



# ► Strengthening Social and Solidarity Economy Policy in Asia



August 2021

## Mapping the Social and Solidarity Economy Landscape in Asia Spotlight on Indonesia

### Cultural roots of SSE

SSE is generally defined in terms of organizations that prioritize social objectives, conduct or promote income-generating economic activities, and practise forms of democratic governance. Furthermore, social relations involving mutual assistance, solidarity, cooperation, equality and collective action are key features of SSE (see Box 2). While the term is not yet

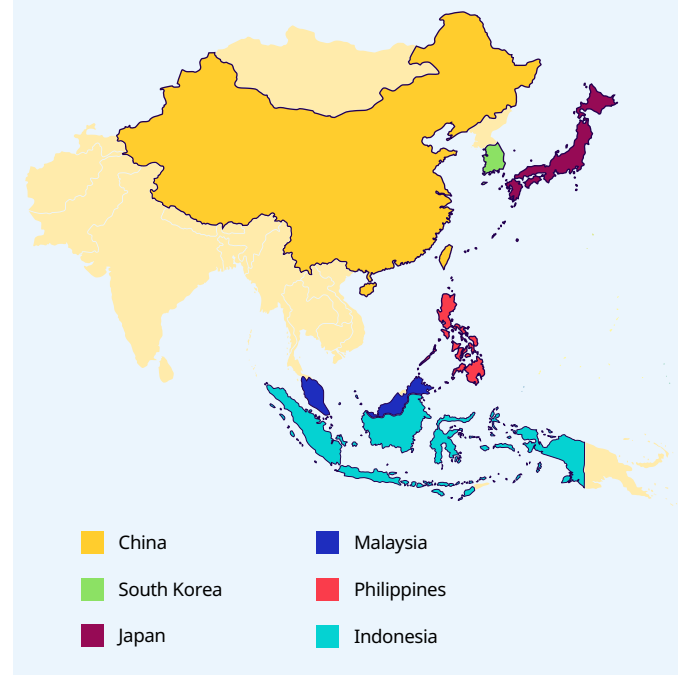
widely known in Indonesia, core aspects are captured by various norms and practices that are rooted in Indonesian culture.

The term, *Gotong Royong* (working together) relates to the principles of solidarity and cooperation. It derives from practices in agrarian society where community members would voluntarily help each other in planting, harvesting, renovating homes and public

#### Box 1: ILO Project on Strengthening SSE Policy in Asia

This brief is based on research that was carried out under the first phase of the ILO project “Strengthening Social and Solidarity Economy (SSE) Policy in Asia” that took place during 2019-2021. The research sought to better understand the current status of SSE in six countries in Asia (Republic of Korea, Japan, China, Malaysia, Indonesia and the Philippines) in terms of the organizational landscape, adopt a framework suitable for cross-country comparison, identify policy challenges and suggest preliminary pathways for strengthening SSE. Through a second phase of the project, ILO will conduct additional country studies in Thailand, Vietnam, Mongolia, Kyrgyzstan, Laos and Cambodia. This brief presents key findings from the research paper “Mapping the Organizational Landscape of the Social and Solidarity Economy in Indonesia” by Eri Trinurini-Adhi.

#### ► Asia



## Box 2: Defining SSE

Since the late 1990s, the term SSE has gained considerable traction internationally within academic, policy and practitioner circles. While definitions vary (see Brief 1), core features of SSE have been described by the United Nations Task Force on SSE (UNTFSSSE) as follows:

“SSE encompasses organizations and enterprises that have explicit economic and social (and often environmental) objectives; involve varying degrees and forms of cooperative, associative and solidarity relations between workers, producers and consumers; and practice workplace democracy and self-management. SSE includes traditional forms of cooperatives and mutual associations, as well as women’s self-help groups, community forestry groups, social provisioning organizations or ‘proximity services’, fair trade organizations, associations of informal sector workers, social enterprises, and community currency and alternative finance schemes.”

Source: <https://unssse.org/sse-and-the-sdgs>

infrastructure. The *gotong royong* system recognizes private ownership in the context of norms governing community life. The term embodies volunteerism, collective living and action.<sup>1</sup>

The country’s indigenous and traditional communities – an estimated 50 and 70 million people – have long practised customary law (*adat*) and governance to manage natural resources and communal life in accordance with principles, values and practices that resonate with SSE.<sup>2</sup> Mutual assistance and equality are encapsulated in the phrase *sama-rata sama-rasa*, which refers to social relations based on equality. Seeing others as equals recognizes the need to rely on others in order to prosper in life. Beyond interpersonal and community relations, the contemporary usage of SSE emphasizes the need for systemic change that fosters greater equality in the distribution of resources.<sup>3</sup> The Asian Solidarity Economy Council

(ASEC) in Indonesia has used the term *Gerakan Ekologi Gotong Royong* (solidarity ecology movement)<sup>4</sup> when establishing ASEC Indonesia in 2014. The term “ecology” is used to emphasize that SSE address economic as well as environmental, social and cultural issues.

