

INFID Policy Paper Executive Summary

PROMOTING INCLUSIVE AND RESPONSIBLE BUSINESS BY STRENGTHENING THE INVOLVEMENT OF CIVIL SOCIETY ORGANIZATIONS

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The study on Inclusive & Responsible Business (IRB) by strengthening the involvement of Civil Society Organizations (CSOs) was initiated by INFID with the aim of (i) analyzing the issues and developments of IRB in ASEAN and Indonesia, (ii) analyzing the development of the IRB movement or advocacy at the ASEAN and Indonesia, and the urgency to continue involving CSOs in the IRB climate, (iii) provide recommendations and input for improving Indonesian and ASEAN IRB policies. This research is qualitative research focusing on reviewing Presidential Regulation No. 60 of 2023 concerning the National Strategy for Business and Human Rights (HAM).

IRB is an effort to integrate Human Rights (HAM) into corporate business policies and practices, while encouraging inclusive business practices. The emergence of issues is triggered by the impact of globalization through transnational corporations. The weakening of international and national regulations as well as corporate practices that prioritize short-term profits rather than long-term benefits, including human development, are issues that the United Nation Guiding Principles on Business and Human Rights (UNGPs BBR) want to answer, which consists of 3 pillars: 1) protection of human rights by the state, 2) respect for human rights by companies and 3) reparation for human rights victims.

IRB is primarily aimed at large corporations that work across countries. There are two gaps caused by the capitalist economic system through the practices of transnational corporations. The first is the gap in global governance where the government is unable to enforce national laws, when it comes to business activities carried out by transnational companies. The second gap is economic and social inequality, where women and children and vulnerable groups are the most affected. However, from the Solidarity Social Economy perspective, the economy is plural, and there are still many other economic models that are growing in society. Solidarity social economy business models that are easy to find are cooperatives, social enterprises, microfinance, etc. which are often carried out by civil society organizations. What differentiates the economic principles of capitalism and the solidarity social economy is the application of ethical values in business processes and participatory decision making.

In this study, four global policies related to IRB will be discussed which are generally used as references in ASEAN: UNGPs BHR, UN Global Compact (UNGC), ISO 26000, and Responsible Business Conduct. The four instruments above together encourage the achievement of the SDGs. The voluntary character of the policies inherent in the three policies above is often seen as lacking in effective implementation. Therefore, there is one instrument being discussed at the UN, namely the Business and Human Rights instrument which is legally binding. The Indonesian government is among those who support the preparation of this draft.

The ASEAN Secretariat has issued a policy framework for Inclusive Business and Corporate Social Enterprise, but there is no policy regarding IRB. The IRB policy that is widely used by companies in ASEAN is the Responsible Business Conduct (RBC) guide issued by the OECD. A survey conducted by ASEAN in 2017 explained that most companies understand the concepts of CSR and IB but do not understand RBC.

The Indonesian government has paid considerable attention to business and human rights with the issuance of the National Strategy for Business and Human Rights through Presidential Regulation (Perpres) No. 60 of 2023. Based on this Presidential Regulation, a National Business and Human Rights Task Force was formed whose members consist of Ministries, Institutions and Non-Partners. Government. INFID is a member of the National Task Force of non-government partners. There are three strategies established: (1) increasing understanding and promotion of Business and Human Rights, (2) developing regulations, policies and guidelines, (3) strengthening effective recovery mechanisms for victims of human rights violations.

From an Inclusive Business perspective, Indonesia does not yet have a specific policy framework. In the ASEAN IB guide (2020) it is stated that the status of IB in Indonesia is still under consideration. However, the Ministry of Economic Coordination together with the Ministry of Cooperatives and SMEs, the Ministry of Health and the Ministry of National Development Planning/BAPPENAS have developed an IB roadmap with a focus on the tourism industry as a model.

CSOs in Indonesia have an important role in policy formulation and IRB monitoring. There are several CSO groups pushing for IRB with different sub-issues. One of them is the IB advocacy group consisting of Oxfam, INFID, PRAKARSA ASPPUK, KRKP. Inclusive and Responsible Business has been widely applied in economic efforts carried out by organizations or companies with solidarity social economic platforms such as cooperatives, social enterprises, and others. This is a strength for CSOs in promoting IB and IRB by providing best practices from solidarity social economy actors.

To encourage IB and IRB at the ASEAN and Indonesian levels, there are several challenges that need attention, including various IB/IRB business terminology and concepts that can hinder effective socialization. Regarding civil society involvement, ASEAN's policy towards CSOs is also not very open to CSOs in decision making, as stated in the ASEAN Guideline for Civil Society. In Indonesia itself, the IB policy is still unclear. This can make CSO advocacy towards IB less effective. Policy obstacles are found in the Employment Law in the Omnibus Law which pays more attention to investor interests than worker protection.

Recommendations for strengthening the role of CSOs in IRB promotion through this policy paper are grouped into 4 strategies: (1) optimizing the role of CSOs in the National Task Force, (2) building joint knowledge management about Business and Human Rights, (3) promoting and advocating IB and IRB policies to all stakeholders at the ASEAN and Indonesian levels, (4) Building collaboration with the private sector in promoting IB and IRB