Relational Capability and Commitment of Extractive Industry Corporate Social Responsibility (CSR) Programs: A Case Study on A Geothermal Company in Sukabumi Regency, West Java

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Abstract
Corporate Social Responsibility (CSR) programs in extractive industries in Indonesia, which grew rapidly in the post-New Order era, can be seen as a means to develop local communities. However, such programs tend to be unilateral (one-sided), and leading to problems, because they often do not represent the expectations and needs of local communities. Previous studies about unilateral CSR in extractive industries categorized the programs into two types according to their substances: CSR as charity and CSR as mandatory. This article rejects both categories, as they do not optimally develop the local community. This article argues that the justice in CSR programs in extractive industries, as a means to develop local communities, can be achieved through relational capability and commitment. This article is written based on a the qualitative approach and conducts a case study on the CSR program of a geothermal company in Sukabumi Regency, West Java, Indonesia.

Keywords: relational capability; commitment; CSR; extractive industry; Sukabumi
INTRODUCTION

Corporate social responsibility (CSR) programs in extractive industries in Indonesia, growing in the post-New Order era (Kemp 2001; Achda 2006; BWI 2010), can be meaningful as one of the means for local community development. This refers to at least two of the functions of extractive industries, namely the fulfillment of mandates related to contributions to the development of local communities\(^1\) and ethical accountability for negative social externalities\(^2\). Negative social externalities in extractive industries are detrimental to local communities, especially due to the degradation in the living conditions of communities in the aspects of human rights and environment (Hilson 2002; Utting and Ives 2006; Kemp et al. 2010; Kemp and Owen 2013).

As one of the means for local community development, CSR programs in extractive industries with a unilateral (CSR programs dominated by the personal interests of the corporation) nature tend to be problematic. In most extractive industries in Indonesia, for example, this phenomenon makes CSR programs in extractive industries perceived as a means to improve corporate image, without equitable development of social and environmental performance (Kiroyan et al. 2010). There are at least four effects. The first is the indication of corruption due to non-transparency of fund disbursement related to CSR programs (see AntaraNews, 20 February 2015; Tempo, 1 September 2015). Second, the indication of greenwashing\(^3\), which is a no-no in CSR discourse. Third, non-governmental organization (NGO) activism related to justice in CSR programs for local communities (see BWI 2010; Huda and Dahkelan 2013). Fourth, resistance from local communities through protests and conflicts (see Republika Online, 12 April 2010; Manado Post Online, 25 August 2016).

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\(^1\)Examples are found in Law No. 22 of 2001, Law No. 4 of 2009, Law No. 21 of 2014, Law No. 40 of 2007, Regulation of the Minister of State Owned Enterprises PER-05/MBU/2007, and the Ministry of Environment’s Company Rating Evaluation Program (Proper)

\(^2\)Social externalities are the consequences of business activities on social capital and the quality of life of others—if the social externalities are negative, the forms of the consequences are negative as well (Costanza et al. 2007; Phelan et al. 2017)

\(^3\)Greenwashing is the misalignment between actual performance and the industry’s publicity about pro-environment behavior (Hamann and Kapelus 2004; Hilson 2006; Delmas and Burbano 2011). There are many industries in Indonesia that spend large amounts for pro-environmental advertising that exceeds their actual performance (Kiroyan et al. 2010)
Previous studies of unilateral CSR can be categorized into two types based on substance, namely CSR as charity and CSR as mandatory. As a form of charity, Humphreys (2000) explains the objective of extractive industries as maximizing shareholder profits. He also explained the changes in the context in society related to social and environmental issues that could impact on extractive industries. Slightly different from Humphreys (2000), Hamann (2003) adds regulatory pressures to the extractive industry on social and environmental issues—based on a case study in South Africa. Related to CSR programs, Humphreys (2000) and Hamann (2003) describe the programs in the extractive industry from a business perspective, that is, as a competitive advantage for being capable of responding to social and environmental issues concerning the industry. In addition, Gomes et al. (2014) and Mandina, Maravire, and Masere (2014) measure the success of CSR programs in extractive industries for profit. Gomes et al. (2014) describe the effect of CSR programs on extractive industries on business performance, while Mandina, Maravire, and Masere (2014) does the same on the image of the industry. CSR in extractive industries leads to the prioritization of commercial interests, not the principle of equality with local communities, allowing for a distinctive condition between the industry and the local community.

Regarding mandatory CSR, a study by Gopalan and Kamlnath (2015) on the implementation of CSR in India explained that the government of India set a regulation on extractive companies to set aside 1% of their profits for CSR programs. According to them, replicating the formalistic profit margin is important for many countries to force extractive industries to contribute effectively to eradicate the economic gap. In contrast to the case in India, different conditions were shown by Samy, Ogiri, and Bampton (2015) regarding the absence of national policies on CSR programs in extractive industries in sub-Saharan Africa and Andrews (2016) on the role of the state and the regulation of CSR programs on extractive industries in Ghana. These two case studies in Africa have a similar conclusion, namely the absence of regulation leads to differences in the interpretation of CSR programs between extractive industries and local communities, which often leads to harm to the communities. CSR in extractive industries tends to be procedural, instead of substantial as a form of responsibility for negative social externalities, and fulfilling regulation becomes the primary goal in conducting CSR programs in those industries. As a result, CSR does
not prioritize collectivity with local communities. CSR, both as charity and mandatory, often fails to represent the hopes and needs of local communities, thus it has not optimally contributed to development.

