

State of the Ecosystem for

# Youth Entrepreneurship in Indonesia





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# Acronyms

AIBI	Asosiasi Inkubator Bisnis Indonesia	Indonesian Business Incubator Association
AMVESINDO	Asosiasi Modal Ventura dan Startup Indonesia	Indonesian Venture and Startup Capital Association
ANGIN		Angel Investment Network Indonesia
APJII	Asosiasi Penyelenggara Jasa Internet Indonesia	Indonesian Internet Service Providers Association
ASN	Aparatur Sipil Negara	Civil Servant
Bappenas	Badan Perencanaan Pembangunan Nasional	National Development Planning Agency
BKPM	Badan Koordinasi Penanaman Modal	Capital Investment Coordinating Board
BPRS	Bank Perkreditan Rakyat Syariah	
BPS	Badan Pusat Statistik	Central Bureau of Statistics
BPUM	Bantuan Presiden Produktif Usaha Mikro	Assistance from the President for Productive Micro Businesses
BUMD	Badan Usaha Milik Daerah	Regional Owned Enterprises
BUMDes	Badan Usaha Milik Desa	Village-owned Enterprises
BUMN	Badan Usaha Milik Negara	State-Owned Enterprises
COVID-19		Coronavirus Disease 2019
CPPBT	Calon Perusahaan Pemula Berbasis Teknologi	Prospective Technology-Based Startup Companies
CSR		Corporate Social Responsibility
DILo		Digital Innovation Lounge
DKI	Daerah Khusus Ibukota	Special Capital Region
F&B		Food and Beverage
FGD		Focus Group Discussion
FKP	Forum Kewirausahaan Pemuda	Youth Entrepreneurship Forum
GARAP	Gabungan Wirausaha Muda Papua	Papuan Young Entrepreneurs Association
Genpro		Global Entrepreneur Profesional
GOI	Pemerintah Republik Indonesia	Government of Indonesia
GRDP		Gross Regional Domestic Product
HDI		Human Development Index
HIPMI	Himpunan Pengusaha Muda Indonesia	Indonesian Young Entrepreneurs Association
HKI	Hak Kekayaan Intelektual	
IAIN	Institut Agama Islam Negeri	
IAKN	Institut Agama Kristen Negeri	State Institute of Christian Religion

IBT/Inbistek	Inkubator Bisnis Teknologi	Technology Business Incubator
IDR		Indonesian Rupiah
IGDS		Indonesia Good Design Selection
ILO		International Labour Organization
Inbis	Inkubator Bisnis	Business Incubator
IPR		Intellectual Property Rights
IP-TIK	Indeks Pembangunan Teknologi, Informasi dan Komunikasi	Information and Communication Technology Development
IsDB		Islamic Development Bank
KADIN	Kamar Dagang Indonesia	Indonesian Chamber of Commerce
KUPP	Kelompok Usaha Pemuda Produktif	Productive Youth Business Group
KUR	Kredit Usaha Rakyat	People's Business Credit
LAKIP	Laporan Akuntabilitas Kinerja Instansi Pemerintah	Government Agency Performance Accountability Report
LEKAT	Lembaga Pengkajian dan Pengembangan Kapasitas	Institute for Assessment and Capacity Development
LIPI	Lembaga Ilmu Pengetahuan Indonesia	Indonesian Institute of Sciences
LKPD	Laporan Keuangan Pemerintah Daerah	Local Government Financial Reports
LPDB	Lembaga Pengelola Dana Bergulir	Revolving Fund Management Institution
LPKP	Lembaga Permodalan Kewirausahaan Pemuda	Youth Entrepreneurial Capital Institute
MIKTI	Masyarakat Industri Kreatif Komunikasi Indonesia	Indonesia Digital Creative Industry Society
MSMEs		Micro, Small, and Medium-Size Enterprises
NEET		Not in Education, Employment, or Training
NGOs	Organisasi Non-pemerintah	Non-Government Organizations
NTB	Nusa Tenggara Barat	West Nusa Tenggara
NTT	Nusa Tenggara Timur	East Nusa Tenggara
OJK	Otoritas Jasa Keuangan	Financial Services Authority
OPD	Organisasi Perangkat Daerah	Regional Apparatus Organization
OSS		Online Single Submission
OVOP		One Village One Product
P-IRT	Produk Industri Rumah Tangga	Licensing for Home Industry Products
P2P		Peer to Peer
PAR		Participatory Action Research
PJI	Prestasi Junior Indonesia	Indonesian Junior Achievements
PKK	Pemberdayaan Kesejahteraan Keluarga	Family Welfare Empowerment

PMI	Papua Muda Inspiratif	Inspirational Young Papua
PODES	Potensi Desa	Village Potential Statistics
POLRI	Kepolisian Republik Indonesia	Indonesia National Police
PPBT	Perusahaan Pemula Berbasis Teknologi	Technology-Based Startup Companies
PWMP	Penumbuhan Wirausaha Muda Pertanian	Cultivation of Young Agriculture Entrepreneurs
RPJMD	Rencana Pembangunan Jangka Menengah Daerah	Regional Medium Term Development Plan
RPJMN	Rencana Pembangunan Jangka Menengah Nasional	National Medium Term Development Plan
SDGs		Sustainable Development Goals
SII	Startup Inovasi Indonesia	Indonesian Innovation Startup
SMEs		Small and Medium-Size Enterprises
SOTK	Susunan Organisasi dan Tata Kerja	Organizational Structure and Work Procedures
STIPark		Science, Tehnology, dan Industrial Park
STP		Science Techno Park
TDA	Tangan Di Atas	
TLE		The Local Enablers
TNI	Tentara Nasional Indonesia	Indonesia's National Armed Forces
UMKM	Usaha Mikro, Kecil, dan Menengah	
UN		United Nations
UNAND	Universitas Andalas	Andalas University
UNDP	Badan PBB Untuk Program Pembangunan	United Nations Development Programme
VC	Pemodal Ventura	Venture Capitalist
WMP	Wirausaha Muda Pemula	Young Beginner Entrepreneurs

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# Executive Summary

Young people<sup>1</sup> dominate the unemployed population in Indonesia: three quarters of unemployed people were youth in 2019 and the level of youth unemployment increased from 13.03 percent to 15.23 percent between August 2019 and August 2020. At the same time, with the country's demographic dividend<sup>2</sup> and a high volume of public consumption, youth entrepreneurship in Indonesia has the potential to mitigate youth unemployment, build robust and inclusive economic growth and contribute to sustainable development. Entrepreneurship does not only help young people acquire economic independence but allows them to drive job generation and well-being among their peers and communities.

As of 2020, roughly twenty percent of employed youth were entrepreneurs in Indonesia. Approximately sixty percent of young entrepreneurs were men and 65.3 percent of them were aged between 25-30 years old. More than 50 percent of youth entrepreneurs operated either in the retail trade and car reparation and agriculture, forestry, and fisheries sectors. In terms of the scale of their businesses, most youth entrepreneurs operated alone. Only about six percent had one to four employees in 2020.

To amplify the potential of youth entrepreneurship, it is crucial to understand the strengths of youth-led businesses and the barriers they face relative to adult-led businesses. The challenges that young, aspiring entrepreneurs and youth-led businesses face can be enormous. For example, entrepreneurship education and training opportunities as well as services and infrastructure that are supportive of youth-led businesses are not equally available and accessible to all young people across the country. There are also cultural factors, such as familial expectations related to desirable career paths and gendered barriers that affect youth opportunities to start a business.

The COVID-19 pandemic has brought on further challenges for young entrepreneurs: in the National Labor Force Survey, 56.1 percent of young entrepreneurs who operate alone reported a decline in their earnings between February and August 2020. In UNDP Indonesia's survey in 2020, 79 percent of young

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<sup>1</sup> In Indonesia, according to Law No. 40/2009 about Youth, youth are those aged between 16 and 30. This definition from the Indonesia law has been adopted in this study.

<sup>2</sup> According to the United Nations Population Fund, demographic dividend, or 'bonus', can be defined as follows: "The demographic dividend is the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older)." <https://www.unfpa.org/demographic-dividend#readmore-expand>

entrepreneurs reported that their businesses had been negatively impacted by the pandemic.<sup>3</sup>

The United Nations Development Programme (UNDP) - under the Youth Co:Lab initiative co-led by UNDP and Citi Foundation – and the Islamic Development Bank (IsDB) jointly produced this research to identify entry points for strengthening the youth entrepreneurship ecosystem<sup>4</sup> in Indonesia. The study provides data-driven recommendations and information on the actions needed to make the ecosystem for entrepreneurship more inclusive of youth-led enterprises. The study aims to contribute to evidence-based programming and policy development in Indonesia and guide interventions by UNDP, IsDB and wider stakeholders to support youth-led enterprises.

The study assesses Indonesia's ecosystem for youth entrepreneurship through Youth Co:Lab's ecosystem diagnostic framework by analysing the strengths and opportunities, challenges and good practices within the key domains of the ecosystem\*:

- (i) human capital and entrepreneurship culture;
- (ii) access to finance and incentives;
- (iii) business development support and infrastructure;
- (iv) innovation and technology;
- (v) policy and regulatory framework;
- (vi) access to the market.

The study analyses the ecosystem at the national and regional levels, including case studies of the Maluku, East Kalimantan, and West Sumatra provinces, and provides recommendations to strengthen the ecosystem.

The research applies a mixture of quantitative and qualitative methods through secondary and primary data analysis, including literature reviews, policy reviews, media tracking, interviews, focus group discussions (FGDs), and case study surveys.

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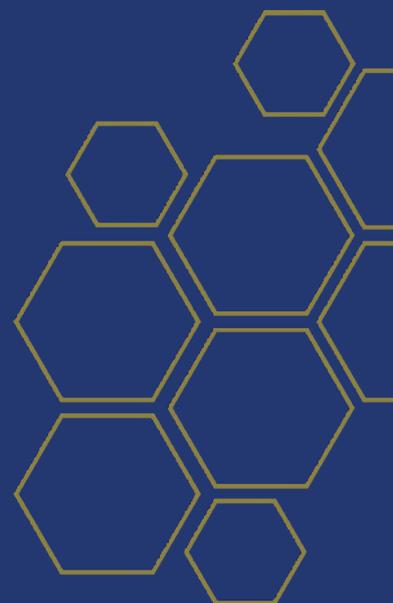
<sup>3</sup> UNDP Indonesia (2020). Impact of COVID-19 on Youth Entrepreneurs.

<sup>4</sup> The youth entrepreneurship ecosystem consists of various institutional and structural factors, policies and programmes and stakeholders that influence and contribute to the operating environment of young entrepreneurs and young aspiring entrepreneurs. A more detailed definition is provided in Chapter 1 of this report.

\* The six-domain framework has been informed by leading research in the field, including the framework of Domains of the Entrepreneurship Ecosystem by Daniel Isenberg (2009, 2011). The overall approach is also informed by Youth Co:Lab's work with young entrepreneurs and ecosystem stakeholders, the Government to Community dialogue framework utilised by the Youth Co:Lab project to assess the ingredients of a thriving startup ecosystem, as well as [previous research produced](#) by Youth Co:Lab and its partners, such as Global Entrepreneurship Monitor.

# Key Findings of the Deep Dive into the Five Domains of Youth Entrepreneurship Ecosystem

The study assessed the ecosystem for youth entrepreneurship through Youth Co:Lab's ecosystem diagnostic framework. Some of the key strengths and challenges as well as recommendations to develop the ecosystem are provided below. Although it is generally accepted in this research that Indonesia has an ever improving youth entrepreneurship ecosystem, it must also be noted that when we take a deeper look at each region, all three regions have their own strengths and weaknesses. A detailed analysis of these regional characteristics is provided in Chapters 4-6.



## 01 | Access to Finance and Incentives

There is availability of different financing options provided by traditional and non-traditional financing institutions and there are programmes and initiatives that aim to support youth in accessing capital. Youth access to capital is also supported by government policies. During the COVID-19 pandemic national and local governments have provided youth-led enterprises with financial support through the COVID-19 response schemes.

However, the level of financial literacy among young aspiring entrepreneurs is relatively low. In addition, the uneven distribution of financial institutions across geographical areas and limited access to information and knowledge of different financing options provided by the government and the private sector institutions are hindering business development opportunities among youth. For example, the western region hosts 6,243 finance company offices, which is 79 percent of the national total. There are also local cultural barriers that limit access to finance among young entrepreneurs.

### Key recommendations

- Increase the availability of capital facilities for all types of businesses at varying stages of development and widen access to innovative, niche (for instance Islamic financing products) and non-traditional financing options for youth across geographical areas.
- Provide incentives based on the needs of investors willing to support start-up youth entrepreneurs, especially for minority such as women and disabled youth.
- Build trust towards young entrepreneurs and invest in building financial literacy of young people.
- Conduct further research to map youth-specific potential sectors/industries nationally.

## 02 | Human Capital and Entrepreneurship Culture

In the last five years, youth entrepreneurship in Indonesia has experienced a positive development and there are signs of the development of a thriving entrepreneurial culture across the western, central and eastern regions. Education institutions, especially universities, are incorporating entrepreneurship education in the curricula and there are public and private sector organisations that provide entrepreneurship training for youth.

Young aspiring entrepreneurs face challenges related to access to formal and informal training opportunities due to their geographical locations, high participation fees and limited awareness of the programmes. In many regions, the younger generation tends to prefer to work in an already established industry rather than as an entrepreneur and familial support for entrepreneurship as a career option is still somewhat limited.

### Key recommendations

- Address the inequality of interregional capacity building programmes and interventions and ensure broad and equitable programme coverage.
- Formal entrepreneurship education should be provided as early as possible in schools, universities, and vocational schools.
- Non-formal entrepreneurship education should aim to reach young (aspiring) entrepreneurs who are not in formal educational institutions across the country without bias on gender and culture.
- Engage a broad range of stakeholders in the activities (such as student entrepreneurship activity units and campus-based entrepreneurial institutions, community-supported and centred interventions, and wider entrepreneurial campaigns and movements at all levels) to strengthen entrepreneurship culture across Indonesia and increase quality and quantity of youth entrepreneurship programmes through multistakeholder partnerships.

## 03 | Business Development Support and Infrastructure

Indonesia faces disparity in the provision of business support infrastructure, such as electricity networks, roads, telephone networks, and the Internet. In Java and urban areas, essential support infrastructure is well supplied, while in some provinces outside Java, such as Papua Province and rural areas, the availability of infrastructure is limited or available only in low quality. Among other benefits, adequate physical and digital infrastructure contributes to young entrepreneurs' access to information, capacity building opportunities and markets.

Young entrepreneurs are benefitting from the incubation and acceleration programmes provided by the government, educational institutions, private sector organisations, and NGOs. However, the concentration and distribution of the programmes across the provinces and cities is uneven. For example, majority of the incubators are in the western region, while the access to business mentors and incubator programmes is more limited in the eastern region. There are also challenges related to the quality and relevance of the incubation programmes and the sustainability of the programme assistance and results.

### Key recommendations

- Accelerate equitable provision of communication and internet networks and foster digital transformation to support youth entrepreneurs and their businesses.
- Improve the quality, availability, and accessibility of business development hubs and incubator and accelerator institutions and programmes.
- Ensure adequate infrastructure for business development (such as road and transportation infrastructure) in both urban and rural areas.
- Ensure that business related activities, such as processes for obtaining business permits, are youth-friendly and youth-inclusive.

## 04 | Policy and Regulatory Framework

Indonesia has several policies targeting youth entrepreneurship. For example, national regulations on youth entrepreneurship include Government Regulation (PP) 41/2011 on entrepreneurship development, promoting the provision of youth infrastructure and facilities, and the Ministry of Sports Regulation 0944/2015 which identifies seven procedures for facilitating the development of youth entrepreneurship. The National Strategy on Youth Entrepreneurship was finalised at the time this study was conducted.\* Sub-optimal implementation of policies and lack of coordination and collaboration between government agencies are challenges identified at the national and regional levels. Limited understanding of legal and regulatory processes poses challenges to some youth entrepreneurs.

### Key recommendations

- Strengthen a collaborative approach to policy development and implementation to avoid overlaps in between corresponding ministries or institutions.
- Ensure that policies encourage inclusive entrepreneurship education programme design and implementation.
- Ensure youth responsiveness of the entrepreneurship policies and plans and their implementation.

- Include support to young entrepreneurs in COVID-19 recovery policies, plans and strategies.
- Enable more contextualised implementation of youth entrepreneurship related policies.
- Invest in an upskilling programme for youth development officers in every province.
- Ensure the alignment of a youth entrepreneurship development agenda especially on local government to fit with the COVID-19 Economic Recovery Agenda and the National Youth Entrepreneurship Strategy.
- Set youth entrepreneurship growth as agenda of mid-term regional plans.
- Develop a technical working group on youth entrepreneurship.

## 05 | Innovation and Technology

The growth of tech-based start-ups in Indonesia indicates progress regarding youth entrepreneurs' uptake of innovation and technology. Indonesia is home to more than 2000 start-ups and many of them are led by youth. The growth of tech-based startups is supported by efforts of the Ministry of Communication and Informatics and Ministry of Research and Technology through their extensive national youth entrepreneurship support programmes Potential Tech-based Start-up (CBBPT, Calon Perusahaan Pemula Berbasis Teknologi) and Tech-based Startup (PPBT Perusahaan Pemula Berbasis Teknologi).

Most incubators that focus on innovation and technology are based at the universities. This is a challenge because most of young entrepreneurs are high school graduates, and therefore, they have no access to these programmes. In addition, low digital literacy and limited utilisation of digital business solutions are some of the key challenges identified in this domain.

### Key recommendations

- Improve digital literacy among youth entrepreneurs to promote internet usage (e.g. social media and e-commerce for business) and adaption of technology for business development and growth and support young entrepreneurs in digitalising their businesses. Incubation programmes provided by the formal education institutes, such as universities, and non-formal education institutes can play a role in improving digital literacy among young aspiring entrepreneurs.
- Harness laws which foster the use of innovation and technology for business development among youth entrepreneurs.
- Create a comprehensive and credible entrepreneurial database.
- Foster early adoption of technology by youth entrepreneurs. (e.g. innovation on nano-based technology product)



# 01

## About the Study

### 1.1

Background

### 1.2

Objectives and Scope of the Study

### 1.3

Definitions

### 1.4

Research Methodology and Data Collection Tools

# 1.1

## Background

Young people dominate the unemployed population of Indonesia. According to the 2019 National Labor Force Survey (SAKERNAS), three quarters of unemployed people were youth. The challenges of youth unemployment have been exacerbated by the COVID-19 pandemic, and the rate of unemployment is predicted to increase more rapidly among this cohort. At the same time, with a large youth population and high volume of public consumption, youth entrepreneurship in Indonesia has the potential to mitigate youth unemployment, build robust and inclusive economic growth and contribute to sustainable development.

Through a combination of human capital and physical capital, entrepreneurs serve as both a vehicle for innovation and a conduit for knowledge spill overs as they create new products and reproduce existing ones more efficiently.<sup>5,6</sup> For young people, entrepreneurship is not only an opportunity to achieve economic independence, but also a way to drive job generation and well-being among their peers and communities.

Entrepreneurship is an important part of the 'National Medium-Term Development Plan 2020-2024' (RPJMN 2020-2024) instituted by the Government of Indonesia (GoI). The Plan highlights the role of entrepreneurship in the president's signature initiative of 'mental revolution' and cultur-

al development, strengthening economic resilience for quality and equitable growth, and increasing human resources for quality and competitiveness. Local governments have responded in prioritising youth entrepreneurship by developing incubators with local universities, youth, and sports agencies and micro, small and medium-sized enterprises (MSMEs).

The operating environment, or the ecosystem, for youth entrepreneurship consists of various structural and institutional factors, such as education institutions, training programmes, financial and business support services, digital and physical infrastructure, and legal and regulatory frameworks, as well as a range of stakeholders. A supportive and youth-inclusive entrepreneurship ecosystem is vital for the generation of youth employment and to accelerate the impact of youth-led enterprises towards sustainable development and economic growth.

The challenge of entering the entrepreneurship ecosystem can be overwhelming for young people. The results of a poll conducted in 2019 by Youth Co:Lab and the Indonesian Ministry of Youth and Sports (Kemempora) indicate an imbalance between young people's entrepreneurial potential and the results they go on to achieve. The National Development Planning Agency in 2020 has highlighted the challeng-

<sup>5</sup> Martin A. Carree and Roy Thurik, "The Impact of Entrepreneurship on Economic Growth," in *Handbook of Entrepreneurship Research* (New York: Springer-Verlag, 2010), pp. 557-594.

<sup>6</sup> Edward P. Lazear, "Entrepreneurship," *Journal of Labor Economics* 23, no. 4 (2005): pp. 649-680, <https://doi.org/10.1086/491605>.



es facing young people embarking on the development of new enterprises: business and entrepreneurship expertise, experience, accessing resources and networks. Strengthening the ecosystem is therefore necessary to tackle these challenges and amplify the potential of youth entrepreneurship.

Commitment from the GoI is crucial for youth economic empowerment and various stakeholders such as UNDP and the Islamic Development Bank (IsDB) can play a central

role in supporting these efforts. Building on their existing collaboration, UNDP, under the Youth Co:Lab initiative co-led by UNDP and Citi Foundation, and IsDB commissioned this research study to identify entry points for strengthening the youth entrepreneurship ecosystem in Indonesia. The research assesses the ecosystem for youth entrepreneurship through Youth Co:Lab's ecosystem diagnostic framework at the national level and through provincial deepdive studies and provides data driven recommendations to develop the ecosystem.



Photo credit: Odua Images, Shutterstock.com

# 1.2

## Objectives and Scope of the Study

### Objectives

The objective of this research study is to identify strategic entry points for strengthening the enabling environment for youth entrepreneurship and provide recommendations to develop the youth entrepreneurship ecosystem in Indonesia. It is hoped the findings will contribute to evidence-based programming and policy development, and guide the interventions of UNDP, IsDB and other stakeholders in support of youth-led enterprises in Indonesia over the coming years.

### Scope

The report provides a descriptive analysis of Indonesia's youth entrepreneurship ecosystem at both the national level and through sub-national assessments of the western, central and eastern regions, including case studies from Maluku, East Kalimantan and West Sumatra, to demonstrate low, high and medium-level youth entrepreneurship growth, respectively.<sup>8</sup> The study maps out the context, stakeholders and policy interventions, and assesses the strengths, challenges and good practices within the country's youth entrepreneurship ecosystem.

This study reflects on a diverse range of enterprises, from self-employed and MSMEs, to startups and social enterprises within the formal and informal sectors of the Indonesian economy. The study adopts an inclusion lens and includes a segmented analysis of gender, age, disability condition, region, business type and sectors.



Photo credit: YCL Indonesia

# 1.3

## Definitions

### Youth

The United Nations defines youth as ‘persons between the ages of 15 and 24 years,’ without prejudice to how its Member States define youth. The ISDB, in its Youth Development Strategy 2020-2025, defines youth as 15 to 35 years old. Meanwhile, in Indonesia, according to Law No. 40/2009 on Youth, **youth are those aged between 16 and 30**. This definition has been adopted in this study.

### Entrepreneurship and Youth Entrepreneurship Development

At the time of the research, an entrepreneurship law in Indonesia had not been instituted but a draft bill, produced by the GoI, was available and is referenced in this report. According to the draft, **‘entrepreneurship’** is the spirit, attitude, behaviour, and ability to manage a business, and includes efforts to seek opportunities and create productive business activities by effectively utilising economic and social resources and producing value-added competitive and sustainable goods and services. An **‘entrepreneur’** is any person who demonstrates entrepreneurship and conducts business and/or activities in a particular field. In this report, **youth entrepreneurs** are those aged between 16-30 who demonstrate entrepreneurial spirit and operate and manage an enterprise either in formal or informal sector. **‘Youth-led enterprise’** refers to an enterprise of any type that is led or owned by a person(s) aged between 16-30 years.

### Social Entrepreneurship

In reference to the national draft entrepreneurship bill, **social entrepreneurs** have characteristics distinct from other entrepreneurs: (i) the basis for establishing businesses to overcome social problems in the community, (ii) developing, funding, and implementing solutions to social or environmental problems, (iii) empowering society or communities who are the focus of their business activities, (iv) creating innovations which have a social value that can overcome social problems faced by the community, (v) activities involve the participation of the community for optimising social capital.



## Micro, Small and Medium Sized Enterprises

In Indonesia, one of the categorisations of **MSMEs and large businesses** is based on the number of paid workers. Aside from categorising MSMEs based on the number of paid workers (definition offered by BPS), other criteria are provided by different ministries and agencies, such as criteria based on working capital or annual sales. This study adopts the definition provided by BPS based on the availability of secondary data.

**Table 1:** Micro, Small and Medium Sized Enterprises

Type of Enterprise	Number of workers
Micro	0-4
Small	5-19
Medium	20-99
Large	>100

## Start-Ups

According to the Angel Investment Network of Indonesia (ANGIN), and the Sasakawa Peace Foundation, **a start-up** is defined as a temporary phase of an entrepreneurial venture's trajectory, in which entrepreneurs are shaping and refining their business model, with a vision to set up a viable, stable, and scalable enterprise.

## Youth Entrepreneurship Ecosystem

In this study, the **youth entrepreneurship ecosystem** is understood to consist of various institutional and structural factors, policies and programmes and stakeholders that influence and contribute to the operating environment of young entrepreneurs and young aspiring entrepreneurs. The ecosystem stakeholders and ecosystem builders include but are not limited to various types of enterprises, national and local governments, academia, educational and financial institutes and organisations, business support services, investors, non-governmental organisations, and development partners.

The ecosystem for youth entrepreneurship is analysed through a **six-domain framework**:

- i. human capital and entrepreneurship culture;
- ii. access to finance and incentives;
- iii. business development support and infrastructure;
- iv. innovation and technology;
- v. policy and regulatory framework;
- vi. access to the market.

The six-domain framework has been informed by leading research in the field, including the framework of Domains of the Entrepreneurship Ecosystem by Daniel Isenberg (2009, 2011)\*. The overall approach is also informed by Youth Co:Lab's work with young entrepreneurs and ecosystem stakeholders, the Government to Community dialogue framework utilised by the Youth Co:Lab project to assess the ingredients of a thriving startup ecosystem, as well as previous research produced by Youth Co:Lab and its partners, such as Global Entrepreneurship Monitor.

For the purpose of this study, the first five domains have each been studied separately. Findings related to the sixth domain, access to the market, have been incorporated into all the other domains except the policy and regulatory framework.

**Figure 1:**  
Six Domains of Youth Co:Lab's Ecosystem Diagnostic Framework



\* Isenberg, Daniel (2011). The Entrepreneurship Ecosystem Strategy as a New Paradigm for Economic Policy: Principles for Cultivating Entrepreneurship. Based on an invited presentation at the Institute of International and European Affairs.



The broad definitions of the framework’s domains are provided in Table 2 below. More detailed information on the definitions adopted and the indicators used in the analysis within each domain in national and sub-national studies can be found in the Appendices and in Chapters 3-6 of this report.

**Table 2:** Definitions of the Five Key Domains

Domain Title	The domain analyses the strengths and opportunities, challenges and gaps and the best practices related to the following key themes*:
Access to Finance and Incentives	<ul style="list-style-type: none"> <li>• The availability and accessibility of different financing options and incentives for youth entrepreneurs provided by the government and financing institutions,</li> <li>• Incentives for investors and funders to support youth-led businesses, and</li> <li>• Financial literacy and understanding of different financing options among young people and young entrepreneurs</li> </ul>
Human Capital and Entrepreneurship Culture	<ul style="list-style-type: none"> <li>• Entrepreneurship education in the formal education system and other capacity building programmes,</li> <li>• The state of entrepreneurship culture and youth interest in becoming entrepreneurs,</li> <li>• Programmes and facilities supporting the development of human capital and entrepreneurship culture,</li> <li>• Ease of finding talent in the entrepreneurship sector</li> </ul>
Business Development Support and Infrastructure	<ul style="list-style-type: none"> <li>• Availability and accessibility of business development support programmes and structures, such as incubators and accelerators, efforts to develop business development support systems and infrastructure for young entrepreneurs</li> <li>• Accessibility to physical infrastructure</li> </ul>
Policy and Regulatory Framework	<ul style="list-style-type: none"> <li>• Existence and implementation of policies and regulatory frameworks relevant to and supportive of youth entrepreneurship,</li> <li>• Efforts to develop the policy and regulatory framework,</li> <li>• Extent to which bureaucratic and legal structures and processes related to business origination and development are youth-friendly</li> </ul>
Innovation and Technology	<ul style="list-style-type: none"> <li>• Innovation and technology support available and accessible to young entrepreneurs,</li> <li>• The use of digital solutions and technology for business development,</li> <li>• Efforts to support young (aspiring) entrepreneurs to innovate and use technology in business operations</li> <li>• Innovation, technology, and other supporting elements that may further advance the development of youth entrepreneurship</li> <li>• Development of innovation and technology based enterprises</li> </ul>

\*More detailed information on the indicators used in the national and sub-national studies is provided in the appendices and in Chapters 3-6 of this report.

# 1.4

## Research Methodology and Data Collection Tools

Youth Co:Lab's youth entrepreneurship ecosystem diagnostic framework guided the research and supported an assessment of the strengths, challenges, gaps, and best practices of the youth entrepreneurship ecosystem. A mixed-methods approach was employed, combining qualitative and quantitative data collection from primary and secondary sources, including indepth

interviews, FGDs, literature and policy reviews and media tracking. Participatory Action Research and Design Thinking Methodology underpin the examination of the sub-national (provincial) case studies. An overview of the key research methods and data sources is provided in Table 3 below. Information on data limitations and gaps is provided in the Appendices.

**Table 3:** Research Methodology and Data Collection Tools

Objectives	Execution	Data sources and sample size
<b>Desk Research</b>		
To produce an overview of youth profile and youth entrepreneurship in Indonesia prior and during the COVID-19 pandemic.	Quantitative and qualitative methods through secondary data analysis, literature review, policy reviews, interview notes from previous studies, and media tracking.	<ul style="list-style-type: none"> <li>Youth entrepreneurship data from the BAP-PENAS</li> <li>National Workforce Survey (SAKERNAS)</li> <li>National Socioeconomic Survey (SUSENAS)</li> <li>Village Potential Data (PODES)</li> <li>Various media such as newspapers, televised news, and online media including National media: Kompas, Liputan 6, Kumparan, Kata-data, and Detik.</li> <li>Regional newspaper and online news outlets included: Tribun Jogja, Aceh Portal, Minangkabau News, Kabar Papua, Teras Maluku, and Babel Antara News.</li> <li>Key findings from the 2019 National Dialogue on Youth Entrepreneurship conducted by UNDP Indonesia</li> <li>Interview notes and field notes from SMERU's and TLE's previous studies with youth entrepreneurship observers and enablers</li> </ul>



Objectives	Execution	Data sources and sample size
<b>Focus Group Discussions</b>		
To analyse the strength, weaknesses, opportunities, and threats in the youth entrepreneurship ecosystem development at the national level.	Primary data, interviews conducted in March-May 2021, in parallel with the collection of secondary data (literature and policy reviews, and media tracking).	<ul style="list-style-type: none"> <li>19 informants from 15 institutions, including representatives of governments, universities, the private sector, development partners, and youth-led enterprises.</li> </ul>
<b>Key Informant Interviews</b>		
To collect qualitative data on stakeholders' experiences and identify opportunities to further develop youth entrepreneurship ecosystem.	Inviting participation from government and university, staff, the private sector, development partners such UN agencies/NGO focusing on youth development, and youth-led enterprises.	<ul style="list-style-type: none"> <li>For national studies, 12 informants from government institutions, NGOs, the private sector, and youth-led business communities and enterprises.</li> <li>For subnational studies, 32 informants from three regions representing government institutions, academics, and local media/influencers.</li> </ul>
<b>Regional Dialogue</b>		
To collect qualitative data on stakeholders' experiences and identify opportunities to further develop youth entrepreneurship ecosystem.	Interviewed youth entrepreneurship stakeholders, government, university, media/influencer representatives, as well as youth entrepreneurs that represent the Western, Central, and Eastern regions of Indonesia.	<ul style="list-style-type: none"> <li>232 youth entrepreneurship stakeholders participated in the sub-national research in Eastern, Western, and Central Indonesia including East Kalimantan, Maluku, and West Sumatra through regional dialogue events. 50% from youth entrepreneurs, 10% from NGOs, 25% from the community, 10% from the government, and 5% from the private sectors</li> </ul>

<sup>10</sup> See Table A 2 in the Appendices for list of national level informants interviewed.

<sup>11</sup> See Table A 13 in Appendices for detailed list of questions.



Objectives	Execution	Data sources and sample size
<b>Case Study Surveys</b>		
<p>To collect the perceptions of young entrepreneurs of the entrepreneurship ecosystem in each of the three selected cities as the case studies to represent low-, medium-, and high-level of youth entrepreneurship growth based on Youth Development Index that is available during the development of the research (West Sumatera, East Kalimantan, and Maluku).</p>	<p>The tool used to measure the perceptions of youth entrepreneurship is a questionnaire with a Likert scale and a total of 54 questions to measure the condition of the 5 pillars of the youth entrepreneurship ecosystem.</p> <p>The scale used was as follows: 1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good.</p>	<ul style="list-style-type: none"> <li>The questionnaire was distributed to the participants of the pre-regional dialogue with a total of 54 respondents consist of young entrepreneurs (41) and ecosystem stakeholders (13) from the cities of West Sumatera (N=27), East Kalimantan (N=15) and Maluku (N=12). The results of the questionnaires are processed into graphs that show the average scores of the indicators within each domain. These graphs are presented in the case study boxes in Chapters 4-6.</li> </ul>

Participants for this research from government departments, universities, the private sector, development agencies and youth-led enterprises were identified from previous research studies conducted by SMERU and TLE. Regional dialogues were conducted in three different regions of Indonesia: West (including Sumatra, Java, Madura, West Kalimantan, and Central Kalimantan), Central (including Sulawesi, Nusa Tenggara, South Kalimantan, East Kalimantan, North Kalimantan, and Bali) and East (including Maluku Islands and Papua).

Based on available primary and secondary data, stakeholder mapping was undertaken in each domain by identifying the role of stakeholders in the youth entrepreneurship ecosystem at national and regional levels, and in the provinces of Maluku, West Sumatera, and East Kalimantan. Stakeholder mapping determined the key players with strategic entry points for strengthening youth entrepreneurship across the country. The mapping is based on interviews, dialogues, desk review, media tracking and the field notes of SMERU's and TLE's previous studies. The stakeholder mapping can be found in the Appendices section.



**02**

# Contextualising Youth Entrepreneurship in Indonesia

## 2.1

Profile of Indonesia  
Youth

## 2.2

Characteristic of Youth  
Entrepreneur Profile

## 2.3

Youth Entrepreneurs in  
Indonesia

## Youth Entrepreneurship Development and Entrepreneurship Ecosystem in Indonesia

Based on Law No. 40/2009, youth entrepreneurship development refers to an activity that develops the potential, skills, and business independence of youth. However, it must be noted that in Indonesia there is still no commonly understood definition of youth entrepreneurship. This lack of definition is a point of significance for BAPPENAS in their National Youth Entrepreneurship Strategy Document, which claims that this lack of common understanding may lead to a lack of coordination between ministries and other governmental institutions on youth development.<sup>13 14</sup>

A national strategy for youth entrepreneurship, prepared in 2020, mapped out the key components of the youth entrepreneurship ecosystem in Indonesia. These include:

(i) a direct entrepreneurial support environment (namely families and communities) and efforts to increase entrepreneurial capacity and competence;

(ii) the economic situation that affects people's purchasing power, which in turn affects business prospects and marketing of youth business products;

(iii) policy and institutional support; and  
(iv) vulnerability factors e.g., natural disasters, and the COVID-19 pandemic.

The following sections provide an overview of the profile of Indonesian youth and young entrepreneurs. Roughly twenty percent of employed youth were entrepreneurs in Indonesia in 2020. Approximately sixty percent of young entrepreneurs were male and 65.3 percent of them were aged between 25-30 years old. Almost a quarter of employed youth in rural areas are entrepreneurs, roughly 22 percent, while the figure is 17 percent in urban areas. More than 50 percent of youth entrepreneurs operated either in the retail trade and car repair or agriculture, forestry, and fisheries sectors in 2020. In terms of the scale of their businesses, most of the youth entrepreneurs operate alone. Only in company services, financial services, and construction sectors less than 80 percent of youth-led enterprises operated alone in 2020. There were more youth-led businesses with employees in urban areas than in rural areas in 2020 based on Sakernas in 2020.

<sup>13</sup> "Dokumen Strategi Nasional Kewirausahaan Pemuda" (Badan Perencanaan Pembangunan Nasional, 2020), [https://www.bappenas.go.id/files/publikasi-kpapo/Pemuda%20dan%20Keluarga%20Stranas%20Kewirausahaan%20Pemuda\\_Final%20Draft.pdf](https://www.bappenas.go.id/files/publikasi-kpapo/Pemuda%20dan%20Keluarga%20Stranas%20Kewirausahaan%20Pemuda_Final%20Draft.pdf)

<sup>14</sup> The national youth entrepreneurship strategy document was prepared by Bappenas in collaboration with SMERU at the end of 2020, with support from the Government Cooperation Program of the Republic of Indonesia and the United Nations Population Fund (UNFPA). The document was published on Bappenas' website.

# 2.1

## Profile of Indonesian Youth

Based on the recent national survey dataset Sakernas (2020), there is a tendency that youth are mainly located in urban areas. More than 50 percent of youth are located on the island of Java, with 78 percent located on Java and Sumatra combined.

To measure its youth profile, the GoI via the Ministry of National Development Planning, Ministry of Youth and Sports, and Coordinating Ministry of Human Development

and Culture with support from UNFPA conducts an annual survey of the population and an annual index scoring called the Youth Development Index (YDI). In 2019, the YDI received an overall score of 52.67 points out of a total of 100 compared to a lower score in 2018 of 51.50. This score showcases that the average youth in Indonesia are in a development level characterised as 'medium', with an increase in access to education.

**Table 4:** Profile of Indonesian Youth in 2020 (Source: Sakernas 2020)

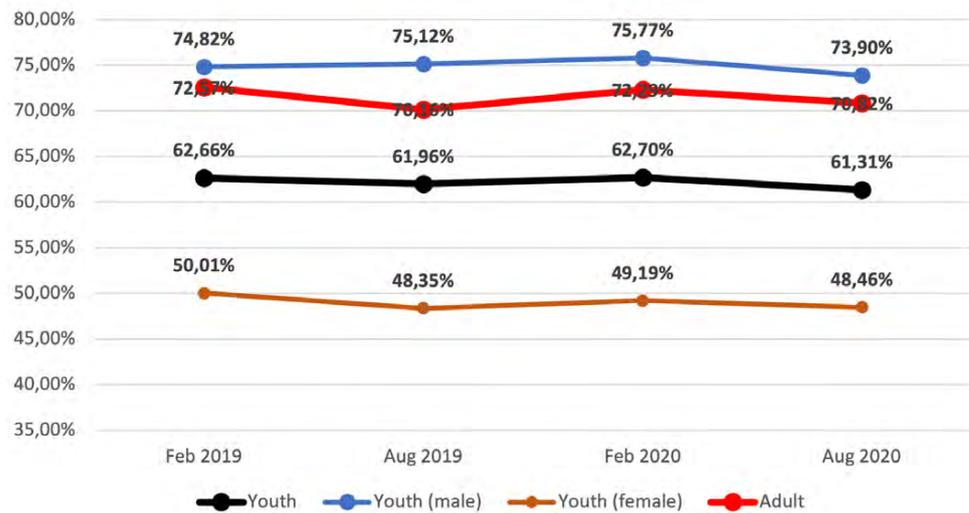
Estimated youth population in Indonesia	64.50 million (Nearly 25 percent of Indonesian population)
Gender division	Male (50.53 percent) > Female (49.47 percent)
Biggest youth age group	19-30 years old with roughly 26.3 million male and 25.7 million female
Location	Mostly located in Java (55.26 percent) and Sumatra (22.75 percent)
Education level	75 percent junior high school and senior high school graduates, 11 percent university
Youth with disability	0.5 percent of overall youth population

# 2.2

## Profile of Youth Labour Force

Approximately 62 percent of Indonesian youth were part of the labour force in 2019-2020 (Figure 2). This is an increase from 2018 where only 52.87 percent of youth were in the workforce. The labour force participation rate among young men is higher than among young women.<sup>15</sup>

**Figure 2:**  
Indonesian youth labour force participation rate (2019–2020)



Source: Sakernas 2019-2020 processed

The level of youth unemployment in Indonesia increased from 13.03 percent to 15.23 percent between August 2019 and August 2020. Despite broader access to services and support structures, urban youth were more likely to be unemployed than rural youth. Based on Sakernas data, the employment rate among rural youth stayed approximately the same between 2019 and 2020. Part of the reason is the agricultural sector which has managed to absorb the labour force during the pandemic.

Based on the Sakernas report in 2020, the number of youths not in education, employment, or training (NEET), notably women, decreased between 2019 and 2020.

This suggests that more young women entered the workforce and/or there was an increase in those who accessed training in 2020. However, assurance of this requires further data as NEET youth have remained at around 20 percent over the past three years, according to the Ministry of Labour.<sup>16</sup>

<sup>15</sup> "Booklet Survei Angkatan Kerja Nasional" (Badan Pusat Statistik, August 2020), <https://www.bps.go.id/publication/download.html?nrbvfeve=ZDhiOWE3NWNIODI2ZGRhZmJkZGI5NjU3&xzmn=aHR0cHM6Ly-93d3cuYnBzLmdvLm-lkL3B1YmxpY2F0aW9uLzlwMjAvMTVtMjVzZDhiOWE3NWNIODI2ZGRhZmJkZGI5NjU3L2Jvb2tsZXQtc3VydmlvLWVtLWZ2thdGFuLWt1cmphLW5hc2lvbmFsLWFndXN0dXMtMjAyMC5odG1s&twoadf-noarfeauf=MjAyMS0wOS0xMiAxND0wNjoxMQ%3D%3D>.



In 2020, approximately 62 percent of unemployed youth were young people with a senior high school diploma. This is similar for both young men and women. The second largest group of unemployed youth

are those with only a junior high school education level at 14.6 percent in 2020. The third largest group are those with a university-equivalent level of education which accounted for 14.2 percent of unemployed youth in 2020.

**Table 5:** Profile of Indonesian Youth Labor Force as of 2020

Gender division of youth labour force	Male (73,90 percent) > Female (48,46 percent)
Unemployment by age division	15-19 years old: 1.624.465 (17 percent) 20-24 years old: 2.756.019 (28 percent) 25-29 years old: 1.577.866 (16 percent)
Level of education of unemployed youth	Junior high school diploma: 895.030 (14.6 percent) High school diploma: 3.788.241 (61.9 percent) University diploma: 869.127 (14.2 percent)
Employed youth by location	Youth in rural areas (58.52 percent) > youth in urban areas (41.48 percent)
Unemployed youth with disability	30 percent among youth with disabilities
Time needed for youth to find job	5 to 7 months

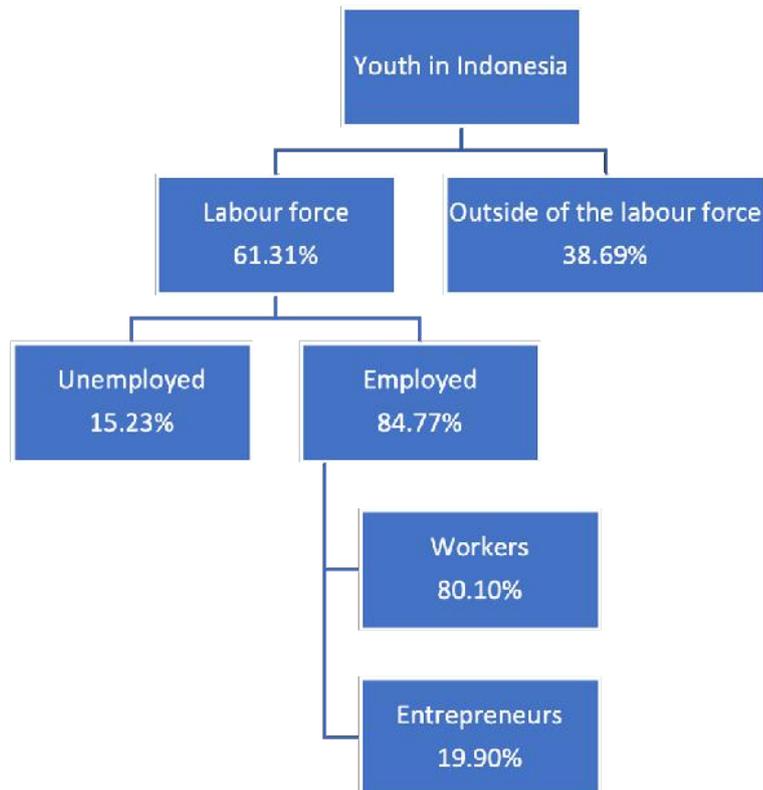
Source: Central Bureau of Statistics Indonesia

<sup>16</sup> “Hadapi Fenomena NEET, Menaker Ajak Semua Pihak Berdayakan Pemuda” (Kementerian Ketenagakerjaan RI, July 15, 2020), <https://kemnaker.go.id/news/detail/hadapi-fenomena-neet-menaker-ajak-semua-pihak-berdayakan-pemuda>.