## Legal and ideological foundations of SSE

Principles of economic democracy, collective action and social justice are rooted in the 1945 Constitution of Indonesia. Article 33, Paragraph 1 laid the legal foundation for cooperatives stating that “The economy is structured as a collective endeavor based on familial principles.” Paragraph 4 refers to other SSE principles: “The organization of the national economy shall be based on economic democracy that upholds the principles of solidarity, efficiency along with fairness, sustainability, keeping the environment in perspective, self-sufficiency, and is concerned with balanced progress and unity of the national economy.” Similarly, the ideals of *Pancasila*, the official state philosophy guiding national development, refer to ‘social justice for all people in Indonesia,’ closely aligned with the solidarity principle. Generally all laws are to be aligned with both the Constitution and *Pancasila*.

Constitutional provisions and the social justice principle of *Pancasila* have not been adequately reinforced by subsequent laws, regulations and policies.<sup>5</sup> Indeed, many regulations related to the economy derive from the Indonesian Civil and Commercial Codes, which were developed under Dutch rule during colonial times. Efforts to update and amend these laws are still ongoing in Parliament. Laws and policies favouring corporations, privatization, deregulation and foreign direct investment in the extractive industries amongst others, have often served to weaken the enabling policy environment for SSE. Certain laws that are important from the perspective of SSE are non-existent or have stalled in Congress. Others have not been adequately implemented once adopted or are outdated and do not reflect the realities on the ground. Notable in this regard are laws and regulations related to agrarian reform, indigenous land rights and customary forms of tenure,<sup>6</sup> as well as the law governing cooperatives (see Box 3).

1 Endro Gunardi, *Tinjauan Filosofi Gotong Royong*. RESPONS 21(1), 89-112. PPE-UNIKA ATMA JAYA. (Jakarta 2016)

2 Friends of the Earth Asia Pacific, *The Law of Land Grabs in Asia Pacific* (2018); see also <https://www.iwgia.org/en/indonesia.html>

3 According to the Intercontinental Network for the Promotion of Social Solidarity Economy (RIPESS), “The [Social Solidarity Economy](#) is an alternative to capitalism and other authoritarian, state-dominated economic systems... SSE is not only about the poor, but strives to overcome inequalities, which includes all classes of society. SSE has the ability to take the best practices that exist in our present system (such as efficiency, use of technology and knowledge) and transform them to serve the welfare of the community based on different values and goals.”

4 See: <http://www.ripest.org/ripest-asia-asec-activities-carried-out-by-the-young-asiatic-sse-national-network-asec-indonesia-gerakan-ekonomi-solidaritas-indonesia/?lang=en>

5 Sri-Edi Swasono, *Keparipurnaan Ekonomi Pancasila*. (Yayasan Hatta, Yogyakarta 2008)

6 Friends of the Earth Asia Pacific. *The Law of Land Grabs in Asia Pacific*

### Box 3: Cooperative Law

During different periods, certain aspects of cooperative law and government policy have facilitated state control or forms of economic liberalization that have not been favourable to cooperatives. Both Cooperative Law no. 60/1959 and Cooperative Law no. 14/1965 promoted cooperatives as an extension of the state, and cooperatives lacked autonomy as a result. With the change of government in 1965, Co-operative Law Number 12 of 1967 was enacted to be more member-driven, recognising that government overreach had stifled cooperative principles of autonomy, self-reliance and participation. In practice, however, government and political intervention continued via the promotion of Village Unit Cooperatives or Koperasi Unit Desa (KUD) and cooperatives comprising members from state institutions.

Primary and secondary level cooperatives were created under Law Number 25 of 1992. The cooperative movement was centralised under one apex organization as part of a requirement of the law. As a result, a top-down process of accountability and oversight was put in place. Seen as an avenue for political interference, this measure met strong opposition from some civil society organizations. It also broadened the focus of cooperatives from that of social purpose to profitability as business entities, in line with the policy shift favouring structural adjustment and deregulation.

The business orientation of cooperatives was reinforced by Law Number 17 of 2012. Various articles contradicted cooperative principles and practices as well as the Constitution itself. A ruling by the Constitutional Court in 2013 opposed the lack of clarity regarding the cooperative legal entity, restrictions on both the distribution of surplus and the formation of multi-purpose cooperatives, and measures in the law allowing non-member management, and investment and control by outside parties.