Different from the two categories of study above, this article argues that the achievement of the meaning of justice in CSR programs in extractive industries, as one of the means of local community development, is done through relational capability and commitment. In this study, the definition of relational capability is the substance of CSR programs in extractive industries extending freedom for local communities to the inclusion process through three aspects: network integration, affective attachment, and decision-making. Meanwhile, the definition of commitment is the CSR program in the extractive industries representing the act of giving priority to the common good, especially in relation to the local community.

RESEARCH METHOD

This article is written based on the results of a study using a qualitative approach to explore the complexity of CSR program dynamics in extractive industries in Indonesia as one of the means for local community development, using a case study. The case is of the CSR program of a geothermal company in Sukabumi, West Java. The data collection of this study uses in-depth interviews, observation, document tracking, and literature study techniques. In-depth interviews were conducted with the main beneficiaries of the company’s CSR program—representing the local community—consisting of fifteen informants from local government officials (village officials, RT/rukun tetangga heads), local organizations (heads of consortium organizations, paramilitary organization, corporate groups), and traders, farmers, and youths in the three villages affected by the company’s activities.

CORPORATE SOCIAL RESPONSIBILITY (CSR) IN DEVELOPMENT IDEAS

A variety of development ideas can construct discourses of CSR. In that context, CSR is based on the no-longer-autonomous assumption in the form of a program, but also about “how to define industry, define the allocation of industrial responsibilities, define relations between the state, industry and society related to development strategies, and define the meaning of development” (Broomhill 2007; Secchi 2007; Guarini
Discourses about CSR are not only focused on studies directly pertaining to industrial social responsibility, but are multidimensional (Secchi 2007). There are four developmental ideas that can construct CSR discourses, namely neoclassical, Keynesian, basic needs approach, and human development. The neoclassical and Keynesian CSR approaches tend to be unilateral. In both approaches, the industry is defined as part of a mechanical economic system, with the main behavior of maximizing profits (Broomhill 2007; Secchi 2007). Meanwhile, through the basic needs and human development approaches, CSR discourses tend to be constructed relationally. In both, the industry is no longer defined in a mechanical framework, but as interdependent with its complex environment (Secchi 2007; Guarini 2012; Oppong 2016). Nevertheless, these four development ideas have their own development strategies and meanings that have implications for different implementations of CSR programs.

Table 1. Comparison of CSR in Development Ideas

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Neoclassical</th>
<th>Keynesian</th>
<th>Basic Needs</th>
<th>Human Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea of industry</td>
<td>Mechanical</td>
<td>Mechanical</td>
<td>Interdependent</td>
<td>Interdependent</td>
</tr>
<tr>
<td>Allocation of industry responsibility</td>
<td>Economic system</td>
<td>Economic system</td>
<td>Depends on type of relations</td>
<td>Depends on type of relations</td>
</tr>
<tr>
<td>Development strategy</td>
<td>Economic development; Freedom of industry movement</td>
<td>Economic development; State role in responding to market failure</td>
<td>Expanding social services</td>
<td>Expanding capability</td>
</tr>
<tr>
<td>Meaning of justice and well-being</td>
<td>Utility; Economic well-being</td>
<td>Utility; Economic well-being; State intervention of market</td>
<td>Fulfillment of basic material needs</td>
<td>Freedom to function; Equality outcomes</td>
</tr>
<tr>
<td>Construction of CSR discourse</td>
<td><strong>Unilateral</strong> (charity)</td>
<td><strong>Unilateral</strong> (charity or mandatory)</td>
<td>Relational</td>
<td>Relational</td>
</tr>
</tbody>
</table>

Source: Author’s analysis
This article places itself in the human development approach in the construction of CSR discourses. There are three reasons for this. First, this article seeks to transcend unilateral CSR programs in the extractive industries as one of the means of building local communities. It is not accommodated in CSR discourse construction based on the neoclassical and Keynesian approaches. Second, this article rejects the strategy and interpretation of development in the basic needs approach that implies a material justice preference in the implementation of the CSR program (see Oppong 2016). The preference for material justice does not guarantee a sustainability aspect in CSR programs because beneficiaries in such CSR programs tend to be dependent. Third, this article concurs with the idea of freedom in human development as a strategy and interpretation of development (see Sen 1999; Pieterse 2010). The preference for nonmaterial justice, such as freedom, is important for CSR programs to be inclusive for beneficiaries as a means of development (see Guarini 2012).

Relational Capability: Freedom of Inclusion Process

The concept of relational capability is based from Amartya Sen’s (2002) conception of capability in the idea of human development, which excessively raised the debate between individual preferences and collective decisions. The assumption of relational capability is that a development process that leads to a condition of justice and individual well-being can be achieved through collectivity (Renouard 2011; Giraud et al. 2013). Unlike capabilities that focus on individual freedoms, relational capabilities include collective freedom for being able to grasp the relational situation that prioritizes justice for the parties involved. The definition of relational capability is the freedom for individuals or groups to have an inclusive process in the collectivity (Renouard 2011; Giraud et al. 2013). Individuals or groups undergo a development process if freedom is extended.

