

Evaluation of Pertamina's CSR Implementation in Relation to the Achievement of Sustainable Development Goals

Farrahnugraha Makkuraga¹, Andi Hardianto¹, Fadhilah Ummah¹,
Jean Michelle Eñano², and Nur Hasanah^{1*}

¹ School of Business, IPB University, Bogor, Indonesia

² Iloilo Science and Technology University, Philippines

*Corresponding author: nur.hasanah@apps.ipb.ac.id

ABSTRACT

Pertamina as a State-Owned Enterprise (SOE) manages oil and gas management activities to strengthen the state's presence in carrying out the mandate of the constitution should maintain the Sustainable Development Goals of Indonesia. Pertamina implements corporate social responsibility to achieve at least two SDG's (number 3 and 4). The evaluation methods used are SWOT analysis and public value. The result from this study is Pertamina able to achieve both SDG, however it could be improved by expanding to other goals. In conclusion, Pertamina is able to contribute in achieving Indonesia SDG through consistent CSR programme.

Keywords: corporate social responsibility, sustainable development goals, SWOT analysis.

1. INTRODUCTION

Indonesia's natural resources are diversified spread across the land and water forms, those resources can yield variety of goods such as oil, gas and minerals ranging from copper, nickel and tin. Aside from the mentioned above, Indonesia is a wealthy land for renewable energy resources such as geothermal, solar energy, wind and wave energy resources. As a matter of fact, this country is one of natural resources contributing to the largest foreign exchange revenue in production of petroleum and gas [1]. Petroleum and gas are the main energy sources that are currently widely used for industrial, transportation, and household purposes. The Constitution (UUD 1945) Article 33 Paragraph 3 states that the earth, water and natural wealth contained in are controlled by the state and used for the greatest prosperity of the people. Therefore, the State establish Pertamina as a State-Owned Enterprise (SOE) that manages oil and gas management activities to strengthen the state's presence in carrying out the mandate of the constitution.

However, the abundance of natural resources did not contribute to give quality life and improve the welfare of the people. As a result communities around the mining sites where resources are exploited are enduring the negative effects. Although, there is no existing provision and obligation to serve internal interests of parties such as management and shareholders but also must consider environmental concerns and interest of people. When it is finished, the company can carry out its business activities well without causing conflict with the community of the surrounding environment [2].

Every United Nations member, including Indonesia, has agreed on a global commitment of the Sustainable Development Goals (TPB/SDGs) 2015-2030. SDGs consist of 17 objectives and 169 targets aimed at a variety of development issues, from poverty to international cooperation. SDGs enhance the Millennium Development Goals (MDGs) or Millennium Development Goals 2000-2015. Indonesia is seriously committed to implementing SDGs and is optimistic about achieving better results from the MDGs in order to improve the economic welfare of the community in a

sustainable manner, ensuring the sustainability of people's social lives, improving the quality of the environment and implementing inclusive development and implementing governance that is able to maintain the improvement of quality of life from one generation to the next [3].

To realize the welfare of the people and achieve the objectives of the Sustainable Development Goals, synergy between the Government, State-Owned Enterprises, Communities, and NGOs is required. Synergy conducted by BUMN is through CSR programs. PT Pertamina (Persero) as a state-owned enterprise in the field of oil and gas has implemented CSR programs as a return to the community around the production site. CSR programs that have been implemented are education and health program. In this paper will review the implementation of CSR programs of PT Pertamina (Persero), related to the achievement of sustainable development goals. The purpose of this study is to examine the strengths and weaknesses of PT Pertamina (Persero) in implementing CSR programs. Then analyze the interaction of parties involved in the implementation of CSR programs. The scope of this research is limited to 2 (two) sustainable development goals, namely focus on education and health.

2. LITERATURE REVIEW

Corporate Social Responsibility (CSR) is one of business strategies that is very important to build brand image in the long run. Corporate Social Responsibility is a concept that organizations, especially corporations, have a responsibility for people like employees, customers, stakeholders, community, and for the environment that is pollution, water, air, land, waste, and safety work. CSR is not only about a donation of some percentage of income to help a poor community or certain problems, but also how corporations can treat employees well and non-discriminatory, and have a good relationship with customers and suppliers. Kotler and Lee (2005) in [4] defined CSR as a company's commitment to increase the community's welfare through business practice and wise contribution of the company's resources. CSR responsibility is the responsibility of a company in maintaining a relationship of interest with the community because the company has caused many negative factors (Del Baldo 2019 in [5]).