# 2.3

## Youth Entrepreneurs in Indonesia

**Figure 3:**  
Division of youth labour force, 2020



Source: Sakernas 2019-2020 processed

### Estimating the Population of Youth Entrepreneurs in Indonesia

Based on 2020 Sakernas data, 19.9 percent of employed Indonesian youth were entrepreneurs (Figure 3). Only a very small percentage of youth entrepreneurs are classified as disabled, roughly 0.11 percent in 2020.

Almost a quarter of employed youth in rural areas are entrepreneurs; roughly 22 percent. Whereas only 17 percent of employed youth in urban areas are categorised as entrepreneurs. Larger job markets in urban areas are a major factor here.

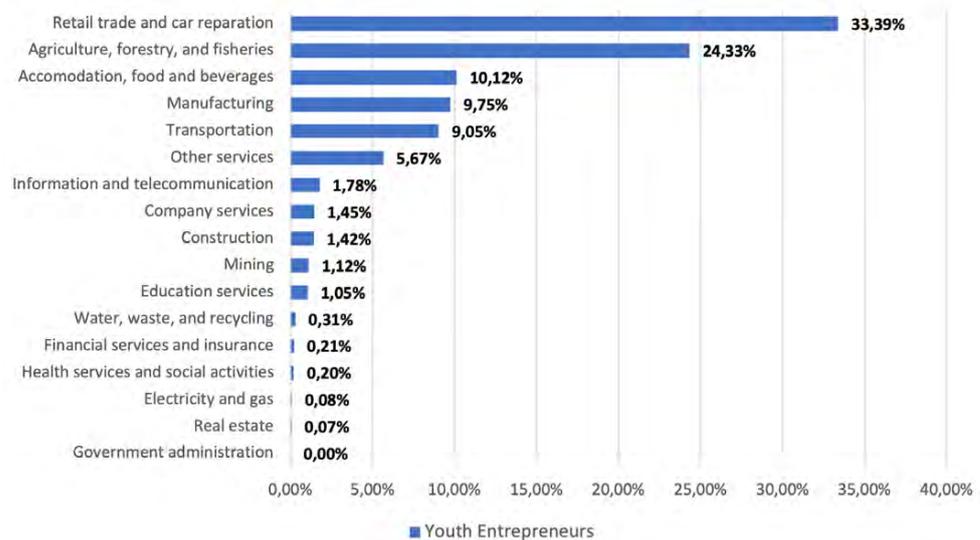
The YDI (2019) showcases that most provinces have barely scored 1.00 for youth entrepreneurship (white collar) indicator where the maximum is 2. For example, Riau Island is at 0.05 at the indicator scoring. Meanwhile, only Jogjakarta (Central Java) and North Kalimantan received scorings above 1.00, 1.18 and 1.41 respectively. The YDI (2019) also noted that provinces in eastern Indonesia have a low density of youth entrepreneurs. For example, North Maluku has less than one percent of the youth entrepreneurs' population (0.02 percent).

## Business Sectors and Scale of Youth Entrepreneurs in Indonesia

More than 50 percent of youth entrepreneurs work in agriculture, forestry and fisheries and retail trade and car reparation sectors (Sakernas, 2020). However, the sectors that youth operate in differ between urban area or rural areas. The top three sectors for young entrepreneurs in urban areas are retail, trade and car reparation, transportation, and accommodation. Jakarta has the high-

est rate of youth involvement in the transportation sector, possibly because it has a high population density, which may have compelled or inspired young people to devise new ways of working and travelling. In rural provinces, such as North Kalimantan and Papua, young entrepreneurs mainly operate in natural resource sectors such as agriculture, fisheries, and forestry.

**Figure 4:**  
Youth-owned  
enterprises by sector,  
2020

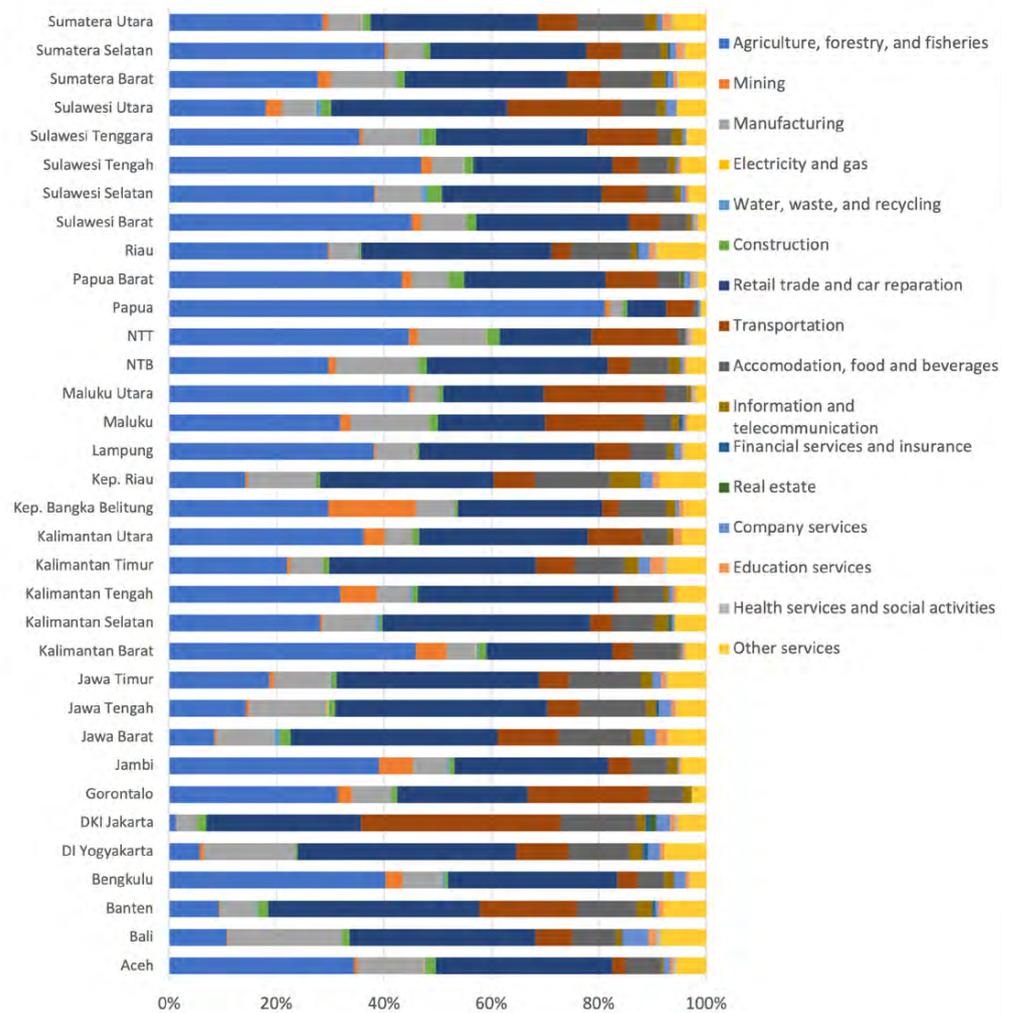


Source: Sakernas (2020)



Photo credit: Odua Images, Shutterstock.com

**Figure 5:**  
Youth-owned  
enterprises by sector  
and province, 2020



Source: Sakernas (2020)

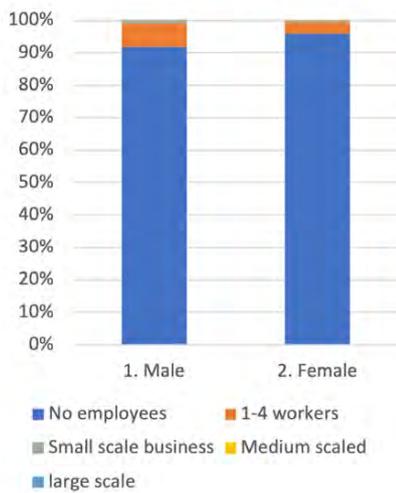
Most young entrepreneurs operate alone: more than 90 percent of youth entrepreneurs hire no employees (Figure 6). More than 90 percent of youth-led enterprises in both urban and rural areas operate without employees (Figure 8). Meanwhile, Sakernas (2020) states that 17 percent of disabled youth have support with their businesses, with 83 percent operating alone. The majority of youth entrepreneurs are therefore categorised as 'informal' because they are technically self-employed. The following matrix summarises the size of Indonesian youth-led enterprises.

**Table 6:** Size of Indonesian Youth-led Enterprises

Scale	Frequency	Percentage
0 employees	6,332,339	93.32%
1-4 employees	399,075	5.88%
5-19 employees	47,691	0.70%
20-99 employees	6,339	0.09%
>99 employees	36	0.00%
<b>TOTAL</b>	<b>6,785,540</b>	<b>100.00%</b>

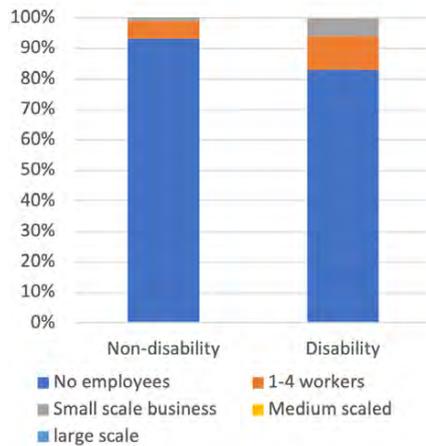
Source: Central Bureau of Statistics Indonesia, 2020

**Figure 6:**  
Business scale of youth-owned enterprises, by gender, 2020



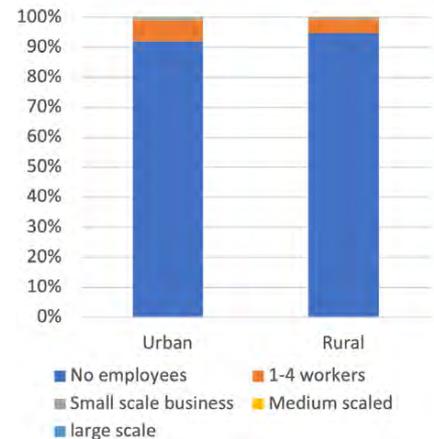
Source: Sakernas (2020)

**Figure 7:**  
Business scale of youth-owned enterprises by disability, 2020



Source: Sakernas (2020)

**Figure 8:**  
Business scale of youth-owned enterprises by location, 2020

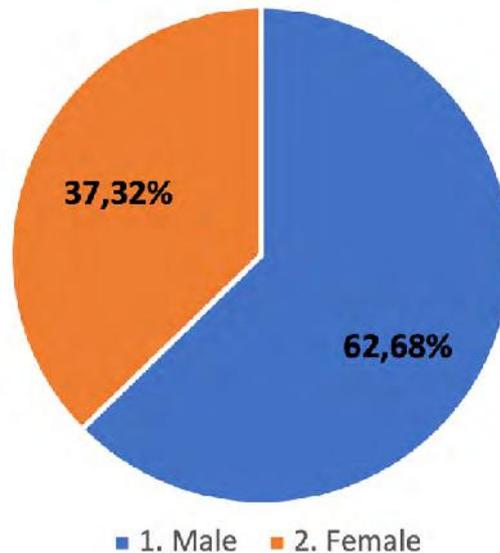


Source: Sakernas (2020)



## Gender Disparity in Youth Entrepreneurship in Indonesia

**Figure 9:**  
Youth entrepreneurs  
by gender, 2020



Source: Sakernas 2020

The majority of young entrepreneurs are male. Female entrepreneurs made up approximately a third of young entrepreneurs in Indonesia in 2020. The proportion of male youth entrepreneurs amongst employed youth was higher, 20.5 percent, than female counterparts at 18.9 percent. There was also a lower overall youth labour force participation for females; 73.9 percent for male and 48.4 percent for females.

More men than women work in the agricultural sector as youth entrepreneurs, while there is a slightly larger portion of young female entrepreneurs in the retail and food and accommodation sectors. This may relate to the fact that 84.1 percent of young entrepreneurs in the agricultural sector are from rural areas in Indonesia where culturally men are considered the main income earner in the household.

## Youth Entrepreneurship and COVID-19

The ongoing COVID-19 pandemic has had a significant impact on youth entrepreneurship in Indonesia. Data from the National Labor Force Survey (Sakernas, 2020) found that 56.1 percent of young entrepreneurs who operate alone reported a decline in earnings since February 2020. 4.1 percent reported an increase in earnings and 28.5 percent reported stagnant earnings compared to the previous year. Given that the pandemic especially impacted more populated areas, it is per expectation to see that more youth entrepreneurs (61.5 percent) in urban areas reported a decline in their earnings compared to 48.9 percent of young entrepreneurs in rural areas. When the data is disaggregated by gender, it shows a decline in earnings of more than 50 percent among entrepreneurs regardless of their gender.



# 03

## National Deep Dive into the Domains of the Youth Entrepreneurship Ecosystem



### 3.1

National View on Access to Finance and Incentives

### 3.2

National View on Human Capital and Entrepreneurship Culture

### 3.3

National View on Business Development Support and Infrastructure

### 3.4

National View on Policy and Regulatory Framework

### 3.5

National View on Innovation and Technology

This section provides an assessment of  
1) strengths and opportunities,  
2) challenges and gaps, and  
3) good practices within the key domains  
of the youth entrepreneurship ecosystem.

The key research questions guiding the  
national study were as follows:

- (i) Since 2019, what programmes/sup-  
ports have been provided by the GoI and  
stakeholders;
- (ii) What are the challenges and gaps  
and have the programmes/initiatives  
reached youth entrepreneurs from vari-  
ous groups<sup>17</sup>/ How can programme-pro-  
viders expand their reach;

(iii) What impact have the programmes/  
support had on youth-led enterprises;  
and

(iv) What challenges remain? What ac-  
tion is needed to support the youth en-  
trepreneurship ecosystem? Who are the  
key stakeholders/enablers?<sup>18</sup>

The study applies a mix of quantitative  
and qualitative methods, and the findings  
are based on primary and secondary data,  
including literature reviews, policy reviews,  
media tracking, in-depth interviews, and fo-  
cus group discussions (FGD). Interviews and  
FGD data were collected in spring 2021.



Photo credit: YCL Indonesia

<sup>17</sup> Male/female, person with disability, rural/urban, various types of enterprises, and other minority groups.

<sup>18</sup> See **Table A 1** in the Appendices for the detailed interview guidelines.

# 3.1

## National View on Youth Entrepreneurs' Access to Finance and Incentives

Limited access to financing to start their entrepreneurship is one of the reasons why youth are reluctant to start an entrepreneurship journey. The domain received the lowest scoring (2.2/5) in the collective diagnostic discussion during the 2019 National Dialogue on Youth Entrepreneurship organised by the Ministry of Youth and Sports and UNDP Indonesia. This suggests that access capital is still insufficient and needs urgent attention for fostering young entrepreneurship. This chapter provides an overview of strengths, challenges, and best practices in the domain of Access to Finance and Incentives at the national level.

### 3.1.1 National Strengths and Opportunities in Access to Finance and Incentives

**Availability of capital assistance by government, mostly through grants.** Financial assistance is provided by the GoI, non-governmental institutions and several ministries which have taken an active role as funders by providing capital assistance.<sup>19</sup> Several ministries are also acting as capacity builders with efforts to increase financial literacy among young entrepreneurs and facilitate access to capital. The government has collaborated with stakeholders from development agencies, the financial sector, universities and incubators and accelerators. For example, an education technology start-up received grant funding to the value of 300 million rupiah (\$21,000) after winning a competition in the Technology-Based Start-up Company (CBPPT) programme held in 2019 by the Indonesia Ministry of Research and Technology.

**Availability of non-government support for capital access.** Financial support from non-governmental stakeholders has become increasingly diverse. Incubators, accelerators and financial sector institutions act as funders and capacity builders by increasing financial literacy and connecting young entrepreneurs with investors. According to the FGDs and interviews with incubators and accelerators, it is relatively easy to obtain financial support in the creative, agricultural, food, education, and environmental industries.

**COVID-19 response capital assistance scheme for young entrepreneurs.** As part of its COVID-19 response, the Ministry of Youth Affairs and Sports prepared a capital assistance scheme. *Program Wirausaha Muda Pemula*, for young entrepreneurs wanting to increase their business opportunities during the pandemic. This assistance is an effort to develop entrepreneurial potential and promote youth independence. In addition, UNDP Indonesia together with the International Labour Organization (ILO) and The Joint United Nations Programme on HIV/AIDS (UNAIDS), also aim to provide capital assistance for young entrepreneurs in seed stage as part of their COVID-19 recovery programme.

**Existence of business finance literacy initiatives by non-government or private sector organisations.** According to data from the Financial Services Authority, Indonesia scored an average 38.03 percent in financial literacy in 2020, meaning a minority have sufficient awareness of financial services. For youth, the rate is just 16 percent. There are several initiatives and a regulation designed to advance financial literacy. Based on, POJK Number 76/POJK.07/2016, bank and financial service providers have the obligation to conduct financial literacy training. The Angel Investment Network Indonesia (ANGIN) exposes youth entrepreneurs to information and support programmes, in conjunction with incubators located on university campuses. The incentive of financial institutions to increase financial literacy could be the basis for further investment in this area.

**Existence of policy on youth entrepreneurs' access to capital.** According to the Law of Republic Indonesia Number 4 Year 2009 concerning Youth, the government and local government are obliged to provide funds and access to capital in supporting the development of youth entrepreneurs (article 51 paragraph 2). To deliver on this, the Youth Entrepreneurial Capital Institute (LPKP) was established in 2015 based on Government Regulation Number 60 Year 2013 and Ministry of Youth Affairs and Sports Regulation Number 0944 Year 2015 to support the development of youth entrepreneurship and access to capital.

**New national regulations on business activities and financing.** The Omnibus Law; No. 11/2020 on "Job Creation"; and Government Regulation; No. 7/2021 on "Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises" regulates the strategic policies on job creation, including improving the investment ecosystem and business activities. These Laws also stipulate that central and local governments should provide financing for MSMEs, as well as providing incentives for businesses that provide capital for MSMEs.

### **Availability of alternative funding sources, including Islamic financing instruments.**

Sharia social financing supplied by Zakat, Infaq, Sadaqah, and Waqf, provides alternative financing sources for young entrepreneurs. This is evident with national Zakat collection in 2019 alone reaching 10,2 trillion rupiah (\$711 million) and around 840 billion rupiah (\$55 million) of it going towards economic programmes.<sup>20</sup> Moreover, Sharia social financing is readily accessible to MSME entrepreneurs for whom accessing additional capital can prove challenging in the absence of a bank account. In addition, the Ministry of National Development Planning believes that village-owned enterprise or BUMDes<sup>21</sup>, and other cooperatives, could provide alternative sources of funding and are arguably more suitable for youth entrepreneurs when they face an absence of financial assets for use as collateral.

## **3.1.2 National Challenges and Gaps in Access to Finance and Incentives**

**Low financial literacy.** According to OJK, financial literacy is defined as the knowledge, ability, and belief that influence the behaviour to help with financial decision making and management to achieve financial wellbeing. In general, financial literacy skills among young entrepreneurs are still relatively low and knowledge of financial institutions, for managing savings or accessing business loans, is limited. Based on 2019 Susenas data, only 40.25 percent of young entrepreneurs had a savings account at a financial institution. These conditions hinder business development as well as the accumulation of capital.

**Lack of knowledge and awareness of alternative business financing options.** As can be inferred from our FGDs with young entrepreneurs, they seem to lack knowledge regarding access to business loans and capital assistance from sources such as the government, venture capital, banks, business incubators and NGOs. Furthermore, as the business scale of the majority of youth-led enterprises is at the micro level, they tend to have limited assets that could be set as collateral in accessing financing support.

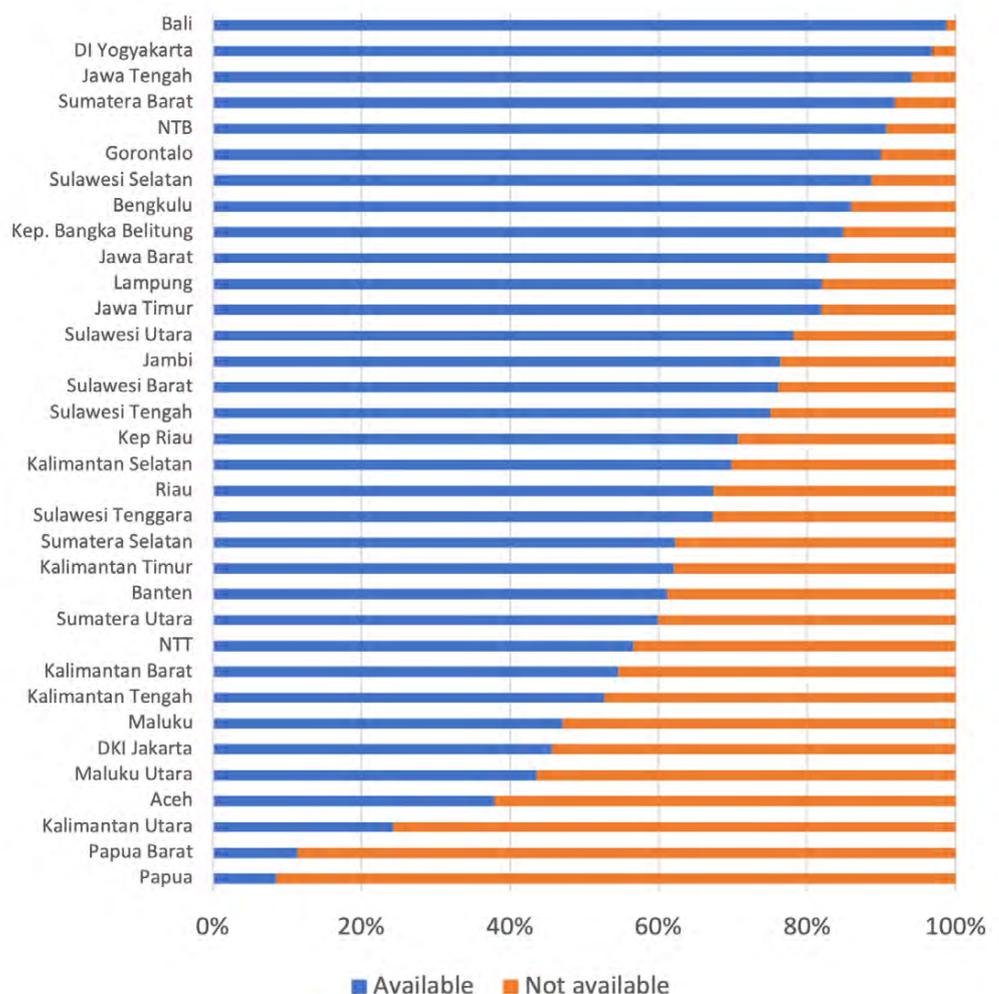
**Lack of assets and ability to comply with the requirements of the banking facilities hinder access to finance.** Based on the interviews and literature review, it is understood that young entrepreneurs have multiple doubts in accessing loans from formal institutions due to the disadvantages they feel relative to their age, assets, and their ability to pay back the loan. These opinions are particularly true for those who are still in college. These sentiments back up the results of UNDP's 2019 National Dialogue on Youth Entrepreneurship; namely that, financing institutions consider that young entrepreneurs who start their business with little to no assets and low knowledge of business financial management are high risk.

<sup>20</sup> Statistik Zakat Nasional 2019, *Badan Amil Zakat Nasional Indonesia*, 2020.

<sup>21</sup> BUMDes or village-owned enterprise is a legal entity established by the village to manage the business, utilize assets, develop investment and productivity, provide services, and provide other types of business for village community welfare.

**Uneven distribution of financial institutions and government support for entrepreneurs at different stages, especially in “scaling up” stage.** To provide young entrepreneurs with access to capital, the government faces an additional challenge of an uneven distribution of financial institutions across Indonesia. The government needs to prioritise access to financial institutions among those living in remote areas. The data in the Figure 10 below indicates that the availability of government credit facilities is better in the major provinces such as Java, Sumatera, and Bali, compared to eastern Indonesia. Citizens in Java’s main provinces, villages and sub-districts have access to one out of four of the government-oriented credit programmes. In terms of the type of programme, the majority have access to Kredit Usaha Rakyat or KUR, a government-oriented business loan. As indicated from the interviews for this study, there has also been a declining trend in the provision of financial support for start-up entrepreneurs over the last two years, according to some incubators and accelerators. However, this decline has been accompanied by increased financial support for entrepreneurs in the early stages.

**Figure 10:**  
Availability of  
government credit  
programme by province,  
2018



Source: Podes 2018



**Local cultural barriers to access financial support.** In an interview, PLAN Indonesia shared their research findings which demonstrate how cultural values (including those related to gender) and beliefs are preventing young entrepreneurs to access capital from financial institutions. For example, in East Nusa Tenggara (NTT), land, which is widely used as a collateral asset for capital loans, cannot be inherited by women. Another example is an issue of usury when borrowing money from a bank. These values could be a barrier for youth entrepreneurs in accessing capital loans from financial institutions to develop and/or accumulate their business (capital).

## Good Practices

**The Youth Co:Lab initiative, co-led by UNDP and Citi Foundation, organises an annual Demo Day that invites young people to a pitch competition for pre-seed and seed stage enterprise financing. The event includes access to grants and exposure to other finance support institutions. In addition to this, PLAN International have several youth entrepreneur support programmes that aim to improve young entrepreneurs' access to finance. The programmes from PLAN International, which is mostly implemented in the agriculture sector in eastern Indonesia, also provides broader support beyond finance such as in technical support in agriculture.**

# 3.2

## National View on Youth Entrepreneurs' Human Capital and Entrepreneurship Culture

The positive development of a thriving culture of youth entrepreneurship was reflected during the 2019 National Dialogue on Youth Entrepreneurs held by UNDP Indonesia and the Ministry of Youth and Sports. The result of the FGD shows that at a national level entrepreneurship culture received a score of 3/5.

### 3.2.1 National Strengths in Human Capital and Entrepreneurship Culture

**The majority of youth in education are exposed to basic entrepreneurship knowledge based on theory and practice.** More than 50 percent of young Indonesian entrepreneurs hold a minimum of a high school diploma (Sakernas, 2020). The Ministry of Education, Culture, Research, and Technology has delivered entrepreneurship subjects for both high school, vocational schools, and higher education (Table A5 in the Appendix). Youth entrepreneurs with higher education consider incubator programmes at universities very beneficial in supporting them access training, financial support, and mentors that support in the management of their business. In addition, Article 19 of the draft Entrepreneurship Bill illustrates a chance for a pathway for further incorporating entrepreneurship education into educational curricula through formal or non-formal education.

**National and local government institutions have multiple programmes to support young people in becoming entrepreneurs.** For example, the Ministry of Agriculture is preparing young people, including young farmers, to become agriculture entrepreneurs through its Youth Entrepreneurship and Employment Support (YESS) Program, recognising the importance of the agricultural sector to the Indonesian economy. This programme prioritises young people from poor families, women, youth with disability, out of school youth, as well as indigenous groups.

### 3.2.2 National Challenges and Gaps in Human Capital and Entrepreneurship Culture

**Unequal access to training due to locations, high fees, and limited awareness.** PODES data from Statistics Indonesia and data from Sakernas (2020) show that most training opportunities are found on the larger and more populated islands of Java and Sumatra, especially in the urban cities. Based on Sakernas 2020 data, 13.4 percent youth entrepreneurs have certified training and 2.2 percent are currently accessing some form of training. There has been an increase from 2019, when only 10.5 percent of youth entrepreneurs held a certified training. However, the dataset did not specify what form of training the entrepreneur received. In addition, the interview with PLAN Indonesia revealed that less than 50 percent of youth entrepreneurs were aware of existing entrepreneurship programmes. Based on the interview with UNDP Indonesia, the start-up and business training provided by non-governmental institutions and the private sector tends to be commercialised. The result is that many programmes are charging fees that young entrepreneurs are unable to afford. Prices varied from IDR 3 million to 5 million (\$210 to \$350) to enrol in a two-week training programme.

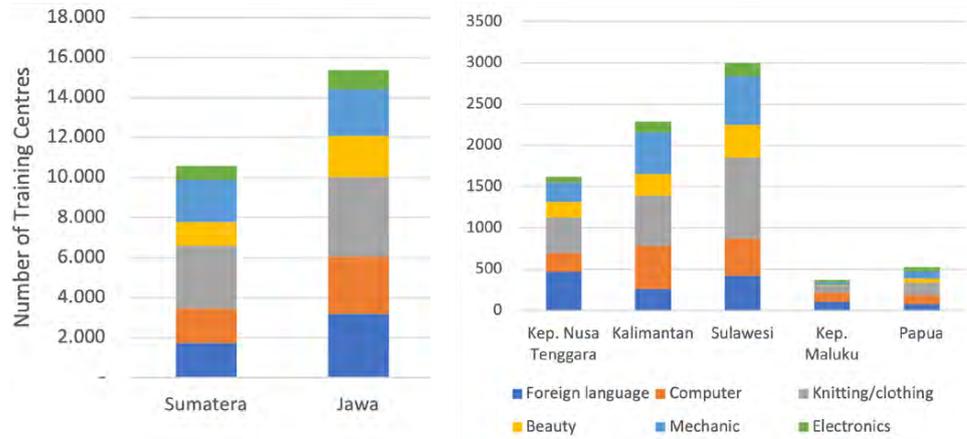
**Gaps in the quality of training implemented by the government vs the private sector.** Responses from interviewees and FGD participants revealed weaknesses in the quality of the existing entrepreneurship coaching, especially from those provided by the government. The key challenges included overly theoretical content, a lack of programmatic sustainability and incompetent trainers. Meanwhile, most private sector incubators and accelerators demonstrated good practices by combining capital assistance with monitoring during the programme period. However, due to higher training fees, private sector-run programmes are not accessible to all youth.

**Limited familial support for choosing entrepreneurship as a career option.** According to the Ministry of National Development Planning, a major factor constraining a young person's entrepreneurial ambition is a lack of family support. Young people often receive intense pressure from their families to become civil servants or company employees. (Bapenas, 2020).

**Training has not been accessible for all young people, especially minority and vulnerable youth.** Existing programmes have not targeted youth entrepreneurs from minority groups, including those with disabilities. Based on interviews, the Ministry of National Development Planning claims entrepreneurship programmes are not sensitive to disabled youth and trainers are ill-equipped to support disabled youth entrepreneurs.

**Figure 11:**  
Availability of training  
per island, 2018

Source: Podes 2018



## Good Practices

Youth start-up “GREEN” participated in a campus-based incubation programme in association with the Ministry of Education, Culture, Research and Technology’s technology-based start-up company programme (PPBT). GREEN explains that they accessed the programme and mentorship for 2-3 months in which they gained new business knowledge that focused on the impact and sustainability of a business. In addition, the PPBT programme concluded with a technology exhibition, bringing together business actors with investors and the public, including potential customers. For GREEN, the exhibition acted as a forum for knowledge-sharing with other entrepreneurs as well as providing an opportunity for their products to be acknowledged by the market.

# 3.3

## National View on Youth Entrepreneurs' Business Development Support and Infrastructure

The density of youth entrepreneurship infrastructure and business development can be one of the indicators of how strong a youth entrepreneurship ecosystem is. Density here includes transportation, communication, the Internet, and infrastructure for business development support, such as incubators and accelerators. Nationally, in 2019 through the National Dialogue on Youth Entrepreneurship, density scored 2.9 out of 5.

### 3.3.1 National Strengths in Business Development Support and Infrastructure

**Strong electricity and internet infrastructure especially for West and Central Indonesia.** At the provincial level, access to electricity in Java provinces exceed most of that outside Java, especially compared to Papua and East Nusa Tenggara provinces. The Internet infrastructure is relatively good across the country and there is access to a 4G signal in at least some villages in every province. The 4G coverage is particularly broad in DKI Jakarta.<sup>22</sup>

**Relatively well-developed road infrastructure that supports business logistics and access to market.** Most provinces no longer rely on soil-based roads for travel between villages and sub-districts, including accessing local markets. Instead, most areas have an asphalt-based road network, with a large percentage of hardened roads. Road access in Java and in Bali are generally much better than in other provinces, particularly those in Papua and in Kalimantan.

**Access to business incubators and accelerators and initiatives that support business development.** Accelerators and incubators focus on helping business actors in the early stages of business development, providing assistance in the form of a workplace, business training, mentoring and initial funding. The interview findings and literature review revealed that young entrepreneurs now have a relatively good access to incubation and acceleration programmes, run by a variety of stake-holders, including universities, the government – local and national, NGOs and the private sector as well as from state-owned enterprises.

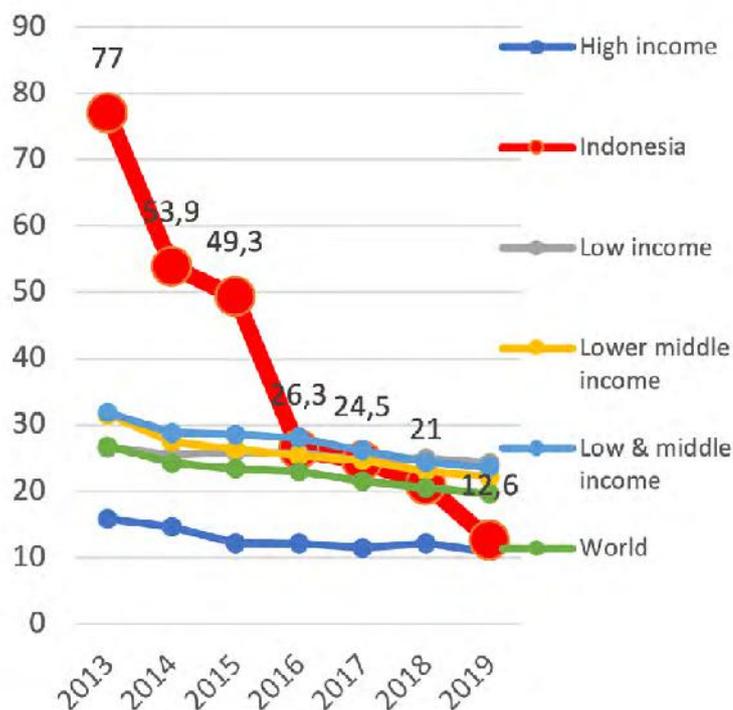
<sup>22</sup> Royke Sinaga, "Layanan 4G LTE Disebut Sudah Jangkau 97 Persen Populasi Indonesia," Antara News, February 20, 2019, [https://kominfo.go.id/content/detail/16545/layanan-4g-lte-disebut-sudah-jangkau-97-persen-populasi-indonesia/0/sorotan\\_media](https://kominfo.go.id/content/detail/16545/layanan-4g-lte-disebut-sudah-jangkau-97-persen-populasi-indonesia/0/sorotan_media).

Young entrepreneurs in the research reported that improved soft skill and hard skill knowledge in business development had increased their survival rates.

Supported by the Incubator Association, the GoI is attempting to remedy the still uneven distribution and quality of incubator institutions and programmes, by establishing new incubators and developing new ones. Aside from government support, there are several institutions that aim to support access to incubators both in and outside the Java area (e.g., Plan Indonesia, Youth Co:Lab, Instellar, Telkomsel Next Dev).

**Policy support for digital infrastructure development.** In its National Medium-Term Development Plan (RPJMN 2020-2024), the GoI set out an agenda to strengthen the infrastructure supporting the country's economic development and basic services. This plan is already underway during 2019-2024 administration by expanding the 4G network through the previous Palapa Ring programme. This programme supported the development of services in 57 districts and cities, through the Government Cooperation with Business Entities (PPP), funding scheme, and in 457 districts/cities through non-PPP funds. The government has also accelerated digital transformation in six priority sectors in collaboration with the private sector and NGOs.<sup>23</sup> This presents opportunities to strengthen access to business development support for young people through digital-based support regardless of their location. Indonesia has also shown improvements in reducing the time required to start a business (World Bank Indicators, Figure 12). Improvement on this aspect also can be seen from the efforts to simplify the licensing process via an online single submission system (OSS) facilitated by government.

**Figure 12:**  
Time required to start  
a business (in days),  
2013-2019



Source: World Bank Indicators

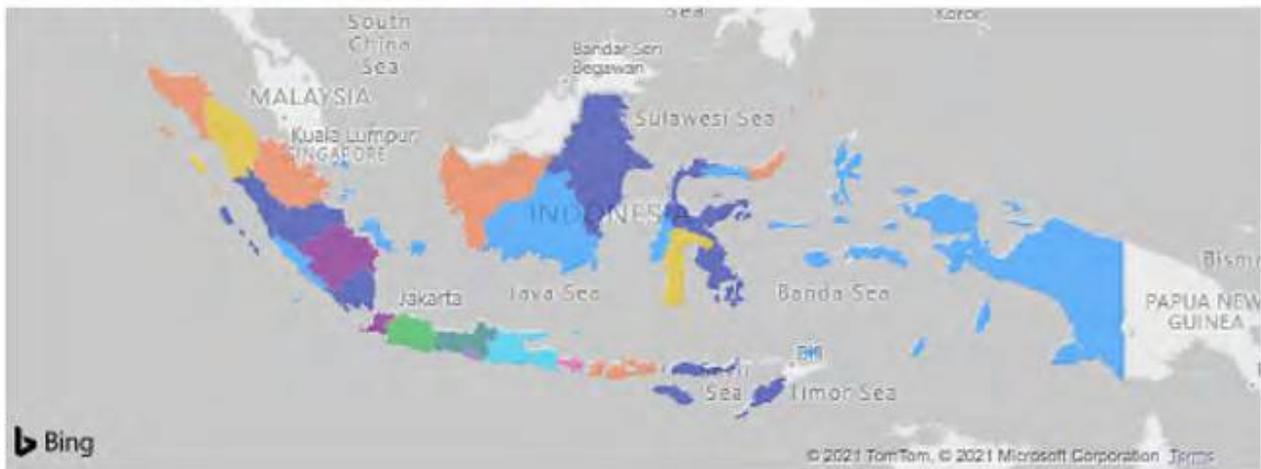
<sup>23</sup> Ministry of Communication and Informatics (Kemenkominfo) accelerating digital transformation in six priority sectors (2020-2024), namely agriculture, health, maritime, tourism, logistics and education.

**Multistakeholder partnerships between the private and public sector and NGOs are supporting young entrepreneurs.** It has been found that numerous public institutions understand that a collaborative move towards investment in human development, focussed on entrepreneurship, is highly needed. Multiple ministries, such as Ministry of Tourism and Creative Economy and Ministry of Research, have tied up numerous partnerships with the private sector to target growth in youth entrepreneurs in Indonesia. Efforts here include the Ministry of Cooperative and MSMEs with Blibli.com, an online marketplace, who have together, developed training and provided space for youth creativepreneurs to sell and promote their creative economy products.<sup>24</sup>

**Figure 13:** Spread of incubators in Indonesia

Province and Number of Incubator

Number of Incubator ● 0 ● 1 ● 2 ● 3 ● 4 ● 5 ● 6 ● 7 ● 8 ● 11 ● 14



Source: BRIN, 2021

<sup>24</sup> Elsa Catriana, "Gandeng Blibli, Kemenkop UKM Luncurkan Program untuk Mendorong UMKM Melek Digital," Kompas.com, August 31, 2020.

### 3.3.2 National Challenges and Gaps in Business Development Support and Infrastructure

**Unequal access to infrastructure and internet outside Java.** There is a disparity in access to business support and infrastructure and some young people face challenges as a result of varying infrastructure availability between regions. Over fifty percent of villages in Maluku and Papua provinces do not have an Internet access due to an inadequate physical infrastructure to support the reach of the available signal and more than thirty percent of villages in Central Kalimantan have access to 2.5G/E/GPRS. Inequalities in Internet usage is also apparent between rural and urban youths, with 98.82 percent of urban youths using the Internet, compared to just 76.49 percent of rural youths. A disparity also exists between young people with disabilities, 41.58 percent of whom have access to the Internet, compared to 85.99 percent of those with no recorded disability. This data shows that infrastructure development and Internet related services have not been evenly distributed across Indonesia (BPS, 2020). This is due to the high price of bringing equality to the existing infrastructure and geographical challenges.

**Youth from low-income families do not have equal access to technological devices to support business development.** Data from Indonesian Youth Statistics (BPS, 2020) revealed that youth in the lower forty percent of the expenditure group had the lowest percentage of ownership and mobile phone usage at 80.23 percent and 90.05 percent, respectively, while youth in the top 20 percent of the expenditure group had the highest percentage of ownership and mobile phone usage (97.60 percent and 98.7 percent). A similar pattern emerges with computer ownership. A stark difference can be seen in Internet use among young people in the top 20 percent expenditure group (96.98 percent), compared to the lowest 40 percent expenditure group at 74.54 percent. In short, young people from a higher economic background have better resources and more access to the Internet.

**Uneven concentration and distribution of incubators and accelerators across provinces and cities, despite overall number of them (Figure 13).** Although there are many incubators and accelerators, their uneven distribution, across provinces and cities, remains a challenge. For the most part, they reach entrepreneurs in the bigger cities.

**Lack of sustainability of the results of incubators and accelerators programmes.** The sustainability of assistance following the conclusion of an incubation or acceleration programme is a problem. Mentoring activities are carried out during the limited time during the programmes, yet the business capabilities of incubation and accelerator participants vary with some requiring intensive post-programme support.



**Some incubator and accelerator programmes do not meet the needs of young entrepreneurs.** Some incubators and accelerators do not meet the needs of young entrepreneurs due to the lack of competent mentors and unsuitable facilitation from programme providers. Some accelerators and incubators only provide mentorship and are unable to provide funding or access to funding, or networking support for marketing and product development needs.

**Difficulties in obtaining permits.** As was uncovered in the regional and national dialogues, some youth entrepreneurs in peri-urban and rural areas find it difficult to obtain the necessary permits to run their businesses. This stems from a lack of know-how, bureaucratic red tape, and limited supporting infrastructure to obtain such permits. This in turn causes businesses in those areas to often be run without official permits or licenses, which may jeopardise the stability of their businesses in the long run and limit access to benefits the registered entrepreneurs are entitled to.

## Good Practices

**The Ministry of Tourism and Creative Economy developed the Government Incentive Assistance programme (BIP), that assists young start-ups with additional working capital to increase business or production capacity in the creative economy and tourism business sectors.<sup>25</sup> Networking with several education associations, the gaming community, government agencies, and fellow youth entrepreneurs is helping to develop youth-owned businesses, through consultations, the exchange of information, and access to the market. This supports an interviewed start-up focused on literacy games, which facilitates and promotes interaction between players and enriches their learning through augmented reality technology, companion mobile apps and virtual reality. Through this incubation programme, the government provides sector focused support such as legal support, financial literacy, and mentorship with expert in each sector beyond theoretical knowledge that is required immediately in the seed stage when an enterprise is looking to increase their scale within their market.**

# 3.4

## National View on Youth Entrepreneurship Policy and Regulatory Framework

The GoI has initiated several policy efforts to increase the growth and resilience of youth entrepreneurs. In 2019 through the National Dialogue on Youth Entrepreneurship, the policy framework scored 2.3 out of 5. Several strengths of the policy and regulatory framework of Indonesia are acknowledged below.

### 3.4.1 National Strengths of the Policy and Regulatory Framework

**National level policy and legal support.** At the government level, several ministries and institutions have instituted laws and policies for youth development, entrepreneurial development, and youth entrepreneurship.<sup>26</sup>

National laws related to youth entrepreneurship include Government Regulation (PP) 41/2011 on entrepreneurship development, pioneering youth and the provision of youth infrastructure and facilities. At the ministerial level, the Ministry of Sports Regulation 0944/2015 identifies seven procedures for facilitating the development of youth entrepreneurship.<sup>27</sup> These include training, apprenticeships, mentoring, support, partnerships, promotion, and assistance in accessing capital. Several initiatives from the Ministry of Youth and Sports include providing business capital assistance to young entrepreneurs and socio-preneurs, and for youth entrepreneurship centres, selecting outstanding youth entrepreneurs and young entrepreneurs as guiding young entrepreneurs, and apprenticeships for young entrepreneurs.