On the basis of these concerns the entire law was revoked in 2014. The 1992 law was temporarily reinstated. An updated law has not yet been enacted. The Law No. 11 of 2020 on Job Creation (“Omnibus Law”), however, did reform certain provisions of the 1992 law. As part of a strategy to create a more enabling environment for business and investment, the Omnibus law reduced, for example, the membership limit for primary cooperatives from 20 to nine persons and allowed the formation of multi-purpose cooperatives.

**Sources:** International Co-operative Alliance Asia and Pacific, *Legal Framework Analysis: National Report – Republic of Indonesia* (2021); Cinantya Kumaratih and Tulus Sartono, *Cooperative Law Policy: Historical Study of Cooperative Settings in Indonesia* (2020); ICA-AP, *Cooperatives in Indonesia* (2019); Paripurna Poerwoko Sugarda *Cooperatives, Indonesia’s Sleeping Giant or a Total Failure? A Legal Perspective* (2016); PwC Indonesia, *Omnibus Law to Support Micro, Small, and Medium Enterprises* (2021).

## Mapping the SSE landscape

Under the ILO project, the research sought to characterize organizations based on whether their practices and objectives included those typically associated with SSE. Organizations that met certain economic, social and democratic criteria were classified as fully-fledged “SSEOs” (see Brief 1). Organizations that met two of the three criteria were classified as ‘partial hybrid organizations’ (PHOs).<sup>7</sup>

The study assessed 28 types of organizations, both governmental and private entities. The results show that 10 of 28 organizations met all three criteria and could be classified as SSEOs. Another 10 organizations were PHOs (see Figure 1). Seven organizations, referred to as ‘Others’, met only one criterion<sup>8</sup>. Prominent forms of SSE organizations include cooperatives, associations, foundations and certain forms of social enterprise that are established as private companies.

## Cooperatives

Among SSEOs, cooperatives are the most prominent entity. The 1992 law on cooperatives stipulates that the objective of a cooperative is to be democratically governed and improve the welfare of the cooperative’s members and wider public. Government policies on cooperatives have changed in line with the dynamics of democracy in Indonesia. During the Suharto era (1967 – 1998) the government promoted Village Unit Cooperatives (*Koperasi Unit Desa* – KUD) as part of a food security policy and for political advantage.<sup>9</sup> The KUDs provided credit, distributed production inputs and processed and marketed farm commodities, among other activities.

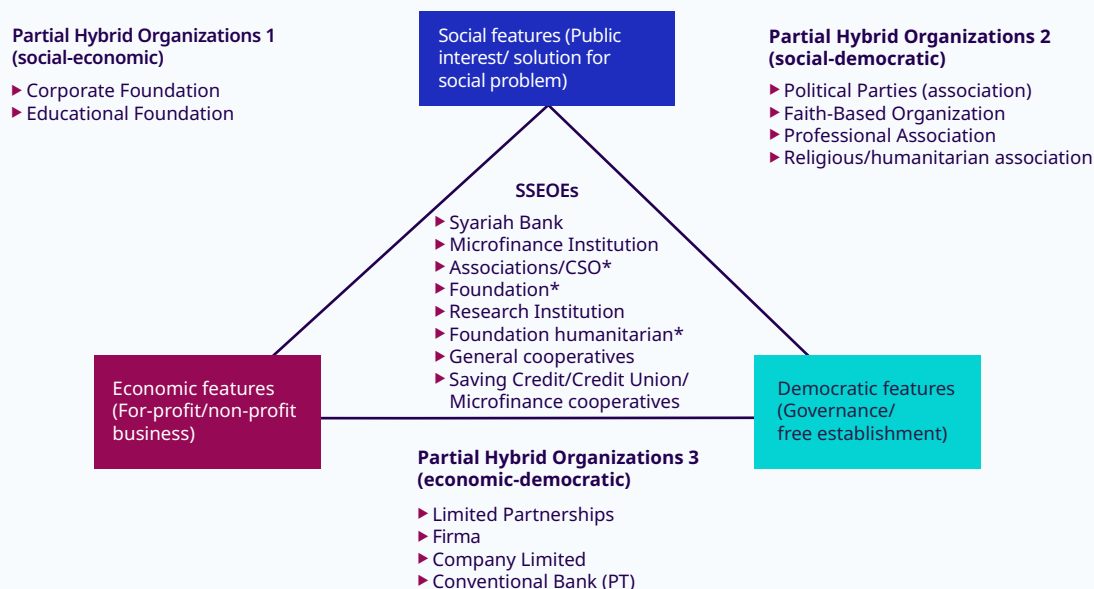
The numbers of KUDs declined in the late 1990s – from 9,635 in 1997 to 6,946 in 2000. Agricultural cooperatives and levels of state sponsorship and support were affected in the context of Asian Financial Crisis and the national reform movement that ousted Suharto. While

<sup>7</sup> This mapping was based on existing national laws and regulations. While legal provisions may differ from the actual norms and practices adopted by organizations, this approach is an important first step in mapping the SSE landscape.

