

*JIPPS*

*Japan Institute for Public Policy Studies*

*Discussion Papers*

**Civil Society in Indonesia**

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**Discussion Paper 2016-4**

**January 2016**



## **0. Introduction**

There are approximately 247 million inhabitants living in Indonesia which has the territory of five times the area of Japan (Indonesian Governmental Statistics, 2012), most of which is inhabited by ethnic Malays (there are 300 ethnics such as Java, Sunda and etc.) and 88.1% of population are Muslims (Ministry of Religion Statistics, 2010). Therefore, in order to understand the nonprofit sectors in Indonesia, it is necessary to understand the people's mindset and behavior toward donation and volunteering based on Islam's doctrine and practice such as "Zakat."

Zakat is one of the five pillars of Islam, which can be translated as "Charity" or "Poor Rate" (the former is used to emphasize voluntary aspects of Zakat and the latter is used to emphasize the institutional and mandatory aspects). In Islam, Zakat is one of the orders from God to give away part of one's assets or properties to the other person, which is an obligation imposed on Muslims (Islam believers). At the end of the year, Zakat will be imposed on one's earning and livestock according to their earnings. Muslims believe the common spirit of Zakat is always tested by the Allah. Regardless of being poor or rich, it is important for Muslims to give charity (Zakat) in accordance with their earnings. This common spirit among Indonesians heavily affects the framework of nonprofit sectors in Indonesia.

It is known that the history of NPO/NGOs in Indonesia started since the colonization period by the Dutch. However, the key to interpreting the current situation is the period after the increasing momentum toward independent and coup d'état, which is after 1965. Baba (1998) classifies the nonprofit sectors in Indonesia into "civil society institution" and "civil society organization." The former means the civil movement or entity for the development of social society in post-colonial Indonesia. The latter means civil society organizations mainly composed of "foundation" and "association" which have been supporting civil society in Indonesia. We would like to focus on the latter and analyze them.

## **1. Current Nonprofit Sector in Indonesia**

### **1.1. History and Background**

It is known from several previous studies (Collothers 1998) that NGOs in Indonesia already existed since the colonial era by the Dutch, but many of those NGOs remained to take primitive forms so they didn't have any influence towards the community and colonial government. However, when they entered the 1920s,

the momentum of independence started to increase among Indonesian citizens and NGOs which played an important role in political issues started to appear. Although many of these NGOs transformed into various political organizations during the 1950s and 1960s, most of them disappeared with the coup d'état that happened in 1965.

In the 1960s, Indonesia changed dramatically as nation; many grass-root organizations appeared to contribute in community welfare activities. In the late 1960s, NGOs that concentrated more on “development” started to appear. Those NGOs focused on the wellbeing of people excluded from government policies. In other words, those grass-root NGOs had an important role that neither the government nor companies could exercise.

At the same time, those NGOs/NPOs played a prominent role by presenting the importance of the citizens' participation in development policy. In Indonesia where many diverse culture and ethnicities exist, access to central government becomes difficult. It can be said that those grass-root NGOs have obtained their raison d'être by filling in the position as a bridge between the government and the citizens.

At first, NGOs worked in a relatively small scale of philanthropy. However, some kept solid foundation and sought for the unique approach at the same time, and eventually achieved remarkable outcomes.

As a whole, there are many small scale NGOs that end their roles shortly, but NGOs that are centered on development are steadily increasing. The number of NGOs can reach to "thousands," but the exact number is still unknown since people (and NGOs as well) have dispersed in countless islands, as described earlier. Also, many NGOs are reluctant to register to the local government.

## **1.2. Legal System of NGO**

We previously mentioned that civil society in Indonesia can be divided into “civil society Institution” and “civil society organization” (Friska2012, Chirzin1987, and Baba 1998). The difference between these two is the objectives. Civil society institution encourages the development of democracy whereas civil society organization works to achieve the transparency and accountability of the society and law. The latter consists of foundations and associations.

