

# Policy Strategy for Strengthening the Alignment between Corporate Social Responsibility (CSR) and the Regional Medium-Term Development Plan (RPJMD) of Medan City

**Hendra Abdillah Lubis**

Badan Perencanaan Pembangunan Daerah Kota Medan, Medan, Sumatra Utara, Indonesia

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## ABSTRACT

Regional development is confronted with increasingly complex social, economic, and environmental challenges, while the fiscal capacity of local governments through regional budgets remains limited. This condition necessitates the optimization of alternative resources, including Corporate Social Responsibility (CSR) programs from the private sector. In the context of Medan City, the Regional Medium-Term Development Plan (RPJMD) serves as a strategic instrument to guide integrated and sustainable development. However, the current implementation of CSR programs has not been fully aligned with the RPJMD, resulting in fragmented, uncoordinated initiatives that often overlap with government programs. The main issue identified is the low willingness of companies to report their CSR plans and realizations to the Medan City Government. This is primarily due to the absence of binding regulations that mandate CSR reporting at both national and local levels. Various efforts have been undertaken by the local government, including the implementation of CSR Awards, the establishment of a CSR Coordination Team, and the development of a centralized CSR digital platform. Nevertheless, these initiatives have not significantly improved corporate participation in reporting and aligning CSR programs. This study aims to formulate policy strategies to enhance the alignment between corporate CSR programs and the RPJMD of Medan City. The research employs a policy analysis approach combining qualitative and quantitative methods, utilizing literature review, interviews, and secondary data analysis from official statistics and regional planning documents. The findings are expected to provide policy recommendations that strengthen collaboration between the government and the private sector, ensuring that CSR implementation becomes more integrated, targeted, and capable of contributing optimally to sustainable regional development.



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### Corresponding Author:

Hendra Abdillah Lubis  
Badan Perencanaan Pembangunan Daerah Kota Medan, Medan,  
Sumatra Utara, Indonesia  
Email: [dinabachtiar@yahoo.com](mailto:dinabachtiar@yahoo.com)

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## INTRODUCTION

Regional development, as mandated by Law Number 23 of 2014 concerning Local Government, is increasingly confronted with complex dynamics and challenges across social, economic, and environmental dimensions. Rapid urban population growth, social inequality,

limited access to basic services, environmental degradation, and rising infrastructure demands represent critical issues that must be addressed by local governments (Todaro & Smith, 2015; UN-Habitat, 2020). At the same time, local fiscal capacity through regional budgets (APBD) remains constrained, both in terms of financing capacity and budget allocation flexibility (Shah, 2007). Consequently, not all development challenges can be addressed optimally and in a timely manner, necessitating the exploration of alternative, legitimate, and sustainable resources to support regional development agendas.

Development problems are often cross-sectoral and cross-regional in nature, making them difficult to resolve through fragmented, sectoral approaches. Disconnected development programs may lead to overlap, misallocation of resources, and limited impact on public welfare (Bryson, 2018). Moreover, weak coordination among stakeholders can hinder program effectiveness and reduce public trust in development outcomes (Ansell & Gash, 2008). In this context, a collaborative approach that integrates diverse interests, resources, and expertise is essential to address development challenges comprehensively.

One of the key instruments to ensure integrated development is the Regional Medium-Term Development Plan (RPJMD), a five-year planning document that serves as a strategic roadmap for regional development. The RPJMD translates the vision and mission of elected local leaders into measurable programs, activities, and performance indicators (Ministry of Home Affairs of the Republic of Indonesia, 2017). Without a well-formulated RPJMD, development risks becoming fragmented, uncoordinated, and ineffective.

A comprehensive RPJMD functions as a strategic tool for identifying root causes of development issues, including poverty, unemployment, regional disparities, and environmental challenges (Bappenas, 2019). By adopting a data-driven and forward-looking planning approach, local governments can develop more systemic and sustainable solutions rather than reactive, short-term interventions. Furthermore, the RPJMD ensures consistency between planning and budgeting through its linkage with annual planning documents (RKPD) and regional budgets (APBD), thereby enhancing the effectiveness of public spending (World Bank, 2018).