In the context of CSR programs in the extractive industries, as one of the local community development tools, the process is considered just where local communities have the freedom to be included in CSR programs. There are three aspects of relational capability, namely network integration, affective attachment, and decision-making (Renouard 2011; Giraud et al. 2013). Network integration signifies the freedom to participate in vertical or horizontal networks; affective attachment signifies the freedom to cultivate constructive affections to the collectivity;
and decision-making signifies the freedom to represent collective interests making (Renouard 2011; Giraud et al. 2013). Based on these three aspects, the relational capability of CSR programs in extractive industries, as a means of local community development, requires inclusion of local communities through physical participation, positive emotional growth, and the process of determination for the sake of mutual benefit.

Commitment: Beyond Personal Interests

Commitment is Amartya Sen’s contribution to the idea of human development to expand the dimension of rationality of economic action. Sen first proposed a critique of the basic statements of economics about action—often defined as the fulfillment of personal interests. According to her, the meaning of the action is not incorrect, however, the scope of its meaning is too narrow (Sen 2002, Pettit 2005). Furthermore, for her, the meaning of the act does not correspond to reality because it does not provide a thorough evaluative framework of the variations of agency actions that do not always act for the fulfillment of personal interests as long as there is self-identification with the social (Sen 2002; Pettit 2005). Agencies do not merely act for the purposes of other agents, but may act on the basis of ethical preferences implicit in the social (Sen 2002; Pettit 2005). If we affirm economic action as the fulfillment of personal interests, it is difficult to explain economic aspects that are useful for the common good (Sen 2002; Pettit 2005).

Sen then (2002) extends the rationality of economic action into three forms, namely personal interests, sympathy, and commitment. For her, the three actions remain rational and are in fact more realistic. The personal interest is the action of the agent for the sake of own interests; sympathetic is the action of the agent for the benefit of others based on ethical preferences, which still includes personal interests; and commitment is an agent action that is purely based on ethical preferences or shared benefit considerations (Sen 2002; Pettit 2005). Variations in the dimensions of rationality of economic action are not merely images of the common good, but are still based on reality (Sen 2002; Pettit 2005). Sen denies that her proposal is a form of moral dogmatism. He simply desires more dialogue between the fulfillment of personal interests on the one hand, with ethical preferences on the other (Sen 2002; Pettit 2005).
In the context of CSR programs in extractive industries, commitment is important in order to pursue the meaning of development. That is, CSR programs are actions for the sake of ethical preference or mutual benefits. However, in line with Sen, when this study states the importance of commitment in the CSR programs of extractive industries, this article does not wish to be trapped in a certain moral dogmatism. The personal interest of CSR programs in extractive industries is not inherently wrong besides its constraining meaning. This article seeks more dialogue between fulfilling the personal interests of extractive industries on the one hand with the hopes and needs of local communities on the other based on ethical preferences.

**THE STRUGGLE FOR RIGHTS AND BLESSINGS IN MOUNT SALAK**

The dynamics of relationships between a geothermal company in Sukabumi Regency with the local communities is marked by the situation of struggle for rights and blessings. The company justifies the meaning of rights in the interests of its business, namely geothermal exploration. On the other hand, the existing local communities feel their right to life has been disturbed by the company’s business activities so that they want justice in the relationship. The situation of struggle is not only happening between the company and local communities, but also among local communities who are fighting for the blessing of the company’s presence. The CSR program of the geothermal company, however, stimulates local communities to fight for the “blessing” of the program.

The struggle for the rights between the geothermal company and the local community begins with the social externalities of the geothermal company. The externalities that are most influential to the local community are economy and environment, both having positive and negative influences. This externality also influences the different representations of local communities. For Kabandungan and Cipeuteuy Villages, which includes the area of intersection with the company, the externality of the economic aspect pertains to the increase of the informal sector due to the large number of outside workers staying in their area and in the environmental aspects concerning the impact of geothermal exploration due to its close proximity to the geothermal company (Head of Jamaskor, 13 January 2017). Meanwhile, for Palasari Girang Village, which does not belong to the area of intersection but is
exposed to operational channels, the externality in the economic aspect concerns the sentiment of lack of growth of the informal sector; and in the environmental aspect regarding the damage to residential and public buildings due to the mobility of trailers on the operational roads (Head of the Mount Salak Consortium, 21 January 2017). The existence of that externality signifies that unavoidable intersection between the geothermal company and the local communities.

The struggle for rights is increasingly felt with the existence of sentiment between the area of intersection and the area of non-intersection that is exposed to the operational routes of the geothermal company. The assumption of the polemic is the non-egalitarian stance of the geothermal company to the representations of the local communities, justified by the different distances to the site of operations. Although the disparity in determining the rights of different local communities is not unfamiliar, and may be part of the ring-setting discourse. The issue is that the villagers of Palasari Girang demand a more functional determination of rights, or rational calculation of negative social externalities, rather than determining rights merely by distance. The villagers of Palasari Girang are dissatisfied when the geothermal company prioritizes development in villages belonging to the intersection area, because they bear more burden of the negative social externalities of the geothermal company on a daily basis, such as trailers passing on operational routes that damage residential buildings (Head of the Mount Salak Consortium, 21 January 2017).