<sup>8</sup> Other organizations include local public enterprise, government local bank, governmental autonomous public service (hospital) and sub-district community health center.

<sup>9</sup> The then ruling party, for example, utilized the cooperatives to influence the voters in the village.

► Figure 1: Mapping of SSEOs in Indonesia



\* IGA refers to organizations with income generating activities

the centralized approach to cooperative formation had expanded the scale of this sector, farmers and other cooperative members often lacked awareness of cooperative principles, as well as education and basic skills.<sup>10</sup>

The attention of both the new government and DEKOPIN, the cooperative apex organization, shifted to the creation and promotion of non-agricultural cooperatives. Their numbers increased from 42,571 in 1997 to 109,632 in 2001. Credit cooperatives are a prominent form of cooperative organization in Indonesia that account for approximately half of the total number of cooperatives.<sup>11</sup> Credit unions were able to remain relatively autonomous despite a challenging regulatory environment. They often invested in cooperative education and continue to expand and develop economically, socially and democratically.<sup>12</sup> The credit union movement is currently estimated to have more than three million members and assets exceeding US\$3 billion.<sup>13</sup>

Since the turn of the millennium, cooperatives have diversified into new sectors such as telecommunications, art and crafts, the fashion industry and technology. Youth and women have also started to play a more significant role. By 2016, an estimated 37 million people were members of 212,135 cooperatives of which 148,220 (around 70 per cent) were classified as active.<sup>14</sup> In recent years, the contribution of cooperatives to gross domestic product (GDP) has increased, reaching an estimated 5.5 per cent in 2019.<sup>15</sup>

## Non-Profit Organizations

According to the law, there are two types of legal entities that are non-profit organizations – an association and a foundation. An **association** is a membership-based entity authorized under Law 17/2013 on Mass Organizations, which governs the establishment of many non-governmental organizations (NGOs). While the law was contested by civil society groups for potentially restricting NGO activities and granting the

10 Kedi Suradisastra. *Agricultural Cooperative in Indonesia*. Country Paper. Presented at the 2006 FFTC-NACF International Seminar on Agricultural Cooperative in Asia Innovation and Opportunities in the 21<sup>st</sup> Century. Seoul, South Korea. 11-15. September 2006

11 ICA-AP. *Cooperatives in Indonesia*

12 See Tulus, Robby and Munaldu Nerang 2020. *Existential challenges of cooperatives and credit unions in Indonesia: Credit union trajectory in trying times, and the successful case of Keling Kumang Credit Union*. In *Waking the Asian Pacific Co-Operative Potential*, edited by Morris Altman et al 2020, Pages 271-282

13 See: ILO. 25 May 2020. *Interview with Robby Tulus*. ex-ICA AP Regional Director, cooperative consultant

14 ICA-AP. *Cooperatives in Indonesia*

15 [The Jakarta Post](#). 21 July 2020

state excessive oversight powers<sup>16</sup>, it officially recognizes freedom of association and expression as human rights, as long as they are aligned with the values of *Pancasila*.

SSEOs include not only NGOs engaged in service delivery but also organizations advocating for the rights and livelihoods of vulnerable groups. The large Islamic faith-based association Muhammadiyah, for example, promotes religious pluralism, human rights, civic participation and democratic governance and provides welfare services such as healthcare. The [Association of Indigenous Women of The Archipelago \(Perempuan Aman\)](#) works to strengthen the capacity of indigenous women to voice their own interests. It is a wing of the Indigenous Peoples Alliance of the Archipelago (AMAN) which engages in lobbying, strengthening the institutional and organizational capacity of member communities, cooperatives and other organizations. It promotes their political participation, providing legal services often related to land conflicts, mapping of indigenous territories to be able to claim land rights, developing indigenous based forestry and community-owned enterprises, among other activities.<sup>17</sup>

The Law on Mass Organizations stipulates that **labour unions** are member-based organizations that can be constituted as an association or a cooperative. Efforts to promote a union movement more independent of both company management and government resulted in the [Law 21/2000](#). This law stipulated that a labour union is an organization established by and for the workers inside or outside the company, and has to be democratic, open and autonomous in character. The funding for a labour union can come from the members, donors or economic activities. Although the number of unions halved between 2007 and 2017, they currently number approximately 11,000. Total unionized membership is 3.26 million.