Foundations (Yayasan) in Indonesia are regulated in law No.16 of 2001 on Foundations (amended in law No.28 of 2004). According to Indonesian law, foundations refer to non-profit and non-membership organizations that support religious activities and humanitarian assistance. It is not exaggerating to say that

almost all foundations in Indonesia are operating under “waqaf”, which is a subsidy system and management under Islamic law. It is necessary to have a purpose and an agreement to establish a new foundation. It is also necessary to be published in the official gazette by registration. The main purpose of a foundation usually is to achieve public interests such as in the field of religion, education, and human rights, but since the national law does not contain specific constraints on activities, there are some people who established “NGO” to cover money laundering and earn big money.

On the other hand, associations (*perkumpulan*) serve for the members and public interests. Rather than collecting money, they gather people as members to establish an association. In other words, associations are established based on a membership system.

Even after the amendment of Law No.16 of 2001, there was a debate on whether to find legal grounds to foundation or association (ICNL 2014). For example, associations are unlike foundations in that they are established upon the fund. Associations are based on membership and they are legally permitted to make profit; therefore, they are liable to obtain financial stability.

In addition, in law No. 17 of 2013 on Societal Organizations, NGOs are roughly divided into two types as NGOs that have legal personality (foundation and association) and NGOs that do not have a legal personality (foundation and association).

According to the official website of Indonesian government (Ministry of Foreign Affair), NGOs in Indonesia have a few certain characteristics. First, they are small scale (about 90% of organization consist only two permanent employee). Second, they possess financial difficulties (according to 1994 data, around 40% of organization is operating with 2 million rupiah, or around 1 million yen, of annual budget). Third, they have a wide range of activities such as agricultural development, rural society development, health, nutrition, skill training, family planning, community training, preservation of traditional culture and arts, indigenous protection, empowerment of women, labor problems, the urban poor support, environment, human rights, and so on. Finally, they have achieved remarkable growth in recent years (about 90% of the organizations were established in 1980).

**Table 1. Foundation and Association in Indonesia**

<b>NGO Form</b>	<b>Foundation (Yayasan)</b>	<b>Association (Perkumpulan)</b>
<b>Registration agency</b>	Ministry of Law and Human Rights	Ministry of Law and Human Rights
<b>Characteristic</b>	Non-profit purpose	Profit and non-profit purpose
<b>Numbers</b>	48.886 organizations registered in the Ministry of the law and human rights. However, these figures do not reflect their corporate form.	
<b>Relationship with Foreign NGO</b>	Free	Need to be a country that Indonesia has diplomatic relation with
<b>Economic Activities</b>	Not allowed	Need to meet conditions

Source: <http://www.icnl.org/research/monitor/indonesia.html>

### **1.3. The Relationship between NGO and Government**

Philip Eldridge's research (1989) will help us understand more about the characteristics of Indonesian NGOs. Eldridge specified their relationship into three categories.

#### **Type 1: High cooperation type**

This type of NGO is more active in participating in government development projects than in public activities. To be specific, they can establish a new organization just to associate with an existing community and NGO program. It has high interest in affecting policies but it has less interest in giving political impact.

#### **Type 2: High governmental relation type**

This type of NGO is seeking opportunities to protect community activities and public activities by actively expressing their opinion and doing specific activities that

represent their opinion. There are some organizations undertaking governmental research projects included in this NGO, but in general, they do not like to cooperate in the government's development programs.

**Type 3: Grass-roots level empowerment type**

Finally, this type of NGO puts an emphasis on community activities. They have no interest in influencing policies, but they believe independent and realistic activities will change society. This type of NGO will avoid being incorporated with large scale and rigid organizations.