Youth entrepreneurship is featured in numerous government development plans including the Medium-Term National Development Plan (RPJMN) 2020-2024. It provides guidance on the involvement of the central government, local governments, communities, universities, financial institutions, and the private sector, to support new entrepreneurs and strengthen existing ones. This is an opportunity stakeholders can capitalise upon to enhance the development of policy and regulatory frameworks nationwide. The future draft Entrepreneurship Bill and National Strategy on Youth Entrepreneurship provide significant opportunities to build on and advance these policy developments.

<sup>26</sup> see **Table A 7** in the Appendices for the national-level stakeholder mapping on Policy and Regulatory Framework domain.

<sup>27</sup> Peraturan Menteri Pemuda Dan Olahraga Republik Indonesia Nomor 0944 Tahun 2015 Tentang Tata Cara Pemberian Fasilitas Pengembangan Kewirausahaan Pemuda, <https://jdih.go.id/files/205/2015permenpora944.pdf>

**Support provided to young entrepreneurs within government's COVID-19 response.**

To mitigate the impact of COVID-19, the government implemented a national economic recovery programme, which has included the provision of tax relief for MSMEs where MSMEs are exempt from paying tax for six months. Eligible young entrepreneurs running MSMEs were able to benefit since the tax exempted money could be redirected to support the survival of their businesses.

### 3.4.2 National Challenges and Gaps in the Policy and Regulatory Framework

**Sub-optimal implementation of existing policies due to a lack of supporting systems.**

Challenges exist in the implementation of existing policies. The government and associated stakeholders have limited budgets and human resources to allocate to support programmes, and there are also challenges created by diverse geographical conditions. Despite national policies on youth and youth entrepreneurship, there are few regulations at the regional level and local governments do not necessarily allocate budget to support youth entrepreneurship.

**Lack of coordination between the various ministries and institutions targeting youth entrepreneurship.**

More than twenty ministries/institutions are involved in entrepreneurial development. Based on interviews and the FGD results, the distribution of roles and responsibilities among stakeholders is poorly organised in terms of who does what, which groups are targeted, and follow-up procedures. As a result, there are overlaps between entrepreneurship development programmes and sometimes, a lack of clear action and accountability.

**Lack of gender and inclusion lenses.**

Inadequate efforts have been made to ensure people with disabilities, vulnerable groups, and women, are targeted as programme beneficiaries. Uneven distribution of information regarding accessible programmes is also a challenge. This is particularly significant for young people living in areas without basic infrastructure and limited access to information.

**Low protection of consumer protection in digital economy.**

With the increasing number of digital transactions, there is a low protection of consumer security from fraud.<sup>28</sup> If not addressed, this challenge might result in loss of consumer retention.

<sup>28</sup> Joddy Mulyasetya Putra, "Data Pribadi Konsumen E-Commerce Bocor dan Dijual Pihak Lain, Bagaimana Hukumnya?" July 17, 2021, <https://www.kompas.com/konsultasihukum/read/2021/08/17/060000780/data-pribadi-konsumen-e-commerce-bocor-dan-dijual-pihak-lain?page=all>

# 3.5

## National View on Innovation and Technology

Technology can help enterprises to develop innovative solutions, reduce costs, increase production, and gain a competitive advantage leading to increased profits and business growth. This section assesses technology and innovation as critical tools that help enterprises as well as the development of enterprises that focus on technological innovation.

### 3.5.1 National Strengths in Innovation and Technology

**Multistakeholder involvement supports the development of innovations and technology-based start-ups.** A range of stakeholders (government, universities, NGOs) support innovation and technology development by acting as funders, connectors, and capacity builders.<sup>29</sup> Some programmes and activities have focused on youth and youth tekno-preneurs while others focus on entrepreneurs more broadly. For example, IPB Science Technopark facilitates technology and innovation development and supports start-ups by focusing on tropical agriculture, food, biosciences, and marine sciences sectors. UGM Science Technopark supports technology-based start-ups in the health and pharmacy product sectors.

**Availability of infrastructure to support technological innovation by young people.** Currently, Indonesia has 45 Science techno parks that are available for all, including youth. The Ministry of Education, Culture, Research, and Technology has encouraged the development of Science Technopark (STP) / Kawasan Sains dan Teknologi (KST), to support technological innovation and technology-based start-ups and “spin-offs” within universities, local governments, and research institutions. KST/STP also aims to grow industrial clusters and attract industries into their region to create an innovation ecosystem.

**GoI policy to support more research on technology and innovation for business opportunity purposes.** Through PP 7/2021 on the Ease, Protection and Empowerment of Cooperatives and MSMEs, there is a potential support for youth entrepreneurs' growth based on technology and innovation. The law states that local governments should provide MSMEs and cooperatives with assistance for research and development. In addition, Omnibus Law 11/2020 on Job Creation covers policies that support research and innovation. This could provide an opportunity for the national government to enable collaborative tech-based research involving youth entrepreneurs.

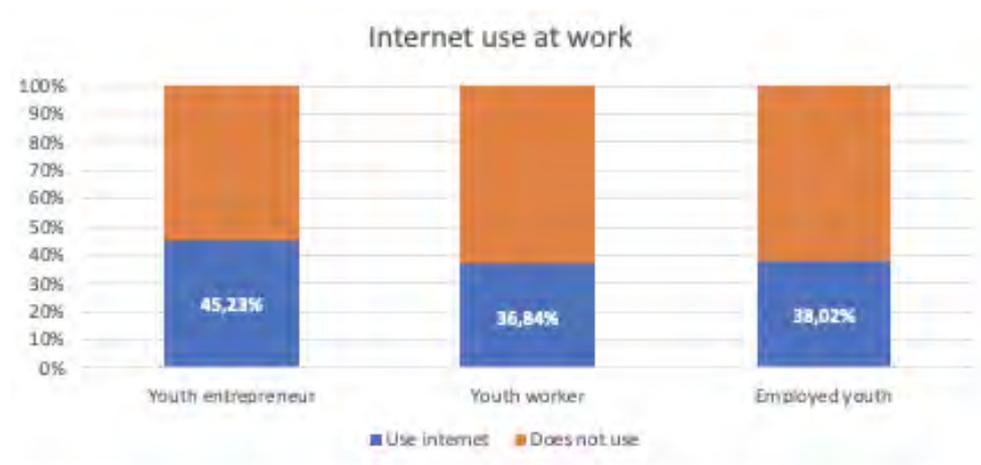
<sup>29</sup> see **Table A 8** in the Appendices for the national-level stakeholder mapping on Innovation and Technology domain.

### 3.5.2 National Challenges and Gaps in Innovation and Technology

**Low digital literacy and utilisation among young entrepreneurs.** The majority of youth entrepreneurs (93.2 percent) have access to a mobile phone, whether they own one or not, and yet digital technology is still underutilised by young entrepreneurs. Despite having access to Internet devices and networks, young people are not utilising them for business purposes. According to Sakernas 2020 data, less than 50 percent of youth entrepreneurs used internet for work (Figure 14). Those who utilise it for work, use it especially for communication purposes. Data from Susenas (2019) shows, in general, Internet usage in Indonesia is predominantly for social media, entertainment, information and news rather than for business. Using online platforms to buy and sell, and for financial transactions is still very limited.

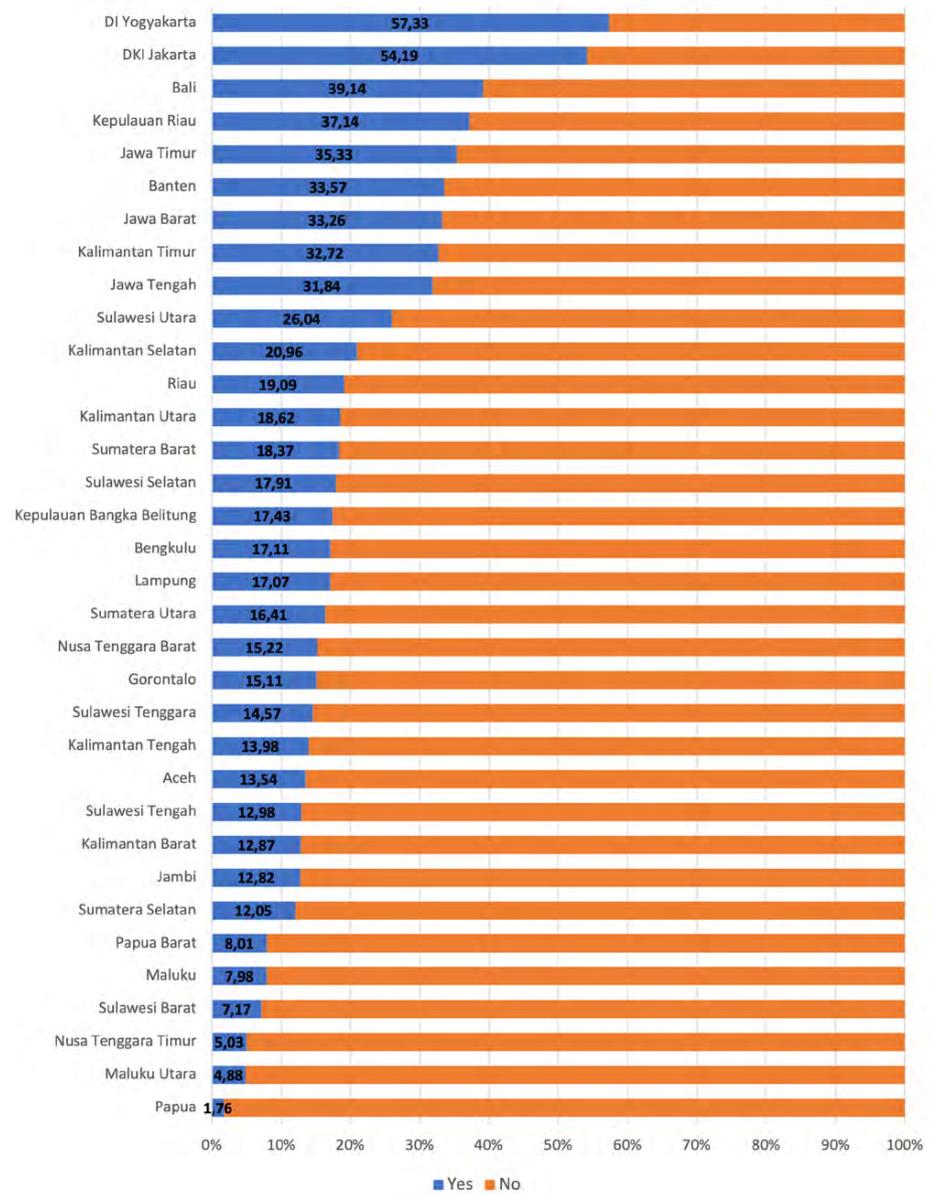
**Figure 14:**  
The use of the Internet  
at work amongst youth,  
2020

Source: Sakernas 2020  
Processed



**Unequal access to technology between geographical locations.** Access to technology is largely concentrated in bigger cities and the technology-based sectors. Data generated by Sakernas in 2019, found that Internet usage among youth entrepreneurs was most common in Java. In most provinces, less than 20 percent of youth entrepreneurs used the Internet for marketing and sales purposes (see Figure 15). Similarly, Internet usage for creative economic ventures is still dominated by Java's residents at 63.75 percent according to the 2016 Indonesian economic census.

**Figure 15:**  
Proportion of youth  
entrepreneurs using the  
Internet for marketing/  
sales purposes by  
province, 2019



Source: Sakernas 2019

## Good Practices

Under the NextDev Hub platform by Telkomsel Indonesia, entrepreneurial talents are scouted and provided with mentoring, training, and a development space for technology-based social enterprises. For the past five years, the NextDev Hub has enhanced up to 5,000 start-ups from across Indonesia. Previous winners of the NextDev Hub have won awards at both national and international levels following the completion of their NextDev Hub development training. These include 'Habibi Garden' who achieved two awards at the Asia Pacific Impact Investment Summit of 2018.

# Sub-national studies:

## *Deep Dive into the Youth Entrepreneurship Ecosystem in Western, Central and Eastern Indonesia*

The following three chapters present findings of the ecosystem diagnostic conducted in the western, central and eastern regions of Indonesia. Each sub-national study assesses the ecosystem for youth entrepreneurship through the domains of Youth Co:Lab's ecosystem diagnostic framework and identifies the strengths, challenges, and best practices within each domain. The Chapters also present case studies of West Sumatra, East Kalimantan and Maluku provinces.

The sub-national studies were conducted using a Participatory Action Research (PAR) framework and Design Thinking. The findings are based on qualitative and quantitative analysis and primary and secondary data, including desk review and survey and interviews and FGDs. The interview and FGDs we organised as part of pre-regional and regional dialogue events and involved stakeholders who play a role in the youth entrepreneurship ecosystem in the different regions.

**Figure 16:** Map of Indonesia



Source: Geospatial Information Agency (BIG)



# 04

## Regional Deep Dive into the Youth Entrepreneurship Ecosystem in the Western Indonesian Region

### 4.1

Overview of the Western Indonesian Region's Youth Entrepreneurship Ecosystem

### 4.2

Access to Finance and Incentives in Western Indonesia

### 4.3

Human Capital and Entrepreneurship Culture in Western Indonesia

### 4.4

Business Development Support and Infrastructure in Western Indonesia

### 4.5

Policy and Regulatory Framework in Western Indonesia

### 4.6

Innovation and Technology in Western Indonesia

# 4.1

## Overview of the Western Indonesian Region's Youth Entrepreneurship Ecosystem

This chapter provides an assessment of the key domains of the youth entrepreneurship ecosystem and efforts to develop it in the western region of Indonesia, which comprises 18 provinces, including three major islands: Sumatra, Java and parts of Kalimantan.

The western region showcased a positive trend to invest in human capital for youth entrepreneurship development. The western region boasts a high Human Development Index (HDI) ranking, and from 2015-2018 held the highest YDI score in Indonesia. The average duration of schooling in the region is approximately 10.38 years and

the percentage of women working in the formal sector is 24.7 percent, with a higher percentage of female workers in DKI Jakarta (the Special Capital Region of Jakarta), and Riau Island (Bappenas, 2019). The region is relatively more advanced than other parts of Indonesia in terms of health, education, and gender equality.

One key sector is the food and beverages sector, with coffee being one of the commodities with exponential growth in the region.<sup>30</sup> Interest in coffee-related businesses and agricultural education are on the rise in Medan.<sup>31</sup>

**Table 7:** Profile of youth and entrepreneurship in the Western Region of Indonesia

Average Youth Development Index score	52.54
Average years of schooling	10.38 years (mostly high school and junior high school, with significant exposure to higher education).
Province with the highest average years of schooling and levels of education	D.I. Yogyakarta
Young women working in the formal sector	24.7 percent of young women are working in the formal sector.
Gross Enrolment Rate for Junior High School	86.6/100 (lowest is West Kalimantan at 81.17, with highest in Aceh at 91.92).
Gross Enrolment Rate for higher education (University)	32.19/100 (lowest in Bangka Belitung Island (13.2) and with highest in D.I. Yogyakarta at 70.60).
Average Youth Entrepreneurship (white-collar) Indicator Score for western Indonesia	0.42 percent of youth in western Indonesia are self-employed or who – in their business – are assisted by permanent or non-permanent workers.

<sup>30</sup> Tempo.co. Annisa Febiola. 10 November 2021. "Lima Daerah Ini Penghasil Kopi Terbesar Indonesia". <https://bisnis.tempo.co/read/1527121/lima-daerah-ini-penghasil-kopi-terbesar-indonesia/full&view=ok>

<sup>31</sup> Republika.co.id. 8 July 2021. "Polbangtan Medan Educate Coffee Farmers in Simalungun".

# 4.2

## Access to Finance and Incentives in Western Indonesia

### 4.2.1 Strengths in Access to Finance and Incentives in Western Indonesia

**Access to grants via government programmes and university incubators.** According to data from the regional dialogue, grants were the main source of financial support for young people starting businesses. “Idea-stage” to “seed-stage” entrepreneurs have access to grants via government programmes and university incubators. For example, an IDR10-15 million (\$700-\$1,050) annual grant for selected beginner-level (“seed-stage”) young entrepreneurs was provided by the Ministry of Youth and Sports.<sup>32</sup> According to the regional dialogue in western Indonesia, students at the Universitas Padjadjaran in western Java, with pre-start-up businesses or businesses at the ideation stage, can access grants of up to IDR25 million (\$1,744).

**Good access to traditional financing institutions.** The western region hosts 6,243 finance company offices, which is 79 percent of the national total. Combined, they have an annual issuance of loans worth IDR4.7 trillion (\$328 million).<sup>33</sup> During the regional dialogue, business actors highlighted bank loans as one of the most accessible types of financial support for maintaining their businesses. Unlike grants, bank loans help develop business traction and increase the likelihood of loan repayment.

**Strong presence of non-traditional financing institutions, such as venture capitalists (VC) and peer-to-peer (P2P) lending.** 1,089 VC offices are located in the Western Region, or 89.78 percent of the total number of VC offices in Indonesia. This indicates that youth entrepreneurs in Indonesia’s western region have better access to VC-managed finance. The largest distribution of non-traditional financing institutions such as VC finance is in the province of Jakarta and worth IDR45 trillion (\$3.1 billion), followed by West Java IDR42 trillion (\$2.9 billion).<sup>34</sup> According to OJK data, the most common investment method used by VC is profit sharing at 78.72 percent, with equity participation at 17.39 percent. In terms of P2P lending, which is particularly attractive to young entrepreneurs owing to less strict regulations compared to bank loans, the western region has greater accessibility due to the number of P2P offices located there.

<sup>32</sup> Kristantyo Wisnubroto, “Bantuan Modal Bagi Wirausaha Muda,” Indonesia.go.id, December 9, 2020, <https://indonesia.go.id/kategori/keuangan/2050/bantuan-modal-bagi-wirausaha-muda>.

<sup>33</sup> “Statistik Ekonomi Dan Keuangan Indonesia - April 2021” (Bank Indonesia, May 31, 2021), <https://www.bi.go.id/id/statistik/ekonomi-keuangan/seki/Pages/SEKI-APRIL-2021.aspx>.

<sup>34</sup> Ibid.

Some of the biggest VC offices are located on the island of Java, where 87 percent are based.<sup>35</sup> This is despite rapid growth of cities like Palembang and Medan. There is an opportunity, therefore, for VCs to expand their portfolio to developing cities and, consequently, strengthen the youth entrepreneurship ecosystems in such places.

**Local government COVID-19 recovery plan to support MSMEs and develop the potential of youth-led enterprises to support recovery.** The effects of the COVID-19 pandemic present an opportunity for young people to develop businesses that promote post-pandemic recovery. Regional financial institutions could work with national and local governments to develop COVID-19 investment streams, e.g., programmes delivered by the Ministry of Research and Innovation could be directed towards a COVID-19 recovery cohort. Currently, access to financial support for COVID-19 recovery is available through ministries, online incubation, or entrepreneurship communities that provide online pitching events. For example, West Sumatra Cooperatives and SME Services have provided as much as IDR7.3 billion (\$509,518) in incentives to MSMEs impacted by the pandemic.<sup>36</sup>

**Largest region for Islamic financing mechanisms.** The western region is home to the largest Muslim population in Indonesia. Muslims constitute 86 percent of the region's entire population (Kemenag, 2021). This region distributes 80.38 of Indonesia's total Sharia-based funding. Found through the Regional Dialogue of Youth Entrepreneurship, young people in rural areas considered that the funding supplied by Islamic Banks was accessible and enabled them to maintain business growth. Based on processed data from the OJK, the distribution of Sharia-based financing in the western region reached IDR 772 billion or \$54.221 million.<sup>37</sup>

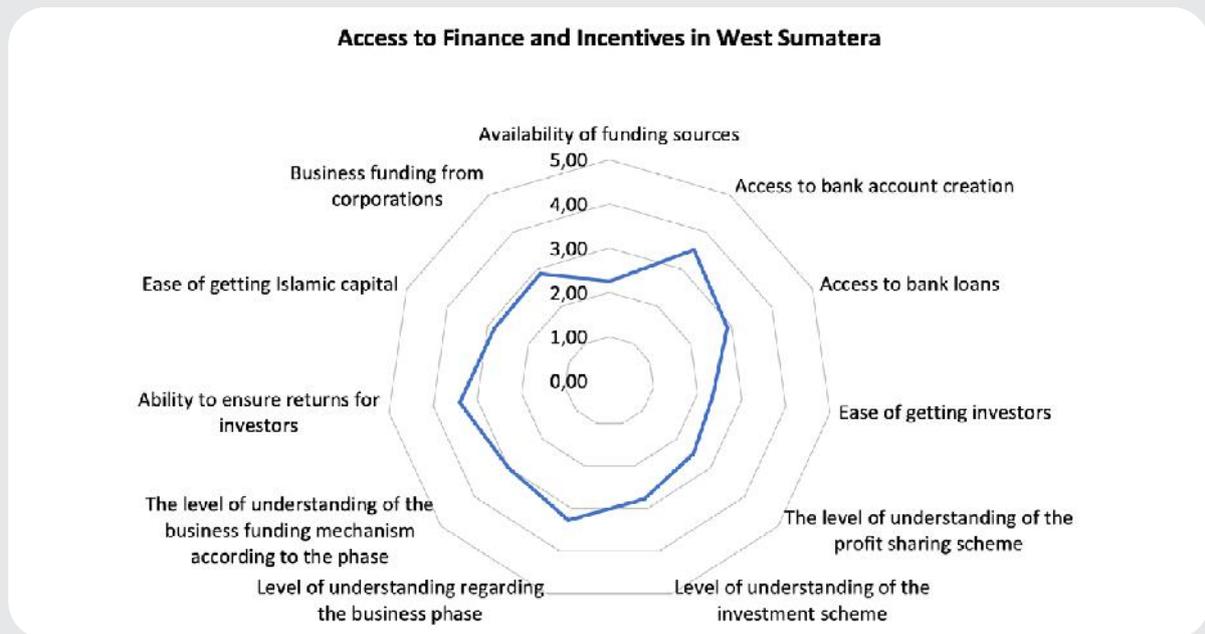
<sup>35</sup> "Statistik Lembaga Pembiayaan 2019" (OJK, August 2020), <https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/lembaga-pembiayaan/Documents/Pages/Buku-Statistik-Lembaga-Pembiayaan-2019/Buku%20Statistik%20Lembaga%20Pembiayaan%202019.pdf>.

<sup>36</sup> Noli Hendra, "Ini Upaya Pemprov Sumbar Lakukan Pemulihan Ekonomi Di Tengah Pandemi," *Sumatra Bisnis*, September 3, 2020, <https://sumatra.bisnis.com/read/20200903/533/1286698/ini-upaya-pemprov-sumbar-lakukan-pemulihan-ekonomi-di-tengah-pandemi>.

<sup>37</sup> "Statistik Lembaga Pembiayaan 2019," (OJK, August 2020), <https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/lembaga-pem-biaya-an/Documents/Pages/Buku-Statistik-Lembaga-Pembiayaan-2019/Buku%20Statistik%20Lembaga%20Pembiayaan%202019.pdf>.

## Case Study on Youth Entrepreneurs' Access to Finance and Incentives in West Sumatra

**Figure 17:** Graph of Assessment of West Sumatra's Access to Finance and Incentives Condition based on Pre-Regional Dialogue, 2021 (N=27)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



86.4 percent of youth entrepreneurs in West Sumatra are self-funded. West Sumatra achieved an average score of 2.9 out of 5.0 on Access to Finance and Incentives (Figure 17). The variables that have produced positive results in the region include access to a bank account; the ability to make returns on investments; access to bank loans, particularly general access to grants and other financing mechanisms.

During the interviews and FGDs in this study, young entrepreneurs in West Sumatra revealed growing trust between young people and financial institutions. This includes Islamic finance mechanisms for West Sumatra's large Muslim population. The government has also provided extra financial support for youth entrepreneurs through the regional government's Nagari Bank for "Sharia-preneurs".

The interview findings revealed inadequate access to information about youth entrepreneurship programmes, making bridging the gap between investors and young entrepreneurs in West Sumatra challenging. A solution to this requires the involvement of various parties in West Sumatra to improve the distribution of information on entrepreneurship programmes for youth provided by various stakeholders.

### 4.2.2 Challenges and Gaps in Access to Finance and Incentives in Western Indonesia

**Low financial literacy.** Low financial literacy is a significant obstacle for the western region in terms of successfully obtaining access to funds. A financial literacy index rate of 41.44 percent indicates limited knowledge of financial management among young people in the region (OJK, 2021).<sup>38</sup> Capital owners are reluctant to invest in young entrepreneurs who lack investment knowledge, financial literacy and collateral for their start-ups and MSMEs.

**Unequal access to financial support due to geographical location.** A research participant from Nganjuk Regency revealed access to government funding had not reached or benefited many businesses. VCs, banks and other capital owners tend to view young entrepreneurs as unprofitable investments. Access to financial support is also unequal due to a lack of incentives for investors to expand beyond Java which has a more established investment infrastructure.

**Small-scale enterprises are less appealing to investors.** Research conducted in 2019 found that for MSMEs in western Sumatra the status of business locations, business scale and business age are factors associated with access to capital.<sup>39</sup> The regional dialogue and literature review show that capital owners are less interested in investing in small scale entrepreneurs due to their lack of business plans, business knowledge, and ability to scale up. According to the micro and small industry profile documented by the Central Bureau of Statistics, only 1.1 percent of youth entrepreneurs in West Sumatra received micro funding from VCs in 2019.

### 4.2.3 Good Practice in Access to Finance and Incentives in Western Indonesia

Tegal in Central Java boasts the region's flagship programme, which provides funding for young entrepreneurs and low interest loans from provincial government-owned banks. The "Tegal Golet Boss Muda" programme supplied a coaching fee of IDR15 million (\$1,046) for twenty-eight candidates.<sup>40</sup> This is supported by the effective coordination of The Regional Financial Access Acceleration Team (TPAKD). The TPAKD unites the relevant agencies and stakeholders to accelerate financial access, boost literacy and promote inclusion to support regional economic growth and individual businesses. TPAKD has been successful in its efforts to increase access to bank lending among entrepreneurs in the agricultural sector.

<sup>38</sup> The Financial Literacy Index is a parameter or indicator that shows the level of knowledge, skills, and confidence of the public with regards to financial services institutions and their products and services.

<sup>39</sup> Rita Diana, "Analisis Aksesibilitas Permodalan Usaha Mikro Kecil Pada Lembaga Keuangan Formal Di Provinsi Sumatera Barat," *Jurnal Ekonomi Dan Pembangunan* 27, no. 1 (2019): pp. 67-80, <https://doi.org/https://doi.org/10.14203/JEP.27.1.2019.67-80>.

<sup>40</sup> "Program Wirausaha Pemuda 2021 Resmi Diluncurkan," Sekretariat Daerah Pemerintah Kabupaten Tegal, April 14, 2021, <http://setda.tegalkab.go.id/2021/04/14/program-wirausaha-pemuda-2021-resmi-diluncurkan/>.

# 4.3

## Human Capital and Entrepreneurship Culture in Western Indonesia

### 4.3.1 Strengths of Human Capital and Entrepreneurship Culture in Western Indonesia

**Good access to education and a skilled youth workforce.** The Western Region has 3,411 higher education institutions, amounting to 74.26 percent of all higher education institutions in Indonesia.<sup>41</sup> The majority of these are on the island of Java. A high percentage of university-educated young people contribute to the growth of a better skilled and knowledgeable youth workforce, including young entrepreneurs. This is a significant asset in the region and is a good basis for further growth in the human capital pool for future young entrepreneurs in Indonesia.

**Entrepreneurial culture is embraced, especially in cities.** Based on the regional dialogue, negative attitudes towards youth entrepreneurs are less prevalent in this region, resulting in higher confidence among young people trying to start their own business. In Java and West Kalimantan, family members considered entrepreneurship a viable career choice due to the high potential earnings of entrepreneurs.

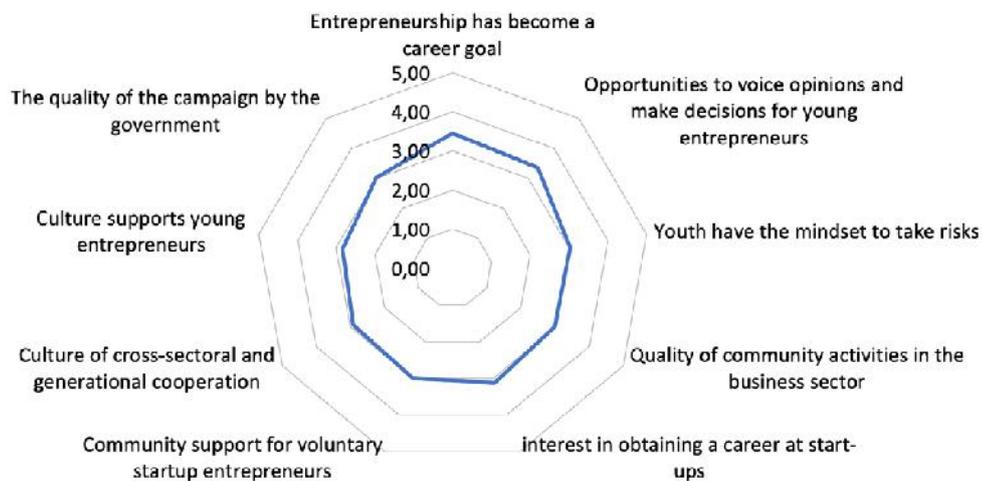


Photo credit: YCL Indonesia

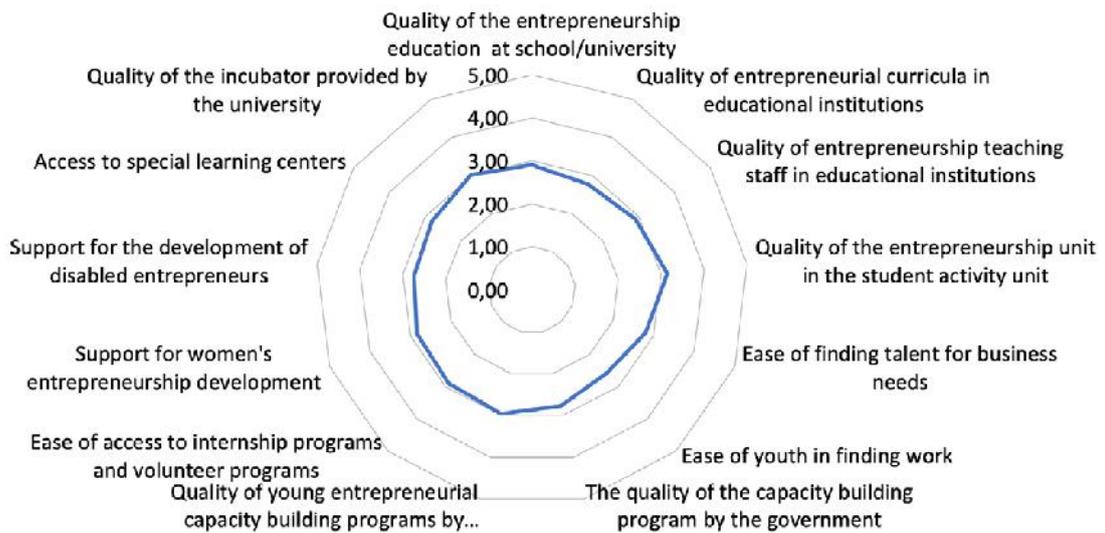
## Case Study on West Sumatra's Youth Entrepreneurship Human Capital and Entrepreneurship Culture

**Figure 18:** Graph of West Sumatra Assessment of Human Capital and Entrepreneurship Culture based on Pre-Regional Dialogue, 2021 (N=27)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)

### Entrepreneurship Culture in West Sumatra



### Human Capital in West Sumatra



The pre-regional dialogue survey results from the West Sumatra case study revealed good human capital and enabling conditions for human capital development with average value of 3 out of 5 (Figure 18). The pre-regional dialogue with West Sumatra stakeholders highlighted how human capital development among young entrepreneurs was provided by the government and non-government agencies. An incubator at Andalas University has introduced an entrepreneurship curriculum and created a Science Technopark. Padang, Bukittinggi and Padang Panjang.

There is also a strong business sales culture called “manggaleh” which means selling. For youth entrepreneurs in West Sumatra, a nurturing environment for entrepreneurship is present early on. A West Sumatra government representative also stated that the proportion of female entrepreneurs in this area is higher than male entrepreneurs. The percentage of micro and small businesses managed by women entrepreneurs in West Sumatra (2015) is 57.97 percent.<sup>42</sup> However, youth from West Sumatra tend to build businesses outside West Sumatra, therefore human capital remains medium to low. There is a culture of migration especially among young people, which presents a challenge to retain a strong network of youth entrepreneurs.

### 4.3.2 Challenges and Gaps in Human Capital and Entrepreneurship Culture in Western Indonesia

**Competitive nature of entrepreneurship culture that hinders collaboration.** A barrier to creating and sustaining a youth entrepreneurship ecosystem is the competitive nature of youth-led businesses. The belief that businesses are mainly about profit and competition is widely held, even though the chances of surviving (and thriving) are significantly greater if a business opts to collaborate. A sense of competition is particularly apparent in urban areas outside Java that hinders the growth of a given business compared to entrepreneurs based in Java that have understood the benefits of creative collaboration for business survival and innovation.

**Greater government investment in general skills development rather than targeted support.** The GoI and local governments have focused on increasing human capital more broadly, rather than providing targeted support for youth entrepreneurs. For example, there are existing training opportunities for young people in economics, law, IT and the higher education sector. However, none of these are strategically linked to the development of youth entrepreneurs nor are they aligned with Indonesia’s economic growth plan.

<sup>42</sup> Ali Said, “Statistik Gender Tematik: Potret Ketimpangan Gender Dalam Ekonomi” (Kementerian Pemberdayaan Perempuan dan Perlindungan Anak, 2016), <https://www.kemenpppa.go.id/lib/uploads/list/a68a6-buku-statistik-gender-tematik-2016-page-1-35.pdf>.

### 4.3.3 Good Practice in Human Capital and Entrepreneurship Culture in Western Indonesia

Digital Innovation Lounge (DILo), a creative camp in the city of Padang, launched by Telkom Indonesia and MIKTI (Indonesia Digital Creative Industry Community) in 2014, serves as a co-working space for urban communities, including youth entrepreneurs. It aims to foster a healthy ecosystem for the digital creative industries and cultivate the ideas of Indonesian digitalpreneurs. DILo also provides start-ups with incubation, mentoring and additional funding through its annual Indigo Incubator programme. In addition, it provides technical and business training as well as tutorials, workshops, discussions and competitions.<sup>43</sup> Taken from the Telkom Start-up Report, there are approximately 80 start-ups benefiting from Telkom's WiFi Corner facilities.



Photo credit: SVRSLYIMAGE, Shutterstock.com

# 4.4

## Business Development Support and Infrastructure in Western Indonesia

### 4.4.1 Strengths in Business Development Support and Infrastructure in Western Indonesia

**The western region has the most developed road infrastructure.** This road infrastructure is likely to increase the competitiveness index and logistics cost performance index of young entrepreneurs in the western region.<sup>44</sup>

**The largest market and trading centres.** Western Indonesia has the largest number of trade centres and markets compared to other regions, with up to 21,771 units of housing, 7,490 markets with permanent buildings, 8,531 semi-permanent markets and 5,750 markets without buildings (Central Bureau of Statistics, 2020). Market access in each sub-district makes it easier for young entrepreneurs to access customers.

**Region with the highest number of incubators.** The western region has 66 incubators out of 85 nationally.<sup>45</sup> A large number of universities and incubators provide young entrepreneurs with multiple opportunities to receive support with capacity building, as well as business and cultural assistance. Incubators comprise of 52 percent from universities; two percent from non-governmental organisations; seven percent from regional governments; six percent from government ministries; and four percent from the private sector.<sup>46</sup>

**Availability of community support.** The regional dialogue on youth entrepreneurship in the western region suggests young people have benefitted from promotion of the youth entrepreneurship ecosystem through community initiatives. For example, in West Sumatra, KADIN Sumatra, also known as Chamber of Commerce of Indonesia, actively collaborates with HIMPI, a youth entrepreneurship organisation, to further expand the youth entrepreneurship network. HIMPI and KADIN support promising youth entrepreneurs to expand through promotion, access to funding, and access to business development support training.

<sup>44</sup> "Informasi Statistik Infrastruktur PUPR 2020" (Kementerian Pekerjaan Umum dan Perumahan Rakyat, November 2020), <https://data.pu.go.id/sites/default/files/Informasi%20Statistik%20Infrastruktur%20PUPR%20Tahun%202020.pdf>.

<sup>45</sup> "Lembaga Inkubator Bisnis Teknologi," Pengembangan Kelembagaan Inkubator Bisnis Teknologi (Kementerian Riset, Teknologi, dan Pendidikan Tinggi), accessed April 12, 2021, [https://inkubator.brin.go.id/index.php/inkubator/list\\_all/](https://inkubator.brin.go.id/index.php/inkubator/list_all/).

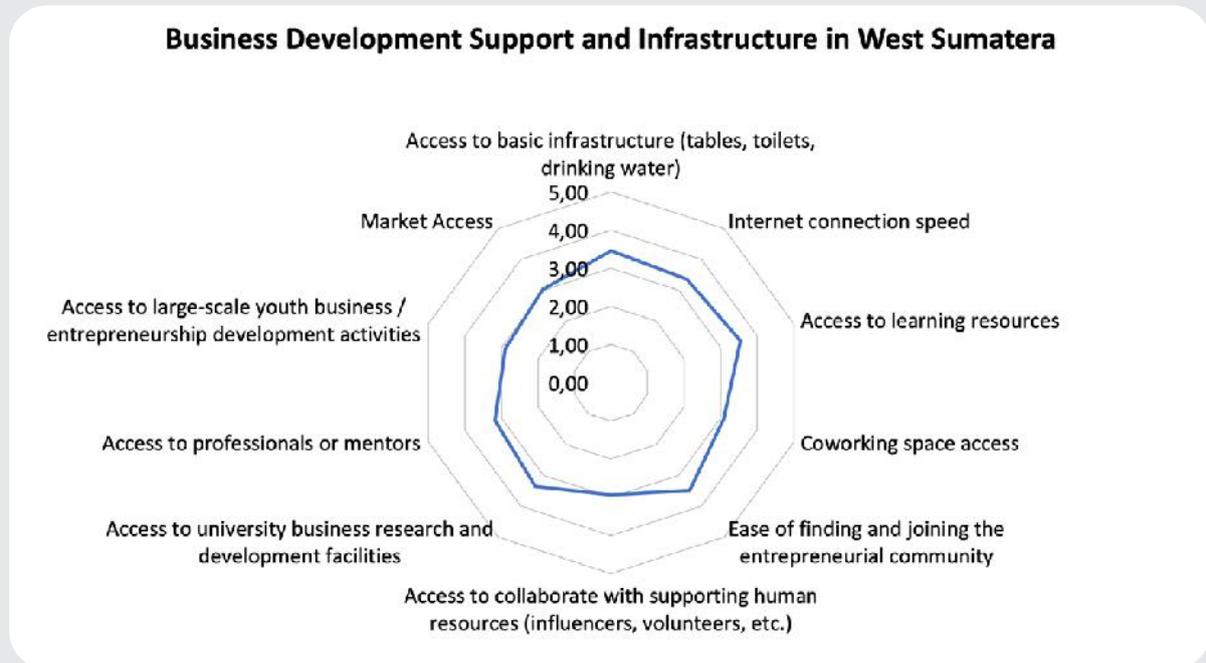
<sup>46</sup> Ibid.

**Sector-focused business development opportunities.** Sumatran coffee and chocolate, largely supplied to Java and then packaged and sent back to Sumatra, are examples of valuable nationally produced commodities. However, they are currently foreign-managed. The proliferation of locally branded coffee shops, clothing businesses and shrimp and fish exports is evidence of the opportunities to harness and expand youth-led businesses. This opportunity could be taken by the GoI as a youth entrepreneurship sector-based development priority.

**Support from government-aided and non-government-aided programmes for youth entrepreneurs.** The government is collaborating with parties who have existing youth entrepreneurship programmes. In western Indonesia, the private sector is regularly collaborating with the local government to expand the reach and beneficiaries of its programme. For example, NextDev by Telkomsel actively provided a private sector aided programme to further grow tech-based and youth-led start-ups.

## Case Study for Business Development Support and Infrastructure in West Sumatra

**Figure 19:** Graph of West Sumatra Assessment of Business Development Support and Infrastructure based on Pre-Regional Dialogue, 2021 (N=27)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



Business development and infrastructure in West Sumatra supports the youth entrepreneurship development process with an average score of 3.2 (Figure 19). The GoI provides marketing facilitation in the form of promotional stands, mentoring, and partnership networks. The West Sumatra Provincial Youth and Sports Office provides business stands at Car Free Days, co-working space, and a local youth entrepreneurship forum that covers various business fields. The entrepreneurship ecosystem in West Sumatra is also supported by communities which help in collaboration media and networking opportunities for young entrepreneurs. One such example is the community Minangkabau Business School Entrepreneurship Center which was launched by the GoI in 2016, and the FKP or Forum Kewirausahaan Pemuda (Youth Entrepreneurship Forum).

There is only one incubator registered in BRIN in the province of West Sumatra, located in the city of Padang. The location of the incubator is quite far from the city centre, so it is still difficult to access. There are several co-working spaces that can be used in West Sumatra using a membership system, but they are not yet popular.

#### 4.4.2 Challenges and Gaps in Business Development Support and Infrastructure in Western Indonesia

**Business development support centres are concentrated in urban areas.** The distribution of incubators is uneven with the majority located in bigger cities, which reduces access for youth in sub-urban areas. According to the National Agency for Research and Innovation (BRIN, 2019), provinces such as Central Kalimantan, Bangka Belitung Islands, and the Riau Islands do not possess a single incubator.

**Quantity vs quality of incubation support programmes.** Based on the 2018 Start-up Indonesia Mapping Database, one of the weakest aspects in the Greater Jakarta area and Sumatra is the incubator and accelerators. The quality of incubators in some districts was sometimes criticised for not building competence among business actors, especially young entrepreneurs. One of the reasons given is the quality of the trainers in the incubation programmes. Based on the regional dialogue, the majority of local-based trainers were said to be ill-equipped. As a result, youth entrepreneurs tend to establish low sustainability businesses that result in quick wins and fit with current youth trends, instead of planning for longer-term sustainability.

**Limited facilities to support youth-led enterprises to scale up their businesses.** The majority of young entrepreneurs operate small scale businesses that need extensive business development support. However, young business owners are only equipped with foundational business knowledge but not the facilities or specific skills required for scaling up and accessing new markets.



**Young people are not optimising the available infrastructure to scale up their businesses.** An online survey of SMEs conducted in 2019 found that the Internet and other technology enable young entrepreneurs to reach markets without physical interaction.<sup>44</sup> However, unfamiliarity with digital technology and limited digital literacy skills remain challenges for some young entrepreneurs.

### 4.4.3 Good Practice in Business Development Support and Infrastructure in Western Indonesia

In West Sumatra, the STP Technology Business Incubator (IBT) at Andalas University; the only incubator in the area, has united students and university alums with the government. The IBT has a special building on the university campus which can accommodate 16 entrepreneurs, as well as co-working spaces that can be used via a membership system. There is a service programme targeting SMEs. The programme is an integrated five-year ongoing programme by the university. Therefore, it is available for young entrepreneurs annually. There are also summit activities to foster networks between universities, which include competitions, curriculum development and sessions with guest entrepreneurs.

# 4.5

## Policy and Regulatory Framework for Western Indonesia

### 4.5.1 Strengths of Policy and Regulatory Framework for Western Indonesia

#### **Strong government support in widening access to finance for youth entrepreneurs.**

Governments in the western region are more proactive in providing policies and regulatory frameworks that support youth entrepreneurship development, than other regional governments. For example, in August 2020 the Provincial Government of West Java formulated a road map for economic recovery, with an investment support plan for the MSME sector of more than IDR160 billion (\$11 million). Similar funding schemes for MSMEs were launched in northern Sumatra in 2020, to increase funding streams, via LPDB-KUMKM; a specialised regional agency for handling MSME funding, and through People's Business Loans (Kredit Usaha Rakyat - KUR).

