

Self-Managing Procurement of CSR to Achieve Good Corporate Governance and Sustainable Development Goals: Case Study of Cash-Intensive Work Program

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Abstract. Procurement guidelines must be efficient and effective to provide goods/services that can be measured in terms of quality, quantity, time, cost from budget planning, and their realization. The current self-managed procurement guidelines are inadequate and generally simple in both Ministries/National Institutions/Local Governments/Companies/Organizations, therefore detailed guidelines need to be developed holistically and consistent with certain steps. This research is designed to build a technical guideline for the procurement of self-management to become a benchmark that can be used by various stakeholders, especially State-Owned Enterprises (BUMN) in the implementation of community empowerment. The methodology used is descriptive qualitative with a case study on Corporate Social Responsibility in the Cash-Intensive Work Program for infrastructure work with the focus of comparative case studies on self-managing procurement methods, especially type IV and direct appointment in organizing cash-intensive work activities as community empowerment program in order to produce the best technical work instructions in order to realize good governance avoids operational constraints. In order to understand in-depth analysis, comparisons are made with direct appointments procurement as procurement that is often used in CSR activities. In conclusion, The self-managing procurement recommendations are significantly increasing collaboration between stakeholders, synchronizing knowledge transfer for social capacity, creating job opportunities to reduce unemployment, and encouraging integration to develop local infrastructure as a shared responsibility to achieve SDGs with Good Governance.

Keywords: Procurement Self-Management, Community Empowerment, Cash-Intensive Program

1 Introduction

The emergence of the pandemic Corona Virus Disease (Covid-19) in Indonesia until now had a wide impact, with no exception in the field of employment nationally. This impact significantly increases the unemployment rate based on data reports of the Indonesian Ministry of Labour Republic of Indonesia [1]. Based on Indonesian Central Statistics Agency [2] data since the Covid-19 outbreak from March 2020 to March 2021, there are 29,120,440 people (14.28%) affected due to the Covid-19 form 203,972,460 total working-age population and may increase in the future (illustrated below). Many workers in the city both skilled and

semi-skilled lost jobs and migrate to their hometown because of delays and or stopped as a global effect of this phenomenon. These workers will be hopeful of accepting any halal work, even with lower-than-expected wages in order to survive.

Table 1. Covid-19 Impact on Citizen Working Age Population by Gender and Territory

No	Description (Due to Covid-19 Situation)	Gender		Territory		Total in each (Gender/Territory)
		Male	Female	Cities/ Sub urb	Village/ Countryside	
1	Impact on Unemployment	1.660.439	902.091	1.994.561	617.969	2.562.530
2	Impact on Working Generation Age	234.680	522.894	529.069	228.505	757.574
3	Impact on Not-Working in Temporary	1.094.545	678.215	1.269.177	503.583	1.772.760
4	Impact Working-hour Reduced	14.757.205	9.270.371	16.819.435	7.208.141	24.027.576
Total		17.746.869	11.373.571	20.562.242	8.558.198	29.120.440
Working Age Population		101.957.262	102.015.198	115.822.856	88.149.604	203.972.460
Percentage		17,41%	11,15%	17,75%	9,71%	14,28%

A synergy of governments, business actors, and philanthropies has to support them and put attention to involving a community empowering activities as a social safety net program. This action plan reflects the Sustainable Development Goals (SDGs) agenda of the 5Ps targets: People (Humans), Planet (Earth), Prosperity (Economy), Peace (Harmony), and Partnership (Alliance) which are interrelated with each other. One of the activities such as cash-intensive work programs that focus on developing public infrastructure or facilities with utilize of natural resources, labor, and local technology. It can be constructed with the purpose of accelerating the recovery of the economic life of people affected and increasing economic resilience by optimizing local potential to generate a productive activity. In accordance with Regulation Indonesia Ministry of State-Owned Enterprises Republic of Indonesia [3], State-Owned Enterprises can provide benefits for economic, social, and environmental development that contribute to the creation of shared value with the principles of integrated, directed, measurable, accountability in the form of Corporate Social Responsibility (CSR) to create self-reliance in the community.