A **foundation** is a non-membership legal entity whose assets are used to attain social, religious, and humanitarian goals. There are various types of foundations, such as hospitals, schools, NGOs, research centres, art and cultural groups, and entities engaged in legal aid and elderly housing. Several foundations are broadening their focus beyond charity based on donations by developing income-generating activities. According to [Law 16/2001](#), a foundation can conduct business activities and create a company or cooperative

by investing up to 25 per cent of its assets to support business activities that support its mission.

Each foundation should be examined case by case basis to assess whether they constitute SSEOs. The nature of both their social mission and democratic governance can vary significantly. Some are set up by corporations and business elites for charitable giving – a narrow form of corporate social responsibility. This can sometimes be at odds with the negative human rights, social and environmental impacts of the companies themselves, notably in agribusiness and the extractive industries.<sup>18</sup>

Other foundations have a more comprehensive social mission centred on providing a range of support services. Many Islamic philanthropy organizations that collect and distribute *zakat* (alms-giving) and other forms of Islamic giving, have expanded their activities in areas related to economic assistance, microfinance, training, education, health care, culture and disaster relief.<sup>19</sup> The [Dompot Dhuafa \(Wallet for the Poor\) Foundation](#), the country's largest philanthropic organization in terms of donations, has explicitly transformed its social mission away from charity to empowerment for poverty alleviation, through community development initiatives and social entrepreneurship.<sup>20</sup> This approach also includes development partnerships with the government and a strong focus on social justice advocacy to influence public policies in ways that are more conducive to reducing poverty and inequality.<sup>21</sup> Another approach that resonates with the social, economic and democratic objectives of SSE is that adopted by the [Bina Swadaya Foundation](#). Like many NGOs, the Foundation has both diversified its services and transitioned towards social enterprise activities to become financially sustainable.

## Social enterprises

Interest in social enterprises has been growing in Indonesia in the last 10 years. The concept of social enterprise was formally recognized for the first time in 2015 when the People's Representative Council introduced the National Entrepreneurship Draft Bill and included a definition of social enterprise. The Bill is still pending but it defines a social enterprise as "a venture that has a vision and mission to solve social problems and/or promote positive changes to the welfare of

16 Human Rights Watch. 2013; [Amnesty International Public Statement](#). 12 July 2017

17 See: <https://perempuan.aman.or.id/en/about-us/>

18 See John McCarthy and Kathryn Robinson (eds.). *Land and Development in Indonesia: Searching for the People's Sovereignty* (2016)

19 Considered a cornerstone of the Islamic faith, Zakat is the obligatory annual tax on an adult Muslim's wealth, which is to be used to help the poor and needy. In 2015, it was estimated that donations related to zakat in Indonesia could potentially amount to US\$28 billion. In practice, however, only 10 per cent of this amount was donated. See: Ramon Magsaysay Award Foundation. <https://www.rmaward.asia/awardees/dompot-dhuafa-2/>

20 Initially established by journalists in 1993, Dompot Dhuafa (Wallet of the Poor) was legally constituted as a foundation in 2001. By 2015 it collected donations amounted to US\$20. By 2018 its programmes had benefited an estimated 16 million people. See: [Ramon Magsaysay Award Foundation](#); [The Jakarta Post](#). 3 July 2018

21 Caroline Hartnell. [Philanthropy in Indonesia](#) (2020)

society and the environment through activities that have a measurable impact, and which reinvest the majority of its profits to support the mission".<sup>22</sup> Under this definition various forms of organizations can be considered as social enterprises. Data presented in Table 1 indicate that 46 per cent of local NGOs constitute social enterprises, followed by 8 per cent of cooperatives, 3 per cent of national NGOs and 1.5 per cent of Micro, Small, and Medium Enterprises (MSMEs).

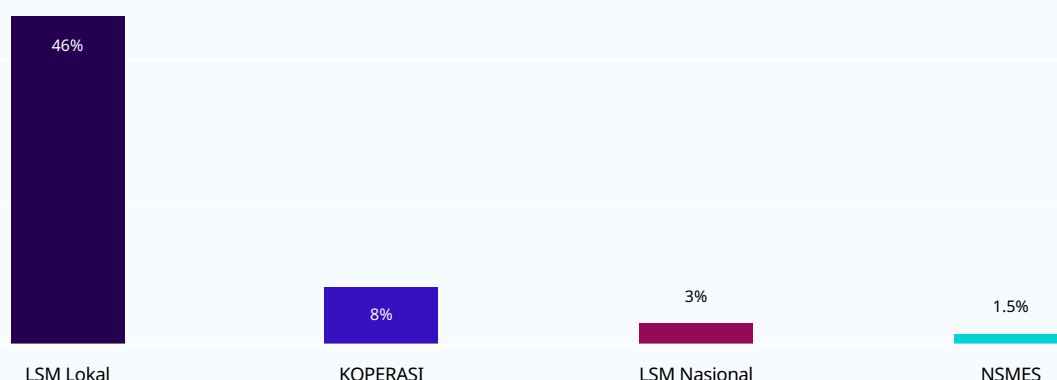
Social enterprises offer considerable potential for integrating women<sup>23</sup> and youth, as well as the elderly and people with disabilities, in entrepreneurial activities, employment and as target beneficiaries.<sup>24</sup> Knowledge about this highly heterogeneous and diversified sector, however, is often lacking, as is support from government, business and impact investors.<sup>25</sup>