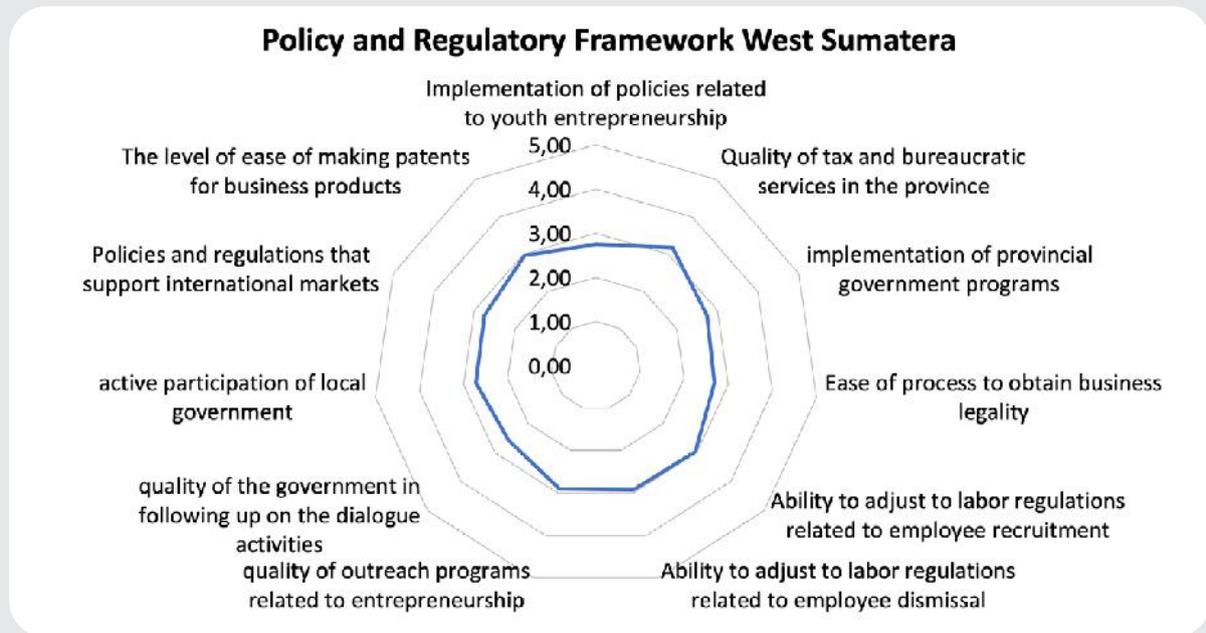
**Availability of COVID-19 policy responses for youth entrepreneurs.** Governments in the western region have set stimulus grants for youth entrepreneurs in certain sectors to sustain their businesses. Local governments have also worked on enhancing collaboration with the private sector also supporting Presidential Decree No. 66 of 2017 concerning the Cross-Sector Strategic Coordination of Youth Service Delivery and the National Action Plan for Youth Services in order to support youth entrepreneurship.

**Existence of local policy champions for youth entrepreneurship.** The West Java Province has instituted Regional Regulation (Perda) of West Java Province No. 6 (2019) on Regional Entrepreneurship. Under the Perda, a Regional Entrepreneurship Task Force operates as a regional working group and includes a working group on youth. Tegal Regency Government instituted a law on the advancement of entrepreneurs, which permits all entrepreneurial activities which fall within the remit of specific regional organisations and their supporting agencies.

Village-Owned Enterprises (BUMDes) act as rural business hubs for youth entrepreneurs. The western regional dialogue emphasised the value of BUMDes in rural areas with a legislation for BUMDes contained in Government Regulation No. 11 (2021) on Village-Owned Enterprises. Several local governments referenced the use of village funds for youth entrepreneurship support.

## Case Study in Strengths in Policy and Regulatory Framework in West Sumatra

**Figure 20:** Graph of West Sumatra Assessment of Policy and Regulatory Framework based on Pre-Regional Dialogue, 2021 (N=27)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



The pre-regional dialogue indicated that government regulations and policies have supported youth entrepreneurship in West Sumatra with an average value of 2.8 out of 5 (Figure 20).

Furthermore, the Organizational Structure and Work Procedures (SOTK), established from government legislation, has been instituted by several agencies including the Co-operatives and UMKM Service, Manpower Service, Social Service, Investment Service and One Stop Integrated Services. According to a representative from the West Sumatra Provincial Diaspora, this is a commitment from the government, which synergises its efforts to develop youth entrepreneurship in West Sumatra.

### 4.5.2 Challenges and Gaps in the Policy and Regulatory Framework in Western Indonesia

**Lack of local champion in policy implementation for the youth entrepreneurship ecosystem in some provinces.** There are some notable policy champions for youth entrepreneurship such as the provinces of Jogjakarta, West Java, and Riau. However, many provinces have not yet set youth entrepreneurship growth as the main priority of its annual regional development plan. Through the regional dialogue, it is understood that even if mandated to a local office, the agenda is often being implemented by an officer with little to no background in youth entrepreneurship.

**No specific legislation for youth-led MSMEs.** The West Sumatra government has focused on MSME development aligned with national guidelines which does not contain specific advice on targeting young entrepreneurs.

**Legal and administrative barriers in establishing business for young people.** Young entrepreneurs face challenges in the legalisation processes. Limited government assistance with training and Q&A forums for young entrepreneurs on business certification for home industry product permits (PIRT) hinders young entrepreneurs' capacity to develop their innovations.

**Lack of collaborations between government agencies.** Based on the results of the regional dialogue, one of the obstacles is that the local government lacks collaborations between government agencies. For example, sometimes two government agencies conduct training for youth entrepreneurs with the same participants. Increasing communication and coordination between agencies would help distribute training opportunities more evenly.

### 4.5.3 Good Practice in the Policy and Regulatory Framework in Western Indonesia

In Bangka Belitung, legislation was created in support of MSME development (Regional Regulation No. 9/2018 on creative economic development) and to bolster the efforts of innovative economic players. Several provinces have developed committees on "creative economics" to accelerate entrepreneurial growth in DKI Jakarta, West Java, Central Java, Riau and Jambi. At the city level, municipal governments have established legislation for entrepreneurial advancement, which permits activities in related OPDs with support from agencies like Pangkal Pinang, Bandung, Tegal, Semarang, Sukabumi and Padang.

MSME owners in the western region have access to UKM Indonesia, a digital MSME licensing information centre, created by academics from Indonesian universities, the central government and eight city governments (Bandung, Bekasi, Bogor, Denpasar, Depok, Sukabumi, Surabaya and Payakumbuh).

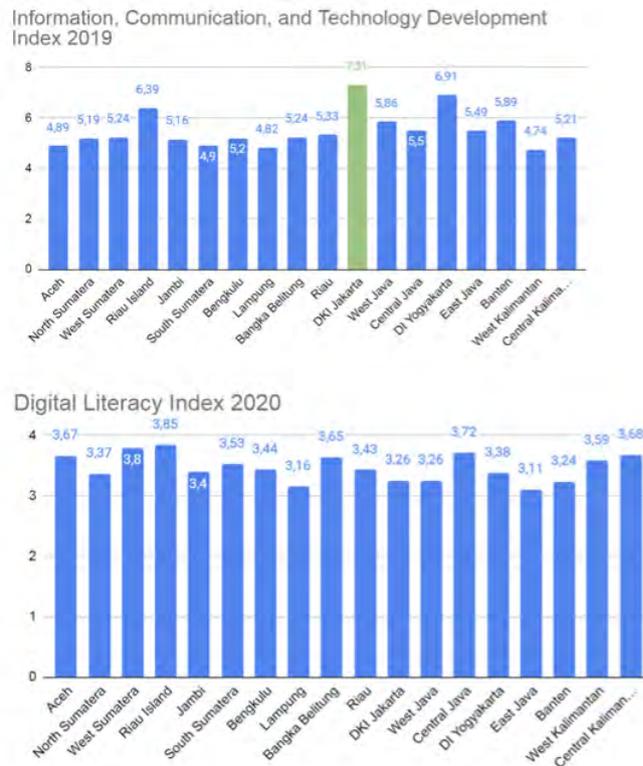
# 4.6

## Innovation and Technology in Western Indonesia

### 4.6.1 Strengths in Innovation and Technology in Western Indonesia

**Good access to technology.** The western region of Indonesia is ranked average to high on the Information and Communication Technology Development (IP-TIK) Index (Central Bureau of Statistics, 2019).<sup>48</sup> As shown in Figure 21, the highest IP-TIK index ranking was in DKI Jakarta with a value of 7.31, while Lampung had the lowest at 4.82. For young entrepreneurs who regularly use digital facilities for marketing and accessing information on business development, this represents a significant strength.

**Figure 21:**  
IP-TIK Grouping  
Category



IP-TIK Grouping Category: High (7.26-10.00), Medium (5.01-7.25), Low (2.51-5.00), Very Low (0.00-2.50) (Central Bureau of Statistics, 2019)

Digital Literacy Index Category: Poor (0-2), Medium (2.01-3), Good (3.01-4), Very Good (4.01-5) (Central Bureau of Statistics, 2020)

<sup>48</sup> Adriyani Syakilah, Rima Untari, and Karmila Maharani, "Indeks Pembangunan Teknologi Informasi Dan Komunikasi 2019" (Badan Pusat Statistik, 2020), <https://www.bps.go.id/publication/2020/12/15/f52c2f6c113db406967d-5cb0/indeks-pembangunan-teknologi-informasi-dan-komunikasi-2019-.html>

**Good access to STEM education.** There is a STEM school community in Indonesia consisting of elementary, junior high, and high school levels, that focuses on creativity and innovation, problem-solving, collaboration and communication skills. The community has 25 members, and 19 of them are schools in western Indonesia.<sup>49</sup>

**Innovative government.** West Sumatra received the Innovative Government Award (IGA) in 2020 from the Ministry of Home Affairs. An example of innovative programming is the online sales shop TUAN O, a digital programme designed by the UMKM Cooperative Service to help UMKM players market their products online. inLOVEST is another government programme that makes it easier for investors to find investment opportunities in the region.<sup>50</sup>

**Universities as hubs of innovation.** Researchers at Andalas University (Unand) in Padang built a Science Techno Park for downstream research and innovation.<sup>51</sup> Campus-based innovation research hubs provide support based on robust data and research to young entrepreneurs.

## Case Study on Youth Entrepreneurs' Innovation and Technology in West Sumatra

West Sumatra has an IP-TIK score of 5.24 in 2019, a value that is above the national average. The province of West Sumatra has an adequate Information and Communication Technology (ICT) infrastructure as seen from the Access and infrastructure sub-index, which is 5.78. The sub-index of expertise (digital literacy) is 5.84, in the medium category. West Sumatra has the potential to accelerate youth entrepreneurship by utilising information technology.

The head of the Science Techno Park Unand, Dr. Eka Chandra Lina, said that Unand had made more than 100 innovative products as a result of research from Unand innovators and in collaboration with MSMEs, alumni, local communities and other parties. These products are compiled in the two Unand Innovative Research Product Books, Volumes 1 and 2 which consist of 51 health research, 59 technology research and 63 food research papers (Wahyudi, 2020). This research supports young entrepreneurs to innovate based on data and research.

<sup>49</sup> Komunitas Sekolah STEM. "Sekolah Anggota Komunitas." 2021, <http://stemschoolcommunity.org/index.php/sekolah-anggota-komunitas?start=20>. Accessed 2021.

<sup>50</sup> "Hattrick, Sumbang Raih Penghargaan Provinsi Sangat Inovatif," [sumbarprov.go.id](http://sumbarprov.go.id) (Dinas Komunikasi dan Informatika Provinsi Sumatera Barat, December 18, 2020), <https://sumbarprov.go.id/home/news/19968-hattrick-sumbar-raih-penghargaan-provinsi-sangat-inovatif>.

<sup>51</sup> Ikhwan Wahyudi, "Menjadikan Perguruan Tinggi Sebagai Tambang Inovasi," *Antara News*, October 11, 2020, <https://www.antaraneews.com/berita/1776901/menjadikan-perguruan-tinggi-sebagai-tambang-inovasi>.



### 4.6.2 Challenges and Gaps in Innovation and Technology in Western Indonesia

**There is a gap between research undertaken in academic institutions and market needs.** Academic research is often tailored to meet the requirements of academic publications, yet entrepreneurship is reliant on innovation and market-driven research.<sup>52</sup> There needs to be a further effort to bridge this gap between the two.

**Legislation on intellectual property ownership is neither widely known nor widely understood.** In the western region, the creation of patents for the protection of works and innovations is complicated, time-consuming and can hinder young entrepreneurial efforts. Piracy, in the form of patent or copyright infringement, can be a deterrent for innovators.

### 4.6.3 Good Practice in Innovation and Technology in Western Indonesia

Cimahi city government achieved ownership of the Science Techno Park (STP) and has received numerous national and international awards for successful operation and for accelerating the growth of new technology and innovation-based businesses.<sup>53</sup>

Another good example is “Femme in STEM,” a women’s empowerment platform in the STEM field, which was founded in 2017. The platform empowers young women in STEM fields to fulfil their potential and transcend stereotypes. Hosted by the Bandung Institute of Technology in Jakarta and Bandung, “Femme in STEM” holds activities such as talk shows, mentoring sessions and conferences.<sup>54</sup>

<sup>52</sup> Reni Susanti, “Karut-marut Hilirisasi Riset di Indonesia,” *Regional Kompas*, October 24, 2020. <https://regional.kompas.com/read/2020/10/24/11270901/karut-marut-hilirisasi-riset-di-indonesia?page=all>

<sup>53</sup> “Profil - Visi dan Misi,” Cimahi Techno Park, accessed April 24, 2021, <https://www.cimahitechnopark.id/visi-dan-misi.html>.

<sup>54</sup> “Groups Encourage Indonesian Women to Break Stigma, Join STEM,” *The Jakarta Post*, February 14, 2020, <https://www.thejakartapost.com/news/2020/02/14/groups-encourage-indonesian-women-to-break-stigma-join-stem.html>.



**05**

**Regional Deep Dive  
into the Youth  
Entrepreneurship  
Ecosystem in the Central  
Indonesian Region**

Photo credit: César González Palomo, Flickr

**5.1**

Overview of the Central Indonesian Region's Youth Entrepreneurship Ecosystem

**5.2**

Access to Finance and Incentives in Central Indonesia

**5.3**

Human Capital and Entrepreneurship Culture in Central Indonesia

**5.4**

Business Development Support and Infrastructure in Central Indonesia

**5.5**

Policy and Regulatory Framework in Central Indonesia

**5.6**

Innovation and Technology in Central Indonesia

# 5.1

## Overview of the Central Indonesian Region Youth Entrepreneurship Ecosystem

This Chapter will dive into the regional and local perspectives of youth entrepreneurship development within the central region of Indonesia, which comprises 12 provinces including the islands of Nusa Tenggara, Sulawesi, and some of Kalimantan. The region has maintained a high value of human development index and youth development index, although it is behind the western region. One important indica-

tor is the average length of schooling, where the central region recorded an average of 10.1 years of schooling (Bappenas, 2019). The central region has two provinces that have high scores in the Middle School Gross Enrolment Rate domain, namely North Kalimantan and East Kalimantan. To complement the regional perspective, this chapter will incorporate case studies from the province of East Kalimantan.

**Table 8:** Youth and youth entrepreneurship profile in the central region of Indonesia

Average Youth Development Index score	52.42 index value
Average years of schooling	10.18 years
Province with the highest education level and duration	Bali (11 years)
Young women working in the formal sector	22.58 percent of young women are working in the formal sector
Gross Enrolment Rate for Junior High School	87.2/100 (lowest is South Borneo at 80.92, with highest in North Kalimantan at 96)
Gross Enrolment Rate for higher education (University)	34.09/100 (lowest in North Kalimantan at 21.58, with highest in Southeast Sulawesi at 46.42)
Youth Entrepreneurship Average (white collar) Indicator Score for Central Indonesia	0.39 percent youth are self-employed or who – in their business – are assisted by permanent or non-permanent workers.

Source: Youth Development Index, 2019

# 5.2

## Access to Finance and Incentives in Central Indonesia

### 5.2.1 Strength of Access to Finance and Incentives in Central Indonesia

**Wide array of sources of funding and high accessibility to financial company offices.**

Young entrepreneurs in this region can gain access to incentives and capital from government, banks, local entrepreneurship communities, universities, and corporate social responsibility schemes from private sector. Based on the dialogue, youth can also obtain funding from various financing institutions such as peer-to-peer lending, credit payment companies, and venture capital.

The central region housed 1,537 finance company offices according to 2020 data from the Financial Services Authority.<sup>55</sup> Recorded peer-to-peer lending figures until December 2020 in this region had an accumulative total of almost IDR 9 trillion (\$627.1 million) since the inception of fintech lending institutions.<sup>56</sup> The availability of peer-to-peer lending platforms in the central region may present an opportunity for youth who are unable to access loans from more traditional sources.



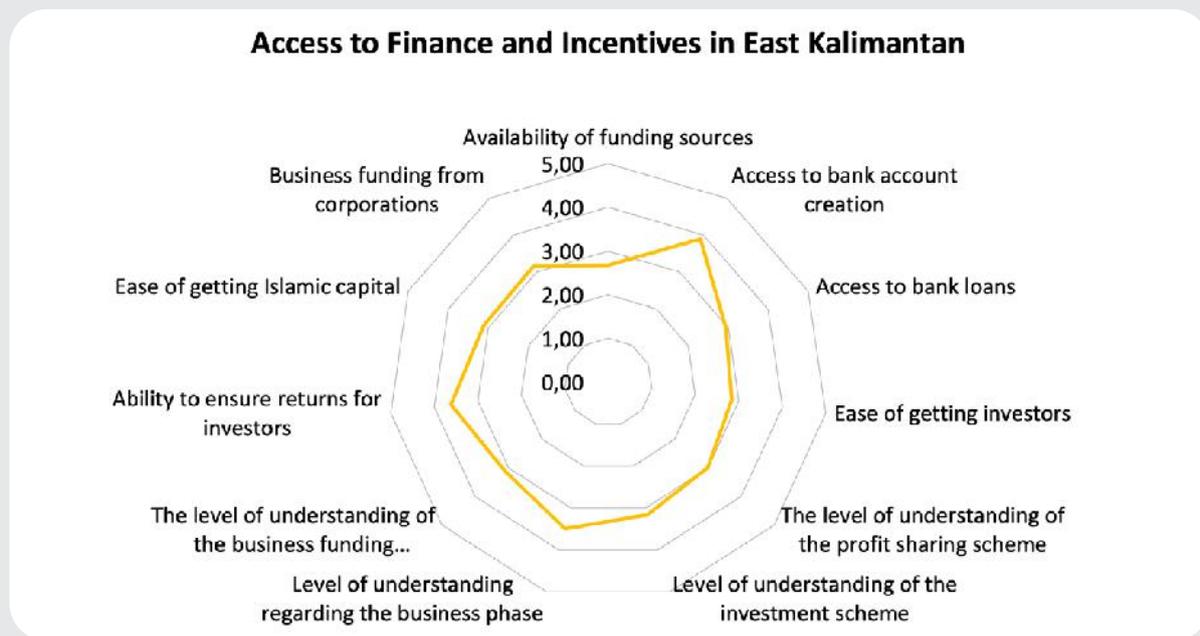
Photo credit: Odua Images, Shutterstock.com

<sup>55</sup> "Statistik Lembaga Pembiayaan 2019," (OJK, August 2020), <https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/lembaga-pembiayaan/Documents/Pages/Buku-Statistik-Lembaga-Pembiayaan-2019/Buku%20Statistik%20Lembaga%20Pembiayaan%202019.pdf>.

<sup>56</sup> Ibid.

## Case Study of East Kalimantan's Youth Entrepreneurs' Access to Finance and Incentives

**Figure 22:** Graph of East Kalimantan Assessment of Access to Finance and Incentives based on Pre-Regional Dialogue, 2021 (N=15)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



East Kalimantan achieved an average score of 3.2 out of 5.0 (Figure 22) which indicates that the perception of youth entrepreneurs on access to finance and incentives is relatively good. The variables that yielded positive results in this region include access to bank accounts and ability to generate a return on investment. Assistance to entrepreneurs affected by COVID-19 is provided by the national and regional governments. According to the Head of the East Kalimantan Provincial Office of Industry and Trade and MSEs, in 2020 the East Kalimantan Provincial Government distributed aid to 89,285 MSMEs in order to boost their productivity. The value of this is IDR214 billion (\$15 million) at 100 percent realisation as of 30 January 2021.<sup>57</sup>

There are a total of 267 financial company offices spread across East Kalimantan.<sup>58</sup> This province therefore has the second largest number of financial company offices in the central region of Indonesia. The number of financial offices will increase opportunities to obtain access to capital from financial institutions. A total financing distribution of IDR14.4 trillion (\$1 billion) from this sector was recorded in 2019. The distribution of Sharia-based funding in East Kalimantan in 2019 reached IDR418 billion (\$29 million). The distribution of Sharia-based finance is also helped by the existence of 42 Sharia-based finance company offices in East Kalimantan.

<sup>57</sup> Public Relations Office of East Kalimantan Province, 2021

<sup>58</sup> Financial Services Authority Report (2020)

## 5.2.2 Challenges and Gaps in Access to Finance and Incentives in Central Indonesia

**Low financial literacy rate.** The central region registers an average financial literacy rate of 35 percent (OJK, 2020). This can be associated with challenges in starting a business and obtaining initial funding. Young people do not often have the minimum legal documentations and are unable to provide the collateral to acquire a bank loan. Limited access to loans provided by banks leads young entrepreneurs to apply for higher-interest loans, which are risky for a nascent enterprise.

**Lack of dissemination of information about financing options and capital assistance.** This acts as a hurdle for young entrepreneurs in the region to start a business idea. It has also been a challenge for local governments as they have little data of financing options that target youth.

**Areas with no access to financial institution offices.** Despite there being 1,500 financial institution offices, some areas in the region still have little to no access to such offices.<sup>59</sup> For example, while South Sulawesi has 59 VC offices, North Kalimantan has no VC offices at all.

## 5.2.3 Good Practices in Access to Finance and Incentives in Central Indonesia

East Kalimantan has an incubator called Mini University Kaltim Preneurs (MUKP). MUKP offers technical assistance provided by the Representative Office of Bank Indonesia to increase the capacity of local MSMEs. MUKP has various programmes that are supported by Bank Indonesia and offers collaboration with academics. From 2016 to 2019, there were more than 859 entrepreneurs studying at MUKP (Public Relations of East Kalimantan Province, 2019).

Besides MUKP, there is a thematic programme for women's empowerment in East Kalimantan called Momspreneur. The programme provides assistance to women victims of loan sharks and those experiencing domestic violence. The programme provides business support through the creation of a women's business group which is then given assistance and capital to run a business.

<sup>59</sup> "Statistik Lembaga Pembiayaan 2019," (OJK, August 2020), <https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/lembaga-pembiayaan/Documents/Pages/Buku-Statistik-Lembaga-Pembiayaan-2019/Buku%20Statistik%20Lembaga%20Pembiayaan%202019.pdf>.

# 5.3

## Human Capital and Entrepreneurship Culture in Central Indonesia

### 5.3.1 Strength of Human Capital and Entrepreneurship Culture in Central Indonesia

**Inclusion of entrepreneurship education in curricula of universities.** Entrepreneurship curricula have provided opportunities for students to access entrepreneurial learning at universities, such as the University of Nusa Cendana (Undana), Artha Wacana Christian University (UKAW), and Widya Mandira Catholic University (Unwira) in East Nusa Tenggara, which all provide entrepreneurship courses.<sup>60</sup> The 964 universities spread across the central region have an important role to play in developing future youth entrepreneurs through internship and incubation programmes.

**Grassroot culture to develop entrepreneurship ideas that focus on SDGs.** “Bank Sampah” or “Garbage Bank” is an initiative managed by students in Nusa Tenggara Barat. The university collaborates with the mayor to mobilise entrepreneurs who already have products and are specially placed, e.g., work in culinary or digital sectors.

**Increasing number of youth businesses that focus on local culture.** One of the emerging trends in the central region, especially in the Makassar area, is youth-led businesses focusing on “local wisdom.” For example, the preparation of traditional meals can be developed into a business as a collaboration between the older generation who have local wisdom and young people who have access to digital media to promote it.

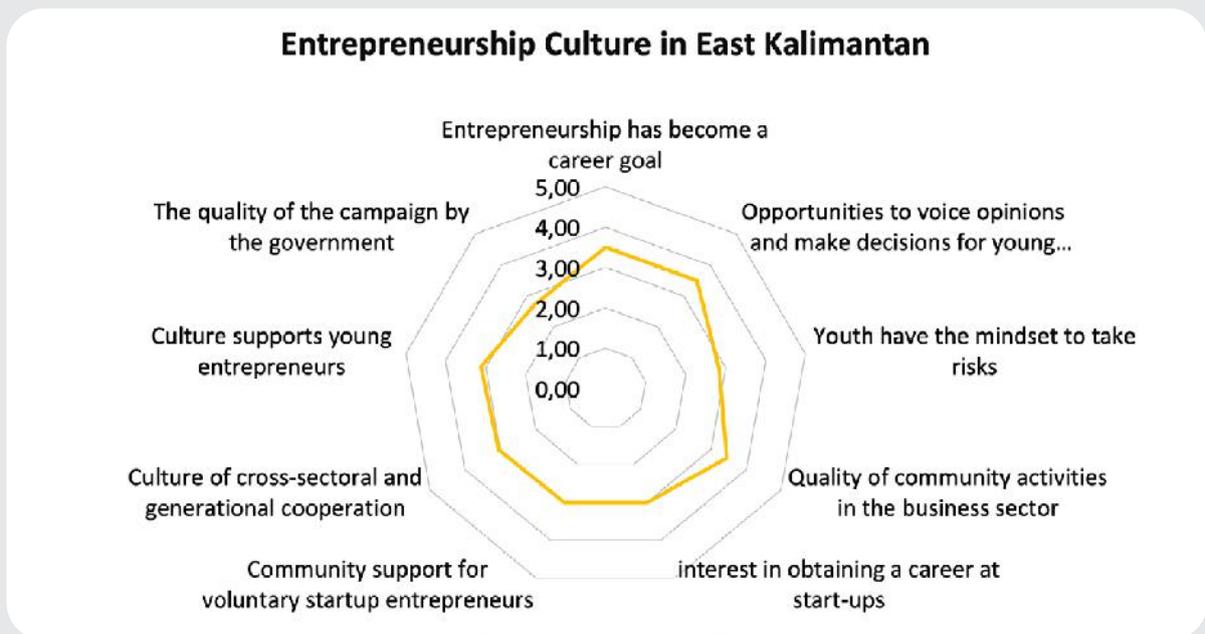
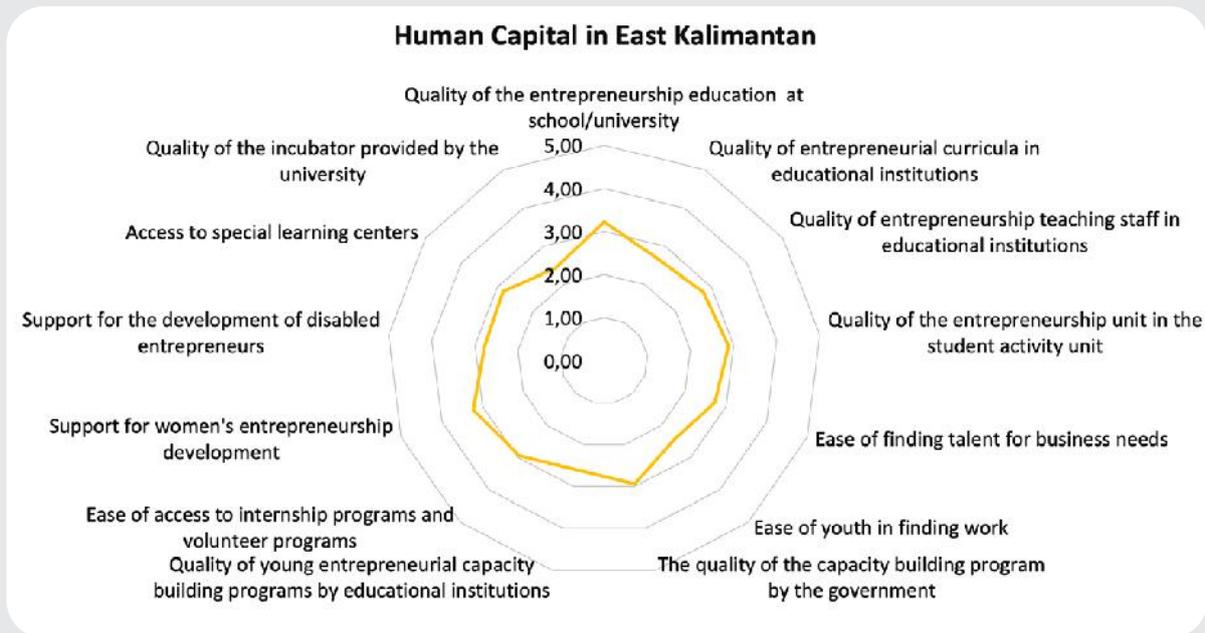


Photo credit: YCL Indonesia

<sup>60</sup> Hedwigh Lejap, Wahdiyati Moko, and Kusuma Ratnawati, “Minat Berwirausaha Dari Mahasiswa di Nusa Tenggara Timur,” *Jurnal Ekonomi Dan Bisnis* 23, no. 1 (2020): pp. 129-148, <https://ejournal.uksw.edu/jeb/article/download/2822/1411>.

## Case Study of Strengths of Human Capital and Entrepreneurship Culture in East Kalimantan

**Figure 23:** Graph of East Kalimantan Assessment of Human Capital and Entrepreneurship Culture based on Pre-Regional Dialogue, 2021 (N=15)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)





East Kalimantan achieved an average score of 3 out of 5.0 (Figure 23) in the domain of human capital and entrepreneurship culture. The variables that achieve positive results in this area include quality of activities in the business sector, support for women's entrepreneurship development, and quality of entrepreneurship education at school/university. Educational institutions in East Kalimantan have played an important role by implementing independent campus initiatives, building incubators, producing marketing media, and empowering local communities in collaboration with government and private agencies.

East Kalimantan has also supported the development of entrepreneurship carried out by women or people with disabilities through NGO programs such as the Permata Bunda Foundation in Bontang that target disabilities groups to make fashion products.

### 5.3.2 Challenges and Gaps in Human Capital and Entrepreneurship Culture in Central Indonesia

**Limited sustainability of the results of the entrepreneurship education and training provided by the government and universities.** Although the central region is one of the regions with greater numbers of youth accessing higher education, this does not mean that youth in higher education have a higher rate of becoming entrepreneurs. In addition, although business incubator programmes have been launched in several campuses, they are considered to have a less significant impact, according to young entrepreneurs participating in the regional dialogue. Based on the results of interviews with academics at ITK and Sumba University, although students stated that they wanted to become entrepreneurs, they did not continue their business after completing their course.

**The younger generation tends to prefer working in an already established industry rather than attempt entrepreneurship.** Based on the regional dialogue, it was found that existing government-provided training, such as the youth entrepreneurs' seminar, are not sufficiently supportive of youth entrepreneurs' growth. For example, a university-based incubator in Kalimantan might not provide adequate support to accompany youth from seeding to a scale up process. This is considered by the youth as inadequate, which results in apprehension in trying to begin their entrepreneurial journey. Due to inadequate support for youth entrepreneurs, many young people seek employment instead.

### 5.3.3 Good Practices of Human Capital and Entrepreneurship Culture in Central Indonesia

Citra Niaga, a historic area awarded the Aga Khan Award for its architecture,<sup>61</sup> has been revived by a group of young entrepreneurs doing business in the culinary field. There are already around fifty SMEs, mostly cafes, in the Citra Niaga, which have provided two hundred job opportunities and developed a historical tourist area.<sup>62</sup> The growth of youth entrepreneurship in Citra Niaga began at the end of 2019 which was initiated by a group of young people who opened a coffee shop there.<sup>63</sup> With the growth of the coffee shop business, the Citra Niaga area has become crowded with young people. According to Khuzifa Yahya, one of the young entrepreneurs in the area who operates in the culinary field, they serve 70-80 portions per day with a monthly turnover of up to IDR 45 million (\$3,140).<sup>64</sup>



Photo credit: Odua Images, Shutterstock.com

<sup>61</sup> "Citra Niaga Urban Development," Aga Khan Development Network, accessed April 27, 2021, <https://www.akdn.org/architecture/project/citra-niaga-urban-development>.

<sup>62</sup> Fachrizal Muliawan, "Citra Niaga, Citra Kota Yang Puluhan Tahun Terlupa Hingga Berhasil Dibangunkan Kembali Oleh Kaum Muda," kaltimkece.id, September 22, 2020, <https://kaltimkece.id/historia/citra-niaga-citra-kota-yang-puluhan-tahun-terlupa-hingga-berhasil-dibangunkan-kembali-oleh-kaum-muda>.

<sup>63</sup> "Nostalgia di Citra Niaga dan Mengembalikan Kejayaannya: Coffee Shop Membuat Lorong Gelap Itu Kembali Bercahaya," Mahakama, accessed September 13, 2021, <https://mahakama.co/mahakamax/nostalgia-di-citra-niaga-dan-mengembalikan-kejayaannya/>

<sup>64</sup> Benny Oktariyanto, "Kawasan Bisnis Kekinian Di Citra Niaga Jadi Episentrum Baru," nomosatukaltim.com, August 10, 2020, <https://nomosatukaltim.com/2020/08/10/kawasan-bisnis-kekinian-di-citra-niaga-jadi-episentrum-baru/>.

# 5.4

## Business Development Support and Infrastructure

### 5.4.1 Strength of Business Development Support and Infrastructure in Central Indonesia

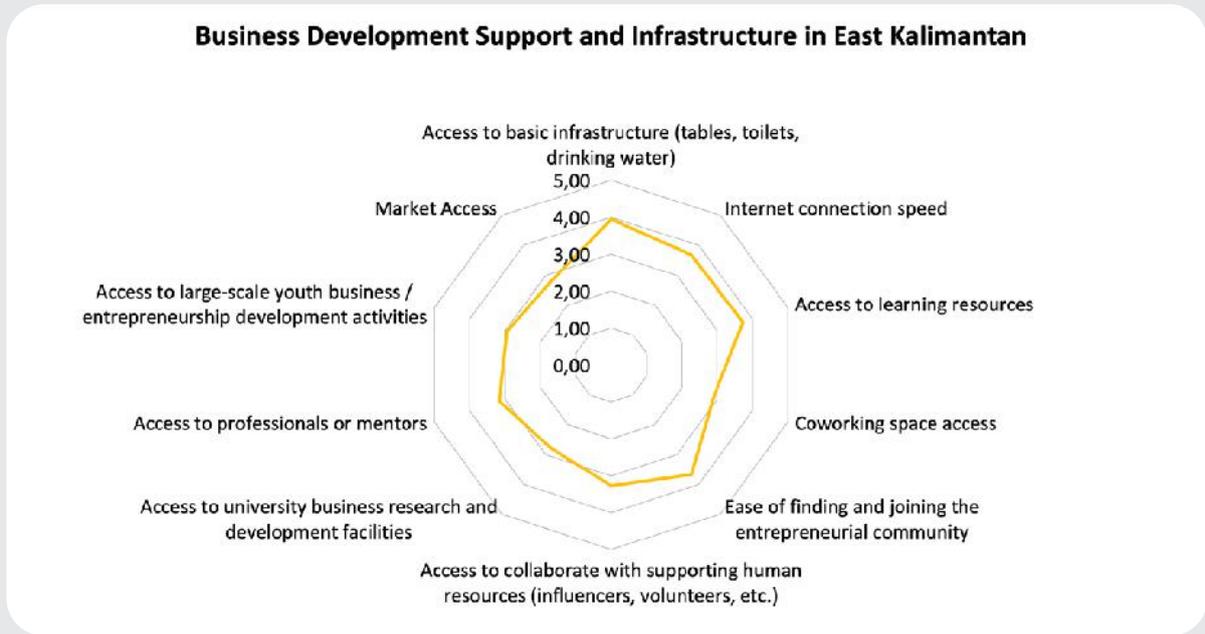
**Existence of business support facilities and incubators that are accessible for youth entrepreneurs.** According to data from BRIN in 2019, there are 19 incubators that provide facilities and support to entrepreneurs in the central region. However, based on the results of the regional dialogue discussion, there are regional differences in terms of the availability of business development support and infrastructure. For example, in the Wajo area, South Sulawesi, logistics services are well provided, and there is support from the district head to support the existence of twenty thousand entrepreneurs by Regional Regulations No.9 on 2019 on Youth. In other areas such as in West Nusa Tenggara (NTB), there is a facility in the form of the NTB Mall which is a special place to sell and promote goods and services for entrepreneurs in NTB. NTB also has a business incubator, STIPark, which has some key functions in innovation and technology development, cooperation, and education.



Photo credit: Odua Images, Shutterstock.com

## Case Study of the Strength of Business Development Support and Infrastructure in East Kalimantan

**Figure 24:** Graph of East Kalimantan Assessment of Business Development Support and Infrastructure based on Pre-Regional Dialogue, 2021 (N=15)  
 (1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



Based on Figure 24 above, the average of all business development support and infrastructure indicators in East Kalimantan is 3.3. This score is supported by access to basic infrastructure, Internet speed, learning resources, community collaboration and large-scale business development programmes.

In East Kalimantan, there are mentoring programmes that are available from the local trade and industry authority, and communities already exist such as Genpro, Tangan Di Atas (TDA), and Mini-U. Mentorship programmes are carried out as a medium for discussion and knowledge sharing with experts. Another creative hub managed by the Balikpapan Creative City Forum is also available in this region. Accessibility to electricity and the Internet is quite good, especially in Balikpapan and Samarinda. On specific occasions, a private party, which is Jember Mart, facilitates the sale of MSME's products at their retail store, provided that the products already have a P-IRT (house industry permit).

## 5.4.2 Challenges and Gaps in Business Development Support and Infrastructure in Central Indonesia

**Ineffective usage of existing business development support.** The government or State-Owned-Enterprises (BUMN) have provided facilities for youth entrepreneurship development, but the facilities are not optimally utilised. Apart from this, the content is deemed not to be in accordance with the needs of young entrepreneurs. For example, findings from the regional dialogue indicate that the availability of infrastructure such as the Creative Centre is not supported by good management. In addition, government support should not only be oriented towards output, such as the provision of production tools, but should also be able to answer whether these production tools are indeed what entrepreneurs and youth entrepreneurs need to increase their capacity.

**Insufficient infrastructure limits business growth.** In the central region of Indonesia which consists of various islands, the distribution of a supportive infrastructure is a challenge. The Internet has become an important part of business operations to be able to compete and develop. In East Kalimantan, production costs are quite expensive, because resources are imported from other regions, which further aggravates price competition with other products. Products are mainly marketed at the local level. Geographical challenges also affect mobility access.

## 5.4.3 Good Practices for Business Development Support and Infrastructure in Central Indonesia

Inbis Permata Bunda, a sustainable self-reliance empowerment programme for persons with disabilities through entrepreneurship incubation, has become one of the good practices for developing business support and infrastructure. The incubator approach taken by Inbis Permata Bunda can make a capacity-building programme sustainable, and it can align with other programmes such as for funding and networking. Inbis Permata Bunda in collaboration with PT. Pupuk Kaltim created the Disability Friendly Aren Village Program,<sup>65</sup> which was awarded by the Asia Responsible Enterprise Awards (AREA) 2020.<sup>66</sup>

East Kalimantan facilitates online marketing through the Bontang Goods Exchange and offline through events held by local government on celebration days. The Balikpapan government collaborates with universities to assist in entrepreneurship development. There is also an incubator that focuses on developing entrepreneurship for people with disabilities in Bontang City.

<sup>65</sup> Iwan Supriyatna, "Disabilitas Jadi Lebih Produktif Di Kampung Aren Besutan Pupuk Kaltim," *Suara.com*, September 25, 2020, <https://www.suara.com/bisnis/2020/09/25/094457/disabilitas-jadi-lebih-produktif-di-kampung-aren-besutan-pupuk-kaltim>.

<sup>66</sup> Ilyas I. Praditya, "Punya Inkubator Bisnis Di Kampung, Pupuk Kaltim Diapresiasi Asia," *Liputan 6*, September 25, 2020, <https://www.liputan6.com/bisnis/read/4366413/punya-inkubator-bisnis-di-kampung-pupuk-kaltim-diapresiasi-asia>.

# 5.5

## Policy and Regulatory Framework for Central Indonesia

### 5.5.1 Strength in the Policy and Regulatory Framework in Central Indonesia

**Existing policy framework targeting youth entrepreneurship growth.** Based on the results of the regional dialogue, it was assessed that government regulations and policies have supported youth entrepreneurship in East Kalimantan with an average value of 2.9 out of 5. Several East Kalimantan government programs to increase entrepreneurship, including social assistance and capital strengthening, credit assistance/revolving funds, People's Business Credit (KUR), partnership and environmental development programmes, as well as financing programmes through CSR (Corporate Social Responsibility) and PNPM (Program National Community Empowerment) Independent.<sup>67</sup>

**Existence of initiatives to strengthen the understanding of regulations and the legal framework among young entrepreneurs.** Various parties have conducted training and seminars related to business legality in East Kalimantan. Research has found that MSMEs have a limited understanding of taxpayer's ID, business identification numbers, IPR, business permits, import-export procedure permits, food safety certification, and halal certification.<sup>68</sup> In response to this, universities have taken a role in increasing student literacy related to legality. Universities have prepared special programmes and have also held socialisation events related to other business licensing to MSMEs.



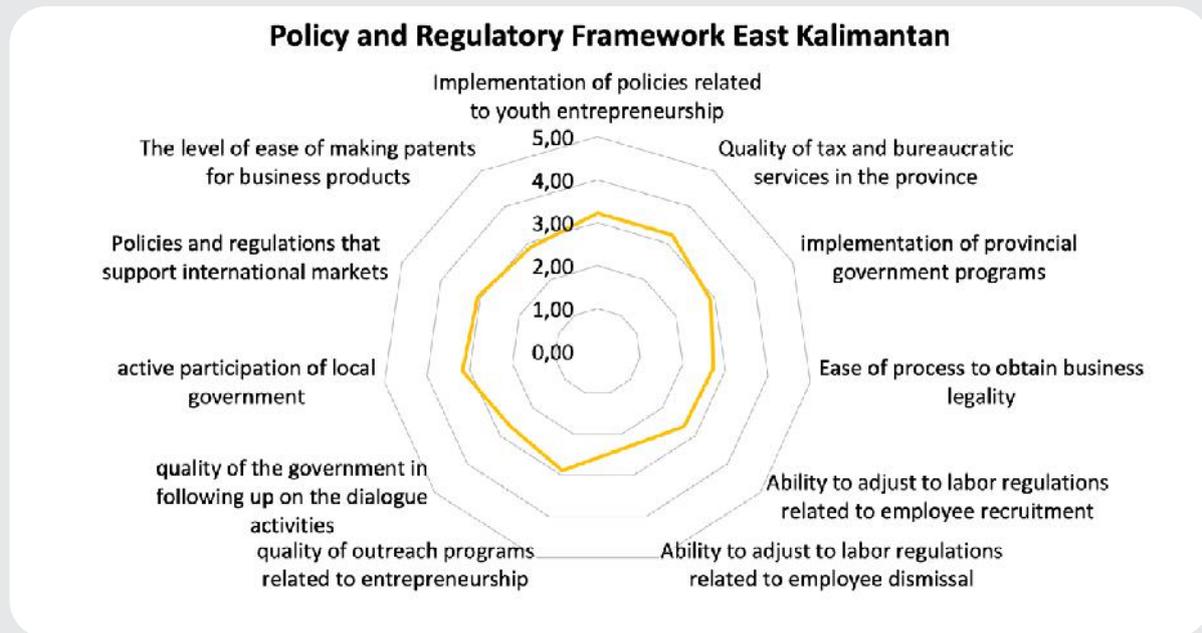
Photo credit: YCL Indonesia

<sup>67</sup> "Kaltim Terus Kembangkan Sektor Kewirausahaan," *East Kalimantan Provincial Government*, June 9, 2015, <https://kaltimprov.go.id/berita/kaltim-terus-kembangkan-sektor-kewirausahaan->

<sup>68</sup> Novita Intan, "Sri Mulyani Ungkap Kesulitan UKM Menembus Pasar Global," *Republika.id*, April 20, 2021, <https://www.republika.co.id/berita/grut1b383/sri-mulyani-ungkap-kesulitan-ukm-menembus-pasar-global>.

## Case Study on Youth Entrepreneurs' Policy and Regulatory Framework in East Kalimantan

**Figure 25:** Graph of East Kalimantan Assessment of Policy and Regulatory Framework based on Pre-Regional Dialogue, 2021 (N=15)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



East Kalimantan achieved an average score of 2.9 out of 5.0 (Figure 25) in the policy and regulatory framework domain, which indicates that in East Kalimantan, the perception of youth entrepreneurs towards this domain is acceptable. The variables that yielded positive results in this area include: implementation of policies related to youth entrepreneurship, quality of tax and bureaucratic service in province, and active participation of local government. Some of the provincial level policy and regulations applied are: West Nusa Tenggara Governor's Regulation No.43 of 2020 regarding Empowerment of Micro, Small and Medium Enterprises Through Plead and Buy Local Products.

The West Nusa Tenggara Local Regulation No. 2 of 2019 about Youth supports the development of youth entrepreneurship. And the East Kalimantan Provincial Government Work Plan (RKPD) of 2021 prioritises increasing access of youth, women and people with disabilities to entrepreneurship.

