CSR), as well as the understanding of community participation. In the implementation of social responsibility programs involving third parties, whether NGOs, universities, or government agencies, PSC need to clearly define the role of the third party and socialize it to the community in order to avoid misunderstanding from the public to the company or third parties. Related to the CD and cost recovery, it can be understood if during the exploration of the risk faced by PSC is very high because the level of oil and gas discovery is not necessarily. For that reason, it is very reasonable if the cost of the CD is charged to cost recovery completely. When the exploitation period in which the PSC start to perform production, then the social risk has become a risk to be borne by the company.

As a government representative, *SKKMigas* should be more concerned with real field issues related to the development of existing communities in oil-producing regions. One example is by establishing a strong Community Development institute at *SKKMigas* level so that all activities related to upstream oil and gas industry can be supervised and maintained its success in solving social problems related to the existence of upstream oil and gas industry in the area. With strong institutions, community development programs for upstream oil and gas industry are increasingly focused on solving problems and reducing potential conflicts. There must be clear measures related to social. Not only about the indicators or the target of State income from oil and gas, but also about how the upstream oil and gas industry can contribute directly to the achievements of development. For example how the program achievement with the local poverty index decrease. If there are no clear standards and measure then it is certain that CSR funds leak will still occur.

Similarly, a coordinating body of conflict resolution or a task force under the coordination of the ESDM ministry and *SKKMigas* should be established in relation to conflict issues involving upstream oil and gas industry, so that problems are quickly resolved and PSC investment can be done well. During this time the problems faced more related to the issue of regional autonomy which is believed not followed by the capacity of local governments in managing their governance. This has led to many unclear budget uses and the resulting disparities in economic and social life in the area. With the formation of the task force is expected to resolve the conflicts can be done quickly and straightforwardly.

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