Based on social mapping trends held by State-Owned Enterprise (BUMN) showed that CSR programs received much advice from the community to improve inadequate physical infrastructure such as repairing irrigation canals, supporting educational & sports facilities, accessing local village roads, and other public facilities with cash labor-intensive mechanism implementation. However, there are different views between companies and the community regarding the importance of CSR programs which are considered important by the community but are not necessarily considered important by the company. This implies that the community is not seen as an important and strong stakeholder by the company which can trigger conflicts in the future [4].

Therefore, the importance of the role of local governments as local regional authority institutions and companies carrying out Planning and Development Deliberations (*Musrenbang*) activities to carry out social mapping as steps for preparing CSR programs with bottom-up planning [5], supported by documentary evidence, and strengthened by data analysis can determine priority scales in order to determine community empowerment program arrangements aimed at increasing stakeholder participation and capacity in all steps:

starting from preparation, implementation, monitoring, reporting, to evaluation. In addition, the community as stakeholders hopes that all parties play a role in realizing their vision and mission in a sustainable manner in order to build trust in making and implementing community development policies in accordance with legal, public interests, and benefits to the community [6].

The State-Owned Enterprises and or Private Companies usually used Procurement to accomplish Corporate Social Responsibility. One of the procurement methods consider to be aligned with community empowerment is Self-Managing procurement. According to the National Public Procurement Agency's regulations [7], Self-Managing in particular type IV is procurement that is planned by the Ministries/National Institutions/Local Governments/Companies/Organizations in charge of the budget holder but suggestions, implementations, supervision held by Community itself. Self-managing procurement is independent in nature with direct participation by involving the community which is required in form of an agreement under cooperation between the stakeholder which has the capability and capacity.

Self-Managing Procurement can be used in facilitating cash-intensive work activities in order to build infrastructure needs that are efficient, effective, and useful to advance social conditions, strengthen economic competitiveness and create productivity. This activity can be promoted with the collaboration of practices so that the duplication transfer of knowledge increased between individuals to contribute to society. This is in line with the Sustainable Development Goals (SDGs) in Social Pillar which aims to strive to achieve basic human rights in the form of quality living standards in a fair and equal manner for the improving welfare, and Economic Pillars aim to achieve sustainability through inclusive job opportunities to supported by partnerships with creating shared values [8].

Unfortunately, the technical instructions of Self-Managing Procurement are not adequately explained specifically when implemented in organizations. Of course, this needs to be created to fulfill the SGDs Legal Pillars with showed certainty, effective, transparent, accountable, and participatory governance. Furthermore, an organization that has strong governance must have responsibilities and discipline principles that refer to fairness, social awareness, independence, transparency, and business implementation performance [9]. So that the technical guidelines from Self-Managing Procurement based on good governance are expected to provide a consistent, comprehensive, and easy implementation. Furthermore, the final plan of the exit strategy can be prepared to achieve its independence based on the background of this problem.

The author makes detailed technical instructions the implementation of self-managed procurement, especially for type IV which has cooperation in the form of a CSR program with community groups that can be a reference and used for various organizations, especially State-Owned Enterprises based on the elements of Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis between the implementation of Self-management and Direct Appointment procurement for comparative study.

2 Method

This research is descriptive qualitative with the focus of comparative case studies on self-managing procurement methods, especially type IV and direct appointment in organizing cash-intensive work activities as community empowerment program in order to produce the best technical work instructions in order to realize good governance avoids operational

constraints. Data collection from pre-interviews, pre-observations, and pre-review documents by authors who have been directly involved in the CSR handling program as a Public Relations Field in one of the State-Owned Enterprises located in Central Java with Conceptual framework fig. 1:

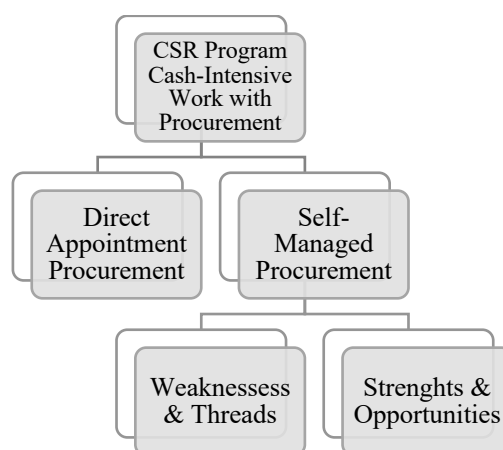


Fig. 1. Logical Framework

3 Result

Many institutions, especially State-Owned Enterprises commonly use methods of procurement to implement CSR programs with certain strategies and criteria predetermined prior to reaching an agreement on specifications, quantities, prices, and time. This is usually done to overcome operational problems due to limited personnel and time to carry out programs that have been prepared or to require urgently and specific needs. A direct appointment particularly was preferable because it is easier and faster without a tender process which takes a period of time and a long steps process considers technical negotiations and certain conditions.

However, this procurement activity must still be guided by the mandatory procurement procedures for goods/services that meet 7 (seven) basic principles; effective, efficient, transparent, openness, competitive, fair/ non-discriminatory, and accountability. Moreover, the aim of all activity must: 1) Producing appropriate goods/services from every money spent, measured in terms of quality, quantity, time, cost, location, and provider; 2) Increase the use of domestic products; 3) Increase the participation of Micro, Small, and Medium Enterprises; 4) Increasing the role of national business actors; 5) Support the implementation of research and utilization of research goods/services; 6) Increase the participation of creative industries; 7) Promote economic equity; 8) Encouraging Sustainable Procurement [10].

The direct appointment method is nowadays considered irrelevant if refers to State-Owned Enterprise regulations, that the institution should commit to the Sustainable Development Goals (SDGs) through CSR programs with systematically and integrated to promote excellence and local wisdom and stakeholder aspiration to ensure the successful implementation and focus on achievement according to priorities as considered. A few steps such as planning, implementation, supervision, monitoring, and evaluation must comply with

laws and governance applied besides a few guidance like ISO 31000 about Risk Management and ISO 26000 about Social Responsibility.

Focused on ISO 26000, guidelines explained how businesses must operate in a responsible, ethical and transparent manner in accordance with good governance that contributes to improving the quality of life and welfare of the community with the formulation of CSR principles contained in 4-frameworks, including: 1) Focus on social responsibilities ethics and principles, such as accountability, transparency, ethical behavior, stakeholder interests, rule of law, norms, and human rights; 2) Concentrate on core topic knowledge and social responsibility, such as organizational governance, human rights, labor practices, the environment, fair business practices, consumer issues, and community engagement; 3) Focus on stakeholders in building trust, partnership, participation, accountability and mutual benefit among stakeholders; 4) Focus on community targets who are actively involved in the planning process, who is involved, and how they are involved because the community knows about the conditions in their environment [5].

According to pre-observation and interview, the fundamental problems in the direct appointments procurement are the lack of involvement of external stakeholders representatives (local community) that sometimes presents many obstacles: direct point mechanism is disproportionate, the provider of goods & labor needed are not domiciled around the community, not in accordance with the aspirations/ needs of the government and the community, not well socialized related to the steps [11]. In order to avoid those problems and practice good procurement in CSR, self-managing procurement has been built as a solution to answer the stakeholder's demands related to being ethical, and deny unethical conduct that may occur in the direct appointments procurement [7].

A few actions are categorized as unethical conduct such as; corruptive behavior, conducting a tender conspiracy, providing incorrect information about raw materials characteristics and quality of a product, conducting unfair competition, hiding actual assets in order to avoid/ reduce taxes, paying wages of workers below the minimum standard [12]. In addition, typical corruptive behavior problems in a direct appointing process explicitly are the price preparation process ranging from OE (Owner Estimated) that does not match the market price, documentation absence, incomplete document requirements, and the indication of additional costs (mark-ups) that will become problems in the future [13]. While the cause of corruptive behavior in the procurement of goods/ services, namely; authority abuse, bribery, embezzlement, forgery, extortion, nepotism, favoritism, self-ownership, commission acceptance, position/ authority, illegal donations/ contributions [14].