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated—they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. Countries have committed to prioritize progress for those who're furthest behind. The SDGs are designed to end poverty, hunger, AIDS, and

discrimination against women and girls. The creativity, knowhow, technology and financial resources from all of society is necessary to achieve the SDGs in every context [6]. The launch of the United Nations' Sustainable Development Goals (SDGs) has established a new paradigm in sustainable development, where cross-sector partnerships (CSP) take a central role with SDG 17 on partnerships for the goals. At the same time, the SDGs have recognized the essential role of the main social actors such as businesses, government, civil society, and universities working together to reach a sustainable development [7].

Strengths, weaknesses, opportunities, and threats (SWOT) analysis has become a fundamental tool for organizations to evaluate their position in the market and is widely used to analyze the internal and external environments of organizations during times of indecision [8,9]. SWOT analysis is an effective strategic tool that can be used efficiently and resourcefully to assess the strengths, weaknesses, opportunities, and threats of businesses. It is highly plausible that SWOT analysis will endure gaining more attention in the future as it has endured to become one of the key sources of information for strategic planning. Managers can use SWOT to effectively overcome their businesses' threats, and easily identify the core competencies of the businesses [10].

The fundamental concept of public value is based on Mark Moore as Harvard's professor in his book *Creating Public Value* (1995). At present, many researches have been focusing on the Public Value concept for public administration. The purpose of public value is to make up for the failure of new public management to take into account citizens preferences (Colon and Guerin-Schneider (2015) in [11]). The foundation principle of public value is to guide public organizations to operate the system to achieve the vision, missions, and goal for the citizens through the public services that are delivered. The targets of public value evaluation are all stakeholders, communities, public sector and private sector that contribute to create a value for their society. The goal of public value is to raise human welfare in the field of social, environmental, and economic sectors.

Public value is used to measures the total impact of government activities to create values for its citizens (Kelly et al. 2002, Alford and O'Flynn 2009 in [11]). So, this concept can be applied to consider and examine the performance of government through public services. Public value needs the views of citizens about the quality of public services and is very helpful for the government to build harmonious relationships between citizens and public organizations. The long run goal from public value is improving policy decisions for better society. Public Value is the perception of shared values consequential from direct and indirect dialogues with the public which address the needs of the present and future generations [12].

3. METHODOLOGY

The research design of this paper consist of descriptive approach, SWOT Analysis, and Public Value Evaluation. Descriptive approach is used to analyze Pertamina CSR program. SWOT analysis is used to analyze PERTAMINA's strengths and weaknesses in implementing CSR programs. Public Value Evaluation is used for the interaction of parties involved in the implementation of CSR programs. Most of the data are taken from Pertamina's home website [13].

4. RESULTS AND DISCUSSION

The health aspect is one of Pertamina's main concerns in carrying out CSR activities and in realizing the 3rd SDGs Goal, namely a Healthy and Prosperous Life. Pertamina shows its concern for the health aspect through the Pertamina Sehati Program. Pertamina Sehati covers programs in the health sector, especially maternal and child health. Pertamina Loving Healthy Kids and Mothers (Sehati) is an iconic Pertamina program in an effort to improve the health of mothers and children. In the context of the implementation of the Sustainable Development Goals (SDGs) 2016, Pertamina Sehati seeks to achieve two objectives, namely to improve maternal health and reduce child mortality. Through this program, Pertamina contributes to the improvement of pediatric nutritions and the lowering of maternal and infant mortality toward a better life. In practice, Pertamina collaborated with the Indonesian Family Planning Association (IPPA) where Pertamina manages this program through the CSR function, later serves as the initiator and supervisor of the program as well as budget and fund provider. Meanwhile, the IPPA serves as a mentoring and facilitating partner.

In the period 2018 and 2019, Pertamina has also fostered 430 Posyandu Polindes / Pusban with 9,099 beneficiaries. In 2018, the form of assistance provided was in the form of relocation of 1 Pusban unit, construction of 1 Polindes unit, assistance of 1 package of health information media, and provision of 2 packages of equipment support for fire care communities. Meanwhile in 2019, the forms were more varied, including the assistance of 2 ambulances, construction of 6 health units for Posyandu / Polindes / Pusban, 1 package of medical devices, organizing a Healthy Toddler Competition for 30 people, health monitoring by 35 people resulting in 6 children receiving nutrition monitoring, and 25 mothers received help from a traditional birth attendant partnership.

Together with Pertamina, the handling of malnutrition or kwashiorkor which occurs due to a lack of nutritious food intake which can be seen from the children's eating habits continues to receive important attention. The community is provided with health education, empowerment of health cadres and provision of additional food to reduce cases of malnutrition. In 2018 - 2019, as many as 489 beneficiaries of the

malnutrition program were able to provide adequate health facilities, provide additional food and its processing, counseling for pregnant and breastfeeding mothers. This program has provided benefits to groups of mothers and children in Medan, Padang, Pekanbaru, Dumai, Aceh, Batam, Jakarta, Cilegon, Bandung, Balongan and Maluku.