RELATIONAL CAPABILITY OF EXTRACTIVE INDUSTRY CSR PROGRAM

The first aspect of relational capability is network integration. It is characterized by the process of inclusion in the collectivity through physical participation. This means that in extractive industry CSR program, local communities should be given the freedom to participate in the program, from acceptance and participation without hindrance (vertical and horizontal) in the program, equal dissemination of

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4The definition of ring is the scope of extractive industries to fulfill the rights of local communities based on the administrative representation of local communities. Usually there are Rings 1, 2 and 3 (Prayogo and Hilarius 2012). Normatively, each ring characterizes disparities of benefit, with Ring 1 > Ring 2 > Ring 3 (Prayogo and Hilarius 2012). Ring determination is generally based on distance claims with the assumption that the closer the location, the greater the negative impact of extractive industry—Ring 1 is the area of intersection.
information about the program, protests (resistance) related to programs without repression, increased intensity of discussion with person in charge of the program, to learning from fellow local communities who realize knowledge and skills thanks to the program.

The issue of many community members being harmed and the presence of a dominant recipient group (a paramilitary organization and a long-standing group) in the CSR program narrow the freedom of local communities to participate in the program. For the community members, the main problem is that there is no clear standard of CSR program for the geothermal company, even perceived as politically charged as a means to obtain operational permission from the village government and only benefit certain groups of citizens. They also complained about the lack of discussions with the person in charge of the CSR programs, thus narrowing the freedom for local communities to participate in the program.

The dominant recipient groups, such as Gemah Ripah Baru and Jamaskor, do not think about these perceptions because they do not feel that a problem exists. The dominant beneficiary groups receive more benefit because the company is more responsive to proposals from members of the groups. They do not only receive CSR programs of the geothermal company, but also participate in needs discussions, program planning, and funding negotiations for the sustainability of the program. This condition is getting worse with the absence of transparency of realization of proposals, so that CSR programs cannot be controlled by the local communities. Only residents around the village office tend to gain more benefits in receiving CSR programs, because the joint programs between the village government and the geothermal company are conducted near the village office. In addition to local community participation in CSR programs, access to information on CSR programs is also minimal, although local community groups are able to disseminate information. In fact, there are indications that the dominant recipient groups are only disseminating detailed information about the program to its own members (Head of the Mount Salak Consortium, 21 January 2017).

The relationship between the geothermal company and the local community finds another challenge, namely the acquisition of management rights from the old company by a new company. At that moment, the informal sector in Kabandungan Village suffered from a decrease in income. In fact, CSR program proposals submitted by the

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village officials, which are usually quickly responded, remain unanswered (Head of the Village Community Empowerment Agency, 20 January 2017). Some villagers have regrets because the well-being of the local community is not considered at the moment, especially as they have an economic dependence on the geothermal company.

The freedom for local communities to participate in CSR programs of the geothermal company also means that local communities not satisfied with the program can protest against the company as a way of expressing their dissatisfaction (Head of the Mount Salak Consortium, 21 January 2017). One of the most intense protests occurred through Gema MMC, which was able to gather a number of residents from three districts (Kabandungan, Pamijahan and Kalapanunggal districts), forcing the geothermal company to hold a meeting to re-discuss its CSR program. However, the protests do not always run smoothly, especially when there are village officials and paramilitary organizations involved (Head of the Mount Salak Consortium, 21 January 2017).

In addition to the person in charge of the CSR programs of the geothermal company, in fact local communities can also extend freedom for fellow local communities to participate in the program. If CSR beneficiaries of the geothermal company realize knowledge and skills due to the program, and there are others who learn from them, the process has expanded the freedom to participate in the program. For example, the group Jamaskor had an intense training of vegetable growing for the daily consumption of its members (Head of Jamaskor, 13 January 2017). Some of its members realized the knowledge and skills of the training by planting vegetables in their yards, resulting in their neighbors learning to grow vegetables in their yards in turn.

The next aspect of relational capability is affective attachment. This means that in the CSR program in the extractive industries, as one of the means for local community development, it requires the freedom for local communities to foster constructive affiliation related to the program. In contrast to network integration that is oriented toward physical participation, affective attachment signifies the process of inclusion in collectivity through the growth of positive emotions. For example, trust related to CSR programs. In this study, the definition of affection is bounded by a causal relationship with the existing CSR programs. In CSR programs of the geothermal company, some of the things that allow local communities to grow constructive affections are the implementation of egalitarian and transparent programs, decreased intensity of program-
related protests (resistance), seriousness of the people responsible for implementing the program, improvement of knowledge and skills thanks to the program, direct and indirect programs, prioritizing locality in the program, and enhancement of program related rewards.