**Table 2. Various NGO Types in Indonesia**

<b>NGO type</b>			
<b>Relation with government</b>	<b>High</b>	<b>Between</b>	<b>Low</b>
<b>Cooperation with governmental project</b>	Exist	Limited	None
<b>Development or community activity</b>	Development	Community activity	Community activity
<b>Transparency toward national organization</b>	Between	High	Low
<b>Relationship with small scale NGO</b>	Kind of Independent	Mutual cooperative	Independent
<b>Relationship with national project</b>	Coordinative	Depends on the project	Unrelated

Source: Dr. Philip Eldridge, “NGOs in Indonesia: Popular Movement or Arm of Government?” working paper No.55, The Center of Southeast Asian Studies, Nonash Univeraity, 1989

#### **1.4. Current State of NGO**

There is still no law in Indonesia that can explain the position of NGOs in the society. Nevertheless, the number of NGOs tends to increase relatively consistently. There are many NGOs located in Jakarta, the capital of Indonesia, because of the large amount of financial resources available. The most popular mission is environmental protection, followed by women workers' rights, consumer priority principle, and also family planning; however, they do not have enough expertise and advanced information that can be reflected on their business.

In general, Indonesian NGOs have high interest in developing a “relationship that will support them financially”, “relationship that will share technology”, “relation that will strengthen their advocacy”, and “relationship that will strengthen their organization” (Collothers 1998).

#### **1.5. Donation**

It is not exaggerating to say that donation is one Indonesian tradition among other diverse Indonesian traditions. It is related with the fact that 80 percent of the population, who are Muslims, are obligated to pay annual Zakat. Of course, it is not only Muslims that have inherited a culture of donation; even Christians have their own unique way of donation. Hindus and Buddhists also have a similar tradition.

However, Indonesia's donations reached a 100,000 rupiah annual average at (\$ 11 US dollars) (CIVICUS2006), which is 1.1% (2002 year) of the GDP. This is evident of how donation culture is rooted in Indonesian society.

#### **1.6. Volunteer and Community Activities**

Along with donation culture, there is also wide range of volunteer activities in Indonesia which attribute their motivation to religion. Even in everyday life, the spread of volunteering as community activities can be easily confirmed in Indonesia.

For example, “Slametan” is a communal feast held by a family when they have something to celebrate about; “Arisan” is a form of rotating savings where people can donate to poor people; and “Gotong Royong” is an act to help each other in completing a work in village, which is similar with “Moyai” in Japan. To be specific, when a village decides to repair a road or build a mosque, they will perform Gotong Royong. “Labor is accomplished through reciprocal exchange and the villagers are motivated by a general ethos of selfishness and concern for the common good” (Mardiasmo and Barnes 2013). From this quote, we can tell that it is obvious that



Gotong Royong plays an important role in making Indonesian society.

### **1.7. Philanthropy under Islamic Law**

The majority of the Indonesian population are Muslims; therefore, Zakat Institution was established to improve the welfare system in Indonesia. Zakat Institution was made not only for the Muslim community but also for the Indonesian citizens. Among 2.2 million people, 87% are Muslims and 40% of those Muslims are obliged to pay Zakat. The objective of Zakat is to alleviate poverty, which is believed to spread happiness in the society

In Islam, there are 6 major forms of almsgiving: Zakat, Infaq, Hibah, Shadaqah, Waqf, and Qurban (Lessy 2009).

#### **Zakat**

In Japan, Zakat is commonly known as “Charity”, which is imposed on Muslims. The fixed ratio is imposed on earnings and Muslims pay Zakat throughout the year. The original meaning of “Zakat” is "purification" and "increase". Now it means to purify the religious sin by donating some fortune and increase the reward in the afterlife. It is believed that Zakat is Allah's rights in the human property, under the premise that God who created the world permitted humans to own property.

The objects of Zakat are agricultural products, gold and silver, commodities, and livestock. Zakat’s rate is 10% for the harvest of agricultural products, and 2.5% for the gold, silver, and commodities. For livestock, there is a difference depending on the type of livestock. For example, if you own 30 cows, you have to give away 1 cow, and if you own 40 sheep, you have to give away 1 sheep (Otsuka 2002).