Apart from providing health assistance, Pertamina's CSR Program in the health sector also continues to encourage Clean and Healthy Living Behavior (PHBS), to build a healthy Indonesia. Supporting PHBS, throughout 2019, Pertamina provided 2 Bumdes assistance packages related to clean water processing, repair of clean water pipelines, construction of slum septic tanks, water pump assistance for tribal children, increased access to clean water management in the form of dug wells, development clean water management business groups, repairing clean water installations with 50 connections, construction of 5 village septic tanks (clean water movement and healthy latrines), clean water and school sanitation, health education and the effects of incense smoke, construction of domestic WWTPs and training on fish waste utilization. In 2018, PHBS has also been carried out with health checks and counseling by medical functions and worker volunteers, training and health seminars for sanitation / fire Aid / Basic Fire Fighting, handling Dengue Fever, construction of water distribution pipes, provision of 2 SAB packages, electricity assistance, engine houses and main pipes, as well as handling of dengue outbreaks. Programs that aim to raise public awareness of healthy living have been carried out in Palembang, Balikpapan, Balongan, East Kalimantan, Manokwari, Sorong, and Jakarta.

Pertamina has commitment to advancing the nation's education. Therefore, through Pertamina Cerdas Program, Pertamina has a number of educational programs, such as the early childhood education, elementary schools and secondary education, as well as higher education. Such program is designed to give the opportunities for early childhood students at the operating area of Maos Fuel Terminal - Marketing Operation Region IV of Central Java to sign up for scholarship, while the teachers and parents can participate in training programs. In term of Elementary and Secondary Education, Pertamina has launched several program activities, among which are Adiwiyata School program at some operational sites, Waste Academy Program at Plaju Refinery Unit III, Mangrove School at Balongan Refinery Unit VI, and Green Care School Program at Balikpapan Integrated Terminal - Marketing Operation of Region VI Kalimantan. Besides, there are also other educational activities, such as Young Innovation Project to encourage ideas of utilizing the renewable energy, Disaster Preparedness Student Program (Sigab Program) at the operating area of aviation fuel depot, DPPU Sepinggan Group, and development of education for Talang Mamak tribe at the operational site of PT Pertamina EP Field Lirik.

In accordance with PERTAMINA'S CSR program above we mapping internal and external factors that become Pertamina's opportunity to achieve Sustainable Development Goals (SDGs) in Table 1 as follows.

Public value is used to measure the total impact of government activities to create values for its citizens (Kelly et al., 2002, Alford and O'Flynn, 2009 in [11]). So, Pertamina should follow this concept to be applied to consider and examine the performance of Pertamina through CSR implementation. Public value needs the views of citizens about the quality of CSR programme and is very helpful for the PERTAMINA to build harmonious relationships between citizens in the affected area, local government and Non-Government Organisation. The long run goal from Pertamina's public value is improving policy decisions for better society.

Evaluation of Pertamina's CSR Implementation in Relation to The Achievement of Sustainable Development Goals SDG 3 (Health) & SDG 4 (Education) as Table 1&2 below.

Table 1. SWOT Analysis of Pertamina's CSR towards SDG

<p>Strengths</p> <ul style="list-style-type: none"> • Pertamina is government enterprise that have a big influence in Indonesia • Pertamina's CSR program has a competency and capability to implement the program effectively • Pertamina's CSR performance increase the brand image of Pertamina in society 	<p>Weaknesses</p> <ul style="list-style-type: none"> • The CSR program of Pertamina implemented has not been evenly distributed to all regions in Indonesia • Limited access to information regarding which areas need improvement and development from Pertamina
<p>Opportunities</p> <ul style="list-style-type: none"> • As a tool for Pertamina to introduce CSR programs more broadly throughout Indonesia • Pertamina's CSR program can build, maintain, and boost the brand image of Pertamina in the citizens of Indonesia. 	<p>Threat</p> <ul style="list-style-type: none"> • Other companies that also provide CSR programs in the same field, such as education, healthy, and entrepreneurship training • There are different views and responses from the community towards the CSR program established by Pertamina