*A prominent form of social enterprise from the perspective of local development are microfinance institutions*

they aim to distinguish themselves from commercial banks by adopting a community development approach rather than the conventional client-lender relationship. MFIs facilitate access to credit and financial services for the poor, thereby promoting financial inclusion.

Whereas social enterprises usually stem from the initiative of entrepreneurs and SSE organizations, the state has also taken the lead in establishing two particular types. These include **Public Service Units**, a partial form of privatized public service delivery. Entities managing public services, such as hospitals or transportation, are granted more financial and managerial flexibility and can charge for services. In recent years the government has also sponsored **Village Owned Enterprises (VOE)** as part of a range of measures called for in the 2014 Village Law and regulations issued the following year. The law aimed to address weaknesses in the decentralization process

► **Tabel 1. Social enterprise prevalence rate in Indonesia**



Source: The British Council (2018).

(MFIs). They are legally constituted as either a cooperative or a private company. Data from 2019 indicate that there were 204 MFIs, of which 75 form part of the Syariah banking system.<sup>26</sup> MFIs are mainly found in rural areas where access to a bank is usually limited. In principle,

that began in 2001, where the debate at that time was mainly focused on the relationship between the central government with the provincial and district governments and less on the impact of the decentralization itself on the village governance and the community life.<sup>27</sup> In practice, most village owned

22 British Council and UN ESCAP. *Developing an Inclusive and Creative Economy. The State of Social Enterprise in Indonesia* (2018)

23 The workforce within the social enterprise sector is increasing and dominated by women (69%). See: [https://www.unescap.org/sites/default/files/4.%20PLUS\\_The%20State%20of%20Social%20Enterprise%20Final%20-%201512.pdf](https://www.unescap.org/sites/default/files/4.%20PLUS_The%20State%20of%20Social%20Enterprise%20Final%20-%201512.pdf).

24 According to a 2015 British Council study, roughly as many women as men led social enterprises and 69 per cent of the social enterprise workforce surveyed were women.

25 In relation to the social and creative enterprise sector in Indonesia, see British Council. *Investing in Creative and Social Enterprise in Indonesia* (British Council 2020); Astari Sarosa. *Joining the Dots in the Indonesian Creative and Social Enterprise Ecosystem* (2020)

26 Otoritas Jasa Keuangan. *Statistik Lembaga Keuangan Mikro Indonesia. Quartile 3, Report* (2019)

27 Hans Antlöv et al. 2015. "Village Governance, Community Life, and the 2014 Village Law in Indonesia" (Bulletin of Indonesian Economic Studies 2016)

enterprises are likely to be legally constituted as a limited liability company as opposed to a cooperative. This has raised a number of concerns within civil society and academic circles:

- ▶ To be consistent with the stipulation in the law that a VOE has to be managed based on familial and solidarity principles, the legal entity should be a cooperative with self-help groups as members;
- ▶ Lack of effective democratic governance and upward accountability to govern the use and management of resources can lead to rent seeking<sup>28</sup> by village elites and capital flight<sup>29</sup> from the community;
- ▶ Without such institutional and governance changes, the types of problems encountered with the privatization of state-owned enterprises are likely to be replicated.

## SSE and the Informal Economy

This mapping study has examined organisations that are formally constituted under existing laws and regulations. Groups, communities and associations involving workers, producers and providers in the informal economy that are not formally registered also constitute an important part of SSE.

As an example, indigenous, farming and other communities have long engaged in collaborative forms of natural resource management and self-help groups that are often recognised by local governments but are not registered at the national level. The Subak irrigation group in the province of Bali, for example, is one of the oldest types of autonomous community-based organizations practising forms of mutuality and solidarity for natural resource management.