According to Hassan (2006), there are two types of Zakat, which are Zakat Fitrah and Zakat Maal. Muslims are obligated to donate Zakat Fitrah once a year during Ramadan (fasting month). Traditionally, Indonesian Muslims are obliged to give Zakat Fitrah to poor people in the form of food or in other forms. In general, it is prohibited to pay in cash, but the “Hanafi sect allows Muslims to pay Zakat Fitrah in cash” (Noval, 1982). In this way, the recipient can buy necessary medicine or food that they really need. On the other hand, Zakat Maal is also paid once a year, but the pay date is not fixed (Djuanda, 2006).

Indonesia is not an Islamic state; therefore, it is not possible to collect Zakat by state power. However, 12 trillion rupiah is collected every year in Indonesia. Indonesia has a charity collection organization called "Amir Zakat" (it literally

means "Zakat Tax Collection Agent"). Anir Zakat is a large-scale organization which collects more than 10 billion Rupiah (about 100 million yen) (Kurasawa 2006).

### **Infaq**

Infaq means "expenditure for dependents". In Islamic law, it is mandatory for the head of the household to give Infaq to his dependents. The order of the subjects of Infaq is first the head of household himself, then his wife, and then the relatives. In a wider sense, besides giving Infaq to his own family, they are also allowed to donate to poor people, orphans, and people who are in difficult situations such as victims of natural disasters.

Infaq can be paid in cash (Otsuka 2002). It is obligatory to give Infaq to the wife, parents, and children in all circumstances, but when other family members fall into situations where they cannot work or financially support themselves anymore, obligation to pay Infaq for them will occur. When the husband has no financial power or does not own property, he can use his wife's assets to pay infaq but it will be considered as a loan to his wife (Otsuka 2002).

There is no law that regulates tax exemption in Infaq, which is different from Zakat (Lessy 2009).

### **Hibah**

Hibah can be considered as a gift and one of the gratuitous acts. Hibah does not include a religious purpose which is clearly different from Shadakah. According to Otsuka (2002), there is a condition that must be met before giving Hibah — "Donor must conduct Hibah within his own capacity."

Hibah can be conducted when the donor and recipient agree. It is still debatable on who has the obligation to deliver the object and when to transfer the ownership of property. If the donor declared bankruptcy or was suffering from a fatal illness in bed at the time of donation, the donation is subject to prohibition or certain restrictions.

In Indonesia, Infaq is commonly known as "an act of giving without expecting anything in return." It has also been referred to as a "gift."

### **Shadakah**

Shadakah literally means "voluntary charity," but it does not only indicate goods charity but also used in a broad sense as general charity (There is no clear

difference between Zakat and Shadakah).

First, his family receives Shadakah; second, other dependents of family; then relatives, the poor, orphans, debtors, travelers, and at last general people who are in need of assistance. In addition, people are permitted to give Shadakah to criminals and pagans. Besides giving money, it is acceptable to give away goods and any other things, such as your effort and time to help, kind words, sympathy, and presence in a funeral of an acquaintance. All those are considered as Shadakah.

For example, in Indonesia, Shadakah includes the gratuitous act of teaching children who cannot go to school or any act which supports children to become independent (Lessy 2009).

### **Waqf**

Waqf is a unique property donation system in Islam. Waqf refers to as an act of giving away part of the property to other people when a donor wants to devote some of his property profit for a specific charitable purpose (such as to operate a Mosque). In a narrow sense, Waqf means financial resources or the administration organization (Otsuka 2002).

The main social role of Waqf is to develop public and religious facilities such as mosques, madrasas (educational institution in Islam society), hospitals, almshouses, and plumbing systems. It is conventional for Indonesian Muslims to create mosques and schools by contributing lands as Waqf.

### **Qurban**

Qurban, meaning “sacrifice,” is an act of distributing the meat of sacrifice such as the meat of goat or cow to the poor. The original meaning of Qurban in Arabic is an action that needs to be done to make people closer to God. Usually Qurban is conducted on the month of Hajj (pilgrimage) (Otsuka 2002).