The limited freedom for local communities in accepting CSR programs of the geothermal company has a negative impact on constructive affection. For the community members who were disadvantaged, it is difficult for them to trust the program if the implementation is not egalitarian and transparent (Rental home owner, 19 January 2017; Head of RT, 21 January 2017). The political sentiment and divisive politics have an impact on the decreasing confidence in CSR programs of the geothermal company. The presence of dominant recipient groups, for example, is frightening to citizens when it culminates in social envy that leads to conflict among peers (Rental home owner, 19 January 2017). In this regard, there is a group of citizens who write an open letter for the geothermal company to stop practicing divisive politics (Head of Mount Salak Consortium, 21 January 2017). The mechanism of the CSR program of the geothermal company through proposal submission does not foster trust for many citizens. There are no transparent standards of writing, selection, let alone response to the proposals (Head of RT and Farm laborer, 21 January 2017).

In relation to the issues of CSR programs, the decreasing intensity of protests (resistance) can actually foster constructive affection in the local communities. Between 2010-2012, there were intense protests against the geothermal company related to its CSR program (Head of Mount Salak Consortium, 21 January 2017). In fact, there was some media coverage. However, citizens found themselves in a dilemma. The protest raised hopes that the geothermal company would evaluate its CSR program (Head of the Mount Salak Consortium, 21 January 2017). However, the protest also heightened the anxiety about possible conflict among fellow citizens (Rental home owner, 19 January 2017). Obviously the dominant recipient group defended the geothermal company. Residents who are afraid of possible conflict would have been happier had there been no CSR program of the geothermal company, which caused disharmony in the society (Rental home owner, 19 January 2017).

The person in charge for the CSR program of the geothermal company can also play a role in fostering constructive affection. If the local community is able to prove the seriousness of the party responsible for implementing the program, the trust on the program grows.
Unfortunately, many people find it hard to believe because they do not see the serious intentions of the geothermal company’s CSR program (Rental home owner, January 19, 2017; Food stall owner, 20 January 2017, Head of RT, Farm laborer and Head of Mount Salak Consortium, 21 January 2017). Their main complaint is that there is no persistent effort to reach the harmed community members in order to overcome the injustice of the program. The company does not even respond to proposal submissions, much less hold intense discussions about the program. Even in the identification of needs, some citizens remain under the radar of the geothermal company.

According to the dominant group of recipients, the freedom to grow constructive affection for CSR programs of the geothermal company is widespread as there is increased knowledge and skills thanks to the program. Head of Gemah Ripah Baru/Head of Pancasila Youth of Kalapanunggal (22 January 2017), for example, has now become an expert cattle rancher thanks to the geothermal company’s CSR program. Long story short, before receiving the cattle-breeding program, he only knew the traditional way to raise cattle. However, upon receiving the program, he became aware and skilled at the concept of sustainable cattle breeding, capital management, and market access mapping. He is even often covered by the media because of his success as a cattle rancher thanks to the CSR program of the geothermal company. Responding to his achievements, he believes about the sincerity of the geothermal company doing the CSR program for the development of the local community. Now he actively invites members of the paramilitary organization he leads to participate in the CSR program of the geothermal company.

Not only improvement of knowledge and skills, according to the dominant recipient groups, the freedom to grow constructive affection towards CSR programs of the geothermal company is widespread if the impact of the program is felt. That is, if the direct and indirect impacts of the program can be proven. For example, the Head of Gemah Ripah Baru/Head of Pancasila Youth of Kalapanunggal (22 January 2017) is very happy to be a cattle rancher and can help his neighbors through the utilization of biogas from cow dung. In fact, neighbors are also happy with the biogas, although it does not come directly from the CSR program of the geothermal company (Neighbors of the Head of Gemah Ripah Baru, 25 January 2017). Another example, the head of Jamaskor (13 January 2017) is delighted that his members can become cattle and goat farmers, make accessories from scraps, utilize biogas, and utilize vegetables
and medicinal plants independently thanks to the CSR programs of the geothermal company. Similarly, the neighbors are happy thanks to the presence of the group (Residents around Jamaskor, 18 January 2017). The reason is that Jamaskor is actively managing a waste depository, distributing free cattle and goat meat during Idul Adha, and building training and learning centers for children.

The element of locality also becomes one of the forms to foster constructive affection toward CSR programs of the geothermal company by dominant recipient groups. The sensitivity of the geothermal company to CSR programs that prioritizes locality is good for them. Thus, the belief in the program grew. The program of cattle breeding, for example, benefits the dominant recipients. As a result, they do the program with confidence and enthusiasm. Furthermore, according to them, participation in discussions of program needs and planning implies prioritization of local human resources, so that the process can generate more confidence in the existing program (Head of Jamaskor, 13 January 2017; Head of Gemah Ripah Baru/Head of Pancasila Youth of Kalapanunggal, 22 January 2017).