The RPJMD also plays a crucial role in cross-sectoral coordination, as development issues are inherently multidimensional. For instance, poverty is not solely an economic issue but is also linked to education, health, housing, and access to public services (Sen, 1999). A well-designed RPJMD promotes synergy among government agencies, leading to more effective and mutually reinforcing policy interventions. Additionally, it strengthens government accountability by establishing measurable performance indicators, enabling objective evaluation of development outcomes (OECD, 2015).

In the current era of collaborative governance, the RPJMD also serves as an important instrument to encourage participation from non-government actors, particularly the private sector through Corporate Social Responsibility (CSR) or Environmental and Social Responsibility (TJSL) programs. CSR reflects a company's commitment to contributing to sustainable development through ethical and responsible business practices (Carroll, 1991; Porter & Kramer, 2011). Given the significant resources controlled by the private sector, CSR has substantial potential to complement public development efforts.

However, the implementation of CSR programs in Medan City has not yet been fully aligned with the regional development agenda and the RPJMD. CSR initiatives tend to be fragmented, uncoordinated, and unsustainable, often resulting in overlaps with government programs (Fox et al., 2002). The primary issue lies in the low willingness of companies to report their CSR plans and realizations to the local government.

This low reporting compliance is largely due to the absence of binding regulations mandating CSR reporting at both national and local levels (Blowfield & Murray, 2014).

Although the Medan City Government has implemented several initiatives—such as CSR Awards, the establishment of a CSR Coordination Team, and the development of a centralized CSR digital platform—these efforts have not significantly improved corporate participation in reporting and program alignment.

Based on the above context, the core problem addressed in this study is the lack of alignment between CSR programs and the RPJMD, primarily driven by weak regulatory frameworks and low corporate participation in CSR reporting. Therefore, this study aims to formulate policy strategies to enhance the integration of CSR programs with regional development planning. The research employs a policy analysis approach combining qualitative and quantitative methods, including literature review, interviews, and secondary data analysis, to generate effective policy recommendations.

## METHODS

This study employs a policy analysis approach combining qualitative and quantitative methods to examine the alignment between Corporate Social Responsibility (CSR) programs and the Regional Medium-Term Development Plan (RPJMD) of Medan City. The mixed-method approach is used to obtain a comprehensive understanding of both the policy context and empirical conditions related to CSR implementation and reporting practices.

### Research Design

The research adopts a descriptive-analytical design, aiming to identify existing gaps, analyze underlying causes, and formulate policy strategies to improve the alignment between CSR initiatives and regional development planning. The study focuses on Medan City as the research locus due to its dynamic economic activities and the significant presence of private sector actors contributing to CSR programs.

### Data Collection

Data were collected from both primary and secondary sources. Primary data were obtained through semi-structured interviews with key stakeholders, including representatives from the Medan City Government, members of the CSR Coordination Team, and selected companies implementing CSR programs. Secondary data were collected from official documents, including the RPJMD of Medan City (2025–2029), reports from the CSR Coordination Team, statistical data from the Central Bureau of Statistics (BPS), and relevant regulatory frameworks and policy documents.

### Data Analysis

The analysis was conducted using a policy analysis framework, which includes problem identification, policy evaluation, and strategy formulation. Qualitative data from interviews were analyzed using thematic analysis to identify key patterns related to CSR implementation, reporting behavior, and institutional constraints. Meanwhile, quantitative data were analyzed descriptively to examine trends in CSR reporting and program distribution over recent years. Furthermore, this study applies a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) to assess internal and external factors influencing CSR alignment with the RPJMD. This approach helps in formulating strategic policy recommendations that are both realistic and context-sensitive.

### Validity and Reliability

To ensure data validity, this study applies data triangulation by comparing findings from multiple sources, including interviews, documents, and statistical data. Reliability is strengthened through consistent data coding procedures and cross-verification of findings.

with relevant stakeholders.

### Research Output

The expected outcome of this study is a set of policy strategy recommendations that can enhance the alignment of CSR programs with regional development priorities. These recommendations are intended to support the Medan City Government in strengthening collaboration with the private sector and improving the effectiveness, integration, and sustainability of CSR implementation.