## **2. Non-Traditional Movement**

### **2-1. History and Overview**

It is often said that Indonesian society is full of diverseness and openness. Although it's considered as the world's largest Muslim nation of which nearly 90% of the total population believe in Islam, Islam is not defined as the state official religion. Instead, "five basic principles" (Pancasila) is stipulated, which is based on "faith in the only God". In accordance with the principle, states allow each religious believer to pray for their own god regardless of their religion such as Muslims, Buddhists, Hindus, or Christians. Such openness to diversity is rarely seen in the world.

At the same time, Indonesia can be seen as the society mixed with conservation and revolution. For example, while some people cherish the traditional lifestyle rooted in Islam, the high ratio of female in the key cabinet members and business leaders indicates the rapid progress of women's social advancement. It seems like Indonesia is ahead of Japan.

It seems like the concomitance of diverseness and openness, and the concomitance of conservation and revolution make up the framework of the nonprofit sector in Indonesia. In fact, there are common characteristics among NGOs and foundation workers who welcomed the survey team from Japan. While being devout Muslims, they seem to have a western style of communication and management skills. While they maintain their conservative attitudes, they also have initiative spirits. We had a strong impression that they had a high ratio of young people and women in the key positions of the organizations compared to that of Japan.

### **2-2. Social Contribution Activities by For-profit Sector**

It is not a new story to hear about the increasing awareness of CSR (Corporate Social Responsibility) in Indonesia. According to Herni Frilla Hastuti, there was already a primitive introduction case of CSR in Indonesia in 2001. Since then, its concept and practice spread widely. "The Republic of Indonesia Law No. 40 in 2007" regulates CSR to LLC (Limited Liability Company). The Article 74 orders companies, especially mining companies, to enforce CSR activities as part of the corporate responsibility to the society (Herni Frilla Hastuti: <http://www.env.go.jp/earth/coop/eco-csrjapan/indonesia.html>).

However, it is believed that it takes a certain amount of time to spread throughout the society. Disparity between major companies and SMEs still exists in the awareness and practice of CSR. While CSR is considered as an important issue in major

companies and foreign companies, such consciousness is very rare in SMEs (This situation is not that different from that of Japan).

### **2-3. Social Enterprises**

The concept of a social company and a social entrepreneur in Indonesia is new and still in its nascent stage. However, there are small scale but solid success cases and educational systems which inspire young people with both altruism and entrepreneurship.

For example, "Dreamdelion" is a nominal "private school" and a social entrepreneur training program. The organization has an aptitude for social enterprise as well as pioneer and innovative spirits. Alia Noor Anoviar, the founder of Dreamdelion, is a female student who goes to Indonesia University. She came from a poor village, but she got an opportunity to receive higher education. She established Dreamdelion while she was still a student to carry on her experience to the next generation. Now, professors and other adults support Dreamdelion from the sides because they sympathize with her passion.

On the other hand, there are universities and graduate schools with a social entrepreneur training system such as the "Trisakti University Social Entrepreneurship Course (MSc)." This training course, a program that is mainly managed by Prof. Maria Radyati of Trisakti University, does not only actively accept adult graduate students but also raises external funds to cover 100% of the tuition for these students.

### **2-4. Social Investment and Financial Capital**

Indonesia, a populous country where many still suffer from poverty, is seen as an attractive market for domestic and foreign social investors; especially those impact investors who want to make impact investments abroad. Some investment companies have already invested, and some companies such as LGTVP (LGT Venture Philanthropy), Unitus Impact, Aavishkar, and Pioneer and Grassroots Business Capital have declared to participate. These investment companies try to realize their social investment by penetrating into Indonesia or joining an alliance with a local counterparty (Lien Centre 2014a).