The CSR program of the geothermal company has received several rewards, so the dominant recipient group thinks it is the right reason to believe in the program (Head of Supervising Council of Jamaskor and Head of Jamaskor, 13 January 2017; Head of Gemah Ripah Baru/Head of Pancasila Youth of Kalapanunggal, 22 January 2017). Several awards for the CSR program of the geothermal company are four gold Propers from the Ministry of Environment and Forestry, Charta Peduli Indonesia 2014, Social Business Innovation Award 2016, and CSR Award 2016 (Radar Sukabumi, 29 December 2014; Republika, 25 November 2015; Warta Ekonomi, 25 August 2016, Sukabumi Ekspres, 24 December 2016). Not only the CSR program has received awards, the dominant recipients also often receive awards. Jamaskor, for example, has been awarded several times thanks to efforts to restore the forests in the Mount Halimun-Salak corridor (Head of Supervising Council of Jamaskor and Head of Jamaskor, 13 January 2017). Nevertheless, for the dominant recipient group, the reward does not only hold a symbolic meaning. Both the Heads of Jamaskor and Gemah Ripah Baru/Pancasila Youth of Kalapanunggal (January 13, 2017; 22 January 2017) prefer that the award be in the form of replication of the programs they run in other locations.

The last aspect of relational capability is decision-making. That is, in CSR programs in the extractive industries, as one of the means for
local community development, give the freedom for local communities to represent the collective interests in the program. Furthermore, local communities should have the ability and opportunity to make decisions for the common good in CSR programs in the extractive industries. It is crucial, in addition to the process of inclusion through physical and emotive involvement—marked by network integration and affective attachment—in order to eliminate the distinctive potential of the extractive industries and local communities in collectivity. As a result, the active participation of local communities grows to maximize CSR programs in the extractive industries as one of the means of development. Some of the things that allow local communities to be free to represent the collective interest in CSR programs of the geothermal company are enhanced managerial capabilities thanks to existing programs, uninterrupted delivery of aspirations and dialogue on programs (vertical and horizontal), and determination of program implementation by local communities.

Managerial ability is important as a capital for sustainability. If the local community is expected to manage the CSR program independently, the geothermal company needs to accompany the program with increased managerial capability—not just receiving the program or providing trainings about the form of the program. It has been proven by the Head of Gemah Ripah Baru/Pancasila Youth of Kalapanunggal (22 January 2017), for example, who thanks the geothermal company not only for providing training on the concept of sustainable cultivation, but also providing training on organization and leadership. As a result, it is very helpful when he leads Gemah Ripah Baru to independently raise cattle—with decreasing assistance from the geothermal company. Similarly, the Head of Jamaskor (13 January 2017) is grateful that the geothermal company has provided training on organizing to implement a program, so that he understand the process of planning up to evaluation for group sustainability. He admitted that such a training is urgently required because, after all, development in the region depends on the community, not other people including the geothermal company.

In addition to capacity building, there should be opportunities for aspirations and dialogue on CSR programs of the geothermal company. The point is that accessing the space for aspiration and dialogue must be completely free vertically and horizontally, thereby broadening the freedom for the local community to represent the collective interests in the CSR program of the geothermal company. Related to that, there are many complaints from the parties not obtaining benefits. For example, there
is a growing perception that to complaint against CSR programs of the geothermal company, mass protests (resistance) are required (Head of the Mount Salak Consortium, 21 January 2017). This is exacerbated with the lack of intensity of discussion with the person in charge of the program. Indeed, there is a village government program—part of Musrenbang—that is realized thanks to the geothermal company as a form of its CSR program (Head of the Village Community Empowerment Institute, 20 January 2017). However, it does not mean that the Musrenbang includes the aspirations of the people as a whole, especially when there is a dominant recipient group outside the context of the program along with the village administration (Head of the Mount Salak Consortium, 21 January 2017).

The local community really wishes to determine the direction of development autonomously, so that the CSR program of the geothermal company can be a foothold to realize that expectation (Head of Jamaskor, 13 January 2017; Head of Mount Salak Consortium, 21 January 2017). When the CSR program of the geothermal company began, the local community expected the program to facilitate the resources needed for development. However, as it progresses, there is a realization of the local community of the importance of not getting intervened too much in determining the direction of development. The Head of Jamaskor (13 January 2017), for example, realizes that development in the region depends on the community and not others, not even the geothermal company. It is important to give CSR program decisions to the local community, such as in terms of program format and program stages.

**COMMITMENT OF EXTRACTIVE INDUSTRY CSR PROGRAMS**

The commitment of CSR programs of extractive industries, as one of the means for local community development, defines its implementation not for the sake of personal interests, but for the fulfillment of the meaning of “means of development”. That is, the implementation of a program is not for profit and legal licensing only, but beyond both for the common benefit. Commitment is purely an agent action based on ethical preference or common benefit considerations, or in other meanings, a rational recognition of the good values prevailing in social membership (Sen 2002; Pettit 2005). In the context of the CSR program of the geothermal company, as one of the means for local community
development, there are two aspects that the local community hopes for about the relationship in relation to the industry, namely human rights and sustainable development.

The human rights commitment of the geothermal company’s CSR defines the responsibility for the disruption of living conditions due to the existence of the industry. Indeed, inevitably, the existence of the geothermal company has a social externality that affects the living conditions of local communities. The demarcation is between personal rights and the public. When the business activity of the geothermal company has disrupted the public sphere (in this context is the living conditions of the local community), the citizens expect a commitment to accountability through the CSR program (Owner of a Padang restaurant, 18 January 2017, Owner of a food stall, 20 January 2017; Head of RT, Farm laborer and Head of Mount Salak Consortium, 21 January 2017). In this regard, some of the basic expectations of the local community are: accountability for the damage caused to residential and public buildings, the quality of the environment, and the stability of the local community.