Compared to a direct appointment, self-managing procurement has a significant opposite groove. The CSR governance concept of self-managed also in line with the CSR objectives in realizing sustainable economic development in order to improve the quality of life and the environment in a way that benefits the business, the local community, and society in general, which relies on the following requirements: maintenance of the environment (ecological integrity), fulfillment of basic economic needs (human needs), social justice (social equity), and opportunities for self-determination. In other words, sustainable development requires protection and partiality for the poor/ vulnerable, including local communities, democratization, transparency, and protection of environmental functions.

Self-management procurement Type IV criteria in fulfilling the provision of goods/services, especially in State-owned enterprise for CSR activities has implementation based on a proposal, requiring the participation and supervision of the local community as a form of empowerment which is usually carried out in rural areas in the form of providing/building infrastructure for community needs which is supported by the company

itself with the following criteria: 1) Implementing self-management which is known and confirmed by officials carried out in the village/districts including the neighbors and or community committee (RT/RW), youth organizations (Karangtaruna), prosperous family trustees (PKK), village-owned enterprises (BUMDes), traditional cultural institutions, village community resilience institutions and or community empowerment (LKMD/ LPM); 2) the implementer of self-management has a Secretariat Office with the correct address and clearly domiciled in the vicinity of the implementation of the activity; 3) Self-management implementers have the ability to implement or provide goods/services which are self-managed [15].

Furthermore, the procurement of self-management has steps that are structured, coherent, integrated with each plan to be agreed upon, and complied with by all parties involved in its implementation, both internal and external stakeholders. In addition, the cooperation built between participants in the procurement of self-management involves several teams, such as the Internal Team: The Public Relations Team carries out technical preparations, implementation of activities, and drafts contracts as well as daily monitoring plans; The Civil Engineering Team reviews the required specifications and conducts supervision based on quantity and quality, the Finance Team starts the availability of capital and oversees the budget and costs, the Internal Auditor conducts an audit as an independent supervisor to initiate risk management activities. In addition, the involvement of external teams includes the Independent Research Institute in conducting social mapping, local stakeholders/governments, and the community to carry out planning, determining organizers, implementation activity, and monitoring evaluation.

Fig. 2 and fig. 3 show a comparison of the implementation and monitoring procedures for Self-management procurement Type IV and direct appointment procurement to determine which method is optimal for achieving Good Corporate Governance and Sustainable Development Goals:

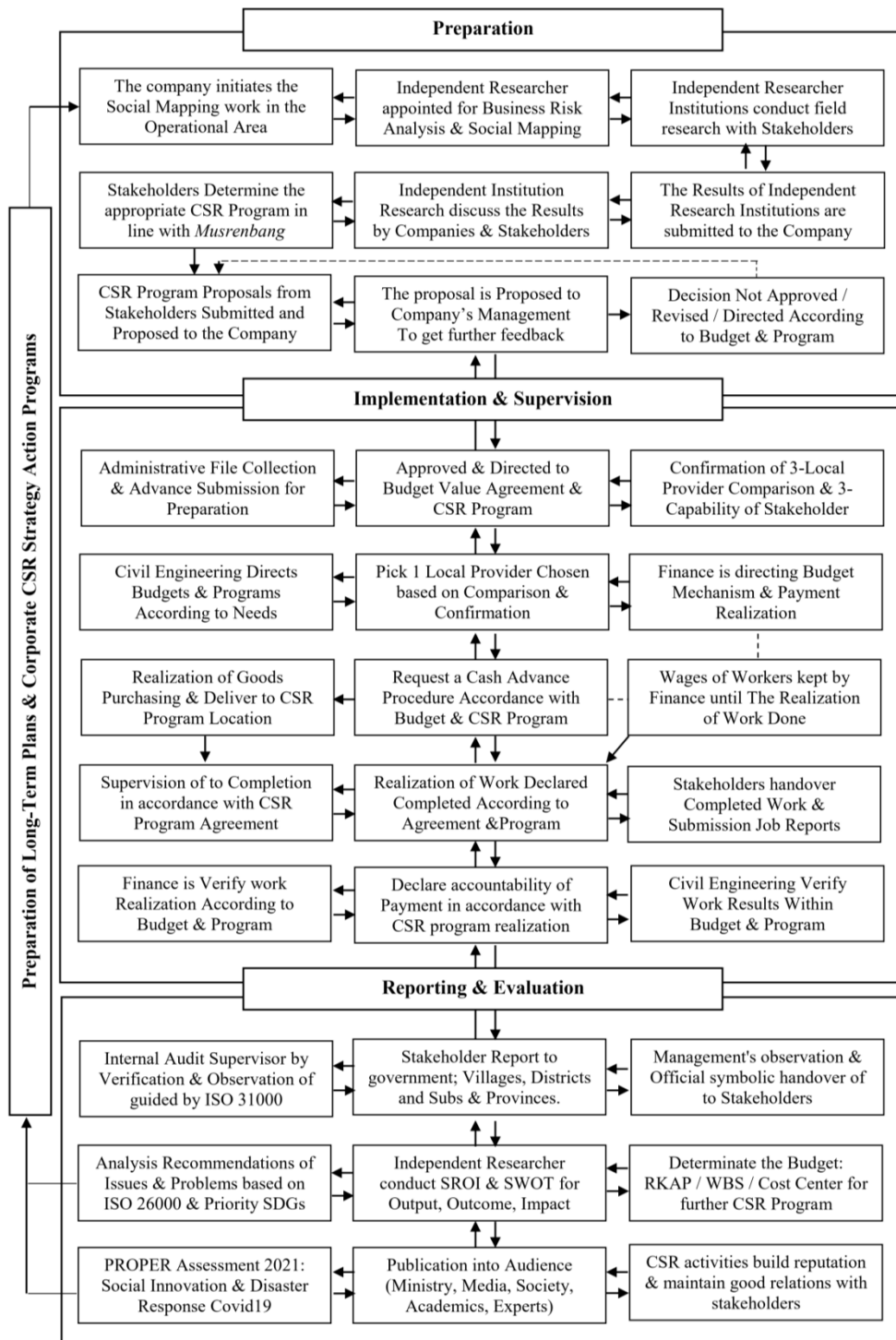


Fig. 2. Technical Implementation the Procurement of Self-Managing

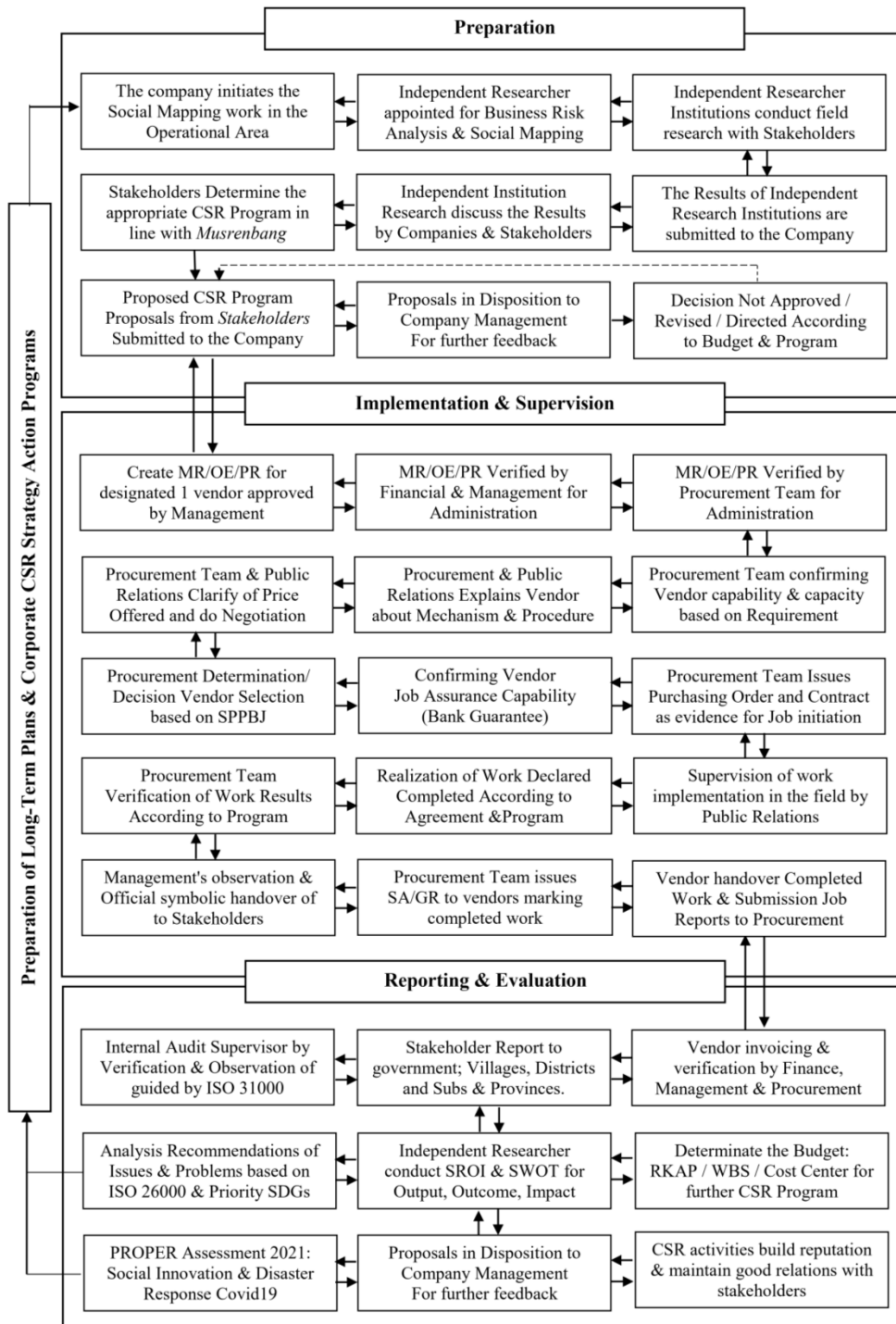


Fig. 3. Technical Implementation the Procurement of Direct Appointment

Based on the impact analysis and outcome comparisons, the implementation of cash-incentives work with Self-Management Procurement, as opposed to direct appointing, is as follows:

1) **Strength:** The occurrence of collaboration, integration, synchronization, and synergy between stakeholders (government, companies, local community) in conducting community empowerment as evidence of shared responsibility and adherence to the laws and regulations in accordance with the obligations to create economic welfare and socio capacity of each participant. In this part, the necessary initial official agreement of stakeholders to present and explain detailed activities to reach consensus in Local Planning and Development Deliberation activity (*Musrenbang*). Stakeholders can provide aspirations about the requirements, technical problems, and implementation procedures, projected issues will appear when the further implementation, then priority solution can be considered and decided in participatory and representative.

2) **Weakness:** Fixed cost planning although it has been agreed, will be possible arise a variable cost (cannot be predicted because of inflation for ex.), or labor costs can increase due to the extension of time work caused by weather or beyond expectation such as Force Majeure condition. The solution is there must be an early agreement and must be carried out in accordance with the agreed time frame targets although it is carried out at different locations according to the physical needs of local infrastructure. The notify of limitations reporting period of financial liability realization in accordance with the output of the budget amount used. This reporting deadline shall be reported divided into 4 -periods (quarterly) in the 1-year financial, if execute within 1 (one) year target settlement period. If any delays persuade punishment are given in the form of reporting to the highest stakeholders in the region, stopping or reducing assistance, and or even changing the instrument type of program.

3) **Opportunity:** The occurrence of the practice transfer knowledge, as well as the improvement of ability (upskilling) from unedible/unskilled to semi-skilled, then become skilled in the field of infrastructure among the community that can be the main or side livelihood job to improve the economic welfare of the family and economic independence that becomes an urgency because Indonesia will face the demographic increase in 2045 as well as an opportunity for beneficiaries in particular: a) Local stakeholders can build infrastructure independently with the results of quality and decent; b) Create jobs for the community affected to reduced open unemployment rate or potentially criminal behavior; c) The importance of developing labor capabilities to meet the competence and quality of infrastructure work and solution is need to carried out Shortcourse or training certification about technical guidance for the construction of building infrastructure, roads, and bridges as the key to achieving independence as exit strategy CSR plan.