### **2-5. Policy Framework**

To summarize the legal system of the nonprofit sector in Indonesia, the framework of foundation and incorporated association was basically formed by No. 16 law in 2001, and its revised law, No. 28 law in 2004. No. 17 law in 2013 divided this

foundation and incorporated association into two categories: one with legal personality and the other without legal personality. Although the corporate legal principle is mandated (which means corporation cannot be established unless it is incorporated), voluntary organizations and associations organized by citizens are widely recognized as the ones that actually support Indonesian society. In addition, the state regulation No. 40 of 2007 placed a regulation on LLC (Limited Liability Company) about corporate social responsibility (CSR). After that, national law regulated all companies to implement CSR activities in some way.

However, the above-mentioned framework of the legal system is just one aspect of Indonesia. It can be said that Indonesian law is built upon the triple code such as state law, religious law, and customary law. When the Suharto regime was defeated in 1998, the law, which had been absorbed into the national law, gradually returned to the original law such as religious law and customary law. This is the so-called reflux phenomenon (Shimada Gen Associate Professor, Nagoya University). There is no doubt that the Indonesia Republic Act is the backbone of "national law," however, there are other laws such as "religion of law" that Muslims, who account for 90% of the population, rely on. We should not forget that not all but many Indonesians prioritize altruistic behavior under the zakat doctrine during work and in everyday life.

## **2-6. Challenges Remained**

Overall, philanthropy in Indonesia has grown in terms of the volume and size of charitable contributions. Individual donations in Indonesia have kept pace with the country's robust economic growth, and National law No. 40 year 2007 mandating Limited Liability Companies to contribute 2 percent of their profits to Corporate Social Responsibility programs has made the private sector become more socially engaged (Lien Centre 2014b).

The growth in the level of corporate social engagement appears to have limited impact in growing domestic philanthropy so far, since it has not translated into a sustainable source of revenue for Indonesia's nonprofit sector. This is partly because most corporate charitable support tends to be sporadic and inconsistent. In addition, according to nonprofit professionals in the field, corporations and their foundations tend to utilize their philanthropic resources for self-directed programs instead of making grants to third-party NPOs (Lien Centre 2014b).

## **2-7. Future Perspective and Potential**

Indonesia, the country that conquered political and economic crisis in 1997, has

achieved remarkable economic development and is expected to make continuous significant economic developments in the future. Social contribution by nonprofit sectors in Indonesia is expected to be invigorated and actualized in the future with the support from constantly growing companies and the nourished nation.

### **3. Current Status of Grant-Making Foundation**

#### **3-1. Overview of Foundation**

Although most of the foundations in Indonesia are still in the development stage, some foundations are comparable to or exceed Japanese foundations in scale and modern management techniques. Most of them own elegant headquarters in the heart of Jakarta and assign MBA or MPA holders to the core position of the business.

These large foundations can maintain a financial base because they receive individual donations such as Zakat, which is rooted in the teachings of Islam; and they are expected to play certain roles as recipients. On the other hand, the existence of foundations do not rely on Zakat. For example, "Tanoto Foundation" is a corporate foundation which was established by Tanoto family who achieved success in the paper industry. Their foundation's operation is highly-corporatized. For example, "the bonus to employees accordance with the achievement has become a great incentive for the staffs" (staff stories). This staff story gives an impression of a flexible organization in which "nonprofit" does not necessarily need to be non-distribution.

In addition, the inflow of funds from abroad provided the greatest share of foundation in its finance. Moreover, some intermediary foundations were just like the successful Western models as if they were brought directly to Indonesia. For example, "Mitra Mandy Li (Mitra Mandiri)," the Indonesia version of United Way, is a spin-off of the United Way. Mitra Mandiri receives donations from US-based companies and use them to support activities in Indonesia. They also adopt a western style of modern know-how into their management.

#### **3-2. Dompot Dhuafa: a Case of Foundations**

"Dompot Dhuafa", one of the important organizations we visited this time, is a foundation that is often referred to as the "the first successful Islamic NGO in Indonesia".

Dompot Dhuafa means "poor people's wallet." As the name suggests, Dompot Dhuafa is a foundation with the mission to support the poor.