The informal economy in Indonesia is vast. In 2018, 63.3 million of the 64.2 million enterprises in the country were micro-enterprises.<sup>30</sup> MSMEs employed 116 million people – approximately 85 per cent of the total labour force –, the majority of whom are in the informal economy.<sup>31</sup> Key challenges faced by workers in the informal sector relate to lack of basic labour rights and access to social protection, infrastructure and markets. The participation of informal workers in trade unions is considerably low compared to the formal sector. Among the 72 trade unions there is only one labour union from the informal sector.<sup>32</sup>

Major sectors of the informal economy are comprised mainly of women. This is the case, for example, of home-based workers, many of whom engage in sub-contracted work which has increased as companies find ways to reduce costs.<sup>33</sup> Yet most homeworkers have limited knowledge of the industry that employs them. Sub-contracted homeworkers lack basic labour rights and social protection and are often paid below the minimum wage.

SSE plays an important role in the transition from the informal to the formal economy through three key mechanisms:

1. Group formation and collective action, as, for example, in the case of self-help groups or homeworkers forming cooperatives or associations to promote their interests;
2. Service provision – finance, training, marketing, and so forth – cooperatives, social enterprises or NGOs to build organizational and technical capacity and empower informal economy workers and enterprises and their communities;
3. Advocacy and lobbying by associations, unions and other civil society organizations to represent and defend the interests of informal economy workers and enterprises and bring about changes in government policy that impacts decent work, micro-enterprise development and active citizenship.

SSE organizations often combine these roles. For example, [Homenet Indonesia](#) is an NGO created in 2013 that engages in advocacy for homeworkers and works with them in raising awareness, cooperative formation and service provision.

## Policy challenges

Government policy could play a facilitating role to promote the growth of SSE organisations and its core principles and values. Key findings from the research include the need for greater *policy coherence in support of cooperatives, and affirmative policies for the SSE organizations with a particular focus on vulnerable groups (i.e. youth, women).*

28 Rent seeking refers to the act of engaging in or involving the manipulation of public policy or economic conditions as a strategy for increasing profits or personal gain.

29 Capital flight refers to where investors and businesses transfer their money and assets from one country or region to another. It can occur due to economic or political factors such as economic recessions or unstable governments.

30 Ministry of Cooperatives and SMEs, 2019 cited in OECD, *Indonesia: Key facts on SME financing* (2020)

31 Cabinet Secretariat of the Republic of Indonesia

32 Reaktor. 2019. "Sejarah, Peran, dan Daftar Organisasi Serikat Pekerja di Indonesia"

33 ILO. 2015. "Home-based workers: Decent work and social protection through organization and empowerment"

## Policy coherence in support of cooperatives

The constitutional mandate that the economy be based on familial and solidarity principles has not been adequately reinforced and implemented via subsequent laws and policies. The Constitution acknowledges cooperatives as an ideal business model but Indonesian law has prioritized the Limited Liability Company. The cooperative as a legal entity is not explicitly mentioned in certain laws and regulations governing SSE organizations, for example, hospitals and village-owned enterprises. The National Law on Capital Investment only applies to Investment Oriented Firms (or private enterprises).<sup>34</sup> The Law on Cooperatives calls for tax incentives for cooperatives but this is not yet stipulated in tax law, which does not distinguish between limited companies and cooperatives.<sup>35</sup> Although recently relaxed, procedures for establishing a cooperative are more demanding than those for private companies. Concerns related to state control, complex administrative procedures and privatization have arisen with the various laws and regulations governing cooperatives, culminating in the latest law (2012) being revoked.

## Affirmative policy for SSE

Given the multitude ways in which SSEOs contribute to social, economic and environmental objectives, they need greater recognition within public policy and enabling laws, policies and programmes. This could start by **designing laws and regulations in accordance with the ideals of Pancasila** – ideals that have been omitted from several laws governing enterprise activity. It also requires revising the Cooperative Law to strengthen cooperative identity and principles, as well as government support.

Associations would benefit from **mechanisms to facilitate advocacy and participation** in policy design and implementation. In recent years, a number of progressive policy initiatives related to communal land rights and social forestry, for example, have been initiated at the national level but often lack support at provincial and local levels of government.<sup>36</sup> Implementation often depends on the activities of NGOs that face numerous resource constraints.

The process of legal and policy reform to enable SSE should also include measures to **establish a framework concerning credits, taxes and training for SSEOs**.

Continuous education for cooperatives and social enterprises could also be implemented. In addition to capacity building for managers of SSEOs, local government could promote member participation in the decision making. Social enterprises could benefit from legal recognition and an effective certification system, which currently does not exist.

Most SSEOs still cannot access **affordable finance**. Such is the case of many social enterprises and community-based organizations, which have been promoted by the state. While there is an increasing demand for community-based water services, for example, obtaining finance from external sources can be a major constraint once a development cooperation project comes to an end. A requirement to obtain financial assistance is ownership by a legal entity. *While* the government has promoted a credit scheme for micro and small enterprises in collaboration with conventional banks, this approach needs to be broadened with a greater role for microfinance institutions and cooperatives.