## 5.5.2 Challenges and Gaps in the Policy and Regulatory Framework in Central Indonesia

**Challenges in effective policy implementation.** During the regional dialogue, it was stated that the implementation of the policies and regulations are uneven and unequal between big cities and the suburbs. Policy implementation faces challenges since youth entrepreneurship is not set as a local development agenda. There is no specific officer with adequate knowledge of youth entrepreneurs, there are budgetary constraints, and local governments are often not equipped to measure the impact of youth entrepreneurship growth.

**Gaps between policy goals presented and their relevance to youth development policies for young entrepreneurs.** A constraint that is mainly mentioned by youth entrepreneurs are the gaps between the stated aims of the entrepreneurship policy in general, and youth development policies. For example, the youth entrepreneurship agenda is not included as a mid-term regional development plan, and therefore is not properly measured or funded.

**Lack of understanding of the legal process.** Due to the inefficient socialisation of the business and product legalisation processes, most young entrepreneurs have a limited understanding of them. Business owners who have not obtained necessary legal documentation experience many obstacles when they want to develop their business. These include limitations in marketing and difficulty accessing capital and programmes provided by the government or private sector.

## 5.5.3 Good Practices in the Policy and Regulatory Framework in Central Indonesia

In West Nusa Tenggara (WNT), support is given to MSMEs in their marketing activities through the NTB Mall application and website and through WNT government-owned marketplaces that contain local MSME products.<sup>69</sup> In addition, the Youth and Sports Services has a programme to create 1000 new youth entrepreneurs. These are an example of the implementation of Empowerment of Micro, Small and Medium Enterprises Through Plead and Buy Local Products and the West Nusa Tenggara Provincial Regulation No. 2/2019 on Youths.<sup>70</sup> Meanwhile, the East Kalimantan Provincial Government Work Plan (RKPD) of 2021 prioritises increasing youth and persons with disabilities' entrepreneurship and increasing women's access to skills in entrepreneurship.<sup>71</sup>

<sup>69</sup> Maria, "NTB Mall Solusi Dan Harapan UMKM Go Digital," Dinas Perdagangan Provinsi Nusa Tenggara Barat, March 15, 2021, <http://disdag.ntbprov.go.id/index.php/berita/ppln/717-ntb-mall-solusi-dan-harapan-umkm-go-digital>.

<sup>70</sup> West Nusa Tenggara Provincial Regulation No. 2/2019 on Youth, <https://jdih.ntbprov.go.id/content/perda-nomor-2-tahun-2019-0>

<sup>71</sup> Devi Handayani, "60 Penyandang Disabilitas Dilatih Jadi Wirausaha," Radar Lombok, October 8, 2019, <https://radarlombok.co.id/60-penyandang-disabilitas-dilatih-jadi-wirausaha.html>.

# 5.6

## Innovation and Technology in Central Indonesia

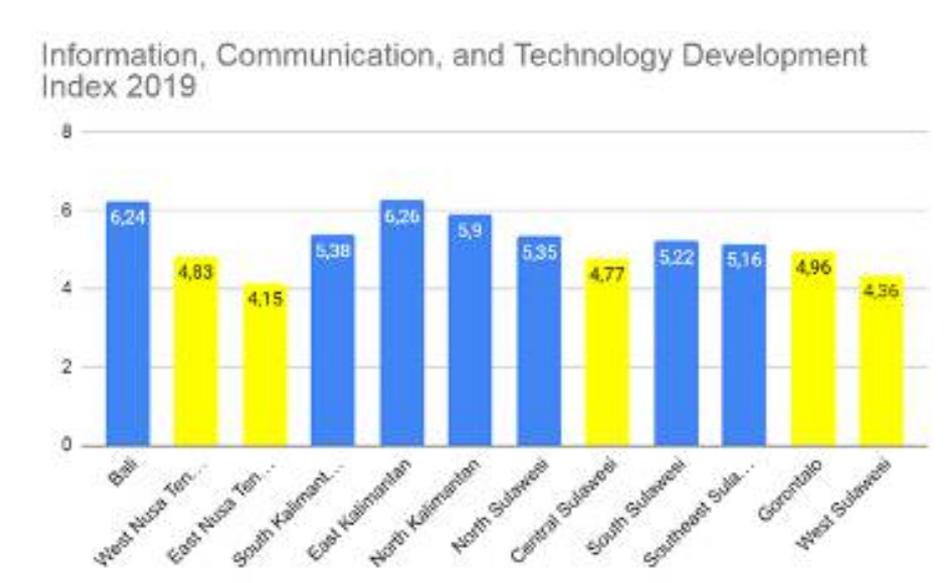
### 5.6.1 Strength in Innovation and Technology in Central Indonesia

**The existence of technology and innovation focused business incubators.** There are at least 22 registered business incubators based on AIBI membership and BRIN incubators from universities and related agencies that have technology business incubators in central Indonesia. Three of the incubators are in Kalimantan, 11 in Sulawesi, five in Bali, and three in Nusa Tenggara. Each incubator has a different focus. Business sectors include agriculture and food, health and beauty, manufacturing, ICT, and energy.<sup>72</sup>

The existence of these technology business incubators can open up opportunities for the industrialisation of machine prototypes that can be replicated and loaned to MSMEs. In the Central Region, there are also universities that have incubators encouraging business innovation among youth. The Kedaireka programme from the Ministry of Education, Culture, Research, and Technology provides opportunities for youth to develop innovations to answer challenges faced by industry.

**Figure 26:**  
IP-TIK Grouping  
Category: High (7.26-10.00), Medium (5.01-7.25), Low (2.51-5.00), Very Low (0.00-2.50)

Source: Central Bureau of Statistics, 2019



**Development of start-up communities that can encourage innovation.** Several start-up communities have begun to emerge to encourage innovation among youth in central Indonesia. These include the Borneo start-up community in Kalimantan, the Saoraja Hub in Sulawesi, SuBali in Bali, and Beda(IT), a developer community and development space in West Nusa Tenggara.<sup>73</sup> The existence of a community is important to encourage interaction and knowledge sharing and to build a way of thinking and encourage innovation.

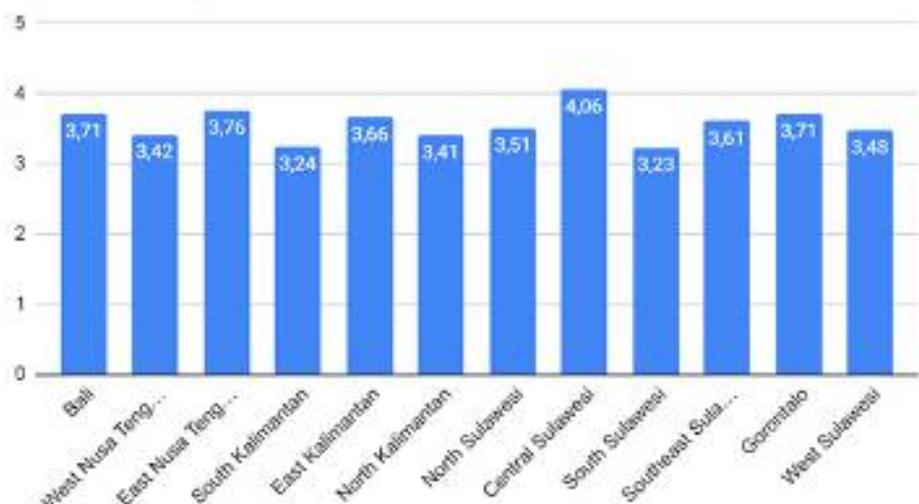
**Good Information and Communication Technology Infrastructure.** The level of the Information and Communication Technology Development Index (IP-TIK)<sup>74</sup> in central Indonesia is classified as good. The highest index value is in the central part of Indonesia, namely Bali at 6.24 and the lowest is East Nusa Tenggara at 4.15.<sup>75</sup> Bali has a good ICT/IP-TIK infrastructure and can encourage its existing potential further such as in tourism, the creative industries, and agriculture that can produce quality products. The high number of tourists in Bali, both domestic and foreign, encourages quality infrastructure. A good ICT/IP-TIK conditions in an area can encourage innovation that can be adopted quickly, especially in the technology and digital fields.<sup>76</sup>

**Figure 27:**

Digital Literacy Index  
Category: Poor (0-2),  
Medium (2.01-3), Good  
(3.01-4), Very Good  
(4.01-5)

Source: Central Bureau of  
Statistics, 2019

Digital Literacy Index 2020



<sup>73</sup> "Baru Pertama Kali, Komunitas IT NTB Gelar Bumi Gora Hackathon," *Lombokita.com*, January 17, 2019, <http://lombokita.com/baru-pertamkali-komunitas-it-ntb-gelar-bumi-gora-hackathon/>.

<sup>74</sup> Adriyani Syakilah, Rima Untari, and Karmila Maharani, "Indeks Pembangunan Teknologi Informasi Dan Komunikasi 2019" (Badan Pusat Statistik, 2020), <https://www.bps.go.id/publication/2020/12/15/f52c2f6c113db406967d-5cb0/indeks-pembangunan-teknologi-informasi-dan-komunikasi-2019-.html>.

<sup>75</sup> Ibid.

<sup>76</sup> I Wayan Wiasthana Ika Putra, "Analisis Daya Saing Daerah Provinsi Bali Tahun 2019," *Bali Membangun Bali* 2, no. 2 (2019): pp. 91-96, <http://ejournal.baliprov.go.id/index.php/jbmb/article/view/43/39>.

**Good digital literacy skills.** Based on data from the Central Bureau of Statistics 2020, the central part of Indonesia has a good digital literacy index rate. The highest value is in the province of Central Sulawesi, which is 4.06, and the lowest value is in the province of South Sulawesi with a value of 3.23.<sup>77</sup>

In areas with access to the Internet and higher digital literacy, young people are relatively capable of using technology to their businesses' advantage. Usage of digital-based marketing and e-commerce platforms allow businesses in the central region to reach further than before. Data from the Central Bureau of Statistics in 2020 showed that e-commerce businesses mostly send their products to buyers in the Java region (55.07 percent), while for the central Indonesian region the figures are only 16.69 percent (Kalimantan), 15.17 percent (Sulawesi), and 12.98 percent (Bali and Nusa Tenggara).<sup>78</sup> This reflects that there is still untapped domestic market potential that presents an opportunity for nascent enterprises in the region.

## Case Study for the Strength in Innovation and Technology in East Kalimantan

Based on a survey conducted by the Ministry of Communication and Information, East Kalimantan has a digital literacy index value of 3.66 out of 5. This value places East Kalimantan as the province with the fifth highest digital literacy index value in the central region in Indonesia.

Internet infrastructure is also important so that the youth can pursue innovations and create new technology. 90 percent of villages in East Kalimantan are covered by mobile internet, which includes 80 universities and one incubator registered with BRIN. With this infrastructure, young entrepreneurs can be supported as shown by the city of Balikpapan which is becoming a creative city in the digital application and game sub-sectors. State-owned enterprises have also provided support for innovations led by youth entrepreneurs in East Kalimantan through their CSR programmes. For example, Pupuk Kaltim received the title of Best of The Best Nusantara CSR Awards 2020, and the Corona Handling Warrior award for its eleven economic empowerment programmes and improving the quality of public education.<sup>79</sup>

<sup>77</sup> "Survei Nasional Literasi Dan Inklusi Keuangan" (Otoritas Jasa Keuangan, 2019), <https://www.ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Survei-Nasional-Literasi-dan-Inklusi-Keuangan-2019/BOOKLET%20Survei%20Nasional%20Literasi%20dan%20Inklusi%20Keuangan%202019.pdf>.

<sup>78</sup> Adam Luthfi Kusumatriana, "Statistik E-Commerce 2020" (Badan Pusat Statistik, 2020), <https://www.bps.go.id/publication/2020/12/24/2548417ddc6dab8247553124/statistik-e-commerce-2020.html>.

<sup>79</sup> "Pupuk Kaltim Raih Best of The Best Nusantara CSR Awards 2020," Jpnn.com, October 23, 2020, <https://www.jpnn.com/news/pupuk-kaltim-raih-best-of-the-best-nusantara-csr-awards-2020?page=2>.

## 5.6.2 Challenges and Gaps in Innovation and Technology in Central Indonesia

**Internet access is not evenly distributed.** Based on APJII 2018 data, the contribution of Internet users per province from all Internet users in the central Indonesian region is 16.2 percent. The highest percentage of Internet users is in South Sulawesi with a value of 3.7 percent and the lowest is in the provinces of North Kalimantan, Gorontalo, and West Sulawesi at 0.3 percent. This can lead to an imbalance in digital capacity among young entrepreneurs in the central region.

**Uneven availability of universities or innovation centres.** East Kalimantan is divided into ten cities 61 percent of universities are in the cities of Balikpapan and Samarinda, while in the Mahulu district there are no universities. As has been mentioned, universities can play a key role in promoting innovations.<sup>80</sup>

**Limited access to information on Intellectual Property Rights.** Intellectual Property Rights (IPR) protection has not been uniformly adopted. Programmes related to IPR have been carried out by the local industry supervision departments, but to date, the long-term benefits have not been recorded. In addition, data on existing IPRs is difficult to access by the public.

**Lack of innovation in providing information for youth entrepreneurs with disabilities.** The role of the community is required to serve as a bridge to meet the information needs of young entrepreneurs with disabilities (such as inclusive training and access to finance).

## 5.6.3 Good Practices for Innovation and Technology in Central Indonesia

One of the best practices in the field of innovation and technology is the collaboration carried out in Balikpapan as a creative city. The application and game industry in Balikpapan has achieved a turnover of IDR 48 billion (\$3.3 million) per year.<sup>81</sup> This progress has not only been built by the government, but also by contributions from the community, academia, and the business sector.<sup>82</sup>

In Bali, Udayana University has a business incubator, a Student Entrepreneurship Unit and it also holds entrepreneurial events. Udayana University is also supporting the Ke-daireka programme run by the Ministry of Education and Culture. Tenants fostered by the business incubator are given facilities to display their products. Some of them come from the local handicraft authority in Bali.

<sup>80</sup> Badan Pusat Statistik, "Statistik Pendidikan Tinggi 2020", November 27, 2020. <https://www.bps.go.id/publication/2020/11/27/347c85541c34e7dae54395a3/statistik-pendidikan-2020.html>

<sup>81</sup> Ministry of Tourism and Creative Economy

<sup>82</sup> "Kota Balikpapan" (Kementerian Pariwisata dan Ekonomi Kreatif), accessed June 17, 2021, <https://kotakreatif.kemendparekraf.go.id/wp-content/uploads/2020/09/52.-Kota-Balikpapan.pdf>.



Photo credit: César González Palomo, Flickr



## 6.1

Overview of the Eastern Indonesian Region's Youth Entrepreneurship Ecosystem

## 6.2

Access to Finance and Incentives in Eastern Indonesia

## 6.3

Human Capital and Entrepreneurship Culture in Eastern Indonesia

## 6.4

Business Development Support and Infrastructure in Eastern Indonesia

## 6.5

Policy and Regulatory Framework in Eastern Indonesia

## 6.6

Innovation and Technology in Eastern Indonesia

# 6.1

## Overview of the Eastern Indonesian Region Youth Entrepreneurship Ecosystem

Comprised of four provinces: North Maluku, Maluku, Papua, and West Papua, Eastern Indonesia has an overall Human Development Index (HDI) score of 67.87.<sup>83</sup> With this scoring eastern Indonesia has the lowest score in human development and youth de-

velopment. The average schooling duration in is 9.93 years with Maluku as the highest at 10.95 years.<sup>84</sup> The number of women in education and employment is relatively low compared to other regions.

**Table 9:** Profile of youth and entrepreneurship in the eastern region of Indonesia

Average Youth Development Index score	50.83 index value
Average years of schooling	9.93 years
Young women working in the formal sector	14.78 percent of young women are working in the formal sector.
Province with the highest average years of schooling and levels of education	Maluku
Gross Enrolment Rate for Junior High School	87 out of 100 (lowest is Papua at 77.02, and highest in Maluku at 91.52).
Gross Enrolment Rate for higher education (University)	36.52 percent (average rate) with the high-est rate in Maluku at 48.42 percent and the lowest in Papua at 19.03 percent.
Youth Entrepreneurship Average (white collar) Indicator Score for Central Indonesia	0.22 percent with the lowest rate held by North Maluku at 0.02 percent and the high-est value held by West Papua at 0.37 per-cent.

Source: Youth Development Index, 2019

<sup>83</sup> Central Bureau of Statistics. 2021. *Indeks Pembangunan Manusia 2020*, (April).

<sup>84</sup> Woro S. Sulistyningrum et al., "Indeks Pembangunan Pemuda Indonesia 2019" (Kementerian Perencanaan Pembangunan Nasional, 2020), [https://www.bappenas.go.id/files/3516/1582/2931/Laporan\\_IPP\\_2019.pdf](https://www.bappenas.go.id/files/3516/1582/2931/Laporan_IPP_2019.pdf).

# 6.2

## Access to Finance and Incentives in Eastern Indonesia

### 6.2.1 Strength and Opportunities in Access to Finance and Incentives in Eastern Indonesia

**Access to traditional and micro financing institutions.** Financial institutions are evenly spread across the eastern region of Indonesia and access to traditional financing options is relatively good. By 2019, there were 118 financing companies spread across four provinces. The province with the most finance company offices is Maluku with 33 offices and the lowest is West Papua with 27 offices. In 2019, commercial banks and rural banks disbursed loan funds worth IDR 87 trillion (\$6 billion). The province with the highest loan disbursement is Papua with a value of IDR 34 trillion rupiah (\$2.4 billion).<sup>85</sup> The value of lending in Maluku, North Maluku, Papua and West Papua is higher than in several provinces in western Indonesia. In Papua and Maluku, microfinance (from Bank Papua/Pegadaian), is accessible for young entrepreneurs and tends to be the second option for funding by young entrepreneurs.<sup>86</sup>

**The existence of funding programmes led by Government and Bank Indonesia.** In Maluku, the government provides capital assistance for youth entrepreneurship growth, for example through the Young Entrepreneurs Beginner programme in collaboration with Bank Indonesia. Youth entrepreneurs are given training to increase their capacity in doing business. The availability of these opportunities for young entrepreneurs is good, especially in urban areas such as Ambon.

**Access to non-traditional financing institutions.** P2P lending can also be accessed in the eastern region of Indonesia. Papua Province became the province with the highest growth in P2P lending in Indonesia, increasing by 460.58 percent in 2019-2020.<sup>87</sup> In the eastern region, there are five venture capital offices spread across the provinces of North Maluku, Maluku and Papua. Venture capital companies are based in the Maluku and Papua regions, such as Sarana Ventura, and are also members of AMVESINDO's Venture Capital Companies that also provide opportunities for young entrepreneurs to pitch for funding. In addition, the OJK reported that Islamic banking in Maluku grew 40.05 percent year-of-year in 2019 or by IDR 587 billion (\$41 million).

<sup>85</sup> "Statistik Lembaga Pembiayaan 2019" (Otoritas Jasa Keuangan, 2020), <https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/lembaga-pembiayaan/Documents/Pages/Buku-Statistik-Lembaga-Pembiayaan-2019/Buku%20Statistik%20Lembaga%20Pembiayaan%202019.pdf>.

<sup>86</sup> Ibid.

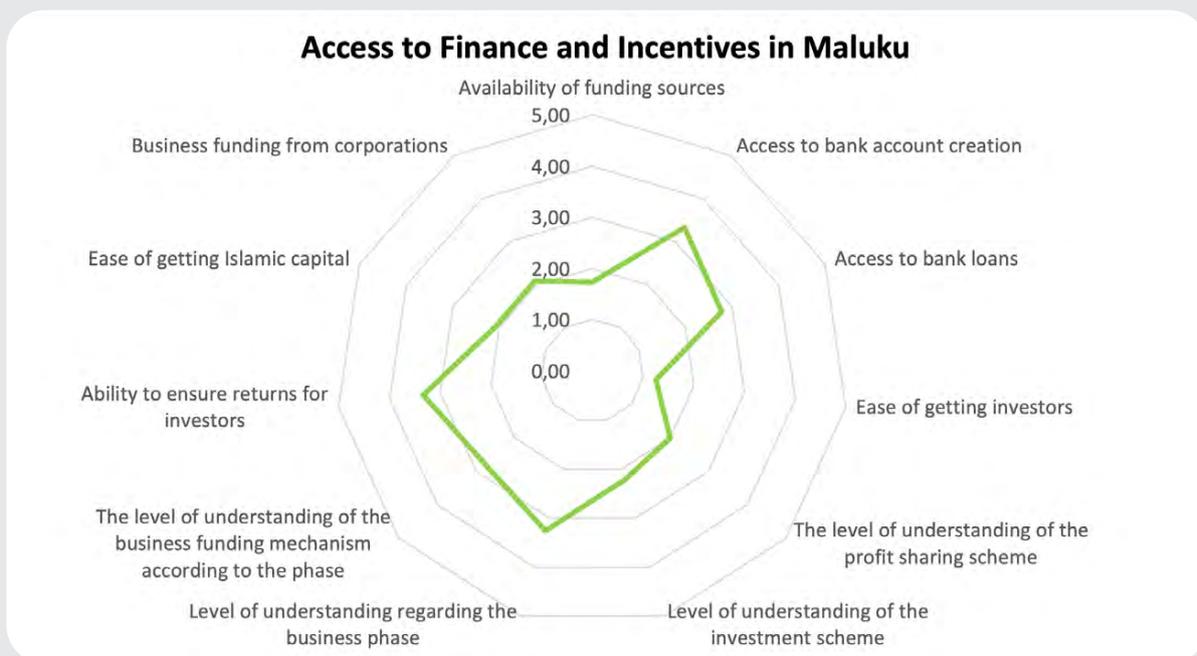
<sup>87</sup> "Perkembangan Fintech Lending" (Otoritas Jasa Keuangan, 2020), <https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/fintech/Documents/Statistik%20Fintech%20Lending%20Desember%202020.pdf>.

**Strong bootstrapping culture.** Based on the regional dialogue, financial resources for young entrepreneurs who are just starting a business are mostly obtained from their own capital and loans from friends and family. Eastern Indonesia also has a strong character in kinship and trust in family and siblings. This affects young entrepreneurs' choices regarding financing options, and many borrow capital from friends and family.

**Support for enterprises through the COVID-19 Response.** In response to the pandemic, the local government, through the Cooperatives and Micro Enterprises Office, provided Micro Business Productive Assistance (BPUM) for business actors in Ambon and Maluku. This assistance is in the form of a grant, in which business actors are given capital assistance amounting to IDR1.2 million (\$84).<sup>88</sup> The assistance grant is given to business actors who have never taken credit from a bank. In addition to BPUM, the government also provides interest subsidies for People's Business Credit (KUR), and Non-KUR Subsidies for Cooperatives through the Cooperative Revolving Fund and from the SMEs Local Fund Management Bodies.<sup>89</sup>

## Case Study of Strength in Access to Finance and Incentives in Maluku

**Figure 28:** Access to Finance and Incentives in Maluku, based on Pre-Regional Dialogue, 2021 (N=12) (1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



<sup>88</sup> Syarif Hasan Salampessy, "Pelaku Usaha Mikro Di Maluku Rasakan Manfaat BPUM," *RRI.co.id*, June 22, 2021, <https://rri.co.id/ekonomi/1087088/pelaku-usaha-mikro-di-maluku-rasakan-manfaat-bpum>.

<sup>89</sup> Ratih Kusumawanti, "LPDB-KUMKM Dorong Ekosistem Bisnis Sektor Perikanan Di Maluku," *Portonews*, December 2, 2020, <https://www.portonews.com/2020/keuangan-dan-portfolio/perdagangan-dan-jasa/lpdb-kumkm-dorong-ekosistem-bisnis-sektor-perikanan-di-maluku/>.



Maluku has a value of financial access and incentives of 2.4 out of 5 (Figure 28), which indicates that young entrepreneurs experience problems in accessing capital.

Based on the dialogues on access to finance and incentives, young Maluku entrepreneurs largely rely on self-financing, or borrowing from family and friends.

State-owned Enterprises (BUMN) have a role in helping entrepreneurs access finance and other incentives in eastern Indonesia. For example, Pertamina provides business capital distribution through a partnership programme's revolving fund operating capital assistance. The target of this programme is MSMEs in several areas such as Maluku, North Maluku, Papua and West Papua. Selected MSMEs will become Pertamina's 'Foster Partners' who can access capital and gain market access to the Pertamina Group and Pertamina's MSMEs network, and access capacity building through entrepreneurship training and mentoring.<sup>90</sup>

Funding activities with pitching sharing conducted by Bank Indonesia also encourage youth interest in accessing capital. Access to funding for young entrepreneurs is easier to find in urban areas such as Ambon, because there is easier access to the wider business community. The government, in this case the Ministry of Youth and Sports, has begun to take steps concerning expanding funding for young entrepreneurs, namely through the Youth Entrepreneurship Capital Institute (LPKP) especially for Eastern Indonesia and Maluku.

## 6.2.2 Challenges and Gaps in Access to Finance and Incentives in Eastern Indonesia

**Low financial literacy especially in business management.** Based on the results of the regional dialogue and consultations with influential stakeholders in their respective regions, difficulties remain in licensing as a prerequisite for obtaining capital assistance from formal finance institutions. This reflects the limited financial literacy among young entrepreneurs. The regional dialogue found that young entrepreneurs also have difficulty in meeting the bank requirements for business loans and preparing a financial statement.

**Unequal access to information.** There are still obstacles in accessing information on capital assistance especially for young people. Based on dialogues with the Maluku's youth entrepreneurship ecosystem stakeholders, it is very difficult to find capital access support due to the exclusivity of the youth entrepreneurship group.

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<sup>90</sup> "Pertamina Salurkan 2.86 Milyar Kepada 54 Mitra Binaan Di Indonesia Timur Untuk Bangkit, Berikut Rinciannya," *Teras Maluku*, August 30, 2020, <https://terasmaluku.com/pertamina-salurkan-2-86-milyar-kepada-54-mitra-binaan-di-indonesia-timur-untuk-bangkit-berikut-rinciannya/>.

**Unequal access to provision of assistance in access to funding.** Access to capital is still not widely supported by mentoring and coaching programmes for young entrepreneurs. Based on the findings of the regional dialogue and interviews, although mentoring and coaching programmes for young entrepreneurs in eastern Indonesia exist, there are few that reach young entrepreneurs. This is also reflected in the findings in Maluku that showcased how young people face difficulties in solidifying their business ideas to receive capital support. The provision of assistance, especially that sourced from the government, is focused on women entrepreneurs instead of young entrepreneurs.

### 6.2.3 Good Practices in Access to Finance and Incentives in Eastern Indonesia

Kitong Indonesia (KI) is a social enterprise that provides young entrepreneurs support in accessing capital. KI is heavily involved in entrepreneurial activities and programmes, such as in collaborations with Pertamina in the UMKM Graduation Programme that has supported more than 220 MSMEs. The programme has been carried out in several areas, namely Ternate, Ambon, Tual, and Jayapura.<sup>91</sup>

Other efforts to connect young entrepreneurs to capital assistance have been carried out by The Youth and Sports Office. They held the Ambon Creativepreneur Programme annually to encourage youth entrepreneurship and to provide business capital.



Photo credit: Odua Images, Shutterstock.com

# 6.3

## Human Capital and Entrepreneurship Culture in Eastern Indonesia

### 6.3.1 Strength in Human Capital and Entrepreneurship Culture in Eastern Indonesia

**Existence of entrepreneurship communities.** Despite the small number of entrepreneurship incubators in Eastern Indonesia, entrepreneurial communities are growing slowly. Informal communities encourage an entrepreneurial spirit among youth, and some communities are already more formalised and offer collaboration opportunities. Examples of the communities that support the development of youth entrepreneurship in eastern Indonesia are the Ternate Community Network (Jarkot) and the Papuan Young Entrepreneurs Association (GARAP), a partner of the Green Economy programme developing coffee, cocoa, nutmeg, coconut and seaweed commodities.

**Potential pool of youth entrepreneurs in higher education institutions.** The role of universities and colleges in building entrepreneurial capacity and strengthening the entrepreneurship culture is significant. Opportunities lie in the amount of highly educated young people in Maluku that could be directed towards entrepreneurship. Entrepreneurship courses provide students with opportunities to explore their potential based on their interests and to utilise scientific research to develop products with market potential. Maluku has several business incubators at universities such as the Pattimura University Business Incubator and Ambon State Polytechnic. Based on the interviews in Maluku, the higher education institutions of IAKN and IAIN Ambon help educators boost an entrepreneurial mind-set among students.

**Existence of training and capacity building programmes provided by NGOs and development partners for young entrepreneurs.** Several NGOs, IGOs and development organisations provide opportunities for young people to build their entrepreneurial capacities, spirit and discover pathways to market access. For example, the EcoNusa Foundation encourages local entrepreneurship to increase people's income with a focus on forest and marine biodiversity in four districts in the eastern region, namely Bintuni, Raja Ampat, Kaimana in West Papua, and Halmahera in Maluku. The Youth Co:Lab initiative has provided young entrepreneurs with training during the ideation stage and pre-seed stage and has strengthened their advocacy skills to support youth entrepreneurship development in the Maluku area.

**Existence of Government support.** The government has several investment programmes to develop human capital for entrepreneurship in many areas in eastern Indonesia, such as the programme by Bank Indonesia for youth entrepreneurs. The Ministry of Youth and Sports also have an ideation and ignition programme targeting youth in eastern Indonesia through “*Kuliah Kewirausahaan*”.

In West Papua, the Inspirational Young Papua (PMI) community provides entrepreneurship training for youth in collaboration with the Ministry of Cooperatives and Small and Medium Enterprises. This collaboration provides management training and training in institutional knowledge of the ministry, digitalisation and business development strategies, marketing and e-marketing. They also offer programmes that increase knowledge regarding opportunities for the initiation and development of creative industry-based start-ups.<sup>92</sup>

**Government support aligned with sector-based investment and infrastructure agenda.** There is a growing opportunity to encourage educated young people to build businesses that are aligned with the investment and trade agenda developed by the government. This could also increase the number of high valuation businesses run by young people. For example, the development of fisheries and tourism as part of the policy priorities in the regional medium-term development plans, as well as the creation of youth entrepreneurship programmes that are aligned with current infrastructure programmes such as the Masela Block.<sup>93</sup>

**Business trends that support a variety of business sectors in Eastern Indonesia.** Based on the regional dialogue and interviews with youth entrepreneurs in the eastern region, the culinary sector is regarded as a desirable business sector among young people. In the first few months of the COVID-19 pandemic, youth-initiated coffee businesses began to grow rapidly. Another noticeable trend is that many young entrepreneurs have adopted digital solutions to develop their business in urban communities.

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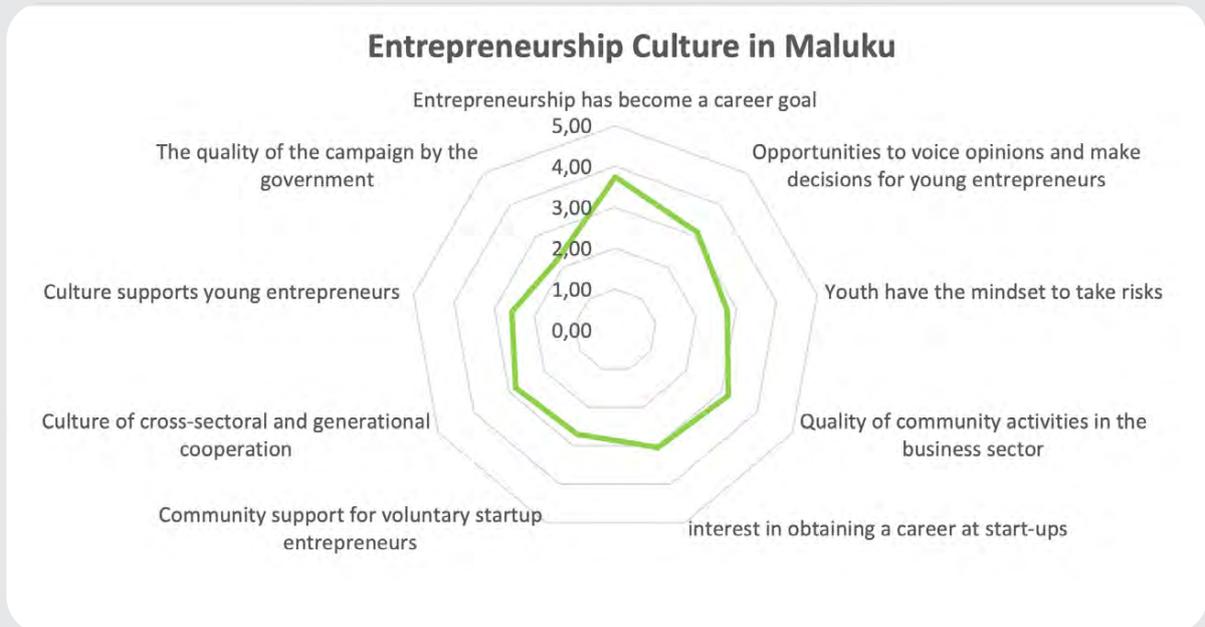
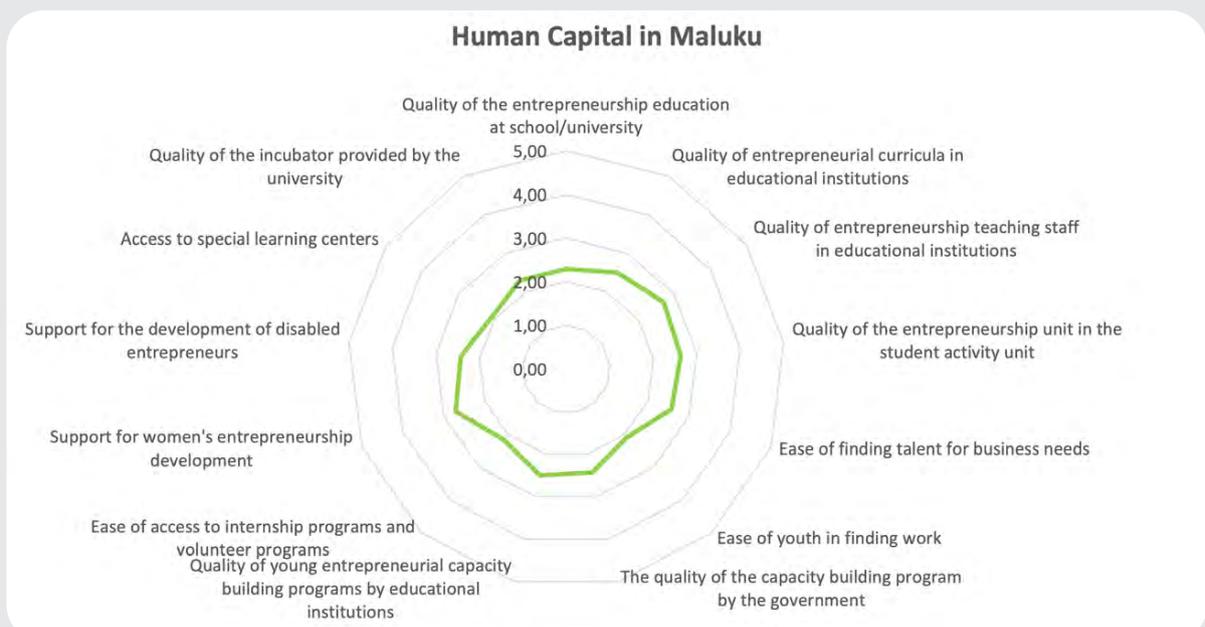
<sup>92</sup> Irsye Simbar, “Papua Muda Inspiratif Latih 60 Anak Muda Untuk Eksis Berwirausaha,” *Kabar Papua*, September 17, 2020, <https://kabarpapua.co/papua-muda-inspiratif-latih-60-anak-muda-untuk-eksis-berwirausaha/>.

<sup>93</sup> Jimmy Ayal, “Gubernur Maluku: Masyarakat Harus Terlibat Mengelola Blok Masela,” June 3, 2021, <https://www.antaranews.com/berita/2191202/gubernur-maluku-masyarakat-harus-terlibat-mengelola-blok-masela>



## Case Study of Strength in Human Capital and Entrepreneurship Culture in Maluku

**Figure 29:** Human Capital and Entrepreneurship Culture, based on Pre-Regional Dialogue, 2021 (N=12)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)





Maluku achieved an average score of 2.7 out of 5.0 (Figures 29) in the domain of human capital and entrepreneurship culture, which indicates that in Maluku, the perception of youth entrepreneurs towards this domain is classified as poor-acceptable.

Based on the results of the interviews in Maluku, the entrepreneurship courses at higher education institutions of IAKN and IAIN Ambon help to foster entrepreneurial mindsets. While at first students were pessimistic about business, through practical assignments they could see that being an entrepreneur is not impossible. The tendency of people in Maluku to favour becoming civil servants is part of a culture called amtenar. To address this, several programmes targeting youth entrepreneurship growth have been established, such as the Muda Maju Bersama 1000 start-up programmes mainly led by Telkomsel that encourages youth entrepreneurs in the start-up industry.<sup>94</sup>

### 6.3.2 Challenges and Gaps in Human Capital and Entrepreneurship Culture in Eastern Indonesia

**Strong paradigm to become a civil servant.** It was found that those who want to become civil servants will generally be more supported by their families, compared to those who want to become entrepreneurs. Social capital and traditions in the culture of the eastern region make people accustomed to meeting their needs collectively, which may also affect youth's desire to become entrepreneurs. The business sector is still underdeveloped, and some entrepreneurs need a fast profit return which may affect the youth's perception of entrepreneurship as a career option.

**Social norm of providing lower prices to friends and family.** The habit of going into debt or offering lower prices as part of business dealings with friends and family may cause challenges for young entrepreneurs.

**Challenges in access to information and lack of gathering spaces (hubs).** Gathering spaces, or 'hubs', for building an entrepreneurial culture among youth are not widely found. Communities do exist but they are still not large enough to reach all youth and this hinders access to information especially among young (aspiring) entrepreneurs who do not have access to information channels.

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<sup>94</sup> Fathurrohman, "Kembangkan Startup Di Kawasan Timur Indonesia, Gojek Dan Telkom-ITDRI Luncurkan Muda Maju," *Fajar Indonesia Network*, April 15, 2021, <https://fin.co.id/2021/04/15/kembangkan-startup-di-kawasan-timur-indonesia-gojek-dan-telkom-itdri-luncurkan-muda-maju/>



### **6.3.3 Good Practices in the Human Capital and Entrepreneurship Culture in Eastern Indonesia**

Several communities in eastern Indonesia support and encourage youth entrepreneurs. These include the Ternate Community Network and the Papuan Young Entrepreneur Association (GARAP). GARAP is a partner of the Green Economy programme which supports the Provincial Governments of Papua and West Papua in developing their local economies based on green investment.

One of the institutions that encourages youth entrepreneurship education in eastern Indonesia is Prestasi Junior Indonesia (PJI). PJI programmes focus on financial literacy, job readiness, and entrepreneurship for youth. PJI in collaboration with Prudential Indonesia held a Youth Entrepreneurship Education programme to encourage entrepreneurial culture among young people in Papua by providing coaching and mentoring opportunities for 18 months.<sup>95</sup> After the government saw the results of the programme, it was replicated in several eastern regions.

# 6.4

## Business Development Support and Infrastructure in Eastern Indonesia

### 6.4.1 Strengths and Opportunities in Business Development Support and Infrastructure in Eastern Indonesia

**Significant planning for infrastructure development in eastern Indonesia.** One of President Joko Widodo's promises at the beginning of his presidential term was to invest in infrastructure, especially in the eastern region. Based on the data from the Ministry of Housing and Public Works, investment in infrastructure has doubled in each province in eastern Indonesia. This has supported the construction of bridges, Internet provision, and new cities, with the hope that better infrastructure will provide more opportunities for human development and business growth. As of now, there is no existing data to showcase how far the government's actions have influenced the availability of infrastructure needed by young entrepreneurs.

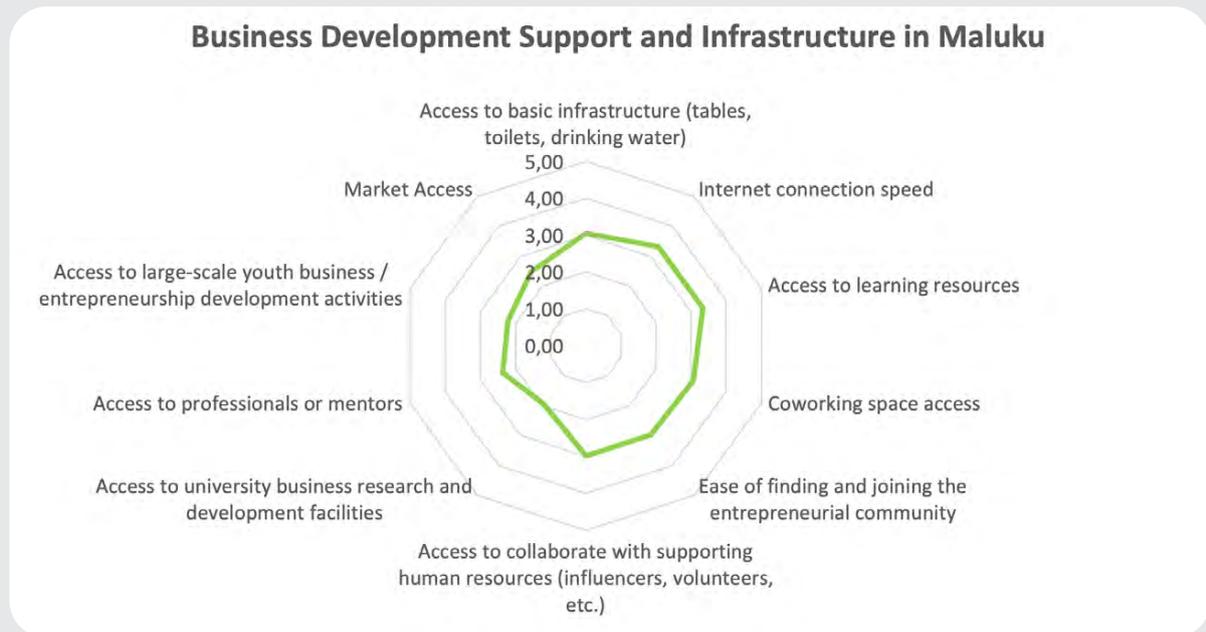
**Development of creative hubs and availability of business incubation programmes for young people.** It was noted during the regional dialogues that young entrepreneurs are supported through creative hubs in Maluku and Papua. The Ministry of General Works and People's Housing has plans to develop youth creative hub facilities in Papua and a youth creative hub in Ambon. Furthermore, the government, through local industry and trade offices, provides marketing facilities for MSMEs. These can be used by young entrepreneurs to expand their market reach. Complementary to the development of hubs, eastern Indonesia is home to several incubators. Universitas Cendrawasih, Universitas Patimura, Kitongbisa, and EcoNusa are some of the incubators that focus on young entrepreneurs, especially in the creative economy sector.

**Sector based business development programmes and opportunities.** The GoI through the Agricultural Young Entrepreneurs Planting Programme (PWMP), has provided marketing facilities in the agricultural sector, such as those implemented in Manokwari through online *kostratani* stalls.<sup>96</sup> This programme can be supported by the creative hubs that will be established in the Maluku and Papua regions. Likewise, the National Fish Barn programme can be supported by creative hubs and provide access to capital for young entrepreneurs.

<sup>96</sup> "Produk PWMP Polbangtan Manokwari Dipasarkan Di Lapak Kostratani Online," *Oridek News*, September 24, 2020, <https://www.orideknews.com/produk-pwmp-polbangtan-manokwari-dipasarkan-di-lapak-kostratani-online/>.

## Case Study of Strength in Business Development Support and Infrastructure in Maluku

**Figure 30:** Graph of Maluku Assessment of Business Development Support and Infrastructure based on Pre-Regional Dialogue, 2021 (N=12)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



Business development support and infrastructure in Maluku is given an average score of 2.8 out of 5 (Figure 30). From the regional dialogue of the research, youth entrepreneurs and enablers attest that the strength in Maluku is more on the infrastructure side especially in urban cities such as in Ambon. In terms of business infrastructure support, Maluku is one of the provinces that enjoys Sea Toll activation (a government programme to reduce price disparities between the mainland and smaller islands), as well as expanding delivery services by Pertamina Delivery Services. This supports goods-based businesses, especially in the urban cities such as Ambon. Private sector firms such as Tokopedia also support business development of young entrepreneurs by providing marketing access and training programmes.

The role of the community is very influential in building networks, such as the Rabu-Rabu Market, Paparisa Ambon Bergerak, Ambon Creative Maker, and other communities in the fields of creative content, music, and crafts. Networking is an important factor in selling a business idea in Maluku. Information dissemination can be done by optimising the use of social media to bridge information gaps. The media plays a role in promoting young entrepreneurs in the Maluku area.