Dompot Dhuafa, was established in 1993 by Muslim researchers and

Republika newspaper, which was a member of the paper agency, ICMI (Ikatan Cendekiawan Muslim Indonesia) (Kusujiarti 2012). The passion of Republika's journalists to find the effective resolution to fight against poverty in Indonesia triggered the establishment of this foundation. At first, the foundation was a closed organization which only included journalists and excluded the general public. However, it was later opened to the general public in accordance with zakat law, and then it became the form of the current British type, "zakat collection Foundation."

For such historical background, the foundation initially collected the fund from journalists of Republika. For example, illegal money, which Republika's journalists received from interviewees regarding the article, turned into the part of funds (It is not difficult to imagine that journalists could not be immune from illegal money because there was no freedom of speech and custom of bribery remained strongly in Indonesia). At that time, ICMI and Republika newspaper were in a close relationship with the government; the journalists took bribes from government officials in return for the favors. In order to "alleviate the guilt," it was custom for the reporters to donate to Dompot Dhuafa. Later, this custom was disclosed to the public, and the public noticed the conflicted feeling of the journalists.

Dompot Dhuafa adopted the "payroll deduction system" when they received donations from Republika's journalists. Specifically, Dompot Dhuafa received 2.5% of the salary, which was withheld from the journalists' salaries as a donation from Republika. This "2.5%" is also deducted accordingly to Zakat law.

As Dompot Dhuafa gradually obtained recognition, they concentrated on spreading the foundation's goal and mission via various media. As a result, Dompot Dhuafa came to many people's attention, and many people, not only Muslims, began to donate to Dompot Dhuafa with trust and affinity. This PR strategy later became the first successful nonprofit foundation strategy model.

In the 2000s, the social environment started to change, and it became difficult for Dompot Dhuafa to monopolize the donation market. As a result, in order to increase the range of activities and funding, they decided to keep a distance from Republika. They aimed to become independent from Republika newspaper and become the Independent Islamic Social Welfare Foundation.

### **3-3. Characteristics of Major Foundation**

#### **Islamic foundations**

Zakat is the most important financial support for Islamic philanthropy, as all



Muslims are obligated to pay it (Lien Centre 2014b).

In Indonesia, there are two types of zakat management institutions: the state-supported zakat collecting board (BAZNAS, known as BAZ) and the privately run institution of National Zakat Collections (LAZ). The amount of zakat collected in Indonesia reportedly reached IDR 1.73 trillion (USD 165 million) in 2011, a 15 percent increase from the previous year (Lien Centre 2014b).

Below, we are going to explain “the biggest six zakat foundation” in Indonesia in terms of capital scale.

**Table 3. Six Largest Zakat Foundations in 2008**

Foundations	Total Zakat, Sadaqa, and Waqaf Collection	Zakat Collection as a Percentage of the Total Collection
	(Rupiah in billions)	(Rupiah in billions)
Dompot Dhuafa	75	70
Rumah Zakat	71	50
Pos Keadilan Peduli Umat	35	70
Yayasan Dana Sosial	35	30
Dompot Peduli Ummat	20	-
Baz (State)	16	-

(Source) Lessy (2009)

### **Family Foundations**

As in many other parts of Asia, the line between corporate foundations and family foundations is blurred in Indonesia, where many of the country’s largest corporations are owned by families and many corporate foundations are run by members of the family (Lien Centre 2014b).

There are some well-known family foundations that have been established by Indonesian conglomerates in the past decade, including the Eka Tjipta Foundation (EFT), Arsari Djojohadikusumo, and the Tanoto Foundation (Lien Centre 2014b).

### **Community Foundations**

Other forms of organized community philanthropy, besides Islamic Philanthropy, are limited in Indonesia. The Social Trust Fund, launched in 2012, hopes to develop a local model for social justice philanthropy in Indonesia focused on addressing the root causes of poverty and social inequalities.