## RESULTS AND DISCUSSION

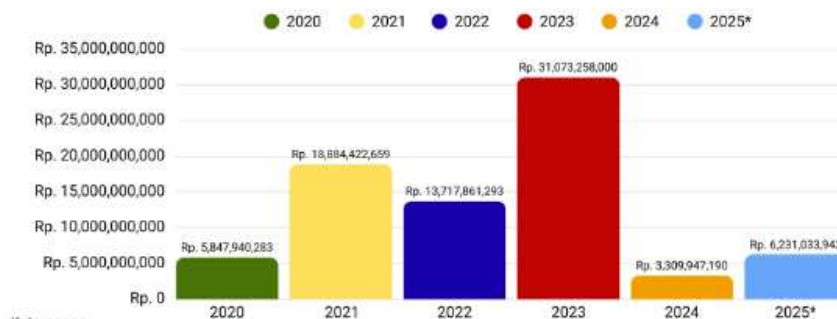
### CSR Implementation Overview in Medan City

Medan City, as one of the largest economic centers in Indonesia, has significant potential for Corporate Social Responsibility (CSR) implementation due to the presence of large, medium, and small-scale industries. CSR is widely acknowledged as a strategic instrument that enables the private sector to contribute to sustainable development while addressing social and environmental challenges (Carroll, 1991; Porter & Kramer, 2011).

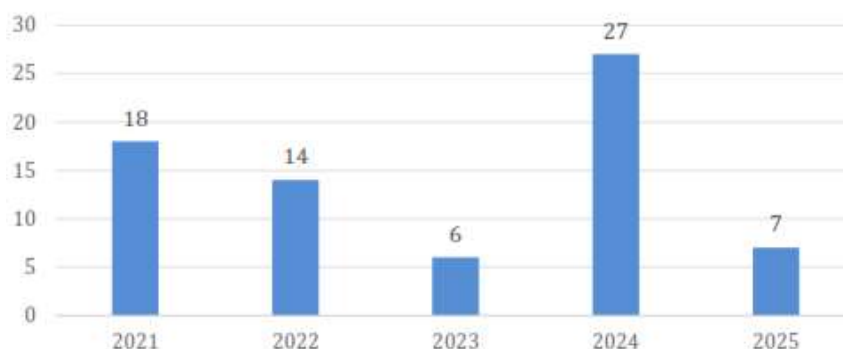
However, findings indicate that CSR implementation in Medan remains fragmented and not aligned with the Regional Medium-Term Development Plan (RPJMD). Many companies implement CSR programs independently without coordination with the local government, resulting in overlapping initiatives and suboptimal impact. This condition reflects weak governance and lack of integration, which are common challenges in CSR implementation in developing regions (Fox et al., 2002).

### CSR Realization and Participation Trends

The analysis of CSR realization data shows fluctuating trends over the past five years, both in terms of budget allocation and the number of participating companies.



**Figure 1.** CSR Realization in Medan City (2020–2025)  
(Source: *csr.pemkomedan.go.id*, processed data)



**Figure 2.** Number of CSR-Contributing Companies (2021–2025)  
(Source: *csr.pemkomedan.go.id*, processed data)

The figures indicate that although there are periods of increase, overall participation remains relatively low compared to the total number of companies operating in Medan. This suggests that CSR potential has not been fully optimized. One of the key contributing factors is the low level of CSR reporting compliance, which limits the availability of accurate and comprehensive data. Transparency and accountability in CSR reporting are essential to ensure effective governance and alignment with development priorities (Blowfield & Murray, 2014).

### Key Challenges in CSR Alignment

The study identifies several critical issues affecting CSR alignment with the RPJMD:

1. **Absence of Binding Regulations**  
There is no mandatory legal framework requiring companies to report CSR activities. Existing policies are largely persuasive rather than coercive, reducing compliance. Strong regulatory frameworks are necessary to ensure accountability and policy effectiveness (OECD, 2015).
2. **Weak Institutional Coordination**  
The CSR Coordination Team lacks authority and capacity to enforce alignment. There is no formal multi-stakeholder forum with strong legitimacy to facilitate coordination. Effective collaborative governance requires structured interaction among stakeholders (Ansell & Gash, 2008).
3. **Limited Reporting System Integration**  
The CSR digital platform has not been fully integrated with planning and budgeting systems, reducing its effectiveness as a decision-support tool. Digital governance integration is crucial for improving efficiency and policy implementation (World Bank, 2018).
4. **Ineffective Incentives and Sanctions**  
Current mechanisms rely mainly on CSR Awards, which are insufficient to drive compliance. Institutional theory suggests that both incentives and sanctions are necessary to shape organizational behavior (Scott, 2014).