Related to the damage of residential and public buildings, the expectation for responsibility comes from residents who live along the operational lines of the geothermal company. For them, the CSR program of the geothermal company must be responsive, repairing the damage caused to residential buildings. The damage was not only the cracked walls of the house due to the mobility of trailers, but also the loss of the essence of the comfort of living in a home—which is a private property. Moreover, the trailer often damages public buildings such as roads, mosques, and schools. According to them, the geothermal company is less likely to maximize commitment to accountability. It often justifies its actions even when protested by citizens. For example, one of the residents claimed that the cracked walls in his house were never renovated or compensated, even though the geothermal company had come to review the condition of his house.

Local communities also want the geothermal company to commit to environmental conservation through their CSR programs. While the geothermal company is not likely to adversely affect health, water quality, and environmental quality in general, residents feel anxious about long-term environmental conditions. The cause is the fear of the impact of vibration of the geothermal company’s business activity—it feels like an earthquake when geothermal steam drilling occurs. It was most felt by residents who live in the area of intersection. According to one of the
residents, the geothermal company should have initiated the socialization of business activities and disaster mitigation efforts.

The last thing for the local community regarding the commitment of human rights in CSR programs is the creation of stability among the local communities, especially if they are in a struggle for the benefit of the program. Citizens tend to complain about it because of fear of conflict. Citizens expect commitment from the geothermal company in their CSR programs to be sensitive to the situation. Furthermore, the company should not merely focus on the benefit of the programs, but also how in reality the program can have the potential to break the harmony of the society (Rental home owner, 19 January 2017). In principle, in that context, the CSR program’s commitment is judged not from its purpose alone, which gives certain benefits to the local community, but also in the process: whether it interferes with the harmony of the local community.

The commitment for sustainable development in the CSR programs of the geothermal company means continuous efforts to improve living conditions. The CSR program of the geothermal company is enough to touch many sectors such as economy, infrastructure, education, environment, and culture—regardless of the dynamics and substance. In this regard, in principle, the local community hopes to function thanks to the CSR programs of the geothermal company, as well as to use the CSR programs of the geothermal company as the basis for determining development direction autonomously (Head of Jamaskor, 13 January 2017; Head of the Mount Salak Consortium, 21 January 2017). Some of the basic expectations of the local community regarding the sustainable development commitment of the geothermal company’s CSR program are comprehensive program planning for local communities and programs that go beyond the divestment process.

The presence of divisive politics and political sentiments in the CSR program of the geothermal company has made the people who do not enjoy the benefits doubtful about the program’s sustainable development commitments. For example, a CSR program related to infrastructure conducted around a village office does not satisfy a citizen (Rental home owner, 19 January 2017; Head of RT, 21 January 2017). According to them, it is more important to demonstrate a commitment to the CSR program of the geothermal company as a sustainable development effort, namely the Kalapanunggal-Cipeuteuy road that provides critical connection for local communities from one area to another—though the route is not part of the operational routes of the geothermal company. In
addition, comprehensive local community engagement in the discussions about needs or program planning is also important for the program to be clear in the sustainability and impact aspect—unlike previous experiences (Rental home owner, 19 January 2017).

Figure 1. Relational Capability and Commitment of CSR Program of Extractive Industries

Source: Data processed by author

A major challenge related to the sustainable development commitments of the CSR program in extractive industries is the acquisition or divestment process. The acquisition process of a geothermal company rights management greatly affects its CSR program. The Head of Jamaskor (13 January 2017), for example, although belonging to the dominant recipient group, admitted that he has not known the sustainability of the program along with the geothermal company when the acquisition issue broke out. Similarly, program proposals sent by the village officials had had no response from the geothermal company since the issue of acquisition spread (Head of the Institute for Village Community Empowerment, 20 January 2017). Some residents even regret as in the acquisition process the well-being of local community is not considered, especially as they have an economic dependence on the geothermal company directly or not (rental home owner, 19 January 2017; owner of a food stall, 20 January 2017).

TWO SCENARIOS: BENEFICIAL AND FUTILE

Achieving fairness of CSR programs in the extractive industries, as one of the means for local community development, is based on the analysis of relational capabilities and commitments, presumably depending on several factors that contribute to each other. There are
three factors that can be inferred from the data in the two previous sub-sections, namely responsible orientation, local community fragmentation, and sustainable social planning. All three factors are included as a practical category, or, the factors that do occur in the field. In addition, there are three further factors that also affect, namely global commodity prices, market structure, and profit sharing. These three secondary factors belong to the structural category, or, macro factors that indirectly determine the practical situation in the field.