### **3-4. Activities and Practices**

#### **Islam-based Foundation (Foundation with zakat as their main source of revenue)**

The presence of Islam-based foundations in Indonesia is very familiar and close to society itself. For example, as it is common in Japan to stop by the post office on the way to run errands, it is also common for Indonesians to stop by Islamic foundations just to do some donation (in fact, there is reception desk on the first floor in most of the Islamic foundation just to interact with customers).

Zakat Collection Agencies (LAZ) as Islam-based Foundations, have played a pioneering role in taking resources that were collected as zakat from people to be used for a public purpose. These kinds of foundations also sometimes associate with third parties in order to exercise public development plans.

#### **Family Foundations**

In Indonesia, family foundations also tend to focus on conservation and the arts. Data on the financial operations of family foundations are not publicly available. As a result, it is not possible to determine the size of their contributions to NPOs in Indonesia (Lien Centre 2014b).

### **Community Foundations**

The Social Trust Fund's goals include 1) mobilizing and managing social funds transparently and accountably, 2) providing more opportunities for the poor and disadvantaged populations, and 3) linking with philanthropic, nonprofit and stakeholder networks to facilitate peer-learning and dissemination of best practices (Lien Centre 2014b).

### **3-5. Breakdown of Funds Scale, and Funding Sources**

It is difficult to find primary documents that can show the foundation of scale and the financial resources breakdown of Indonesia. We have exceptionally found the following data in 2000 (Ibrahim 2002).

The study looked at domestic operating foundations and found that 65 percent of the revenue of these foundations came from international sources while 35 percent came from domestic sources. Domestic sources consisted of earned income and fees (33 percent), interest on endowment funds (17 percent), corporations (17 percent), individual giving (14 percent), others (11 percent), national and local government (5 percent), and NGOs (3 percent).

Because the data is outdated, we couldn't know the exact percentage of recent years, but the dependency trend of funding foreign financial resources has not significantly changed. Also, if we limit only to national funding resources, there are many organizations that are also highly dependent on the profit from economic activities (such as investment income).

**Table 4. Funding Sources of Indonesian Foundations (2000)**

International sources	65%
Domestic sources	35%
<hr/>	
Out of domestic	
Income and fees	35%
Interest on endowment funds	17%
Corporations	17%
Grants from national & local government	5%
Individual giving	14%
NGOs	3%
Others	11%
<hr/>	

(Source) Ibrahim (2002)

### **3-6. The Role of Grant-Making Foundation in National Nonprofit Sector**

As we have reiterated, people in Indonesia, a country with a Muslim majority, donate to foundations just because they are faithful to Zakat, not because they have a personal purpose or goal. In other words, most donors do not have a clear image about how the donation should be used. Therefore, the foundation not only collects donations but also decides how to use the funds.

### **3-7. Network, Overview of the Intermediary Organization**

The history of foundations in Indonesia is relatively new and the number of associations, which establish the network between foundations or between a foundation and NPO (recipient of the grant), is nearly zero. The only exception is the presence of PFI (Perhimpunan Filantropi Indonesia) as the "Association of foundation."

### **3-8. Current Challenge**

A 2000 survey conducted of 25 grant making organizations in Indonesia found that 65 percent of their funding came from foreign sources. From interviews across the board, it is clear that, since then, foreign grand funding for development has been shrinking at a rapid pace, particularly after the global economic crisis in 2008 (Lien Centre 2014a). This means that Indonesian foundations can no longer rely on foreign funding and they have to develop the internal financial environment as soon as possible.

### **3-9. Future Perspective and Potential**

For Indonesian foundations to strengthen and increase domestic financial resources, it is essential to improve the philanthropy environment. First, in order to encourage corporate giving and individual donations in Indonesia, it is important to advocate furthermore improvement on charity taxation.

At the same time, it is important for foundations to spend time and effort on donor education in order for the companies and individuals to become interested in public interests such as poverty eradication, equal educational opportunity, environmental protection, and etc. In addition, foundations need to pursue information disclosure and achieve accountability to the entire civil society and win the trust of citizens as a public institution of civil society.

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