Academia has also developed business incubators that offer platforms for youth who are starting and accelerating their businesses. Besides academia, capacity building of young

entrepreneurs is mostly supported through communities including religious and women-led communities. For example, The PKK Movement and the Indonesian National Craft Council play a role in running entrepreneurial programmes.

It is noted from the regional dialogue with Maluku representatives that it is still difficult to access large-scale youth business or entrepreneurship development activities and there are still not many places where youth entrepreneurs can access mentors. The dissemination of inclusive information needs to be improved, as well as the provision of online mentoring.

### 6.4.2 Challenges and Gaps in Business Development Support and Infrastructure in Eastern Indonesia

**Geographical conditions pose challenges for business growth and access to business development support.** Geographical conditions hinder young entrepreneurs' opportunities to expand their business market or to benefit from hub facilities and incubators that are mainly accessible in urban areas.<sup>97</sup> Based on the findings of the regional dialogues, although training in online marketing has been provided by various large marketplaces such as Tokopedia and Shopee, the challenge of high shipping costs in the eastern region remains.

**Lack of business mentors and limited access to existing incubation programmes.** Based on the regional dialogue, it is still difficult to access large-scale youth entrepreneurship development activities and the availability of business mentors for young entrepreneurs is limited. This applies at both the incubation stage and the accelerator stage of business development. There is a lack of the end-to-end business development support that is needed by young entrepreneurs. Although some training and mentoring programmes exist, they are still relatively and have not widely accessible. Acting as a business mentor is also not familiar for people in eastern Indonesia. For example, the local Department of Industry, Trade, and Cooperation programme has aimed to select fifty mentors, but only twenty are available so far. In addition, access to information on support programmes is not evenly distributed. Limited Internet infrastructure in eastern Indonesia is a contributing factor.<sup>98</sup>

### 6.4.3 Good Practices in Business Development Support and Infrastructure

The Maluku Regional National Crafts Council (Dekranasda) is a forum for the Association of Craft Industry Activists and is chaired by the mother of the Maluku governor, Widya Murad Ismail. Programmes provided by Dekranasda for business actors not only focus on artistic creativity but provide support for the youth to obtain learning facilities. Youth are given training in weaving, and are provided with materials, promotional facilities, frameworks, networks, and access to tourist destinations.

<sup>97</sup> Eastern Indonesia Regional Dialogue, Youth Entrepreneurship Ecosystem. 2021.

<sup>98</sup> "Laporan Survei Internet APJII 2019-2020 (Q2)", *Indonesia Survey Center*, 2020. <https://apjii.or.id/survei2019x/download/SPnTww9FqOlGij4mtGayvoHzX1867>

# 6.5

## Policy and Regulatory Framework for Eastern Indonesia

### 6.5.1 Strengths and Opportunities in the Policy and Regulatory Framework in Eastern Indonesia

#### **Eastern Indonesia has policies that support youth entrepreneurship development.**

Some of the relevant policies and regulations are:

- In Maluku, the formation of the LPKP was determined based on the Governor's Decree Number 57 of 2018 concerning the Determination of the Functions and Duties of the Youth Entrepreneurship Capital Institution in Maluku Province.<sup>99</sup>
- Papua Governor's Regulation No. 12 of 2015 explains that the youth development sector has duties and functions to coach, facilitate and assist the development of youth entrepreneurship in accordance with the interest, talents, potential of youth, regional potential and the direction of national development plan.
- The President of The Republic Indonesia Instruction No. 9 of 2020 concerning acceleration of welfare development in Papua and West Papua Province. This policy was made in response to the national mid-term development plan (RPJMN) 2020-2024. One of the delegated powers includes the granting of authority as a centre for the development of innovation and entrepreneurship.

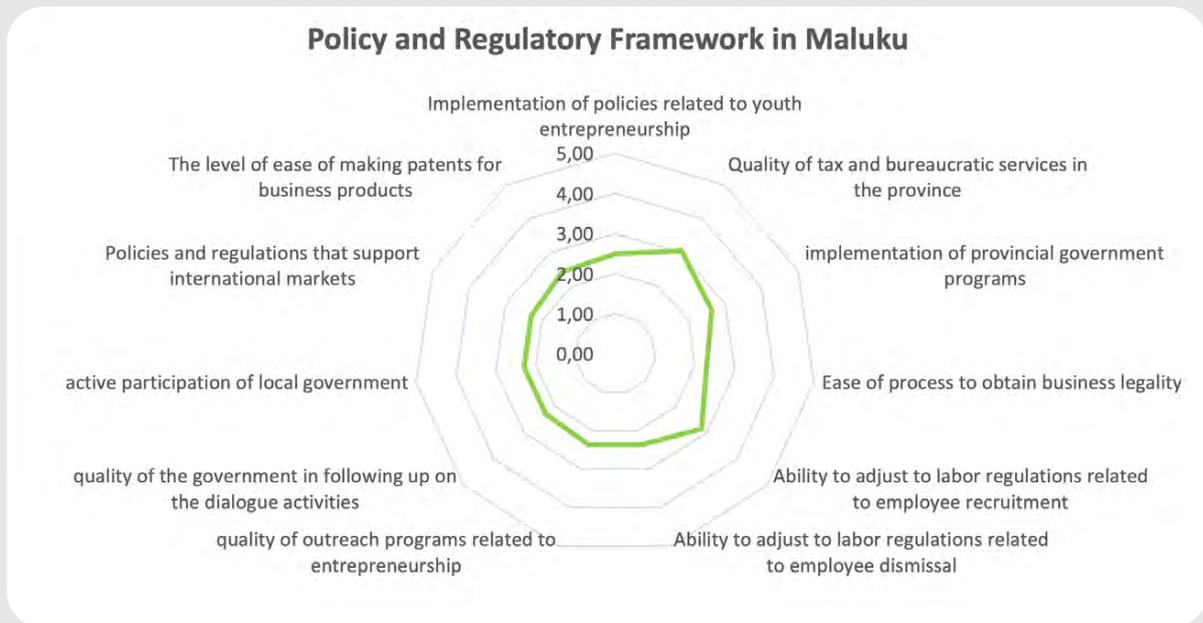
#### **Training of trainers to develop policies and strengthen the capacities of local government officials.**

Annually, the Youth Co:Lab initiative co-led by UNDP and Citi Foundation organises the training of trainers together with the Ministry of Youth and Sports to reach local governments across Indonesia who are looking for capacity building activities to further develop youth entrepreneurship related policies or programmes that aim to contribute to the SDGs and the needs of young people. This programme provides an opportunity to strengthen the capacities of local government officials in charge of local youth entrepreneurship ecosystem development.

<sup>99</sup> Surat Keputusan Gubernur Maluku Nomor 57 Tahun 2018 tentang Penetapan Fungsi dan Tugas Pelaksana Lembaga Permodalan Kewirausahaan Pemuda Provinsi Maluku, <https://jdih.n.go.id/files/242/SK%20SEKDA%20NO%2057%20TAHUN%202018.pdf>.

## Case Study of Strength in the Policy and Regulatory Framework in Maluku

**Figure 31:** Graph of Maluku Assessment of Policy and Regulatory Framework based on Pre-Regional Dialogue, 2021 (N=12)  
(1: very poor, 2: poor, 3: acceptable, 4: good, 5: very good)



The survey score of 2.5 out of 5 suggests that improvements are needed in the policy and regulatory domain in Maluku to support youth entrepreneurship (Figure 31). Stakeholders consider the quality of tax and bureaucratic services in the province to be accessible for youth entrepreneurs, including through plans to create a one stop service to support entrepreneurs including youth entrepreneurs. In addition, the Omnibus Law No. 11/2020 on Job Creation encourages ease in the process of recruitment for business owners and obtaining business licenses.

The regional dialogues in Maluku suggested that the quality of follow ups, training, mentorship, as well as facilitation in access to international or national markets in programmes targeting young entrepreneurs is poor. Programmes for young entrepreneurs are neither sufficiently widespread nor strategically planned to ignite the entrepreneurship opportunities that currently exist in Maluku. The government has held training events, but longer-term assistance and follow-up support is lacking.

In terms of establishing the legal status and operation of a business, despite the existence of a one stop service for businesses in Maluku, there are still many youth-led businesses that have not processed the necessary permits because they feel it is difficult and takes a long time. In addition, there exists illegal means of accessing faster services to facilitate business licensing by the payment of bribes.



The government shared its challenge in terms of developing youth entrepreneurship policies. The main obstacle is in the data collection of programme recipients as well as in the collection of data concerning needs and priorities to support youth entrepreneurship.

## 6.5.2 Challenges and Gaps in the Policy and Regulatory Framework in Eastern Indonesia

**Lack of programmes and policies targeting youth entrepreneurs directly.** From the regional dialogue, it was found that programmes designated for young entrepreneurs and MSMEs are still lacking in directly benefitting the targeted recipients. The creative economy as one of the fields that many young entrepreneurs work in has not got proper attention from the government and there is a lack of policies and regulations that support it. For instance, Ambon which, is well known as ‘Ambon City of Music’, has no policy or regulation to support income generation of musicians.

**“One policy fits all” challenge.** Even though the government has started to pay attention to digital marketing and provides training in this area, without any significant policy support to decrease shipping costs, businesses in the eastern region will be left behind. Different sectors also need different approaches and specific regulations to flourish. As a further example from the regional dialogue, young entrepreneurs in the creative economy sector in Maluku expressed difficulty in competing due to unregulated pricing in eastern Indonesia regarding creative economy products.

**Complicated bureaucratic procedures for young entrepreneurs.** There is low understanding and awareness among MSMEs of business and product legality. Young entrepreneurs report incomprehension of PIRT management procedures. In addition, although licensing procedures have been directed towards using Online Single Submission (OSS) since 2018, young entrepreneurs still receive complicated services in its implementation.<sup>100</sup>

**Lack of expertise in youth entrepreneurship in programme implementation.** The readiness of human resources and online systems is a matter of concern. There is, at times, a skills gap between the person selected to head an initiative and the targeted actions of the programme itself. For example, the local agency might select a person that is neither an expert in youth development nor in entrepreneurship to carry out important tasks in this area.



### 6.5.3 Good Practices in the Policy and Regulatory Framework in Eastern Indonesia

The North Maluku Cooperatives and SME Service notes that the North Maluku provincial government has distributed assistance to 45,078 MSMEs from a total of 76,801 applications submitted to the central government. In 2020, a total of IDR 108 billion or \$7.6 million, has been distributed to the MSMEs to manage impacts of the COVID-19 pandemic.<sup>101</sup>

The government manages an Investment Coordinating Board. Based on BKPM data related to cumulative investment realisation for the January-June 2020 period, North Maluku is included in the top five foreign investment realisation destinations, amounting to \$1 billion.<sup>102</sup> The information and data released by the BKPM can be used by young entrepreneurs to explore the potential for new market opportunities.



Photo credit: YCL Indonesia

<sup>101</sup> Redaksi Nusadaily, "Pemprov: 45.078 Pelaku UMKM di Maluku Tersentuh Banpres." Nusadaily.com, February 22, 2021, <https://nusadaily.com/nusantara/pemprov-45-078-pelaku-umkm-di-malut-tersentuh-banpres.html>.

<sup>102</sup> "BKPM Capai Target Investasi 2020. Bahlil: Luar Jawa Lampau Jawa," Badan Koordinasi Penanaman Modal, January 25, 2021, [https://www.bkpm.go.id/images/uploads/file\\_siaran\\_pers/realisasi\\_investasi\\_2020.pdf](https://www.bkpm.go.id/images/uploads/file_siaran_pers/realisasi_investasi_2020.pdf)

# 6.6

## Innovation and Technology in Eastern Indonesia

### 6.6.1 Strengths in Innovation and Technology in Eastern Indonesia

**Establishment of tech-based incubators by national government.** The development of innovations and technology in eastern Indonesia is encouraged by the Technology Business Incubators developed by some universities as well as by the Ministry of Higher Education. This is in accordance with Presidential Regulation No. 106 of 2017 concerning the Science and Technology Area. In eastern Indonesia, existing technology business incubators are the Pattimura University Business Incubator, the Merauke Musamus Business Incubator,<sup>103</sup> the Ambon State Polytechnic,<sup>104</sup> and the Ottow Geissler University Business Incubator Center in Papua.<sup>105</sup> In addition, the development of Youth Creative Hubs in Papua and Maluku is an opportunity to encourage development of innovations.

**Sector-based innovation facilities.** In the fisheries and agriculture sector, LIPI North Maluku has an Agro-Marine Technopark. This technopark is aimed at optimising the use of marine and agricultural resources by facilitating the collaboration of ideas and innovations done in the academic sector, with the financial and marketing capabilities in the industrial realm. The Agro-Marine Technopark encourages multi-stakeholder collaboration on research for suitable local technology and synchronization of all policies through a memorandum of understanding made between LIPI, the Governor of North Maluku, and Khairun University.<sup>106</sup>

<sup>103</sup> Hidayatillah, "Open Recruitment Tenan IBT Musamus," Pemerintah Daerah Kabupaten Merauke, July 15, 2019, <https://portal.merauke.go.id/news/4295/open-recruitment-tenan-ibt-musamus.html>

<sup>104</sup> "Poltek Ambon lolos seleksi Pendirian Inkubator Bisnis Teknologi DIKTI," Kumparan, April 12, 2019, <https://kumparan.com/lenteramaluku/poltek-ambon-lolos-seleksi-pendirian-inkubator-bisnis-teknologi-dikti-1qs56DfAxqs/full>

<sup>105</sup> "Penandatanganan MoU antara LPDB-KUMKM dan Universitas Ottow Geissler Papua," Universitas Ottow Geissler Papua, April 9, 2021, <https://uogp.ac.id/index.php/info-kampus/122-penandatanganan-mou-antara-lpdb-kumkm-dan-universitas-ottow-geissler-papua>

<sup>106</sup> Humas LIPI. 2015. "Optimalkan Hasil Pertanian dan Perikanan, LIPI Resmikan Maluku Utara Agro-Marine Technopark." <http://lipi.go.id/berita/single/Optimalkan-Hasil-Pertanian-dan-Perikanan-LIPI-Resmikan-Maluku-Utara-Agro-Marine-Technopark/13696>.

**Ignition of tech-based businesses.** Young entrepreneurs in eastern Indonesia demonstrate increasing uptake of new technologies. Bajalan, a smartphone application developed by youth in Papua, is the result of a collaboration with the Tourism Office. In addition to promoting tourism, the application is a marketplace for MSME products. Based on e-commerce statistics data, in 2019 the sales of goods or services in food, beverages, and produce categories from e-commerce businesses in Papua and North Maluku dominated the entire e-commerce sales figure, with Papua at 42,86% and North Maluku at 42,62% - two of the highest in the country.<sup>107</sup>

**Opening up new sectors for development.** Based on the National Medium-Term Development Plan, the economy of the Maluku Islands is expected to grow, driven by the development of the fishing industry, tourism, and downstream natural resources. Likewise, the economy of Papua Island is expected to grow to increase economies of scale in eastern Indonesia, driven by natural resources and diversification of plantations, food, and fishery-based processing industries. This can offer an opportunity for young entrepreneurs in eastern Indonesia to develop innovations in these sectors.

## Case Study of Strength in the Policy and Regulatory Framework in Maluku

Ambon, capital city in Maluku province, is one of the 'creative cities,' a world music city designated by UNESCO. 90 percent of Ambon people participate in choir or music training from an early age, thus forming an inseparable connection between music and the city.<sup>108</sup> Apart from tourism, music has become a major source of employment and economic growth for the city with more than \$700,000 worth of the economy annually.

Maluku is the province with the 3rd highest digital literacy index value in Indonesia.<sup>109</sup> This is possible because Maluku is a province with the second highest College Gross Enrolment Rate after Yogyakarta, which is 48.42 percent. The high value of the Digital Literacy Index enables youth to leverage innovations and technology in their businesses.

<sup>107</sup> Central Bureau of Statistics. "Statistik E-Commerce 2020." 2020, <https://www.bps.go.id/publication/download.html?nrbvfeve=MjU0ODQxN2RkYzZkYWI4MjQ3NTUzMTI0&xzmn=aHR0cHM6Ly93d3cuYnBzLmdvLm-lkL-3B1YmXpY2F0aW9uLzlwMjAvMTIvMjQvMjU0ODQxN2RkYzZkYWI4MjQ3NTUzMTI0L3NOYXRpc3RpaylILWNvbWl-cmNILTlwMjAuaHRtbA%3D%3D&twoadfnorfeauf=MjAy>. Accessed 2021.

<sup>108</sup> UNESCO Creative Cities Network. "Ambon." <https://en.unesco.org/creative-cities/ambon>. Accessed Juni 2021.

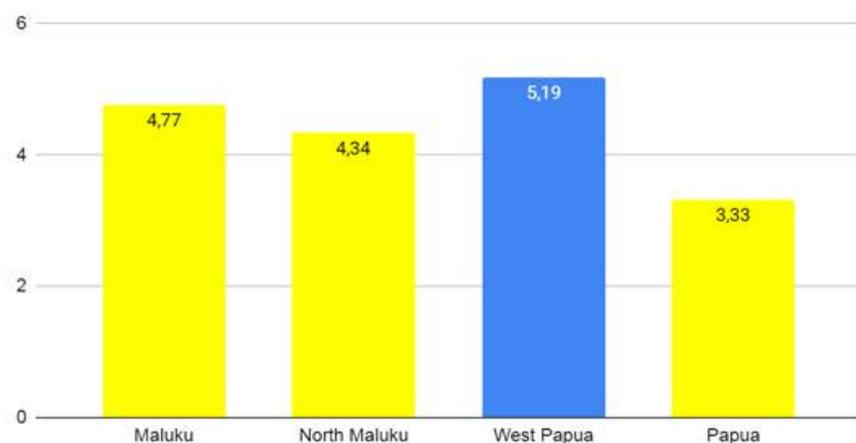
<sup>109</sup> "Status Literasi Digital Indonesia 2020," Katadata Insight Center, [https://katadata-s3-public.s3.ap-southeast-1.amazonaws.com/media/kic/kominfo/Status%20Literasi%20Digital\\_Nasional.pdf](https://katadata-s3-public.s3.ap-southeast-1.amazonaws.com/media/kic/kominfo/Status%20Literasi%20Digital_Nasional.pdf)

## 6.6.2 Challenges and Gaps in Innovation and Technology in Eastern Indonesia

**Low Information, Communication, and Technology (ICT) Development.** Despite some strong showing in terms of digital literacy index value particularly in Maluku, based on data from the Central Statistics Agency on IP-TIK, eastern Indonesia has a relatively low IP-TIK index value (see chart below).<sup>110</sup> There are three provinces that have a low IP-TIK index, namely Maluku, North Maluku, and Papua. Availability and access to a good infrastructure in the ICT sector can be a driving force for innovation.

**Figure 32:**  
IP-TIK Grouping  
Category: High (7.26-10.00), Medium (5.01-7.25), Low (2.51-5.00), Very Low (0.00-2.50)

Information, Communication, and Technology Development Index 2019



Source: Central Bureau of Statistics, 2019

**Limited availability of mentors.** Based on the regional dialogue, there is a lack of business incubators and mentors in the Science and Technology field to support young entrepreneurs to innovate.

**Lack of supportive facilities.** One of the limitations in developing innovation and technology products in the eastern Region especially in Maluku province is the low level of supporting infrastructure. Based on BPS 2019 data, 45 percent of the total villages in Maluku are still not yet covered by mobile Internet. This is a challenge for industry 4.0 which relies on information technology in business development and innovation. The availability of incubators is still limited and uneven, even though the existence of an incubator is important in providing facilities, mentors and funding. The presence of an incubator can also be an opportunity to participate in Start-up Innovation Indonesia (SII), which is an innovation and technology-based start-up funding programme organised by the Ministry of Research, Technology, and Higher Education.

<sup>110</sup> The IP-TIK index describes the conditions of the development of IP-TIK in relations to access and infrastructure in the field of information, communication, and technology. The Digital Literacy Index describes conditions in relation to the following pillars: Personal Security, Critical Thinking, Device Security, Information and Data Literacy, Communication Skills, and Ethics in Technology.



**Challenges related to Production, Logistics and Storage Processes.** One of the challenges for business development in eastern Indonesia is lack of access to the tools needed in the production process as well as in the logistics distribution and storage processes. For example, the potential for fisheries and marine products in eastern Indonesia needs to be supported by adequate processing and safe storage. This is expected to provide additional value for fishery and marine products and can prevent a catch being wasted due to the spoilage process. In other sectors too, innovation in the fields of production, logistics, and storage is needed, such as in the agricultural sector.

### 6.6.3 Good Practices in Innovation and Technology

Young people in Papua have created employment opportunities from the Bajalan app. This app is an online courier motorcycle taxi transportation service application and food order delivery service combined. It was made by five young people from Serui City. This application also offers information related to accommodation, transportation, culinary information, shops and verified services. Since its launch in March 2020, it has received positive responses and the team behind it are continuing to develop their business to collaborate with partners in several cities (Tuasikal, 2020).<sup>111</sup>

In the IT sector, Maluku has an IT community, namely the Codernate and Ternate IT Zone, which has 600 members. This community not only provides IT knowledge but also invites people to learn about the legality of software, encourages people in using technology, and supports young talent (Wijay, 2015).<sup>112</sup>

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<sup>111</sup> Rio Tuasikal, "'Bajalan', Aplikasi Wisata Karya Muda Mudi Papua," voaindonesia.com, August 6, 2020. <https://www.voaindonesia.com/a/bajalan-aplikasi-wisata-karya-muda-mudi-papua/5453094.html>

<sup>112</sup> Wijay, "Kebangkitan IT dari Kawasan Timur Nusantara." December 26, 2015, <https://www.codepolitan.com/kebangkitan-it-dari-kawasan-timur-nusantara>.



07

# Summary of Findings and Recommendations

Photo credit: YCL Indonesia



# 7.1 Summary of Findings

Table 10 provides an overview of the key findings of the national and regional studies and the subsequent section outlines recommendations to develop the enabling environment for youth entrepreneurship in Indonesia based on these findings.

**Table 10:** Key Findings

Access to Finance and Incentives			
National Study	Western Region	Central Region	Eastern region
<b>Strengths and Opportunities</b>			
<p><b>Availability of financing options</b></p> <ul style="list-style-type: none"> <li>• Availability of capital assistance by government, mostly through grants.</li> <li>• Availability of alternative funding sources, including Islamic financing instruments.</li> </ul> <p><b>Financial literacy and support for capital access</b></p> <ul style="list-style-type: none"> <li>• Availability of non-government support for capital access.</li> <li>• Existence of business finance literacy initiatives by non-government or private sector organisations.</li> </ul> <p><b>Policies and regulations</b></p> <ul style="list-style-type: none"> <li>• Existence of policy on youth entrepreneurs' access to capital.</li> <li>• New national regulations on business activities and financing.</li> </ul> <p><b>COVID-19 response</b></p> <ul style="list-style-type: none"> <li>• COVID-19 response capital assistance scheme for young entrepreneurs.</li> </ul>	<p><b>Availability of financing options</b></p> <ul style="list-style-type: none"> <li>• Access to grants via government programmes and university incubators.</li> <li>• Good access to traditional financing institutions.</li> <li>• Strong presence of non-traditional financing institutions, such as venture capitalists (VC) and peer-to-peer (P2P) lending.</li> <li>• Largest region for Islamic financing mechanisms.</li> </ul> <p><b>COVID-19 response</b></p> <ul style="list-style-type: none"> <li>• Local government COVID-19 recovery plan to support MSMEs and potential of youth-led enterprises to support recovery.</li> </ul>	<p><b>Availability of financing options</b></p> <ul style="list-style-type: none"> <li>• Wide array of sources of funding and high accessibility to financial company offices.</li> </ul>	<p><b>Availability of financing options</b></p> <ul style="list-style-type: none"> <li>• Existence of funding programmes led by Government and Bank of Indonesia with proactive approach.</li> <li>• Access to traditional and micro financing institutions.</li> <li>• Access to non-traditional financing institutions.</li> <li>• Strong bootstrapping culture.</li> </ul> <p><b>COVID-19 response</b></p> <ul style="list-style-type: none"> <li>• Support for enterprises through the COVID-19 Response.</li> </ul>



Challenges			
<p><b>Availability of financing options</b></p> <ul style="list-style-type: none"> <li>• Uneven distribution of financial institutions and government support for entrepreneurs at different stages, especially in “scaling up” stage</li> </ul> <p><b>Financial literacy and support for capital access</b></p> <ul style="list-style-type: none"> <li>• Low financial literacy</li> <li>• Lack of knowledge and awareness of alternative business financing options.</li> <li>• Lack of assets and ability to comply with the requirements of the banking facilities hinder access to finance</li> </ul> <p><b>Cultural factors</b></p> <ul style="list-style-type: none"> <li>• Local cultural barriers to access financial support</li> </ul>	<p><b>Availability of financing options</b></p> <ul style="list-style-type: none"> <li>• Unequal access to financial support due to geographical location.</li> <li>• Small-scale enterprises are less appealing to investors.</li> </ul> <p><b>Financial literacy and support for capital access</b></p> <ul style="list-style-type: none"> <li>• Low financial literacy.</li> </ul>	<p><b>Availability of financing options</b></p> <ul style="list-style-type: none"> <li>• Areas with no access to financial institution offices.</li> </ul> <p><b>Financial literacy and support for capital access</b></p> <ul style="list-style-type: none"> <li>• Low financial literacy rate.</li> <li>• Lack of dissemination of information about financing options and capital assistance.</li> </ul>	<p><b>Financial literacy and support for capital access</b></p> <ul style="list-style-type: none"> <li>• Low financial literacy especially in business management.</li> <li>• Unequal access to information.</li> <li>• Unequal access to provision of assistance in access to funding.</li> </ul>
Human Capital and Entrepreneurship Culture			
National Study	Western Region	Central Region	Eastern region
Strengths			
<p><b>Entrepreneurship education</b></p> <ul style="list-style-type: none"> <li>• Majority of youth in education are exposed with basic entrepreneurship knowledge on theory and practice.</li> <li>• National and local government institutions have multiple programmes to support young people in becoming entrepreneurs.</li> </ul>	<p><b>Human capital</b></p> <ul style="list-style-type: none"> <li>• Good access to education and skilled youth workforce.</li> </ul> <p><b>Entrepreneurship culture</b></p> <ul style="list-style-type: none"> <li>• Entrepreneurial culture is embraced, especially in cities.</li> </ul>	<p><b>Entrepreneurship education</b></p> <ul style="list-style-type: none"> <li>• Inclusion of entrepreneurship education in curricula of universities.</li> </ul> <p><b>Entrepreneurship culture</b></p> <ul style="list-style-type: none"> <li>• Increasing number of youth businesses that focus on local culture.</li> <li>• Grassroot culture to develop entrepreneurship ideas that focus on SDG.</li> </ul>	<p><b>Entrepreneurship education</b></p> <ul style="list-style-type: none"> <li>• Existence of government support.</li> <li>• Existence of training and capacity building programmes provided by NGOs and development partners for young entrepreneurs.</li> </ul> <p><b>Human capital</b></p> <ul style="list-style-type: none"> <li>• Potential pool of youth entrepreneurs in higher education institutions.</li> </ul>



Business development support and infrastructure			
National Study	Western Region	Central Region	Eastern region
<b>Strengths</b>			
<p><b>Business development support services and programmes</b></p> <ul style="list-style-type: none"> <li>Access to business incubators and accelerators and initiatives that support that support business development</li> </ul>	<p><b>Business development support services and programmes</b></p> <ul style="list-style-type: none"> <li>Region with the highest number of incubators.</li> <li>Availability of community support.</li> </ul>	<p><b>Business development support services and programmes</b></p> <ul style="list-style-type: none"> <li>Existence of business support facilities and incubators that are accessible for youth entrepreneurs.</li> </ul>	<p><b>Business development support services and programmes</b></p> <ul style="list-style-type: none"> <li>Sector based business development programmes and opportunities.</li> </ul>
<b>Challenges</b>			
<p><b>Entrepreneurship education</b></p> <ul style="list-style-type: none"> <li>Unequal access to training due to locations, high fees, and limited awareness.</li> <li>Gaps in the quality of training implemented by the government vs the private sector.</li> <li>Training has not been accessible for all young people, especially minority and vulnerable youth.</li> </ul> <p><b>Entrepreneurship culture</b></p> <ul style="list-style-type: none"> <li>Limited familial support for choosing entrepreneurship as a career option.</li> </ul>	<p><b>Entrepreneurship education</b></p> <ul style="list-style-type: none"> <li>Greater government investment in general skills development rather than targeted support.</li> </ul> <p><b>Entrepreneurship culture</b></p> <ul style="list-style-type: none"> <li>A competitive nature of entrepreneurship culture that hinders collaboration.</li> </ul>	<p><b>Entrepreneurship education</b></p> <ul style="list-style-type: none"> <li>Limited sustainability of the results of the entrepreneurship education and training provided by the government and universities.</li> </ul> <p><b>Entrepreneurship culture</b></p> <ul style="list-style-type: none"> <li>The younger generation tends to prefer working in an already established industry rather than attempt entrepreneurship.</li> </ul>	<p><b>Entrepreneurship culture</b></p> <ul style="list-style-type: none"> <li>A strong paradigm to become a civil servant.</li> <li>Social norm of providing lower prices to friends and family.</li> <li>Challenges in access to information and lack of gathering spaces (hubs).</li> </ul>
<p><b>Entrepreneurship culture</b></p> <ul style="list-style-type: none"> <li>Existence of entrepreneurship communities.</li> <li>Business trend that supports a variety of business sectors in Eastern Indonesia.</li> <li>Government support aligned with sector-based investment and infrastructure agenda.</li> </ul>			



<ul style="list-style-type: none"> <li>• Multistakeholder partnerships between the private and public sector and NGOs are supporting young entrepreneurs</li> </ul> <p><b>Physical infrastructure</b></p> <ul style="list-style-type: none"> <li>• Strong electricity and Internet infrastructure especially for West and Central Indonesia.</li> <li>• Relatively well-developed road infrastructure that supports business logistics and access to market</li> <li>• Policy support for digital infrastructure development</li> </ul>	<ul style="list-style-type: none"> <li>• Support from government-aided and non-government-aided programmes for youth entrepreneurs.</li> </ul> <p><b>Physical infrastructure</b></p> <ul style="list-style-type: none"> <li>• The Western region has the most developed road infrastructure.</li> <li>• Largest market and trading centres.</li> </ul> <p><b>Sectoral opportunities</b></p> <ul style="list-style-type: none"> <li>• Sector-focused business development opportunities.</li> </ul>		<ul style="list-style-type: none"> <li>• Development of creative hubs and availability of business incubation programmes for young people.</li> </ul> <p><b>Physical infrastructure</b></p> <ul style="list-style-type: none"> <li>• Significant planning for infrastructure development in Eastern Indonesia.</li> </ul>
<b>Challenges</b>			
<p><b>Business development support services and programmes</b></p> <ul style="list-style-type: none"> <li>• Uneven concentration and distribution of incubators and accelerators across provinces and cities, despite overall number of them</li> <li>• Lack of sustainability of the results of incubators and accelerators programmes</li> <li>• Some incubator and accelerator programmes do not meet the needs of young entrepreneurs</li> </ul> <p><b>Physical infrastructure</b></p> <ul style="list-style-type: none"> <li>• Unequal access of infrastructure and internet outside Java</li> </ul> <p><b>Use of technology for business development</b></p> <ul style="list-style-type: none"> <li>• Youth from low-income families do not have equal access to technological devices to support business development.</li> </ul>	<p><b>Business development support services and programmes</b></p> <ul style="list-style-type: none"> <li>• Business development support centres are concentrated in urban areas.</li> <li>• Quantity vs quality of incubation support programmes.</li> <li>• Limited facilities to support youth-led enterprises to scale up their businesses.</li> </ul> <p><b>Utilisation of digital infrastructure</b></p> <ul style="list-style-type: none"> <li>• Young people are not optimising the available infrastructure to scale up their businesses.</li> </ul>	<p><b>Business development support services and programmes</b></p> <ul style="list-style-type: none"> <li>• Ineffective usage of existing business development support.</li> </ul> <p><b>Physical infrastructure</b></p> <ul style="list-style-type: none"> <li>• Insufficient infrastructure limits business growth.</li> </ul>	<p><b>Business development support services and programmes</b></p> <ul style="list-style-type: none"> <li>• Geographical conditions pose challenges for business growth and access to business development support.</li> <li>• Lack of business mentors and limited access to existing incubation programmes.</li> </ul>



<p><b>Legal and bureaucratic processes</b></p> <ul style="list-style-type: none"> <li>Difficulties in obtaining permits</li> </ul>			
Policy and regulatory framework			
National Study	Western Region	Central Region	Eastern region
Strengths			
<p><b>Existence of policies</b></p> <ul style="list-style-type: none"> <li>National level policy and legal support</li> </ul> <p><b>COVID-19 response</b></p> <ul style="list-style-type: none"> <li>Support provided to young entrepreneurs within government's COVID-19 response</li> </ul>	<p><b>Existence of policies</b></p> <ul style="list-style-type: none"> <li>Strong government support in widening access to finance for youth entrepreneurs</li> <li>Existence of local policy champion for youth entrepreneurship.</li> </ul> <p><b>COVID-19 response</b></p> <ul style="list-style-type: none"> <li>Availability of COVID-19 Policy responses for youth entrepreneurs.</li> </ul>	<p><b>Existence of policies</b></p> <ul style="list-style-type: none"> <li>Existing policy framework targeting youth entrepreneurship growth.</li> </ul> <p><b>Legal and bureaucratic processes</b></p> <ul style="list-style-type: none"> <li>Existence of initiatives to strengthen the understanding of regulations and legal frameworks among young entrepreneurs.</li> </ul>	<p><b>Existence of policies</b></p> <ul style="list-style-type: none"> <li>Eastern Indonesia has policies that support youth entrepreneurship development.</li> <li>Training of trainers to develop policies and strengthen the capacities of local government officials.</li> </ul>
Challenges			
<p><b>Existence of policies</b></p> <ul style="list-style-type: none"> <li>Lack of gender and inclusion lenses</li> </ul> <p><b>Policy implementation</b></p> <ul style="list-style-type: none"> <li>Sub-optimal implementation of existing policies due to lack of supporting system.</li> <li>Lack of coordination between various ministries/institution targeting youth entrepreneurship.</li> <li>Low protection of consumer protection in digital economy.</li> </ul>	<p><b>Existence of policies</b></p> <ul style="list-style-type: none"> <li>No specific legislation for youth led MSMEs.</li> </ul> <p><b>Policy implementation</b></p> <ul style="list-style-type: none"> <li>Lack of local champion in policy implementation for the youth entrepreneurship ecosystem in some provinces.</li> <li>Lack of collaborations between government agencies</li> </ul> <p><b>Legal and bureaucratic processes</b></p> <ul style="list-style-type: none"> <li>Legal and administrative barriers in establishing business for young people.</li> </ul>	<p><b>Existence of policies</b></p> <ul style="list-style-type: none"> <li>Gaps between policy goals presented and their relevance to youth development policies for young entrepreneurs.</li> </ul> <p><b>Policy implementation</b></p> <ul style="list-style-type: none"> <li>Challenges in effective policy implementation.</li> </ul> <p><b>Legal and bureaucratic processes</b></p> <ul style="list-style-type: none"> <li>Lack of understanding of the legal process.</li> </ul>	<p><b>Existence of policies</b></p> <ul style="list-style-type: none"> <li>Lack of programmes/policies targeting youth entrepreneurs directly.</li> <li>"One policy fit all" challenge.</li> </ul> <p><b>Policy implementation</b></p> <ul style="list-style-type: none"> <li>Complicated bureaucratic procedures for young entrepreneurs.</li> <li>Lack of expertise in youth entrepreneurship in programme implementation.</li> </ul>

Innovation and technology			
National Study	Western Region	Central Region	Eastern region
<b>Strengths</b>			
<p><b>Governmental and non-governmental support</b></p> <ul style="list-style-type: none"> <li>• Multistakeholder involvement supports the development of innovations and technology-based start-ups.</li> </ul> <p><b>Research and development</b></p> <ul style="list-style-type: none"> <li>• Availability of infrastructure to support technological innovation by young people.</li> </ul> <p><b>Policies and legal frameworks</b></p> <ul style="list-style-type: none"> <li>• GoI policy to support more research on technology and innovation for business opportunity purposes.</li> </ul>	<p><b>Governmental and non-governmental support</b></p> <ul style="list-style-type: none"> <li>• Innovative government.</li> <li>• Good access to STEM education.</li> </ul> <p><b>Infrastructure and access to technology</b></p> <ul style="list-style-type: none"> <li>• Good access to technology.</li> </ul> <p><b>Research and development</b></p> <ul style="list-style-type: none"> <li>• Universities as hubs of innovation.</li> </ul>	<p><b>Governmental and non-governmental support</b></p> <ul style="list-style-type: none"> <li>• Existence of technology and innovation focused business incubators.</li> </ul> <p><b>Infrastructure and access to technology</b></p> <ul style="list-style-type: none"> <li>• Good Information and Communication Technology Infrastructure.</li> </ul> <p><b>Digital literacy</b></p> <ul style="list-style-type: none"> <li>• Good digital literacy skills.</li> </ul> <p><b>Start-up culture/tech-based businesses</b></p> <ul style="list-style-type: none"> <li>• Development of start-up communities that can encourage innovation.</li> </ul>	<p><b>Governmental and non-governmental support</b></p> <ul style="list-style-type: none"> <li>• Establishment of the tech-based incubators by national government.</li> </ul> <p><b>Start-up culture/tech-based businesses</b></p> <ul style="list-style-type: none"> <li>• Ignition of tech-based businesses.</li> </ul> <p><b>Research and development</b></p> <ul style="list-style-type: none"> <li>• Sector-based innovation facilities.</li> </ul> <p><b>Sectoral opportunities</b></p> <ul style="list-style-type: none"> <li>• Opening up new sectors for development.</li> </ul>
<b>Challenges</b>			
<p><b>Digital literacy</b></p> <ul style="list-style-type: none"> <li>• Low digital literacy and utilisation among young entrepreneurs.</li> </ul> <p><b>Infrastructure and access to technology</b></p> <ul style="list-style-type: none"> <li>• Unequal access to technology between geographical locations.</li> </ul>	<p><b>Policies and legal frameworks</b></p> <ul style="list-style-type: none"> <li>• Legislation on intellectual property ownership is neither widely known nor understood.</li> </ul> <p><b>Research and development</b></p> <ul style="list-style-type: none"> <li>• There is a gap between research undertaken in academic institutions and market needs.</li> </ul>	<p><b>Infrastructure and access to technology</b></p> <ul style="list-style-type: none"> <li>• Internet access is not evenly distributed.</li> </ul> <p><b>Research and development</b></p> <ul style="list-style-type: none"> <li>• Uneven availability of universities or innovation centres</li> <li>• Limited access to information on Intellectual Property Rights.</li> </ul> <p><b>Culture</b></p> <ul style="list-style-type: none"> <li>• Lack of innovation in providing information for youth entrepreneurs with disabilities.</li> </ul>	<p><b>Governmental and non-governmental support</b></p> <ul style="list-style-type: none"> <li>• Limited availability of mentors.</li> </ul> <p><b>Infrastructure and access to technology</b></p> <ul style="list-style-type: none"> <li>• Low Information, Communication, and Technology (ICT) Development.</li> <li>• Lack of supportive facilities.</li> <li>• Challenges related to Production, Logistics and Storage Processes.</li> </ul>

**Government Initiatives, Ministries & Agencies, and State-owned Companies**

- Ministry of youth affairs & sports planning (BAPPENAS)
- Ministry of cooperatives and small and medium enterprises
- Ministry of education and culture
- Ministry of agriculture
- Ministry of research and technology
- Ministry of tourism and creative economy
- Ministry of national development
- Ministry of women empowerment and child protection
- Ministry of communication and information technology
- Ministry of Industry
- BKPM
- PT Rajawali Nusantara Indonesia
- Telkom Indonesia

**Businesses and Social Enterprises**

- GoTo
- Bukalapak
- Kredivo
- OVO
- Traveloka
- Blibli
- JD.ID
- Tiket.com
- Xendit
- Ajaib
- E-fishery Enterprise
- J&T Express
- Shipper
- Ritase
- Rekosistem
- Magalarva
- Riliv
- Qlue
- Siklus
- Kitong
- Tanihub
- Zenius
- Perfect Fit
- Kulaku
- Javara
- Du'Anyam
- Kitabisa.com
- Crowde

**Universities**

- IPB University
- Binus University
- Brawijaya University
- Youth Studies Centre UGM
- LPIK ITB
- IPB Science Technopark
- UGM Science Technopark
- Gamainkuba UGM
- Science Technopark
- Universitas Andalas
- Universitas Mataram
- Inkubator Bisnis Teknologi Universitas Lambung Mangkurat
- IBT Universitas Musamus Merauke
- Universitas Pattimura

**Accelerators, Incubators, and Youth Entrepreneurship Communities**

- Endeavor
- Ashoka
- Instellar
- Indigo Creative Nation
- Kinara Indonesia
- UKM Indonesia
- Plug & Play
- Kumpul
- PLUS
- HIPMI
- Indonesian Business Incubation Association (AIBI)
- Tangan Di Tas
- Block71
- British Council
- The Local Enablers
- Inkubator Bisnis Permata Bunda
- Genpro
- Balikpapan Youth Spirit
- MiniU
- Founder Institute Indonesia
- Startup Studio
- The Startup Weekend
- IDX Incubator
- Ambon Music Office
- Gabungan Wirausaha Muda Papua (GARAP)
- Jaringan Komunitas Ternate
- Skystar Ventures

**Financial Institutions, Investors, Connectors, Venture Capital Firms**

- MDI Ventures
- Islamic Development Bank
- Mandiri Capital Indonesia
- UMG IdeaLab Indonesia
- Bank Indonesia
- BRI Venture
- IDX
- Orbit Fund
- Alpha Momentum
- Grab Venture Velocity
- Bank Kalsel
- Angel Investment Network Indonesia
- Bali Investment Club
- C4D
- East Venture
- Northstar Group
- Sinarmas Digital Ventures
- Sovereign Capital
- Patamar Capital



**Indonesia Entrepreneurship Ecosystem Mapping**

**Private Sector - Ecosystem Enablers**

- Shopee
- Bukalapak
- Tanihub Group
- DBS
- EY
- Telkomsel
- BCG

**Development Partners**

- UNDP
- PLAN Indonesia
- USAID
- ADB
- International Labour Organization (ILO-EAST)

**NGOs or Foundations**

- Citi Foundation
- INOTEK
- PLAN
- Kopernik
- Pratisara Bumi Foundation
- Bengkel APPEk
- Ford Foundation
- Rabo Foundation
- Yayasan Econusa
- Yayasan Inisiatif
- Dagang Hijau
- Prestasi Junior Indonesia

**Auxiliary Support Services**

- CoHive
- DiLo Telkom
- Greenhouse
- Impact Hub Jakarta

**Media and Blogs**

- DailySocial.id
- Tech in Asia
- E27

**Think-tanks and Research Organizations**

- AVPN
- Intra
- Intellecap

**The Ecosystem Map (Figure 33)** showcases the stakeholders and players who are present in the entrepreneurship ecosystem. The map shows the stakeholders identified through the research conducted by SMERU Research Institute and The Local Enablers and the full list is available in Tables A4 to A11 in the Appendix section. Some additional players have been included in the figure 33 by UNDP. This mapping provides examples of stakeholders present in the ecosystem in Indonesia. An online version of the mapping is available on Youth Co:Lab's website (<https://www.youthcolab.org/indonesia>) where you can also contact UNDP to register your organisation to be included in the map.

# 7.2

## Recommendations

### 7.2.1 Access to Finance and Incentives

#### National level and country-wide recommendations

- 1. Increase availability of capital facilities for all types of businesses at varying stages of development.** Given the diversity of young entrepreneurs and their enterprises, the government must guarantee access to capital in accordance with the distinct needs and characteristics of young entrepreneurs. The efforts could include:

- a. Widening access to diverse sources of funding, including grant funding schemes<sup>113</sup>, fintech<sup>114</sup>, and micro credit institutions<sup>115</sup> and engaging ecosystem stakeholders to strengthen access to innovative financing solutions.** This should be accompanied by financial mentoring and be inclusive of young female entrepreneurs and people with disabilities. There also needs to be a concrete effort to engage ecosystem stakeholders to strengthen access to innovative financing solutions for young entrepreneurs. For example, local governments can collaborate with incubators and financial institutions for outcome-based funding schemes for youth entrepreneurs. The Stakeholders, including local governments, should tap into and use the existing grant schemes provided by the Gol or non-governmental organisations, to help scale up seeding programmes for youth entrepreneurs.