4) **Thread:** Conflict of Interest from stakeholders (government, companies, and local communities) involved in the implementation such as a) Dispute of provider selection of goods, and the priority solution the early agreement must be chosen the best provider with a comparison price quotation in 3-criteria: the cheapest price, nearest of provider closest to the project, available stock; b) Dispute of participants selection who will finish the project, and the priority solution the early agreement must be made be chosen during *Musrenbang* activities with 3-criteria: poor/ vulnerable families, individual with unemployment but have perseverance and uneducated but willingness to learn; c) Dispute of budget amount for cash-

intensive programs implemented between communities in different areas due to diverse needs, and the priority solution the early identification based on social mapping and necessity must be discussed during *Musrenbang*. d). If in the future any unethical behavior occurred and proven has caused financial losses, law enforcement will be conducted in the form of reporting to the inspectorate and the police as a repressive action that can escort to criminal or civil consequences.

4 Conclusion

Outcome impact and recommendations result for cash-intensive work program with self-managing procurement based on SWOT analysis and comparison are:

1) Self-managing procurement guidelines are proven to be effective and efficient in complying with the principles of procurement of goods/services that involve community participation and create good governance in order to avoid corrupt and unethical behavior. So that the technical guidelines in the results of this research can become a benchmark that consistently might be applied in organizations especially State-Owned Enterprise in implementing community empowerment while creating shared value alignment with good governance.

2) Self-managing procurement in the Cash-Intensive Work program becomes one of the solutions for community empowerment during the covid-19 pandemic that can create partnerships, increase collaboration between stakeholders, synchronize knowledge transfer for social capacity, create job opportunities to reduce unemployment, and encourage integration to develop quality infrastructure. Besides pursuing the economic welfare and social capacity by providing decent work to grow peace, justice, and strong institutions according to the SDGs.

3) Self-managing procurement needs to be clearly socialized to all staff to be easy to understand and become an option to implement (applicative) related to processes and procedures, especially for cash-intensive work. The improving standard competency/ability of human resources implementers must be required and the obligation to provide training/courses is needed to increase knowledge and readiness to avoid obstacles and avoid unethical behavior that will occur in the implementation.

4) Self-managing procurement procedure needs to be frequently evaluated after the project is finished. Furthermore, the CSR components of output (the given amount), outcome (the level of change), and impact (measurement of monetization) need to be calculated with Social Return on Investment (SROI) method to measure the targets and indicators through social, environmental, and economic values to decide further acceleration, prevention, or termination actions will be taken.

5) Self-managing has aimed to prevent unethical conduct in a curative way. If in the future any kind of fraud happened that proven cause of financial losses, administrative punishment or law enforcement needs to conduct that can escort to criminal or civil consequences with steps in the order given by persuasive, repressive, and coercive.

In essence, community empowerment programs must be able to realize sustainable strategic action decisions in the face of any situation with adopting the principle of sustainable development on policy strategies, programs, and activities to encourage the mindset of self-reliance (entrepreneurial) and all knowledge-based capital both internal and external. Strategic policies, programs, and activities must be guided by 6-principles of Good Governance according to Addink [16]: 1) Propriety, unwritten principles on the importance of aspects; equality, proportionality, prudence, reasoning, the principle of belief, legal certainty, prohibition of arbitrariness and abuse of power; 2) Participation, active involvement in the collective process; 3) Transparency, the disclosure of information aims to increase trust; 4). Accountability, the relationship between actors and forums that have an obligation to explain and justify their behavior; 5) Human rights, not only subjective rights of individuals but also obligations for all persons; 6). Effectiveness, appropriate policies, and timely that answer needs based on clear objectives, able to provide future projections through past experience in achieving the SDGs.

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