Affirmative policy for SSE also demands **greater policy coherence**. Values and practices related to SSE may be espoused in policy discourse but laws and regulations often favour conventional corporate activities that can have negative social and environmental impacts, or processes of privatization that can weaken social protection and foster greater inequality. Mutually reinforcing policy actions across government departments and agencies requires effective coordinating institutions and mechanisms, as well as effective participation of SSE actors in the policy process.

## Empowering women

Affirmative policy could focus in particular on the role of women in the informal economy and SSE. A major gap in credit policy relates to micro and small enterprises run by women entrepreneurs. While they report higher savings rates than men, they are more likely to save using rotating savings and credit associations and other informal mechanisms.<sup>37</sup> Access to financial services for SSEOs and informal economy enterprises and workers could be expanded via a broad portfolio of financial service organizations.

The government can play a **more pro-active role promoting empowerment and capacity building programmes for women**, including organizational

<sup>34</sup> See ICA-AP. *Legal Framework Analysis: National Report – Republic of Indonesia*

<sup>35</sup> Suroto. *Cooperative identity and Tax Justice*. [www.suroto.net](http://www.suroto.net) (2016)

<sup>36</sup> Friends of the Earth Asia Pacific. *The Law of Land Grabs in Asia Pacific*

<sup>37</sup> 84 per cent of women entrepreneurs reported savings versus 69 per cent of men. Buvinic, M. et al. *Unequal Ventures* (Center for Global Development 2019).



leadership and management, financial planning, marketing and preferential procurement from MSMEs and SSEOs. Affirmative action for women's empowerment also needs to address gender inequalities not only in enterprise activities but also the home, the community and the public sphere. Key in this regard are social policies that ease the care burden and civil and political rights that facilitate participation in the policy and democratic process.

## Four strategies for promoting SSE

Four strategies could be advanced for SSE to realise its development and transformational potential.

A **mainstreaming strategy** could **raise public awareness about the concept, practices and potential of SSE**, including for SSEOs themselves, which are often unfamiliar with the term. A starting point for mainstreaming could be with two of the largest civil society organizations in the country, the [Alliance of Indigenous Peoples of the Archipelago \(AMAN\)](#)<sup>38</sup> and the [Consortium for Agrarian Reform \(KPA\)](#).<sup>39</sup> The chapter of the Asian Solidarity Economy Council (ASEC) in Indonesia can connect different hubs and networks that promote public awareness on the multiple aspects of the SSE.<sup>40</sup>

A **transformative strategy** aims to **expand and reinforce SSE values and practices among PHOs and foster public-private-SSE partnerships** that strengthen the SSE landscape. Such a strategy is challenging. It requires policy reform at the macro level and social innovation at the micro level. At the national level it is important that laws and policies promoting the market-based economy and the private sector conform to the tenets of the Constitution and *Pancasila* related to social justice. Updating and reforming the law on cooperatives is essential. At the enterprise level, this strategy would involve strengthening the asset base of the social enterprise sector and its SSE attributes through

capacity building measures and partnerships with other organizations and enterprises.

A **community strategy** is aimed at building a vibrant community economy and promoting decent work and protecting the environment. SSE organizations, such as associations, foundations and NGOs, as well as social enterprises and cooperatives, all have a crucial role to play in fostering community development. The research also points to the importance of practices and innovations that result in SSEOs diversifying their activities and expanding their linkages with the local community.

A **civil society strategy** would strengthen the role of NGOs, foundations and associations as intermediary organizations that represent and defend the interests of SSEOs. They provide important services, engage in policy advocacy and facilitate partnerships and participation in policy design and implementation. University and research institutions generate human capital and knowledge on economic, social, political and environmental issues. Via education, training, research and outreach activities they could play a significant role in integrating different actors from the government, the private sector and civil society. Collaboration and partnerships among intermediary organizations is also key for forging a more cohesive movement of SSEOs that could strengthen policy advocacy in favour of SSE.

38 Representing 2,332 indigenous communities, comprising about 17 million individual members, AMAN advocates for Indigenous Peoples issues. See: <https://www.forestpeoples.org/partner/alianasi-masyarakat-adat-nusantara-aman-indigenous-peoples-alliance-archipelago>.

39 KPA is network comprising organizations of small farmers, fisherfolk and indigenous peoples, as well as NGOs, advocating for land reform, tenure security and a fair agrarian system, and promoting the empowerment of people's organizations. See: <http://kpa.or.id/organisasi/profil?lang=en>.

40 Established in 2014 with the support of the Bina Swadaya Foundation, ASEC Indonesia comprises organizations, individuals, academicians and activists whose mission is to promote SSE.

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