Local government may explore the possibility of targeting youth through revolving funds, village fund programmes, KUR credit programmes, BPUM, and Islamic financing options to reach out young people from marginalised groups and those in hard-to-reach regions. This should also include funds for supporting financial management training assistance to financing institutions who, in turn, should consider increasing the availability of their services to youth entrepreneurs. Local government guidance to other financial service providers, such as people's housing credits, banks, as well as fintech

<sup>113</sup> Grant funding schemes based on the disbursement mechanism are divided into (1) planned grant and (2) direct grant which regulated in the Regulation of the Minister of Finance of the Republic of Indonesia Number 191/PMK.05/2011 concerning Grant Management Mechanism.

<sup>114</sup> According to Financial Services Authority, fintech is defined as an innovation in the financial services industry that takes advantage of technology. Fintech products are usually in the form of a system built to carry out specific financial transaction mechanisms.

<sup>115</sup> Microfinance institution (MFI) is a financial institution that is especially established to provide services in business development and society empowerment by giving loans or financing for micro-scaled business of MFI members and society, providing deposit management, or giving consultancy services in business development that is conducted not merely for profit (Law Number 1 of 2013 on micro-finance institutions).

and P2P lending institutions, to increase their support of youth entrepreneurs, should also be given.

b. **Encouraging financial institutions and capital providers to be more inclusive** so that they can reach young entrepreneurs and start-ups with diverse needs, distinct from adult-led and more established entrepreneurs in terms of asset ownership, taxpayer's ID, inexperience and limited networks.

c. **Designing a one-stop youth-friendly business funding scheme** with a programme design that guarantees the use of funds to start and develop a business.

d. **Increasing the number of intermediary institutions** ("matchmakers"), that connect entrepreneurs with investors, particularly those financing start-ups.

**2. Provide incentives based on the needs of investors willing to support start-up youth entrepreneurs.** The types of incentives should be determined via dialogues between investors and young entrepreneurs/start-ups to identify and support specific youth entrepreneurial needs. Such incentive could include guarantee fund to subsidizes the risk of financing youth start-ups.

**3. Build trust towards young entrepreneurs and increase youth financial literacy especially for business.** Youth entrepreneurs should be equipped with the knowledge, skills and ability to manage their finances and access funding from a diverse range of sources, according to their needs. An introduction to financial literacy should be a specific component of training programmes. Such literacy programmes should be incorporated into the formal education curriculum. The private sector and capital owners should be involved in the preparation of the curricula to ensure that the knowledge taught is relevant to market needs. Local governments can collaborate with the existing programme of Kampus Merdeka set up by the Ministry of Education and Ministry of Youth and Sports.

**4. Conduct further research to map youth-specific potential sectors/industries nationally.** As observed, various regions in Indonesia holds different potentials for different industry. Each type of the industry gives different entry points for youth entrepreneurial activities to support along different value chain. Further research on the entry points of different value chain could provide an in-depth analysis how to scale up youth potentials in the identified industries.

## Western Region

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**1. Conduct investor mapping for youth entrepreneurs.** Local governments based in the western region should actively campaign for investment opportunities in their area both to capital owners and young aspiring entrepreneurs.

## Central Region

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- 1. Widen access to non-traditional financing options for youth.** The amount of financing institutions, especially non-traditional financing options that have targeted youth entrepreneurs' is very low in central region. Therefore, local governments and local stakeholders are encouraged to widen access to financial institutions by developing a new market potential. For example, local government may develop an investment portfolio and collaborate with national VC organisations to develop a financing programme for youth entrepreneurs.

## 7.2.2 Human Capital and Entrepreneurship Culture

### National level and country-wide recommendations

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- 1. Address the inequality of interregional entrepreneurship programmes and interventions and ensure broad and equitable programme coverage.** Accessibility and inclusiveness of the programmes can be improved by involving key stakeholders, including those from the private sector, NGOs, academic institutions, the business community, and youth organisations. This is particularly important for regions without any entrepreneurship programmes or interventions or those which receive negligible support from the central government, notably in rural areas and in Eastern Indonesia (BAPPENAS, 2020). It is important for the government to set youth entrepreneurship as a priority in the national agenda and in the local development agenda where both layers of government could embed this agenda as part of its youth development and COVID-19 recovery strategy.
- 2. Formal entrepreneurship education should be provided as early as possible in schools and universities.** Under the education system, there is a need to introduce the concept of entrepreneurship, foster interest, creativity, and a positive mindset as well as the belief that entrepreneurship is a viable career choice, and to develop the soft skills of young entrepreneurs by utilising the following:
  - a. Teaching materials and educational content tailored to the needs of the market and context, and to financial education, the use of technology and digital marketing, and establishing a start-up.
  - b. Optimising vocational training and including entrepreneurial subjects to hone entrepreneurial skills of youth.
  - c. Teaching methods that are based on practice and experiential learning and equip young (aspiring) entrepreneurs with the knowledge and skills they need.



- d. Teaching staff who are entrepreneurial practitioners and who demonstrate a passion for their subject.
- e. Curricula that are tailored to the needs of young entrepreneurs and adjusted according to the needs of each region (villages and cities).
- f. Continuous educational collaboration among stakeholders and active involvement of business communities and incubators to improve the ecosystem.
- g. Developing educational materials tailored to meet the needs of young disabled entrepreneurs in various entrepreneurial fields.
- h. Employing teaching methodologies and utilizing channels of learning that enable youth entrepreneurs with disabilities and those in rural and remote areas to participate fully in the programmes, including comprehension of learning materials.

**3. Non-formal entrepreneurship education should aim to reach young (aspiring) entrepreneurs who are not in formal educational institutions.**

Training and mentoring are needed to improve young (aspiring) entrepreneurs' business management and marketing skills, financial and digital literacy and their ability to facilitate product development relevant to market needs and utilise local resources. Further recommendations include:

- a. Providing assistance and mentoring activities that are carried out in a structured and sustainable manner.
- b. Recruiting successful young entrepreneurs as role models and mentors.
- c. Enhancing the role of campus incubators and involve cross-campus participants as a way of exchanging information, knowledge and best practices, and to support the development of new and existing youth-led businesses.
- d. Ensure mentors and tutors are entrepreneurial practitioners with a passion for their subject and have the skills to support students with disabilities and other needs.

**4. Engage a broad range of stakeholders in the activities to strengthen entrepreneurship culture.**

Intervention channels could include extracurricular activities, entrepreneurship subject classes, student entrepreneurship activity units and campus-based entrepreneurial institutions, business incubators, community-supported and community-centred interventions, training workshops, mentoring and coaching clinics delivered by local MSMEs, and a wider entrepreneurial campaigns and movements to build family and community support for entrepreneurship as a career choice. Youth entrepreneur ambassadors, mass media, social media influencers, and offline media are further channels that could be harnessed. In the long term, interventions should foster the evolution of parental norms to be more supportive of entrepreneurship.

## Western Region

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- 1. Strengthen multistakeholder partnerships for the development of youth entrepreneurship.** More robust multi-stakeholder partnerships, with representatives from academic institutions, the government, private sector, local communities and the media, would provide youth-led businesses with greater access to resources and expertise. Such partnerships can also serve to map the strategically important and most needed youth entrepreneurship growth in the area. For example, Ministry of Youth and Sports and Ministry of Cooperative and MSMEs together with local government based in western Indonesia should develop a taskforce and develop a national target to increase numbers of youth entrepreneurs in Indonesia including in the western region where each type of stakeholder in youth entrepreneurship ecosystem is well represented.
- 2. Strengthen access to seeding programmes.** An increase in seeding programmes that promote the growth of superior entrepreneurial seed ideas will be useful for nurturing early-stage ideas. By supporting seeding programmes, local government can also promote the development of a new entrepreneurial culture and increase the volume of human capital that focus on youth entrepreneurship.
- 3. Encourage village-scale entrepreneurship programmes for youth.** Some entrepreneurship programmes such as one village one champion business product needs to be targeted at youth to become the driving force.

## Central Region

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- 1. Support the development of new incubators and increase the impact of existing incubators especially at higher education level.** The number of incubators in the central region is only 19, most of which are in big cities.<sup>116</sup> The educational institutes and local governments should be encouraged to establish incubation programmes and the existing university-based incubators could expand their outreach. Entrepreneurship capacity development programmes should advance knowledge of the legality of businesses and products, provide access to mentor hubs, and conduct research that helps develop youth entrepreneurship.

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<sup>116</sup> "Lembaga Inkubator Bisnis Teknologi," Pengembangan Kelembagaan Inkubator Bisnis Teknologi (Kementerian Riset, Teknologi, dan Pendidikan Tinggi), accessed April 12, 2021, [https://inkubator.brin.go.id/index.php/inkubator/list\\_all/](https://inkubator.brin.go.id/index.php/inkubator/list_all/).

## Eastern Region

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- 1. Encourage a new culture of entrepreneurship among youth.** There have to be structural solutions based on a human development focused, mid-regional plan of local government in eastern Indonesia which sets youth entrepreneurship as part of its youth development agenda. This would help boost entrepreneurship culture among young people. In addition, stakeholders in eastern Indonesia can encourage and support the development of innovation among young entrepreneurs. Entrepreneurship culture can also be strengthened by involving influencers and local religious institutions in the efforts to encourage entrepreneurship among youth.

### 7.2.3 Business Development Support and Infrastructure

#### National level and country-wide recommendations

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- 1. Accelerate an equitable provision of communication and Internet networks and foster digital transformation to support youth entrepreneurs and their businesses.** This can be achieved through an effective collaboration between the government, the private sector, and state/regional-owned enterprises to expand the availability of infrastructure in remote areas.
- 2. Ensure adequate infrastructure for youth entrepreneurs in both urban and rural areas.** The national and local governments need to coordinate regarding the logistics chain and supporting infrastructure in order to increase the competitiveness of regional businesses so as to encourage an increase in added value and reduce production costs. The development of road and transportation infrastructure in rural areas should be prioritised. This will help to open up opportunities for economic development, particularly in eastern Indonesian regions such as Papua and Kalimantan, and other rural areas.
- 3. Ensure that business related activities, such as the processes for obtaining business permits, are youth-friendly and youth-inclusive.** Greater knowledge of licenses, why they are necessary and how to obtain them, will increase access to entrepreneurship. These recommendations can be achieved by:
  - a. Advising young entrepreneurs on managing business permits to ensure they are able to fulfil the requisite conditions for obtaining a business license.
  - b. Ensuring an equitable dissemination of information among youth from different regions to ensure that they understand the legal requirements of doing business.



c. Providing facilities for young entrepreneurs with limited resources, or who live in locations with limited infrastructure, to navigate the business permit application procedure more easily.

**4. Improve the quality, accessibility and availability of business development hubs and incubator and accelerator institutions and programmes across the country.**

It should be ensured that young entrepreneurs across the country have access to professional business assistance. This can be achieved by:

a. Increasing cooperation and collaboration between the GoI, local governments, regional state-owned enterprises, universities, NGOs, and the private sector to provide and improve the quality of incubators/accelerators.

b. Improving the quality and provision of business support within incubators/accelerators, to ensure that young entrepreneurs receive the assistance that meets their needs. The results of this study indicate the steps required to improve the quality of programmes:

- analysis of entrepreneurial processes/cycles requiring the most guidance;
- ensuring the output of incubation programmes is not solely focused on funding and includes intensive and sustainable mentoring for scaling-up businesses;
- increase awareness about the existence of entrepreneurship programmes.

c. Increasing the availability of business development hubs for youth entrepreneurs fitting the hub with local development agenda. Facilities for youth entrepreneurs such as marketing facilities, product development facilities, and digital infrastructure facilities are needed for young entrepreneurs to further grow their enterprise. Local governments should open business assistance training programmes for young people. The business hubs developed, should also focus on the sectors that fit the government investment development agenda. For example, tourism, fisheries, and social entrepreneurship.

## Western Region

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- 1. Build physical hubs that allow multistakeholder collaboration.** The GoI has developed a plan to build physical hubs for youth including youth entrepreneurs especially on campuses to boost youth entrepreneurship. This strategic plan can be reviewed through the national plan of Youth Entrepreneurship Strategy and local plans for youth entrepreneurship to ensure that a hub is a platform for every scale of entrepreneur and that they are available to multiple sectors, including social enterprises and the SDG related sectors.

The government, universities and the private sector need to collaborate to accelerate the growth of new incubators and increase the impact of existing ones. Multistake-

holder initiatives could use existing incubators' physical hubs to further engage youth in the area into joining the business development support community. Those incubators that have issues in accessing high quality trainers or modules could develop a multistakeholder partnership to fill each other's gaps for trainers and strengthen access to high quality modules.

- 2. Increase the number and quality of trainers that are accessible in existing youth entrepreneurship incubator programmes and networks.** In order to increase the numbers of quality trainers, the government and other stakeholders should create a national programme to train new trainers to support entrepreneurs. This should include programme officers from the government whether nationally or locally to be equipped with proper entrepreneurship knowledge. For example, as part of the implementation of the Youth Entrepreneurship National Strategy, the Ministry of Youth and Sports could provide national training for youth entrepreneurs that are willing to be facilitators within their area. Meanwhile, local government in the western region could have a local championship and training programme to further empower existing entrepreneurs' facilitators or help boost the number of new trainers on entrepreneurship.
- 3. Strengthen the quality of business development programmes and services.** The government, especially local government, should recognise that business development support must cover all stages of business development, from ideation, market-fit solutions, fixed business models, to scaling-up. The quality of the programmes and their impact on the enterprise must be measured, and collaboration with business partners should include mentoring that is effective and innovative. Stakeholders can also adopt an online-oriented approach, where an online programme would have a chance to be able to sustain its operation and foster collaboration with other stakeholders.
- 4. Ensuring that local infrastructure development considers a youth entrepreneurship growth agenda as part of the overall development plan.** To further increase youth entrepreneurs in rural areas, the GoI should consider youth entrepreneurship growth in the area as part of its infrastructure agenda. This includes more than the construction of roads and buildings but also access to Internet infrastructure and proper logistical infrastructure support that aids the growth of businesses.

## Central Region

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- 1. Enforce ignition for working and collaboration-oriented business incubators.** To create an entrepreneurship ecosystem in the central region, the local government should consider strengthening university-based incubators both in appointment of trainers and that training quality that should fit the economic growth agenda of local government. Collaboration between existing business and capital owners should be encouraged. In addition, governments should improve mentoring platforms and introduce measurements to assess the impact of their performance, not only in terms of the number of grants awarded but also in the quality of guidance they produce.

## Eastern Region

- 1. Accelerate infrastructure development in Eastern Indonesia.** The GoI has set infrastructure growth targets in several area in eastern Indonesia. However, in order to further boost entrepreneurship growth including for young people, infrastructure access such as road, airlines access, markets, and the Internet is urgently needed to meet the needs of young entrepreneurs.

### 7.2.4 Policy and Regulatory Framework

#### National level and country-wide recommendations

- 1. Strengthen a collaborative approach to policy development.** The process of planning policies and regulations needs to be carried out openly and avoid overlaps in between corresponding ministries and institutions. This must involve synergising the efforts of the key stakeholders such as the relevant ministries and institutions involved in youth entrepreneurship development. A collaborative approach will most likely:
  - (i) require mapping existing overlaps and gaps between stakeholder ministries/institutions in the effort to strengthen the coordination;
  - (ii) improve programme design and implementation;
  - (iii) increase the capacity of action among programme providers and implementers;
  - (iv) expand the reach of programmes. Clear, structured and organised coordination is necessary to ensure that young people are provided with cross-sectoral and cross-regional support.
- 2. Ensure that policies encourage inclusive entrepreneurship education programme design and implementation.** Inclusivity can be fostered by:
  - a. Ensuring disabled participants/beneficiaries, women and those living in remote or rural areas are included and provided with appropriate support.
  - b. Recruiting programme staff with the skills to teach young people from diverse backgrounds and/or with specific educational needs and ensuring existing staff receive appropriate training.
  - c. Involving young entrepreneurs in the development of programmes to identify their needs and map the appropriate stakeholders.
  - d. Increasing awareness of programmes using various media channels to increase its affordability, and by providing an integrated media/portal accessible by all entrepreneurship development programme providers and participants.

- 3. Ensure youth responsiveness of the entrepreneurship policies.** Youth entrepreneurship policies and legislation should prioritise the needs of young people, being regularly adjusted to ensure that their needs are met. They should be implemented consistently and sustainably and be responsive to the unique challenges faced by youth entrepreneurs. The nature and scope of youth entrepreneurship policies should reflect the fluid nature of business world.
- 4. Enable more contextualised implementation of youth entrepreneurship related policies.** Support for innovative entrepreneurship ecosystems like business centres and creative hubs must be available and accessible. Regency and/or city-level ecosystems can help formulate and support packaging processes and promote digital marketing strategies. Youth entrepreneurship, youth development and creative economy development policies must be inclusive and adapted to the local context without diminishing the spirit of competition within international markets. Local governments may share their support by taking guidance and information on specific sectors from youth entrepreneurs that can serve as policy recommendations. If a local government determines that there is a lack of or no, youth entrepreneurship network, they may single-handedly or collaboratively develop one to ignite the existence of youth entrepreneurship network.
- 5. Invest in an upskilling programme for youth development officers in every province.** This should include strengthening youth entrepreneurship development programme evaluations, which should be performed at the national government level using a measurable regional framework including Regional Government Financial Reports (LKPD), and Government Agencies Performance Accountability Reports (LAKIP). From this, the programmes might be executed even better and keep in track with the regional government plan. This upskilling can be in the form of the training of trainers (both locally owned and nationally programmed), that targets the creation of dedicated youth development officers and youth entrepreneurship officers in each area.
- 6. Ensure the alignment of a youth entrepreneurship development agenda to fit with the COVID-19 Economic Recovery Agenda and the National Youth Entrepreneurship Strategy.** The government, especially local governments, need to devise a strategy for developing youth entrepreneurship that aligns with national economic development priorities and the growth of a national youth entrepreneurship strategy. Local governments can develop local youth entrepreneurship strategies that can be adjusted to the sectoral context and the needs of local youth entrepreneurs. Governments should also collaborate with other stakeholders to implement its policies and programmes that are inclusive and transparent.
- 7. Set youth entrepreneurship growth as agenda of mid-term regional plans.** By having this contained in the legal document of development plan, local governments will have a clearer direction and support for youth entrepreneurship development agenda should increase. This will include training, funding, and measurements that will support supervision for local government.

- 8. Develop a technical working group on youth entrepreneurship.** Stakeholders in youth entrepreneurship ecosystem should develop a technical working group for youth entrepreneurship policy and implementation. This should include ministerial to community level working groups that have set annual targets. This working group could also develop annual strategy for national and local coordination where different approaches in each province must be synergized with a policy so that they can mutually support each other to improve the youth entrepreneurship ecosystem.

## Western Region

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- 1. Develop a policy champion system for youth entrepreneurship.** To bridge national strategy and local strategy along with its implementation, the GoI should establish a policy champion system that provides clear incentives for local governments to establish a good record of youth entrepreneurship development. Such records should be annually disseminated among and discussed with young entrepreneurs. The UN and other stakeholders may take a role in convening among the beneficiaries.

## Central Region

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- 1. Include youth entrepreneurs in the development and mainstreaming of the local youth entrepreneurship agenda.** Engage the youth entrepreneurship community in youth entrepreneurship policy development and implementation. This should also include proper representatives of youth entrepreneurs based on location, gender, and business sectors.
- 2. Include support to young entrepreneurs in the COVID-19 recovery policy.** Local governments need to help entrepreneurs who are experiencing difficulties during and after COVID-19 pandemic, especially those who need to lay off employees. As an example, Bali has been struck with a major challenge in the drop off in tourism during the pandemic. The government may support youth entrepreneurs through funding and innovation training in digitalising MSMEs working in the creative economy in Bali.

## Eastern Region

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- 1. Develop a strategic dialogue network for youth entrepreneurs and enablers.** Facilitate dialogue to create regulations which are tailored to the needs of the community; create a more efficient and innovative dissemination of the knowledge required in business registration and product legality; support the creative industries as they are growing, in Ambon and Maluku in particular, and to simplify bureaucracy.

- 2. Develop local affirmative policy, such as increase local content policy or encourage local procurement process from youth entrepreneurs.** In the eastern region, MSMEs and youth entrepreneurship can be further supported by limiting incoming goods if the availability of these goods can be fulfilled from their own territory. The pricing of shipping costs can be controlled by providing subsidies or creating policies and regulations that regulate the logistics sector. It is also recommended to conduct entrepreneurial capacity building for the appointed staff within the government agencies to accelerate the impact of the designated programmes.
- 3. Develop local affirmative policy to increase the number of incubators and trainers and training programmes for youth in Eastern Indonesia.** The government should increase the number of entrepreneurship experts based in eastern Indonesia and enhance the availability of capacity building opportunities for youth via collaborations between the national government, private sector and academia, especially the universities in eastern Indonesia.

## 7.2.5 Innovation and Technology

### National level and country-wide recommendations

- 1. Improve digital literacy among youth entrepreneurs to promote greater usage of technological and digital solutions for business development and growth and support young entrepreneurs in digitalising their businesses.** Digital literacy interventions could include:
  - a. Digital literacy training and activities for young entrepreneurs. For example, internet and online marketing training.
  - b. Promoting safe Internet usage.
  - c. Improving public facilities to support digital literacy, such as free Internet access and the provision of digital screens.
  - d. Ensuring that young people have equal access to Internet across the regions. The government should cooperate with State-Owned Enterprises that provide Internet services to ensure products and promotions are context specific and meet the needs of people in different regions.
- 2. Harness laws which foster the use of innovation and technology for business development among youth entrepreneurs.** This can be done by:
  - a. Uniting state-owned companies and universities for collaborative research and entrepreneurial innovation, taking advantage of the opportunities outlined in Law No. 11/2020 on job creation. The COVID-19 pandemic has revealed unique opportunities for collaboration due to the constraints on resources.

b. Exploiting development assistance for MSMEs from local governments aligned with PP 7/2021.

- 3. Create a comprehensive and credible entrepreneurial database.** The disclosure of data related to the entrepreneurial ecosystem could enable investors to understand the investment potential of young entrepreneurs.
- 4. Foster early adoption of technology by youth entrepreneurs.** Youth entrepreneurs should be consulted by governments and universities in the developing of entrepreneurship and innovation training as well as to offer support to the design and implementation of innovation activities. Youth entrepreneurs can become early adopters because they are likely more able to adapt to innovation and technology.

## Central Region

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- 1. Enhance access to research and innovation facilities and support among youth entrepreneurs to catalyse the potential of their businesses and to help develop evidence and research-based products.** Collaboration between researchers and youth entrepreneurs should be supported in order to apply research to industry and to provide incentives to youth entrepreneurs to leverage research to innovate. It is recommended to establish an Innovation Research Centre linked to a Business Incubator and IPR Centre on campus. Obtaining business permits and IPR should be made easy and accessible for young entrepreneurs.
- 2. Strengthen digital multistakeholder collaboration.** Access to education or capacity building opportunities for youth can be strengthened with digital technology because 90 percent of areas in East Kalimantan are covered by mobile Internet. With equal access to capacity building, youth in the region have the potential to foster positive impacts on their villages through innovation, technology and entrepreneurship.

## Eastern Region

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- 1. Support the development of production technology based on the local economic environment.** Technological developments and innovations in eastern Indonesia need to pay attention to their impact on the environment and local culture so that they can be well received, especially by the local market. The eastern region also needs to encourage learning to be provided by educational institutions and communities to train local mentors so that they can become coaches for young entrepreneurs to build their innovative perspectives and become problem solvers.



- 2. Increase access to and provide an equitable distribution of ICT infrastructure for eastern Indonesia.** That is necessary to increase the opportunities for capacity building and information gathering for youth to encourage innovation. Planning for the procurement of the Youth Creative Hub facilities in Papua and the Youth Creative Hub in Ambon, which will be built at the end of 2021 and early 2022, also needs to be supported by efforts to train quality mentors and enablers who can encourage a supportive business culture and an innovation ecosystem.
- 3. Universities need to provide access to information about business innovation competitions for students.** Universities can also encourage multi-stakeholder involvement to encourage innovation through business matching programmes, taking into account the protection of innovation for the products and services of the students involved.
- 4. Encourage innovation among youth in production, logistics, and storage in agriculture and marine sectors.** The agriculture and marine sector show promising growth in eastern Indonesia. Youth could propel new forms of innovative business growth in eastern Indonesia within this sector.

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## **List of Government Regulations:**

### **Laws**

- Omnibus Law No. 11/2020 on Job Creation
- Law No. 23/2014 on Regional Government
- Law No. 40/2009 on Youth
- Law No. 20/2008 on Medium, Small, and Micro-scale Enterprises

### **Government regulations:**

- Government Regulation No. 41/2011 on Youth Entrepreneurship and Pioneering Development and Provision of Youth Infrastructure and Facilities
- Government Regulation No. 60/2013 on Organizational Structure, Personnel, and Work Mechanism of Youth Entrepreneurship Capital Institution
- Government Regulation No. 41/2015 on Industrial Resources Development
- Government Regulation No. 80/2019 on Trading through Electronic Systems
- Government Regulation No. 7/2021 on Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises.
- West Nusa Tenggara Barat Provincial Regulation No. 2/2019 on Youth

### **Presidential Regulations:**

- Presidential Regulation No. 106/2017 on Science and Technology Area
- Presidential Regulation No. 142/2018 on Master Plan for National Creative Economy Development 2018-2025

### **Ministerial regulations:**

- Regulation of the Minister for Youth Affairs and Sport No. 0944/2015 on Procedures for Providing Facilitation for Youth Entrepreneurship Development.
- Regulation of the Minister for Youth Affairs and Sport No. 0945/2015 on Functions and Duties of Youth Entrepreneurship Capital Institution
- Regulation of the Minister for Cooperatives and Small and Medium-sized Businesses No. 24/2015 on Norms, Standards, Procedures, and Criteria for the Implementation of Entrepreneurial Incubators

### **Draft Bill:**

- Draft Bill on National Entrepreneurship



# Appendices



**Table A 1 In-depth Interview Guidelines for National-level Interviews**

<b>Domain: Human Capital and Entrepreneurship Culture</b>
1. How is the current condition of youth entrepreneur in Indonesia?
2. What is the government programs (since 2019) related to foster youth interest in becoming an entrepreneur and to improve the capacity of youth entrepreneurs? How is the assessment of these programs? Have these programs reached youth entrepreneurs from various groups (male-female, person with disability, rural-urban, various types of enterprises, and other minority groups)?
3. Is there any good practice/experience during the program implementation? What is the enabling factor?
4. To what extent the education system is supportive of the development of entrepreneurial skills and capacities of young women and men?
5. What kind of measures are needed to improve the quality of entrepreneurship education? How are the informants' efforts to foster interest and develop the quality of youth entrepreneurs?
6. What are the challenges, both in fostering youth interest to become entrepreneur and in improving the capacity of youth entrepreneur?
7. What is still needed to foster youth interest in becoming an entrepreneur and to improve the quality of youth entrepreneurs? Who are the stakeholders who need to be involved?
<b>Domain: Access to Finance and Incentives</b>
1. What are the government's capital provision programs (since 2019) to support youth entrepreneurs? Have these programs reached youth entrepreneurs from various groups (male-female, person with disability, rural-urban, various types of enterprises, and other minority groups)?
2. Is there any good practice/experience during the program implementation? What is the enabling factor?
3. Do the incentives provided by the government able to attract investors and banks to provide access to capital for youth entrepreneurs? What incentives does the government need to provide to investors and banks to be interested in providing access to capital for youth entrepreneurs to start and improve their businesses?
4. What are the challenges in providing access to capital for youth entrepreneurs (both to reach various youth groups and to attract investors and banks)? On the other side, what are the challenges of youth entrepreneurs in accessing and using capital appropriately?
5. What is still needed in providing access to capital for youth entrepreneurs? On the other side, what does the youth entrepreneurs still needed to access the capital sources? Who are the stakeholders who need to be involved both?



### Domain: Business Development Support and Infrastructure

1. What is business development support and infrastructure provided by the government since 2019?
2. What are the current business development support measures and infrastructure provisions that best serve the needs of young entrepreneurs? Have these programs reached youth entrepreneurs from various groups (male-female, person with disability, rural-urban, various types of enterprises, and other minority groups)?
3. Is there any good practice/experience during the program implementation? What is the enabling factor?
4. What are the challenges in providing business development support and infrastructure for youth entrepreneurs?
5. What is still needed to provide business development support and infrastructure for youth entrepreneurs? Who are the stakeholders who need to be involved?

### Domain: Innovation and Technology

1. What is innovation and technological support provided for youth entrepreneurs since 2019 (including internet access and speed, telecommunications services, and R&D related to the development of production, packaging, and marketing techniques)? On the other side, what are the efforts to encourage youth entrepreneurs innovate and have intellectual property rights?
2. Have these supports and efforts reached youth entrepreneurs from various groups (male-female, person with disability, rural-urban, various types of enterprises, and other minority groups)?
3. Is there any good practice/experience during the program implementation? What is the enabling factor?
4. What are the challenges in providing innovation and technological support, and in encouraging youth entrepreneurs to innovate?
5. What is still needed to provide innovation and technological support, and to encourage youth entrepreneurs to innovate? Who are the stakeholders who need to be involved?

### Domain: Policy and Regulatory Framework

1. How is the impact of current policy/regulation to the youth entrepreneurial ecosystem?
2. To what extent are the existing policies and regulations supportive of young entrepreneurs operating in different geographical areas/young women entrepreneurs/different enterprise types?
3. What are the implementation challenges and gaps in current policies/regulations for the youth entrepreneurial ecosystem?
4. What is the existing effort to address policies/regulations hindering the youth entrepreneurship ecosystem?
5. What policies/regulations are needed to further optimize the youth entrepreneurial ecosystem, including to reach youth entrepreneurs from various groups?

**Table A 2 List of National-level Informants Interviewed**

<b>Governments</b>	<b>Universities, NGOs, Private Sectors, Business Incubators, Development Partners</b>	<b>Youth-led Business Communities and Youth-led Enterprises</b>
Ministry of Youth Affairs and Sports	Plan International Indonesia	Entrepreneurial Student (Mahasiswa Wirausaha—Brawijaya University)
Ministry of National Development Planning/National Development Planning Agency	Youth Co: Lab – UNDP	PT BIOPS Agrotekno Indonesia
Coordinating Ministry for Human Development and Cultural Affairs	Binus University	PT Sebangku Games
Ministry of Agriculture	Angel Investment Network Indonesia (ANGIN)	
Ministry of Cooperatives and Small- and Medium-sized Businesses		

**Table A 3 List of National-level FGD Participants**

<b>Governments</b>	<b>Universities, NGOs, Private Sectors, Business Incubators, Development Partners</b>	<b>Youth-led Business Communities and Youth-led Enterprises</b>
Ministry of Youth Affairs and Sports	Plan International Indonesia	Entrepreneurial Student (Mahasiswa Wirausaha—Brawijaya University)
Ministry of National Development Planning/National Development Planning Agency	UNDP	PT BIOPS Agrotekno Indonesia
Coordinating Ministry for Economic Affairs	Binus University	PT Sebangku Games
Ministry of Cooperatives and Small and Medium Enterprises	Angel Investment Network Indonesia (ANGIN)	Habibi Garden
	Telkomsel	GreatEdu
	UKM Indonesia	

**Table A 4 Roles of National-level Stakeholders on Development of Youth Entrepreneurship on Access to Finance and Incentives**

Stakeholder	Stakeholder Category	Role(s) in the Ecosystem	Form of Role(s)	Other Parties Involved
Ministry of Youth Affairs and Sports	Government ministry or agency	Funders	Provides capital assistance for young entrepreneurs during the Covid-19 pandemic	<ul style="list-style-type: none"> <li>Development partner: UNDP</li> <li>NGO or foundation: Citi Foundation</li> </ul>
			Provides capital assistance for Youth Entrepreneurship course participants	
			Provides capital assistance for the winner(s) of Youth Co:Lab Bootcamp Indonesia in 2021	
		Capacity builders	Socialising about access to capital	Financial sector institution: PT Pegadaian
		Developers of enabling environment	Issued Regulation of the Minister for Youth Affairs and Sport No. 0944/2015 on Procedures for Providing Facilitation for Youth Entrepreneurship Development and based on the regulation establishes the Youth Entrepreneurial Capital Institute (LPKP)	
Ministry of Cooperatives and Small and Medium Enterprises	Government ministry or agency	Funders	Provide start-up capital for entrepreneurs	
		Developers of enabling environment	Issued Regulation of the Minister of Cooperatives and Small and Medium Enterprises No. 24/2015 on Norms, Standards, Procedures and Criteria for the Implementation of Entrepreneurial Incubators	



<b>Ministry of Education and Culture</b>	Government ministry or agency	Funders	Provided seed funding for selected participants of the vocational student entrepreneurship programme in 2020	
<b>Ministry of Agriculture</b>	Government ministry or agency	Capacity builders, connectors, and developers of enabling environment	Facilitates the participants of Youth Entrepreneurship and Employment Support Services (YESS) programme in accessing the financial services and provides training to increase their financial literacy	Financial sector institution: state-owned bank association (Himbara) and local bank in the area
<b>Ministry of Research and Technology*</b>	Government ministry or agency	Funders and capacity builders	Provide technology-based start-up funding programmes, including pre-start-ups with funding assistance up to IDR 250 million (\$17.4 thousand)	University or training institution: incubator in universities
<b>Ministry of Tourism and Creative Economy</b>	Government ministry or agency	Funders	Provide Government Incentive Assistance programme as additional capital for creative entrepreneurs	
<b>Ministry of National Development Planning</b>	Government ministry or agency	Connectors and developers of enabling environment	Actively encouraging the development of youth entrepreneurs, including support related to capital assistance	
<b>UNDP</b>	Development partner	Funders, capacity builders, and connectors	Provides capital assistance for the winner of Youth Co:Lab Bootcamp and supports Youth Co:Lab participants in accessing finance	<ul style="list-style-type: none"> <li>- Government ministry or agency: Ministry of Youth Affairs and Sports</li> <li>- NGO or foundation: Citi Foundation and PLAN International Indonesia</li> <li>- Financial sector institution: Kinara Indonesia (venture capital) and state-owned bank association (Himbara)</li> <li>- Incubator/accelerator: ANGIN</li> </ul>

\*Ministry has been merged with the Ministry of Education and Culture



<b>Angel Investment Network Indonesia (ANGIN)</b>	Incubator/accelerator	Capacity builders, connectors, and developers of enabling environment	Provides a strategic bridge between entrepreneurs and investors in Indonesia through capacity building, advisory, and knowledge sharing	Collaborate with many stakeholders, including governments, capacity builders, investors, development partners, NGOs, and communities
<b>Instellar</b>	Incubator/accelerator	Capacity builders, connectors, and developers of enabling environment	Provides a strategic bridge between entrepreneurs and investors in Indonesia through capacity building, advisory, and knowledge sharing	Collaborate with many stakeholders, including governments, capacity builders, investors, development partners, NGOs, and communities
<b>Indigo Creative Nation</b>	Incubator/accelerator	Funders and capacity builders	Provides capital and mentoring assistance	<ul style="list-style-type: none"> <li>- Private sector: Telkom Indonesia</li> <li>- Financial sector institution and investor: MDI Ventures</li> </ul>
<b>Kinara Indonesia</b>	Incubator/accelerator, financial sector institution, and investor	Funders, capacity builders, and connectors	Provides financial access and capacity building programme	Collaborate with many stakeholders, including governments, capacity builders, investors, development partners, NGOs, and communities
<b>MDI Ventures</b>	Financial sector institution and investor	Funders	Make financial investments to support start-ups' growth	<ul style="list-style-type: none"> <li>- Private sector: Telkom Indonesia</li> <li>- Incubator/accelerator: Indigo Creative Nation</li> <li>- State owned company: PT Rajawali Nusantara Indonesia</li> </ul>
<b>Mandiri Capital Indonesia</b>	Financial sector institution and incubator/accelerator	Funders and capacity builders	Provides capital assistance and connect the start-up entrepreneurs with the investor	<ul style="list-style-type: none"> <li>- Financial sector institution: Bank Mandiri</li> <li>- Government ministry or agency: Ministry of Tourism and Creative Economy</li> </ul>



<b>UMG IdeaLab Indonesia</b>	Financial sector institution and investor	Funders	Investing in early-stage start-ups	
<b>Bank Indonesia</b>	Financial sector institution	Funders and capacity builders	Encourage the Islamic economic empowerment by expanding financial products and access to finance, both commercial finance (banking) and social finance (zakat, infaq, sadaqah, and waqf), and also conduct the Islamic Financial Economic Festival	<ul style="list-style-type: none"> <li>- Government ministry or agency: local government in West Sumatra, West Nusa Tenggara, and East Java</li> <li>- Development partner: UNDP</li> </ul>
<b>Islamic Development Bank</b>	Financial sector institution	Funders, Developers of enabling environment, connectors	The Islamic Development Bank (IsDB) continues its commitment to support sustainable socio-economic development in the region. As part of this commitments, IsDB Group has supported 198 Projects in Indonesia in the education sector, specifically in Higher Education and Vocational Training centers as well as the health sector.	

Source: Qualitative secondary and primary data, 2021 (processed).

**Table A 5 Roles of National-level Stakeholders on Development of Youth Entrepreneurship on Human Capital and Entrepreneurship Culture**

Stakeholder	Stakeholder Category	Role(s) in the Ecosystem	Form of Role(s)	Other Parties Involved
Ministry of Youth Affairs and Sports	Government ministry or agency	Capacity builders	Provides a Youth Entrepreneurship Lecture programme as a forum for socialisation to foster entrepreneurial interest	University or training institution: collaborate with 32 universities
			Held an annual competition "Outstanding Young Entrepreneur"	
		Capacity builders and developers of enabling environment	Encourages affordability of entrepreneurship programmes	Business association or membership organization: Sahabat UMKM community
		Developers of enabling environment	Issued Regulation of the Minister for Youth Affairs and Sport No. 0944/2015 on Procedures for Providing Facilitation for Youth Entrepreneurship Development	
Ministry of Cooperatives and SMEs	Government ministry or agency	Developers of enabling environment	Carries out an integrated data collection on Medium, Small, and Micro-scale Enterprises (UMKM)	Government ministry or agency: Ministry of National Development Planning
		Connectors and developers of enabling environment	Launch the Cooperative and Medium, Small, and Micro-scale Enterprises (KUMKM) Hub	- Private sector: Blibli.com - Incubator/accelerator: UKM Indonesia
		Developers of enabling environment	Issued Regulation of the Minister for Cooperatives and Small and Medium-sized Businesses Number 24 Year 2015 on Norms, Standards, Procedures and Criteria for the Implementation of Entrepreneurial Incubators	



<b>Ministry of Agriculture</b>	Government ministry or agency	Capacity builders and developers of enabling environment	Provides a Youth Entrepreneurship and Employment Support Services (YESS) programme and a Young Agricultural Entrepreneur Growth (PWMP) programme	Local government: Agriculture Agency and district/provincial government
<b>Ministry of Education and Culture</b>	Government ministry or agency	Capacity builders	Provided a vocational student entrepreneurship programme in 2020	University or training institution: state universities providing vocational education
			Provide a craft and entrepreneurship subjects for high school/vocational high school according to the 2013 curriculum	
<b>Ministry of Women Empowerment and Child Protection</b>	Government ministry or agency	Capacity builders	Increasing basic entrepreneurship knowledge among young entrepreneurs	Development partner: UN Women
<b>Ministry of Tourism and Creative Economy</b>	Government ministry or agency	Capacity builders	Increasing basic entrepreneurship knowledge among young entrepreneurs	
<b>Ministry of Communication and Information Technology</b>	Government ministry or agency	Capacity builders	Provide a 1000 startup program to increasing basic entrepreneurship knowledge among young entrepreneurs	
<b>Ministry of Research and Technology</b>	Government ministry or agency	Capacity builders	Increasing basic entrepreneurship knowledge among young entrepreneurs	



<b>Ministry of Industry</b>	Government ministry or agency	Capacity builders, connectors, and developers of enabling environment	Started a business incubator	<ul style="list-style-type: none"> <li>- Local government</li> <li>- University or training institution</li> <li>- State owned company</li> </ul>
<b>Ministry of National Development Planning</b>	Government ministry or agency	Connectors and developers of enabling environment	Actively encouraging the development of youth entrepreneurs	
<b>UNDP</b>	Development partner	Capacity builders and developers of enabling environment	Actively encouraging the development of the ecosystem for youth entrepreneurship and co-leading the Youth Co:Lab programme in partnership with the Citi Foundation	Collaborate with many stakeholders, including governments, capacity builders, development partners, NGOs/foundations, incubator/accelerator, and communities
<b>PLAN Indonesia</b>	Development partner	Capacity builders and developers of enabling environment	Provide a mentoring and empowerment programme, particularly for female youth entrepreneurs	Collaborate with many stakeholders, including governments, capacity builders, development partners, NGOs/foundations, and communities
<b>Citi Foundation</b>	NGO or foundation	Capacity builders and developers of enabling environment	Actively encouraging the development of youth entrepreneurs and providing mentorship	Collaborate with many stakeholders, including governments, capacity builders, development partners, and communities
<b>IPB University</b>	University or training institution	Capacity builders	Provide a student entrepreneurship activity unit and conduct various trainings to improve students' entrepreneurial competence	



<b>Binus University</b>	University or training institution	Capacity builders	Provide a student entrepreneurship activity unit and training on social entrepreneurship	
<b>Brawijaya University</b>	University or training institution	Capacity builders	Provide a student entrepreneurship activity unit and conduct various trainings to improve students' entrepreneurial competence	
<b>Angel Investment Network Indonesia (ANGIN)</b>	Incubator/accelerator	Capacity builders, connectors, and developers of enabling environment	Provide a strategic bridge between entrepreneurs and investors in Indonesia through capacity building, advisory, and knowledge sharing	Collaborate with many stakeholders, including governments, capacity builders, investors, development partners, NGOs, and communities
<b>Instellar</b>	Incubator/accelerator	Capacity builders, connectors, and developers of enabling environment	Provide a strategic bridge between entrepreneurs and investors in Indonesia through capacity building, advisory, knowledge sharing	Collaborate with many stakeholders, including governments, capacity builders, investors, development partners, NGOs, and communities
<b>UKM Indonesia</b>	Incubator/accelerator	Capacity builders	Conduct an entrepreneurial development programme	Collaborate with many stakeholders, including governments, capacity builders, development partners, NGOs, universities, financial institutions, and communities
<b>Indigo Creative Nation</b>	Incubator/accelerator	Capacity builders	Provide a mentoring assistance	Private sector: Telkom Indonesia



<b>Institute for Innovation and Entrepreneurship Development (LPIK) ITB</b>	Incubator/accelerator and university or training institution	Capacity builders	Provide an incubation programme, including mentoring and coaching	<ul style="list-style-type: none"> <li>- University or training institution: The Bandung Institute of Technology (ITB)</li> <li>- Government ministry or agency: Ministry of Research and Technology</li> </ul>
<b>Association of youth businessmen of Indonesia (HIPMI)</b>	Business association or membership organization	Capacity builders	Conduct an entrepreneurial development programme	University or training institution: schools, colleges, and Islamic boarding schools
<b>PT Rajawali Nusantara Indonesia</b>	State owned company	Capacity builders	Provide a "Millennial Empowerment to Become Entrepreneurs" programme	Business association or membership organization: Karang Taruna
<b>Bank Indonesia</b>	Financial sector institution	Funders and capacity builders	Conduct an education and socialisation on entrepreneurship (which includes 13 webinars, 12 business coaching, and 10 workshops) to encourage the emergence of New Millennial Entrepreneurs	<ul style="list-style-type: none"> <li>- Government ministry or agency: local government in West Sumatra, West Nusa Tenggara, and East Java</li> <li>- Development partner: UNDP</li> </ul>

Source: Qualitative secondary and primary data, 2021 (processed).