The global commodity price and market structure factors are the reason for Chevron to release the management rights of its geothermal business unit in Indonesia, leading to an acquisition process that affects the geothermal company’s relationships with local communities. The company, which has a core business in oil, suffered from 76% profit depreciation in 2015 as the world’s oil price decline (2011-2016) (Tirto.id, 09 February 2017). It forced the company to refocus on its core business (Tirto.id, 28 October 2016). Moreover, there are other constraints faced by the company’s geothermal business units in Indonesia, namely the market structure such as the complicated negotiation of geothermal steam sales price to PT. PLN and the difficulty of getting a business permit related to the status of forests in Indonesia (Tirto.id, 28 October 2016). These two things are indeed a challenge for geothermal energy development in Indonesia (see Darma 2013; Lintas EBTKE 2017). In terms of geothermal steam sales, there is only a single buyer for electric power in Indonesia utilizing geothermal steam (PLTP), i.e. PT. PLN, and even that price negotiations tend to be complicated because the price is difficult to be competitive due to the existence of fossil energy subsidies from the government. In Indonesia it is difficult to obtain geothermal exploration permits in protected or conservation forests.

Furthermore, the geothermal industry’s revenue sharing factor is mandated for the economic growth of the country or region. The composition of geothermal non-tax revenues in Indonesia is set at 34% for Indonesia and 66% for the geothermal industry of the net operation income. Even with its 34% share, Indonesia will divide it again: 20% for the central government and 80% for local governments: 16% for province, 32% for the producing regencies/cities and 32% for other regencies in the province. Especially for Sukabumi and Bogor regencies, where the geothermal company is located, the amount of PNBP from 2012-2015 continues to increase—in2012 around Rp17 billion and in 2015 around Rp54 billion. In the beginnings of the development of
geothermal energy in Indonesia, the composition of PNPB was 46% for Indonesia and 54% for the geothermal industry. The change in the composition was assessed as a first step to improve the geothermal investment climate in Indonesia (Ministry of Finance, 11 June 2007).

Some of the above factors are opposed to each other and may affect the meaning of justice of CSR programs in extractive industries, as one of the means for local community development, based on the analysis of relational capabilities and commitments, as can be seen in two predictive scenarios. The prerequisites for factors that support the purpose of fulfilling the meaning of justice appear in the best scenario, while the opposite is shown in the worst scenario. Here are two tables showing the two types of scenarios:

<table>
<thead>
<tr>
<th>Table 2. Best Scenario: Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Factor</strong></td>
</tr>
<tr>
<td>Mechanical Interdependent</td>
</tr>
<tr>
<td>Orientation of person in charge</td>
</tr>
<tr>
<td>Fragmentation of local community</td>
</tr>
<tr>
<td>Sustainable social planning</td>
</tr>
<tr>
<td>Global commodity price</td>
</tr>
<tr>
<td>Market structure</td>
</tr>
<tr>
<td>Profit sharing</td>
</tr>
</tbody>
</table>

Source: data processed by author
Table 3. Worst Scenario: Futile

<table>
<thead>
<tr>
<th>Factor</th>
<th>Condition</th>
<th>Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orientation of person in charge</td>
<td>Exclusive structural, conceptual, and organizational capacity</td>
<td>Passive participation of local communities in the implementation of CSR programs</td>
</tr>
<tr>
<td>Fragmentation of local community</td>
<td>Local communities are fragmented</td>
<td>Destructive social process in the implementation of CSR program</td>
</tr>
<tr>
<td>Sustainable social planning</td>
<td>Planning a crude or unplanned CSR program for the long term for local communities</td>
<td>Local communities are dependent on implementing CSR programs</td>
</tr>
<tr>
<td>Global commodity price</td>
<td>The price of the core commodities of a lame or fluctuating business is likely to lose</td>
<td>Unstable extractive industry business activities</td>
</tr>
<tr>
<td>Market structure</td>
<td>Rigidly supports extractive industry movements in market mechanisms</td>
<td>Extractive industrial economics capital is minimal</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>Smoothly supports extractive industry movements in market mechanisms</td>
<td>Maximum extractive industry economic capital</td>
</tr>
<tr>
<td></td>
<td>The sharing of economic benefits of the country and the extractive industries of friction</td>
<td>Economic growth losses in the country and extractive industries</td>
</tr>
</tbody>
</table>

Source: Data processed by author

CONCLUSION

The relational capability and CSR program commitment in extractive industries have theoretical power to accommodate the voice of local communities, precisely for the archetypes of development related to the industry relation with its environment. The two concepts offer the following to those who tend to be excluded in the means of development:
freedom, inclusion process, and humanity value as a solution. There is an attempt to derive from development indicators that emphasize economic, progress or luxury, and material justice. Nevertheless, in the context of CSR programs in extractive industries, as one of the means for local community development, these two concepts have the challenge of overcoming complex business and political dynamics pragmatically, which is inevitable when talking development with key actors such as business organizations. For example, according to Kemp (2010), CSR program managers in extractive industries tend to work in a dilemma, working within the framework of overlapping between commercial or production agendas with social development, resulting in additional social development costs that are not parallel to production objectives, and difficult to state that good ethics is good business. Not to mention that it tends not to be matched by political intervention in Indonesia, which may still be rise among corrupt local elites or rent seekers (see CNN Indonesia, 2 September 2016; Kompas.com, 9 September 2016; Detik.com, 7 March 2017).

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