### Comparative Analysis with Other Regions

To identify best practices, a comparative analysis was conducted with regions that have established CSR governance frameworks.

**Table 1.** Comparative Analysis of CSR Regulations

Aspect	West Java Province	Semarang City	Lessons for Medan
Regulation	Regional Regulation (Perda)	Mayor Regulation	Need for strong legal basis
Reporting Obligation	Mandatory	Mandatory	Mandatory reporting needed
Sanctions	Administrative sanctions	Limited	Sanctions must be strengthened
Incentives	Limited	Clear incentives	Combine incentives & sanctions
Coordination	CSR Forum	Coordination team	Strengthen institutional forum

The comparison shows that regions with strong legal frameworks achieve better CSR alignment and governance. This supports institutional theory, which emphasizes the role of formal rules in shaping organizational behavior (North, 1990).

## Existing Condition Analysis

**Table 2.** Impact of Existing Conditions in Medan City

Aspect	Current Condition	Policy Impact
Legal Basis	No binding regulation	Weak synchronization
Reporting Platform	Not integrated	Limited data accuracy
Incentives	CSR Awards only	Low compliance
Coordination	Weak institutional capacity	Poor collaboration

The table highlights that current CSR governance in Medan is still structurally weak, particularly in legal and institutional dimensions.

## Root Cause Identification

**Table 3.** Root Cause Analysis

Category	Identified Issues
Regulation	No mandatory CSR reporting
Institutional	No formal CSR forum
System	Platform not integrated
Incentives	Weak enforcement mechanisms

These findings indicate that the problem is systemic and requires comprehensive policy intervention.

## Policy Alternatives Evaluation

**Table 4.** Root Cause Analysis

Alternative	Strength	Weakness	Opportunity	Sustainability
CSR Regulation (Perda)	Strong	Slow implementation	High compliance	High
CSR Forum	Moderate	Limited authority	Collaboration	Medium
Licensing Integration	Moderate	Administrative complexity	Efficiency	Medium
Non-Regulatory Incentives	Weak	Low impact	Easy to implement	Low

**Table 5.** Policy Alternatives (Quantitative Scoring)

Alternative	Effectiveness	Efficiency	Long-Term Impact	Total
CSR Regulation (Perda)	5	4	5	14
CSR Forum	4	4	3	11
Licensing Integration	3	5	4	12
Incentives	3	5	1	9

The results show that CSR Regulation (Perda) is the most effective policy alternative.

## Discussion

The findings confirm that CSR misalignment in Medan City is primarily caused by institutional and regulatory weaknesses, rather than a lack of corporate willingness alone. Without a binding legal framework, CSR remains voluntary and fragmented, limiting its contribution to regional development. This aligns with the concept of Creating Shared Value

(CSV), which emphasizes that corporate contributions should be aligned with societal needs and development priorities (Porter & Kramer, 2011). However, alignment requires structured governance mechanisms supported by clear regulations and institutional coordination. Furthermore, the absence of reliable CSR data undermines evidence-based policymaking. As highlighted by the World Bank (2018), data integration is critical for effective public sector planning and resource allocation

### Synthesis

Overall, the study demonstrates that improving CSR alignment with the RPJMD requires

- Strong legal framework (Perda)
- Institutional strengthening (CSR Forum)
- System integration (digital platform)
- Balanced incentives and sanctions

A phased policy approach is recommended to ensure effective implementation and stakeholder acceptance.

### CONCLUSION

This study finds that the misalignment between Corporate Social Responsibility (CSR) programs and the RPJMD in Medan City is primarily caused by weak regulatory frameworks, limited institutional capacity, and low reporting compliance. As a result, CSR implementation remains fragmented and not optimally integrated with regional development priorities. The absence of mandatory regulations for CSR reporting is identified as the key issue, leading to limited data availability and weak coordination. Supporting factors include inadequate system integration and the lack of effective incentives and sanctions. Among the evaluated policy options, the establishment of a Regional Regulation (Perda) on CSR/TJSL is the most effective strategy, as it can ensure legal certainty, improve compliance, and strengthen alignment with development planning. Its implementation should be gradual, supported by improved coordination and digital systems. Overall, strengthening regulatory and governance frameworks is essential to optimize CSR as a strategic instrument for sustainable regional development.

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