Table 2. Public Value of Pertamina's CSR

Stakeholder Name	Direct / Indirect	Stakeholder Requirements	How They Are Involved	When They Are Involved
Ministry of State-Owned Enterprise	Indirect	Ensure that Pertamina running the CSR Programme continuously	As regulator	anytime
Ministry of culture and education	Indirect	Ensure the standard education for affected area	As regulator	anytime
Ministry of Health	Indirect	Ensure the health standard for affected area	As regulator	anytime
National Development Planning Agency (Bappenas)	Indirect	Ensure the achievement of Indonesia's SDG	As regulator	anytime
Audit Board of the Republic of Indonesia (BPK)	Indirect	Ensure the CSR fund are used correctly right on target	As Auditor	Once A year
Local government	Direct	To accompany and supervise the implementation of CSR	As CSR Implementation Supervisor	When the CSR planned and executed
PT Pertamina	Direct	Ensure the CSR programme planned and running well right on the target and regulation	As CSR Implementer	From the start to finish of the CSR programme
NGO	Indirect	Observe the implementation and the impact of CSR	As Observer	When the CSR executed
Indonesia Citizens	Direct	Get Education and Health Benefit from CSR programme	CSR Programme Beneficiary	When the CSR executed

5. CONCLUSION

Based on the research that has been done, it could be concluded that the disclosure of SDGs in PERTAMINA CSR Program is still deficient. Reason for deficiency is due to implementation CSR program of Pertamina that has not been evenly distributed to all regions in Indonesia but only in affected areas. This research has implications for companies to pay more attention to SDGs indicators that have not been achieved and try to map out CSR implementation that supports SDGs and links them to business activities. Then, the government should help provide guidelines that are still not maximally implemented by companies, and the government could appreciate companies that have supported SDGs with reward. Based on the public value analysis, the role of central government, local governments and NGOs are needed, to maximize the implementation of CSR programs.

This study has two limitations. Firstly, this is limited to evaluate two goals out of seventeen Sustainable Development Goals based on the secondary data provided by PERTAMINA. Second, the fact that this study is fully from secondary data. Future research is recommended to use all seventeen goals of SDGs. PERTAMINA should having continues evaluation from the beneficiary corporate sectors in Indonesia for a more extended period so that more comprehensive information could be obtained. Besides, it is hoped that future research would not only use secondary data (annual report and sustainability reports) but could also use mixed research with additional primary data to support research results, one of which is by conducting in-depth interviews with company managers per sector related to the company's CSR report activities. Researchers would get more detailed data to help determine the company's long and short-term CSR activities and be aligned with the SDGs.

REFERENCES

- [1] Djatmiko P, Nugroho SBM, Impact Non-Oil and Gas Exports and Oil and Gas Exports on The Position of Indonesia Foreign Exchange Reserves, in *Business and Economic Education Journal*, 7 (8), Indonesia (2019)
- [2] Nuswantara DA, Pramesti DA, Corporate Social Responsibility Regulation in the Indonesian Mining Companies, *Journal of Asian Finance, Economics and Business* Vol 7 No 10 (2020) 161–169, Korea (2020)
- [3] Bappenas, Indonesia's Serious Commitment to Implementing Sustainable Development Goals 2015-2030, Press Release, Indonesia (2017)
- [4] Tjokrosaputro, M. The Roles of CSR and Marketing Ethics in FMCG Company's Reputation During the

Covid-19 Pandemic Atlantis Press (174):379-385 (2021)

- [5] Ghozuan, A. Y., Corporate Social Responsibility (CSR) Program and Implementation New Normal Era. *International Journal of Innovation Review* 1(1):21-28. (2020)
- [6] United Nations Development Programme, *The Sustainable Development Goals (SDGs), The Sdgs In Action*, USA (2020)
- [7] Rosalia GC, Identifying determinants of CSR implementation on SDG 17 partnerships for the goal, *Cogent Business & Management* (2020), 7: 1847989, UK (2020)
- [8] Rozmi, A. N. A., Nordin, A., & Bakar, M. I. A, The perception of ICT adoption in small medium enterprise: A SWOT analysis, *International Journal of Innovation Business Strategy*, 19(1), 69-79 (2018)
- [9] Wu, Y, The marketing strategies of IKEA in China using tools of PESTEL, Five Forces Model and SWOT Analysis, *International Academic Conference on Frontiers in Social Sciences and Management Innovation*, Beijing, China (2020)
- [10] Mostafa Ali Benzaghta et al, SWOT analysis applications: An integr T analysis applications: An integrative literature review, *Journal of Global Business*, South Florida (2021)
- [11] Sami, A., et.al. Systematic Review of Public Value *Journal of Public Value and Administrations Insights* 1(1):1-6. (2018)
- [12] Blanes, R. Smart policy for public value: strategic management in public sector reform, Thesis, UK (2017)
- [13] PERTAMINA, Pertamina Sustainable Report 2019, Indonesia (2019)