**Table A 6 Roles of National-level Stakeholder in the Development of the Business Development Support and Infrastructure Domain**

Stakeholders	Stakeholder Category	Role(s) in The Ecosystem	Form of Role(s)	Other parties involved
<b>The Investment Coordinating Board (BKPM)</b>	Government ministry or agency	Developers of enabling environment	BKPM facilitated the Online Single Submission (OSS) system. OSS is business licensing issued by OSS institutions for and behalf of ministers, institutional leaders, governors, or regents/mayors to business actors through an integrated electronic system. This system is an implementation of acceleration of ease of doing business as stated in Presidential Instruction No. 7/2019 and government regulation no 24/2018 on electronically integrated business licensing services.	Local government; Ministry of Cooperatives and SMEs; Ministry of State-owned Enterprises; Ministry of Maritime Affairs and Fisheries; Ministry of Home Affairs; investors; entrepreneurs
<b>Ministry of Communication and Informatics (Kemenkominfo)</b>	Government ministry or agency	Developers of enabling environment	Kemenkominfo is expanding the 4G network access throughout Indonesia, including rural areas in 3T areas.	Cellular operators
<b>Ministry of Communication and Informatics (Kemenkominfo)</b>	Government ministry or agency	Developers of enabling environment	Kemenkominfo: infrastructure development policies, namely The Palapa Ring, a national fiber-optic backbone network infrastructure development project. This project is aimed at increasing broadband access in Indonesia. Palapa Ring will connect the 3T (Disadvantaged, Frontier, and Outermost) areas that were not previously connected to the internet.	National Planning Development Agency; Ministry of Finance; Ministry of Industry; Ministry of Research and Technology



<b>Ministry of Communication and Informatics (Kemenkominfo)</b>	Government ministry or agency	Capacity builders	Kemenkominfo is accelerating digital transformation in six priority sectors (2020-2024), namely agriculture, health, maritime, tourism, logistics and education	Government [Ministry of Agriculture, Ministry of Maritime Affairs and Fisheries Ministry of Economic Coordinator, local government]; Digital startup; Bank; Insurance, Offtaker [private and state-owned company]; NGO.
<b>Ministry of Research and Technology (Kemenristek)</b>	Government ministry or agency		Kemenristek implements government assistance programmes in the form of facilitating the establishment or development of technology business incubators. The assistance provided is in the form of funds for the establishment of technology business incubator institutions or the development of existing technology business incubator institutions. The programme beneficiaries are universities, ministries, agencies, local governments, community organisations and business entities	Technology business incubators
<b>Indonesian Business Incubator Association (AIBI)</b>	Membership organisations	Capacity builders, developers of enabling environment	AIBI gathered more than 100 incubators from various regions in Indonesia, including those owned by universities, government, state-owned companies, NGOs, and private sectors. The AIBI programme includes training for incubator capacity building, incubator rating/ accreditation system, certification for incubator companion professionals.	Government, universities, government, state-owned companies, NGOs, and private sectors
<b>BRI Venture (BVI) (Corporate venture capital arm of Bank BRI)</b>	Financial sector institutions	Capacity builders, and connectors.	BVI conducts Sembrani Wira Accelerator Program, a programme specifically designed to accelerate the growth of digital startup companies to get ready into a wider market regionally and globally. This programme focuses on coaching in the form of mentorship with digital industry experts, technical training, and benefits to support digital start-up businesses' development. The start-up founders will also gain access to a global investor network and the BRI group ecosystem.	Mentors and investors



<b>BRI Venture (BVI) (Corporate venture capital arm of Bank BRI)</b>	Financial sector institutions (owned by government)	Capacity builders	BVI carries out an accelerator programme entitled 'Moving Forward'. This programme is a series of videos uploaded on the BVI YouTube channel about how to start a start-up business in general.	Internal BVI and founders of the BVI portfolio as mentors
<b>BRI Venture (BVI) and IDX (Indonesia Stock Exchange) Incubators</b>	Financial sector institutions (owned by government)	Capacity builders, and connectors.	BVI and IDX Incubators signed an MoU to recruit potential start-ups to hold an initial public offering. The first programme of this collaboration is the joint accelerator, start-ups fostered by IDX incubators can participate in the incubation programme from BVI and vice versa BVI start-up portfolios can take part in the programme towards IPO held by the Indonesian stock exchange.	-
<b>Telkom Indonesia</b>	State owned company	Funders, capacity builders, connectors.	Under the auspices of the Indigo Creative Nation programme, Telkom established the Digital Innovation Lounge (DILo) for pre-start-up programme and digital valleys for incubation programme. Telkom also has a subsidiary, namely MDI Ventures, which provides funding to start-ups.	Ministry of Youth and Sports (Kemenpora), investors
<b>Ministry of Research and Technology (Kemenristek)</b>	Government ministry or agency		Kemenristek organised the Indonesian Innovation Start-up Program. This programme follows the company's business development:	
		Funders	A.Pre-Startup/pre-incubation/seed phase funding programme (formerly known as the Technology-Based Start-up Program (CP-PBT). CPPBT implemented since 2016. Program participants receive funding and assistance via university business incubators to produce prototypes.	university business incubators
		Funders	B. Start-up / early start-up/incubation funding programme (formerly known as the Technology-Based Start-up Company (PPBT) programme. PPBT has been implemented since 2013. Programme participants receive funding from programmes and assistance from technology business incubators. The main activities of the programme are company formation, production, sales, legal management of companies and legal products, and business development.	Business incubator institutions from university, government, private sectors, etc.



		Funders, connectors	C. Start-up / growth / post-incubation funding programme (formerly called the Technology-Based Advanced Company (PLBT) programme. PLBT has been implemented since 2019. The main activities of the programme are the development of the company's business scale, increased turnover, increased production volume, market expansion. In this phase the company has finished its incubation and is in the form of an independent company that is able to support itself.	Business incubator institutions from university, government, private sectors, et; investors
<b>Ministry of Agriculture (Kementan)</b>	Government ministry or agency	Capacity builders and developers of enabling environment	Kementan conduct Youth Entrepreneurship and Employment Support Services Programme (YESS Program) (2019-2025). One of the programme's focuses is building business development services. Kementan identifies and empowers the potential institution in the local area as the programme centre for rural youth entrepreneurship. This activity is also equipped with youth mobilisers and youth facilitators who assist the youth.	International Fund for Agricultural Development (IFAD) development partners, local governments where the program applied
<b>Youth Studies Centre (YouSure) Fisipol UGM</b>	Youth studies centre at the university	Capacity builders	YouSure has organised the Sociopreneur Muda Indonesia (SOPREMA), an annual national programme since 2016. This programme involves youth aged 16-30 years and aims to contribute to solving social problems through social entrepreneurship, opening wide opportunities, encouraging youth throughout Indonesia to share experiences of activities to stimulate the economy. Some of the activities carried out in SOPREMA include youth sociopreneurship competition, incubation as a post-programme competition, seminars, talk shows, and expos.	Ministry of Youth and Sports (Kemenpora), Bank BRI
<b>UNDP</b>	Development partner	Capacity builders and developers of enabling environment	Actively encouraging the development of the ecosystem for youth entrepreneurship and co-leading the Youth Co:Lab programme in partnership with the Citi Foundation	Collaborate with many stakeholders, including governments, capacity builders, development partners, NGOs/ foundations, incubator/accelerator, and communities
<b>Citi Foundation</b>	NGO or foundation	Capacity builders and developers of enabling environment	Actively encouraging the development of youth entrepreneurs and providing mentorship	Collaborate with many stakeholders, including governments, capacity builders, development partners, and communities

**Table A 7 Roles of National-level Stakeholder in the Development of Policy and Regulatory Frameworks**

Stakeholders	Stakeholder Category	Roles in The Ecosystem	Form of Roles	Other parties involved
<b>Ministry of Youth and Sports (Kemenpora)</b>	Government ministry or agency	Developers of enabling environment	The Regulation of the Minister of Youth and Sports (Permenpora) No. 0944 of 2015 concerning Procedures for Providing Facilitation for Youth Entrepreneurship Development.	Government, local government, youth organizations and / or the community
<b>National Development Planning Agency (Bappenas)</b>	Government ministry or agency	Developers of enabling environment	Evaluation of programmes and the use of budgets for entrepreneurial development, including youth entrepreneurship	Ministries and agencies dealing with entrepreneurship, including youth entrepreneurship
<b>National Development Planning Agency (Bappenas)</b>	Government ministry or agency	Developers of enabling environment	Making youth entrepreneurship programmes part of the National Action Design for youth services	Ministry of Youth and Sports (Kemenpora)
<b>National Development Planning Agency</b>	Government ministry or agency	Developers of enabling environment	Developing the concept of national youth entrepreneurship strategy as part of the MSME development design	Ministry of Cooperatives and Small and Medium Enterprises; Coordinating Ministry for Economic Affairs
<b>Ministry of Agriculture/MoA (Kementan)</b>	Government ministry or agency	Developers of enabling environment	Conduct Youth Entrepreneurship and Employment Support Services Programme (YESS Program) (2019-2025). One of the programme's components is enabling environment for rural youth, which aims to build a conducive policy environment where the young rural workers and entrepreneurs can thrive. The programme also ensures to reach youth both of man and women as beneficiaries, poor household, migrants' households, youth from the remote area, youth with disabilities.	International Fund for Agricultural Development (IFAD) as development partners; local governments

Source: qualitative secondary and primary data, 2021 (processed)



**Table A 8 Roles of National-level Stakeholder in the Development of Youth Entrepreneurship Ecosystem in the Innovation and Technology Domain**

Stakeholders	Stakeholder Category	Role(s) in The Ecosystem	Form of Role(s)	Other parties involved
<b>Ministry of Research and Technology (Kemenristek)</b>	Government ministry or agency	Developer of enabling environment	Encourage the establishment of science and techno parks by universities, local governments, and research institutions. STP/KST is to develop and encourage sustainable economic growth through the development and application of scientific knowledge and technology, and growth start-up companies.	Universities, local government, research institute
<b>IPB Science Technopark</b>	University	Capacity builders, connectors	Facilitating technology and innovation development to foster start-ups creation through provision of science and technology, physical infrastructure, and management support. The focus areas are tropical agriculture, food, biosciences, and marine sciences.	Student/alumni, Start-ups, private sectors
<b>UGM Science Technopark</b>	University	Capacity builders, connectors	Developing science and technology parks that produce technology-based start-up companies in health and pharmacy product sectors	Student/alumni, start-ups, private sectors
<b>The Ministry of Youth and Sports (Kemenpora)</b>	Government ministry or agency	Funders	Kemenpora organises beginner young technopreneur activities. The Ministry of Youth and Sports selects participants from several regions in Indonesia (6 cities in 2019, 4 cities in 2018). Selected participants will be given working capital. Priority areas of business include advertising, architecture, art and antiques markets, crafts, design, film, music, and photography.	Youth and Sports agency, Cooperatives, and MSMEs agency



<b>Yayasan Inovasi Teknologi Indonesia (INOTEK)</b>	NGO	Capacity builders, connectors	INOTEK runs the One Thousand Technopreneur One Million Jobs Program (STSP). STSP is a collaborative entrepreneurship programme to create a network of technopreneurs in 34 provinces in Indonesia. The programme is run with an appropriate entrepreneurial model method, linked to investors and partnerships based on technology, research and development. The programme is expected to create new technopreneurs who will support the local economy at the MSME level and help contribute to increasing local GDP and opening access to national and global markets. The program has a target of reaching 30% of female technopreneurs.	Ministry of Research and Technology
<b>PLAN</b>	NGO	Capacity builders	Developing an e-learning and mentoring platform program for youth in east Indonesia	

Source: qualitative secondary and primary data, 2021 (processed)

**Table A 9 Roles of Regional-level Stakeholders on Development of the Ecosystem for Youth Entrepreneurship in Western Indonesia**

Stakeholder	Category and Role in the Ecosystem	Form of Role
Plug and Play Indonesia	Accelerator	They have signed 6 main corporate partners. They are 1) Astra International, 2) Bank BNI, 3) Bank BCA, 4) PT Indo Tambangraya Megah (ITM), 5) Sinar Mas Group, and 8) Global Innovation Alliance. They own The Accelerator Program that is designed to maximally nurture start-ups' potential through strategic partnership with corporates that could help start-ups reach the market faster. Some of the activities include speed dating, corporate matchmaking, expo, and incubation. ( <a href="https://www.plugandplaytechcenter.com/indonesia/">https://www.plugandplaytechcenter.com/indonesia/</a> )
Orbit Fund	Ventures	An Indonesia based early-stage investor that invests and builds companies together with founders. Orbit is a partnership of SBI Holding and Kejora Capital. The targeted sectors are edutech, healthtech, consumer goods, agritech, fintech, and online media. ( <a href="http://www.orbitvc.co/">http://www.orbitvc.co/</a> )
Alpha momentum (Jakarta)	Investment Management Company	Providing access to start-ups to get funding through various activities (speed dating, start-up exhibitions, workshops, seminars, and conferences). Provide information related to co-working spaces in the area (Jakarta). ( <a href="https://alphamomentum.id/">https://alphamomentum.id/</a> )
Citi Foundation	Funder, developers of enabling environment	Provide access to capital and conduct capacity building programmes targeting young entrepreneurs, such as the Creative Youth programme at Indonesian Heritage Sites, and Youth Co:Lab ( <a href="https://www.citigroup.com/citi/foundation/">https://www.citigroup.com/citi/foundation/</a> )
Bank Indonesia	Connectors and developers of enabling environment	According to Law Number 3 of 2004, Bank Indonesia's policy has shifted so that it does not focus on providing financial assistance. The role of Bank Indonesia in developing MSMEs has changed to an indirect one, namely through the provision of technical assistance such as training, provision of information, facilitation, promotion, research development, surveys and innovation. ( <a href="https://www.bi.go.id/id/umkm/">https://www.bi.go.id/id/umkm/</a> )
Kumpul	Empower Ecosystem	Empower ecosystem, enabling entrepreneurs. Has a special programme for women's capacity building (women create), and agriculture. In collaboration with 1000 digital start-ups, Telkom Innovation Center is also organizing an accelerator programme. ( <a href="https://kumpul.id/">https://kumpul.id/</a> )



Tangan Di Atas	Community	TDA is a business community (non-profit) whose vision is to become entrepreneurs who like to share their efforts to foster entrepreneurship in Indonesia. ( <a href="http://tangandiatas.com/">http://tangandiatas.com/</a> )
Himpunan Pengusaha Muda Indonesia	Community	Organisation based on the passion to foster entrepreneurship among youth. ( <a href="https://www.hipmi.org/">https://www.hipmi.org/</a> )
PLUS-Usaha Sosial	Empower social impact innovation and entrepreneur	PLUS is a collaborative space for the social impact ecosystem in Indonesia with their mission being to provide a platform and pathway for increasing the potential of Indonesian society in creating economic independence through entrepreneurship. ( <a href="https://usahasosial.com/">https://usahasosial.com/</a> )
Block71 (Jakarta, Bandung, Yogyakarta)	Ecosystem, incubator	Community centre for tech start-ups. Helps start-ups to get subsidised coworking space, fundraising, access to investors, talents, vibrant community, collaborate with like-minded entrepreneurs, and International and regional networks in Singapore, Yogya, Bandung, Surabaya, Medan and more. ( <a href="https://www.block71.co/">https://www.block71.co/</a> )
Tanihub Group	Business	A company with a mission to advance the agricultural sector by accelerating the local economy. ( <a href="https://about.tanihub.com/tentang">https://about.tanihub.com/tentang</a> )
DiLo Telkom	Co-working space	Place for talents, start-ups and communities to collaborate to build dreams in the digital world through pre-start-up development programmes, digital professional talent and digital community development. The facilities provided by DiLo are in the form of a co-working space, meeting room, classroom, lounge, and internet. DiLo is spread across 17 cities in Indonesia ( <a href="https://dilo.id/">https://dilo.id/</a> )
Cohive	Co-working space	Is an ecosystem with enabling platforms and services that help foster the businesses or individual growth. CoHive coworking and office spaces are located in Jakarta, Tangerang, Medan, and Surabaya. ( <a href="https://cohive.space/">https://cohive.space/</a> )



Bukalapak	Market place, developers of enabling environment	Marketplace that also has programmes “Belajar Ngelapak Bersama Komunitas Bukalapak” (Learning to Do Business with the Bukalapak Community), BNBK Goes to Campus to invite students on several campuses and young people in various regions to learn about entrepreneurship. The events are held at Gadjah Mada University, Cenderawasih University, Bina Nusantara University, Prasetiya Mulya University, Bandung Institute of Technology, University of Indonesia, Ciputra University Surabaya, Bogor Agricultural Institute, Aceh State Islamic University, Lambung Mangkurat University/Banjarmasin University, Padjadjaran University, and Hasanuddin University. ( <a href="https://komunitas.bukalapak.com/">https://komunitas.bukalapak.com/</a> )
Shopee	E-commerce, developers of enabling environment	Apart from being an e-commerce platform, Shopee also provides assistance to MSMEs and young entrepreneurs in collaboration with the West Java government. ( <a href="https://www.cnbcindonesia.com/entrepreneur/20210602204113-25-250150/ridwan-kamil-gandeng-shopee-percepat-umkm-jabar-go-digital">https://www.cnbcindonesia.com/entrepreneur/20210602204113-25-250150/ridwan-kamil-gandeng-shopee-percepat-umkm-jabar-go-digital</a> )
Grab Venture Velocity	Private sector, funder	An in-demand service platform that also provides opportunities for entrepreneurs to be mentored in the Grab ecosystem through start-up programmes. ( <a href="https://www.grab.com/id/en/press/tech-product/grab-ventures-kembali-hadir-dengan-grab-ventures-velocity-angkatan-3-dan-kemitraan-strategis-dengan-bri-ventures-untuk-mempercepat-pertumbuhan-startup-di-indonesia/">https://www.grab.com/id/en/press/tech-product/grab-ventures-kembali-hadir-dengan-grab-ventures-velocity-angkatan-3-dan-kemitraan-strategis-dengan-bri-ventures-untuk-mempercepat-pertumbuhan-startup-di-indonesia/</a> )
British Council	Capacity builder, researcher	Conduct research on the profile of Indonesian social entrepreneurs in collaboration with the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) ( <a href="https://www.britishcouncil.org/sites/default/files/the_state_of_social_enterprise_in_indonesia_british_council_web_final_0.pdf">https://www.britishcouncil.org/sites/default/files/the_state_of_social_enterprise_in_indonesia_british_council_web_final_0.pdf</a> )
The Local Enablers	Ecosystem, Enablers & Community	A Social Enterprise who serves the social business community to have an inclusive ecosystem. The Local Enablers present a free shared offline and online workspace for the Beneficiaries, done as an effort to help in growing the social entrepreneurship ecosystem. TLE is also designed as a creative hub that brings together various groups to collaborate. The collaboration that emerges is expected to support business development, execute ideas, and accelerate the innovative ideas generated. The function of this ecosystem is not only a creative space that provides access to the development of knowledge, capacity building, new methods, and tools but also provides free consultation. ( <a href="https://thelocalenablers.id/">https://thelocalenablers.id/</a> )



<p>Gamainkuba  (Inkubator Bisnis  Universitas Gadjah  Mada)</p>	<p>Academic</p>	<p>University incubator that nurtures and incubates new businesses in agro-industry, health, information technology, and manufacturing in Yogyakarta and Central Java Province. Strengthen network and cooperation among higher education institutions, research, and business communities.  (<a href="http://gamainkuba.gamamulti.com/">http://gamainkuba.gamamulti.com/</a>)</p>
<p>Science Techno  Park Universitas  Andalas</p>	<p>Academic, co-working  space</p>	<p>Academic co-working space and a downstream research platform directed to be a solution in bringing research-based technology entrepreneurs together to generate added value to the economy and strengthen collaboration .  (<a href="https://lppm.unand.ac.id/in/science-park">https://lppm.unand.ac.id/in/science-park</a>)</p>
<p>Ministry of Youth  Affairs and Sports*</p>	<p>Government: funder,  capacity builder</p>	<p>The Ministry of Youth and Sports established the Youth Entrepreneurship Capital Institute (LPKP) to support youth entrepreneurship development in gaining access to capital and conduct capacity building programmes in the field of financial management.  Under Deputy 2 for Youth Development; it has a duty to increase the capacity and entrepreneurial potential of youth. Some of the programmes include the provision of financial assistance to Beginner Young Entrepreneurs (WMP) (<a href="http://lpkp.kemenpora.go.id/">http://lpkp.kemenpora.go.id/</a>)</p>
<p>Ministry of Industry*</p>	<p>Government: Policy  and regulatory maker,  capacity builder and  funder</p>	<p>Under the Directorate General of Small, Medium and Miscellaneous Industries, the Ministry of Industry has a vision of "Realizing small and medium industries with global power". This is realized by procuring programs such as exhibitions, Upakarti awards, Indonesia Good Design Selection awards (IGDS), capacity building and funding programs such as one village one product (OVOP), Creative Business incubator, Indonesian Food Innovation, and Modest Fashion Project.  ( <a href="http://ikm.kemenperin.go.id/">http://ikm.kemenperin.go.id/</a>)</p>
<p>Ministry of  Cooperatives and  SMEs*</p>	<p>Government: Policy  and regulatory maker,  business protector,  capacity builder</p>	<p>The Ministry of Cooperatives and SMEs carry out national economic recovery in the era of the Covid-19 pandemic through MSME business players. It also established an Integrated Business Service Center for Micro, Small and Medium Enterprises, which is provided for the micro sector and provides capacity building for SMEs.  (<a href="https://kemenkopukm.go.id/">https://kemenkopukm.go.id/</a>)</p>



Ministry of Trade*	Government: Policy and regulatory maker and implementer, capacity builder	In the Ministry of Trade's strategic plan 2020-2024, one of the missions is "Equitable and Just Development", namely by developing the productivity and competitiveness of MSMEs through export activities, use of digital technology, development and rehabilitation of people's markets through increasing the capacity of MSMEs through business coaching and training. This mission is carried out in harmony with the Ministry of Small and Medium Enterprises, Ministry of Industry, Ministry of Maritime Affairs and Fisheries, Ministry of State-Owned Enterprises, Ministry of Finance and Bank Indonesia. <a href="https://www.kemendag.go.id/">(https://www.kemendag.go.id/)</a>
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\*The government stakeholders were mapped on the National level. Based on regional interviews and FGDs, it might differ at the local governmental level as emerging issues in each province differ from one another.

**Table A 10 Roles of Regional-Level Stakeholders in Development of the Ecosystem for Youth Entrepreneurship in Central Indonesia**

Stakeholder	Category and Role in the Ecosystem	Form of Role
Kopernik	Non-government organization: developer of enabling environment	Specializes in International Development, Lean Experimentation, Consulting Services, Market Research, Prototype Testing, Research & Support, Impact Evaluation. One of the focuses of the Kopernik issue is agriculture and fisheries which also raises training related to entrepreneurship for youth. ( <a href="https://kopernik.info/id">https://kopernik.info/id</a> )
Pratisara Bumi Foundation	Incubator: capacity builder, developer of enabling environment	Pratisara Bumi Foundation is a non-profit organization working to assist under-resourced communities across Indonesia to build their communities in a sustainable manner. PBF works closely with women and youth groups at the grassroots level to support their work and growth journey to be leaders in their communities. The foundation's programs include the Women's Earth Alliance Grassroots Accelerator and Ethical: Entrepreneurship for Sustainability Incubation. PBF is an ecosystem builder who has a vision of creating sustainable innovation at the grassroots level to answer challenges related to equitable support for Indonesian women and young people. The female incubation program covers all regions of Indonesia and various ages. Meanwhile, the program for youth only covers areas in Central and Eastern Indonesia because both regions do need a lot of support from relevant stakeholders for incubation and accelerating the capacity of young people and women. The business incubation and acceleration program carried out are related to green business. ( <a href="https://www.linkedin.com/company/pratisarabumi/?originalSubdomain=id">https://www.linkedin.com/company/pratisarabumi/?originalSubdomain=id</a> )
Inkubator Bisnis Permata Bunda	Incubator: capacity builder, developer of enabling environment	The main focus is as a forum for preparation for independence and maturation of post-school disabled people through entrepreneurial incubation and preparing disabled colleagues after graduating from special schools or other general disabled colleagues to be able to be independent, empowered, empower the environment and play a role in society. ( <a href="https://www.instagram.com/inbis.permatabunda/?hl=en">https://www.instagram.com/inbis.permatabunda/?hl=en</a> )



MiniU	Capacity builder,	The Bank Indonesia New Entrepreneurial Development Program (WUBI) is one of the technical assistance provided by Bank Indonesia in developing regional economic potential through increasing the competence and capacity of local MSMEs in East Kalimantan. ( <a href="https://www.facebook.com/ukm.kaltim/">https://www.facebook.com/ukm.kaltim/</a> <a href="https://www.instagram.com/mini_u_kaltimpreneurs/">https://www.instagram.com/mini_u_kaltimpreneurs/</a> <a href="https://www.jpnn.com/news/bank-indonesia-kurangi-pengangguran-via-mini-university">https://www.jpnn.com/news/bank-indonesia-kurangi-pengangguran-via-mini-university</a> <a href="https://kaltimprov.go.id/berita/bank-indonesia-serahkan-kelulusan-mini-university-preneurs-2019">https://kaltimprov.go.id/berita/bank-indonesia-serahkan-kelulusan-mini-university-preneurs-2019</a> )
Balikpapan Youth Spirit	Community, capacity builder	A community that focuses on youth capacity building and social projects carried out with youth. Balikpapan Youth Spirit has a focus on 3 issues, namely youth, environment, and education. <a href="https://www.instagram.com/balikpapan.youthspirit/">https://www.instagram.com/balikpapan.youthspirit/</a>
Tangan Di Atas (TDA)	Community: capacity builder, market place	TDA is the biggest business community (non-profit) in Indonesia. TDA accommodates entrepreneurs who like to share in their efforts to foster entrepreneurship in Indonesia. ( <a href="http://tangandiatas.com/">http://tangandiatas.com/</a> )
Inkubator Bisnis Teknologi Universitas Lambung Mangkurat	Incubator: capacity builder, developer of enabling environment	Providing Incubation services in the form of Technology; Business Consulting; Access to Funding; Marketing Facilitation; Networking; Working Place; Legal Assistance; Office and Equipment Facilities. Their vision is to become a technology business incubator that capable to producing technology-based non-timber entrepreneurs who elevate regional excellence ( <a href="https://ibt.ulm.ac.id/">https://ibt.ulm.ac.id/</a> )
Universitas Mataram	Incubator: capacity builder, developer of enabling environment	Institutions that develop new commercial-based start-ups from higher education research results with a focus on agri-business. The services provided are in the form of work space, mentoring, management consulting, technology advocacy, access to marketing, access to capital, and access to general and specific information. ( <a href="https://unram.ac.id/">https://unram.ac.id/</a> )
Bank Kalsel	Funder	Providing working capital loans for MSMEs. ( <a href="http://www.bankkalsel.co.id/">http://www.bankkalsel.co.id/</a> )



Bengkel APPEK	Community	Non-Profit and association legal entity organization that facilitates and implements directly in the context of empowering vulnerable communities, women and children in villages at various levels. In collaboration with the Plan International Indonesia Foundation and Kopernik, conducting entrepreneurship training for youth in East Nusa Tenggara in the field of fisheries. <a href="https://bengkelappek.org/">(https://bengkelappek.org/ )</a>
Genpro	Community	A community of professional entrepreneurs who are active in providing capacity building training in the field of Muslim entrepreneurship in various regions in Indonesia. <a href="https://www.sahabatgenpro.com/tentang"> (https://www.sahabatgenpro.com/tentang)</a>
Ministry of Youth Affairs and Sports*	Government: funder, capacity builder	The Ministry of Youth and Sports established the Youth Entrepreneurship Capital Institute (LPKP) to support youth entrepreneurship development in gaining access to capital and conduct capacity building programs in the field of financial management. Under Deputy 2 for Youth Development; it has a duty to increase the capacity and entrepreneurial potential of youth. Some of the programs include the provision of financial assistance to Beginner Young Entrepreneurs (WMP) <a href="http://lpkp.kemempora.go.id/">(http://lpkp.kemempora.go.id/ )</a>
Ministry of Industry*	Government: Policy and regulatory maker, capacity builder and funder	Under the Directorate General of Small, Medium and Miscellaneous Industries, the Ministry of Industry has a vision of "Realizing small and medium industries with global power". This is realized by procuring programs such as exhibitions, upakarti awards, Indonesia Good Design Selection awards (IGDS), capacity building and funding programs such as one village one product (OVOP), Creative Business incubator, Indonesian Food Innovation, and Modest Fashion Project. <a href="http://ikm.kemenperin.go.id/">(http://ikm.kemenperin.go.id/ )</a>
Ministry of Cooperatives and SMEs*	Government: Policy and regulatory maker, business protector, capacity builder	The Ministry of Cooperatives and SMEs carry out national economic recovery in the era of the Covid-19 pandemic through MSME business players. It also established an Integrated Business Service Center for Micro, Small and Medium Enterprises, which is provided for the micro sector and provides capacity building for SME business actors. <a href="https://kemenkopukm.go.id/">(https://kemenkopukm.go.id/ )</a>



Ministry of Trade*	Government: Policy and regulatory maker and implementer, capacity builder	<p>In the Ministry of Trade's strategic plan 2020-2024, one of the missions is "Equitable and Just Development", namely by developing the productivity and competitiveness of MSMEs through export activities, use of digital technology, development and rehabilitation of people's markets through increasing the capacity of MSMEs through business coaching and training. This mission is carried out in harmony with the Ministry of Small and Medium Enterprises, Ministry of Industry, Ministry of Maritime Affairs and Fisheries, Ministry of State-Owned Enterprises, Ministry of Finance and Bank Indonesia.</p> <p>In the Ministry of Trade's strategic plan 2020-2024, one of the missions is "Equitable and Just Development", namely by developing the productivity and competitiveness of MSMEs through export activities, use of digital technology, development and rehabilitation of people's markets through increasing the capacity of MSMEs through business coaching and training. This mission is carried out in harmony with the Ministry of Small and Medium Enterprises, Ministry of Industry, Ministry of Maritime Affairs and Fisheries, Ministry of State-Owned Enterprises, Ministry of Finance and Bank Indonesia.</p> <p><a href="https://www.kemendag.go.id/">https://www.kemendag.go.id/</a></p>
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\*The government stakeholders were mapped on the National level. Based on regional interviews and FGDs, it might differ at the local governmental level as emerging issues in each province differ from one another.

**Table A 11 Roles of Regional-level Stakeholders in the Development of the Ecosystem for Youth Entrepreneurship in Eastern Indonesia**

Stakeholder	Category and Role in the Ecosystem	Form of Role
Kitong Indonesia	Capacity builder, developer of enabling environment	Social enterprise which focuses on educating, enabling, and empowering the marginalized community in Indonesia, focusing on women and youth, especially in the eastern part of Indonesia to have a better livelihood. They offer entrepreneurial incubation, training, mentoring, and access to market activities. They focus on females, and high school and vocational graduates, as the main beneficiaries. <a href="https://www.kitong.id/">(https://www.kitong.id/)</a>
Jaringan Komunitas Ternate	Community	A community that is particularly engaged in the creative field is located in Ternate, North Maluku, which provides a space for networking among youth and learning about youth capacity building, especially in the creative field. <a href="https://www.instagram.com/jaringan_komunitas_ternate/">(https://www.instagram.com/jaringan_komunitas_ternate/)</a>
Prestasi Junior Indonesia	Non-Government Organization	Help young people by fostering self-belief and a sense of purpose necessary to improve their circumstances. Through the delivery of cutting-edge experiential learning focusing on financial literacy, work readiness, and entrepreneurship, they create pathways for employability and job creation. Collaborate with Prudential Indonesia, they build Youth Entrepreneurship Education to provide entrepreneurship training and assistance specifically for the younger generation. <a href="https://www.prestasijunior.org/">(https://www.prestasijunior.org/)</a>
Gabungan Wirausaha Muda Papua (GARAP)	Capacity Builder, developer of enabling environment	Become a partner in the Green Economy Program that develops coffee, cocoa, nutmeg, coconut and seaweed commodities into a sustainable or environmentally friendly business. The British Government's cooperation program with Indonesia also supports the Provincial Governments of Papua and West Papua in developing local economic development based on green investment. Together with the Accounting Laboratory of the Faculty of Economics and Business, University of Cenderawasih and the Institute for Assessment and Capacity Development (LEKAT), supported by the Green Economy Group for Papua Province, held basic youth entrepreneurship training for 100 participants. <a href="https://www.instagram.com/g_a_r_a_p/">(https://www.instagram.com/g_a_r_a_p/)</a>



<p>Yayasan Inisiatif Dagang Hijau</p>	<p>Non-profit organization, capacity builder,</p>	<p>Is a non-profit institution that supports the green growth plan in Indonesia, in order to expand access to the Indonesian commodity market to the world through sustainable agricultural, trade and management practices. The IDH Foundation contributed to the development of green growth plans in Aceh, South Sumatra, Jambi, West Kalimantan, Papua and West Papua by implementing prototypes of landscape investment designs with sustainable commodities such as palm oil, coffee, cocoa, pulp and paper, rubber and aquaculture.</p> <p>YIDH focuses on green growth plans and collaborates with Balitbangda in West Papua to map young entrepreneurs (Indigenous Papuans) in West Papua to integrate databases and create policies that support commodity-based young entrepreneurs. YIDH is also involved in the creation of a Green Investment Blueprint for local commodities. Some commodities that can be supported and have local, national and international scale potential are coffee, cocoa, vanilla, and nutmeg. There is also a NTFP sector such as honey, gambier, agarwood, and masohi wood. IDH itself focuses on seaweed, coffee, cocoa, and nutmeg commodities.</p> <p><a href="https://www.linkedin.com/company/yayasan-inisiatif-dagang-hijau-idh?originalSubdomain=id">https://www.linkedin.com/company/yayasan-inisiatif-dagang-hijau-idh?originalSubdomain=id</a></p>
<p>Yayasan Econusa</p>	<p>Non-Government Organization</p>	<p>The EcoNusa Foundation bridges communication between stakeholders in eastern Indonesia (Tanah Papua and Maluku). The aim is to maximize best practices in terms of environmental protection and sustainable natural resource management based on the principle of justice through real activities with local communities. Initiatives carried out in the form of organizing School of Diplomacy, EastHub, Local Entrepreneurship, and Papua Conservation Fund activities.</p> <p><a href="https://econusa.id/en/">https://econusa.id/en/</a></p>
<p>International Labour Organization (ILO-EAST)</p>	<p>UN Agency: advocator, developer of enabling environment</p>	<p>The only tripartite U.N. agency, brings together governments, employers and workers to set labour standards, develop policies and devise programmes promoting decent work for all women and men. Conducted a study in the field of labor in eastern Indonesia, including in Maluku and Papua, providing training and capacity building for youth.</p> <p><a href="https://www.ilo.org/jakarta/lang--en/index.htm">https://www.ilo.org/jakarta/lang--en/index.htm</a> )</p>
<p>Ambon Music Office</p>	<p>Developer of enabling environment</p>	<p>Giving attention to changing Ambon from the side of the art of music, which was just a hobby, into a creative and potential force, in the form of providing workshops for actors in the music field.</p> <p><a href="https://www.amboncityofmusic.id/about">https://www.amboncityofmusic.id/about</a> )</p>



<p>Universitas Pattimura</p>	<p>Academic:          developer of enabling environment, funder</p>	<p>Has a business incubator supported by BUMN in its development and also has a Student Entrepreneurship Program and funds activities related to entrepreneurship through the Student Entrepreneurship Program funds.  <a href="https://terasmaluku.com/unpatti-bakal-dirikan-inkubator-bisnis-teknologi-pertama-di-indonesia-timur/">(https://terasmaluku.com/unpatti-bakal-dirikan-inkubator-bisnis-teknologi-pertama-di-indonesia-timur/)</a></p>
<p>IBT Universitas Musamus Merauke</p>	<p>Incubator, capacity builder</p>	<p>IBT Musamus has a vision to become a technology business incubator center and superior entrepreneurship development in Merauke Regency by 2023, IBT Musamus provides benefits for tenant business space, mentoring, training and consultation.          IBT Musamus provides 2 types of tenants, namely inwall and outwall. Inwall tenants focus on food products while outwall tenants are non-food tenants. IBT Musamus provides facilities in the form of entrepreneurial motivation (entrepreneurial mentality), entrepreneurship training, marketing management, distribution channels, and training on financial management. IBT Musamus also encourages the market for tenants, for example at graduation (for tenants with buckets of flowers and decorations) and other events that require consumption so that tenant sales can be utilized in the food sector.  <a href="https://portal.merauke.go.id/news/4295/open-recruitment-tenan-ibt-musamus.html">https://portal.merauke.go.id/news/4295/open-recruitment-tenan-ibt-musamus.html</a></p>
<p>Ministry of Youth Affairs and Sports*</p>	<p>Government: funder, capacity builder</p>	<p>The Ministry of Youth and Sports established the Youth Entrepreneurship Capital Institute (LPKP) to support youth entrepreneurship development in gaining access to capital and conduct capacity building programs in the field of financial management.          Under Deputy 2 for Youth Development; it has a duty to increase the capacity and entrepreneurial potential of youth. Some of the programs include the provision of financial assistance to Beginner Young Entrepreneurs (WMP)  <a href="http://lpkp.kemempora.go.id/">(http://lpkp.kemempora.go.id/)</a></p>
<p>Ministry of Industry*</p>	<p>Government: Policy and regulatory maker, capacity builder and funder</p>	<p>Under the Directorate General of Small, Medium and Miscellaneous Industries, the Ministry of Industry has a vision of "Realizing small and medium industries with global power". This is realized by procuring programs such as exhibitions, upakarti awards, Indonesia Good Design Selection awards (IGDS), capacity building and funding programs such as one village one product (OVOP), Creative Business incubator, Indonesian Food Innovation, and Modest Fashion Project.  <a href="http://ikm.kemenerin.go.id/">(http://ikm.kemenerin.go.id/)</a></p>



Ministry of Cooperatives and SMEs*	Government: Policy and regulatory maker, business protector, capacity builder	The Ministry of Cooperatives and SMEs carry out national economic recovery in the era of the Covid-19 pandemic through MSME business players. It also established an Integrated Business Service Center for Micro, Small and Medium Enterprises, which is provided for the micro sector and provides capacity building for SME business actors. provide capital through a grant and soft loan mechanism, in collaboration with PT Papua Muda Inspiratif to organize a capacity building program for young entrepreneurs in Papua. ( <a href="https://kemenkopukm.go.id/">https://kemenkopukm.go.id/</a> )
Ministry of Trade*	Government: Policy and regulatory maker and implementer, capacity builder	In the Ministry of Trade's strategic plan 2020-2024, one of the missions is "Equitable and Just Development", namely by developing the productivity and competitiveness of MSMEs through export activities, use of digital technology, development and rehabilitation of people's markets through increasing the capacity of MSMEs through business coaching and training. This mission is carried out in harmony with the Ministry of Small and Medium Enterprises, Ministry of Industry, Ministry of Maritime Affairs and Fisheries, Ministry of State-Owned Enterprises, Ministry of Finance and Bank Indonesia. ( <a href="https://www.kemendag.go.id/">https://www.kemendag.go.id/</a> )

\*The government stakeholders were mapped on the National level. Based on regional interviews and FGDs, it might differ at the local governmental level as emerging issues in each province differ from one another.



**Table A 12 List of Data Limitation and Gaps**

Data Limitations and Gaps	
Challenge	Description
Limited number of interviewees for the national study	<ul style="list-style-type: none"> <li>Obtaining responses from potential interviewees for the national report was a key challenge; 12 interviews (fewer than planned) were successfully conducted</li> </ul>
Shortage of publicly available datasets	<ul style="list-style-type: none"> <li>Youth insights on start-up and social enterprises were unavailable</li> <li>Survey data requiring extraction from multiple sources – via the multinational organisations and Indonesian ministries responsible for performing them – was a challenging journey given that multiple organizations does not youth entrepreneurship as data focus</li> <li>A dearth of quantifiable data existed on youth entrepreneurship culture in Indonesia.</li> <li>Disaggregated data on tax credits/relief and incentives for (youth-driven) MSMEs, provided by Indonesia's Ministry of Finance as part of its COVID-19 response, was also unavailable. Consequently, mapping the number of youth-led enterprises benefitting from the support was not possible.</li> </ul>
National data sources identifying youth involvement across global value chains is scarce	<ul style="list-style-type: none"> <li>As such an in-depth assessment of the concentration of youth-led enterprises within ISDBs' priority global value chains – which include agribusiness, textile, Islamic finance, information and communication technologies – could not be conducted.</li> <li>Data on entrepreneurship trajectories among the youth population to determine young people's involvement in family businesses and start-up entrepreneurs were also unavailable. As a result, the study was largely reliant on observations of youth entrepreneurship.</li> </ul>
Gaps in stakeholder mapping	<ul style="list-style-type: none"> <li>The youth entrepreneurship ecosystem comprises numerous stakeholders as can be referred to in appendix, but a tight time frame constrained efforts to identify all of them and several may be absent from the analysis such as detailed work from Ministry of Agriculture, Coordinating Ministry of Human Development and Culture, Existing national incubators and accelerators, and physical hub for entrepreneurship or communities.</li> </ul>
Small sample sizes of the provincial case study surveys	<ul style="list-style-type: none"> <li>The sample sizes of the West Sumatra, East Kalimantan and Maluku provincial case studies cannot be considered representative due to the limited number of respondents. Therefore, the results are only indicative.</li> </ul>

**Table A 13 List of Interview Questions for the Sub-National Survey**

Access to Finance and Incentives	Business Development Support and Infrastructure	Policy and Regulatory Framework	Human Capital Entrepreneurship Culture part 1	Human Capital Entrepreneurship Culture part 2
1. Availability of funding sources in your area/province	1. Is your work/business area easy to access basic infrastructure (desk, toilet, drinking water)?	1. How is the implementation of policies related to youth entrepreneurship in your area?	1. Quality of implementation of school/university scale entrepreneurship education and training	1. Entrepreneurship has become a career goal in your area?
2. Access to bank account creation	2. How is the internet connection speed in your area?	2. How is the quality of tax and bureaucratic services in your province?	2. Quality of entrepreneurship curriculum in educational institutions	2. If there are students or lecturers, is entrepreneurship a graduate profile at the university
3. Access to bank loans	3. Is it easy for you to find learning resources (library books, ebooks, etc.)?	3. How is the implementation of the provincial government program in the field of youth entrepreneurship?	3. The quality of entrepreneurship teaching staff in educational institutions	3. The environment in your area provides opportunities to voice opinions and make decisions for young entrepreneurs
4. Ease of getting investors	4. Is it easy for you to find and access a coworking space that will provide places, promotion opportunities, and entrepreneurial-related activities (cafes, hubs)?	4. The level of ease of the process of obtaining business legality?	4. The quality of the entrepreneurship unit in the student/student activity unit	4. Youth in your area have a risk-taking mindset
5. The level of understanding of the profit-sharing scheme between entrepreneurs and investors	5. Is it easy for you to find and join entrepreneurial communities (online, offline)?	5. In recruiting employees, can you comply with existing labor regulations?	5. Ease of finding quality talent/employees for business needs	5. Quality of implementation of community activities in the business sector



6. Entrepreneur's level of understanding of investment schemes	6. Is it easy for you to find and collaborate with supporting HR (influencers, volunteers, etc.)	6. If you terminate an employee, can you comply with existing labor regulations?	6. Ease of youth in finding work	6. Youth interest in the region in obtaining a career in start-ups (startup companies)
7. Do you know exactly which phase of business you are in?	7. Is it easy for you to get business research and development facilities from your local university?	7. How is the quality of entrepreneurship-related extension programs in your area?	7. The quality of the youth entrepreneur capacity development program implemented by the government	7. Community support for voluntary start-ups
8. Do you understand exactly what phase your business is in?	8. Is it easy for you to get access to professionals or mentors online or offline?	8. Is there a policy-related dialogue between the government and young entrepreneurs?	8. Quality of youth entrepreneurial capacity development programs implemented by educational institutions	8. Culture of cross-sectoral and generational collaboration in the field of entrepreneurship in your area
9. Understanding of the business funding mechanism in accordance with the above phase	9. Is it easy for you to get access to large-scale business development activities/young entrepreneurs?	9. What is the quality of the government in following up on the results of the dialogue activities?	9. Easy access to internship programs and volunteer programs for young entrepreneurs (implemented by NGOs, private sector, government, or incubators)	9. A culture of supporting young entrepreneurs (easy to get sponsors, participation, moral and material assistance) in your area
10. Access to investors	10. Are you having trouble accessing the market for your product?	10. The level of active participation of local government in promoting entrepreneurship	10. How the environment supports the development of women entrepreneurs	10. How is the quality of the campaign carried out by the government in cultivating the spirit of entrepreneurship in your area?
11. Are you able to ensure that the investment you offer can provide a return for investors?	11. What are your difficulties in marketing the product? choose a maximum of 5 options!	11. Supporting policies and regulations in reaching international markets (customs, import export, tax)	11. How does the environment support the development of entrepreneurs with disabilities?	



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12. Which party most often helps you in developing your network with investors?		12. Ease of making patents for business products	12. Easy access to special learning centers (example: coding, design, etc.)	
13. Where do your investors come from?			13. Availability of university-scale incubators	
14. Ease of getting sharia capital in your province			14. If so, what is the quality of the incubator provided by the university	
15. In your opinion, which of the women and men is easier to get business capital in your province?			15. Availability of awards for young entrepreneurs in your area	
16. Are there any business funding programs held by corporations (companies) in your province?				
17. If so, how is the business funding program implemented by the corporation (company) implemented?				

