

PHILANTHROPY IN INDONESIA

A working paper

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Philanthropy for Social Justice and Peace

in association with *Alliance*, Filantropi Indonesia,
Indonesia for Humanity and WINGS

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Cover photo

The picture depicts a project in an indigenous community in the island of Flores, East Nusa Tenggara. The aim of the project is to open dialogue on an incident of past violence that led to a traditional ritual for reconciliation. It is a collaboration of Indonesia for Humanity with a network advocating for truth and justice for past human rights violations.

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INTRODUCTION

Indonesia is the fourth most populated country in the world and the largest nation of Muslims. Its philanthropy is closely linked with the social, cultural and political journey of the country, says Suzanty Sitorus of Filantropi Indonesia, the national philanthropy association. For centuries the 729 ethnic and sub-ethnic groups that inhabit Indonesia's archipelago of over 17,504 islands have practised giving in various ways. Giving has always been driven primarily by religion – Islam, Christianity, Hinduism, Buddhism and Confucianism – and traditional faith. Islamic philanthropy is based on the concept of *zakat* (Islamic alms giving), with most giving/support going to religious causes (eg places of worship) or social welfare (eg orphanages, widows, the elderly and health). The same is true of Indonesia's other religions.

THE NEW ORDER

Philanthropy in Indonesia today is probably best understood in terms of its recent history. What's particular to Indonesia, says human rights activist Kamala Chandrakirana, is 32 years of Suharto's authoritarian regime, the New Order, which lasted from 1966 to 1998. In this period, everything was highly controlled, with only three political parties allowed and very limited democratic space. During that period, it was almost impossible for philanthropy for social justice, democracy and human rights to grow from within Indonesia as it would have been politically risky for the donors. In this report we use the term 'social justice philanthropy' to mean philanthropy focused on human rights and the root causes of social, racial, economic and environmental injustices.

In the late 1980s and early 1990s, when the country enjoyed economic growth, says Sitorus, a more modern philanthropy with professional management began to flourish. During this period, Indonesia saw the formation of non-profit and civil society organizations, family foundations, and formal *zakat* management agencies to manage Islamic alms, including several non-government ones, marking an era of modernization in this sector. In 1997, 11 organizations created the Zakat Forum. 'Alms management by modern organizations helps to create the resources to support initiatives which address the underlying causes of poverty and other social issues which typically take longer and require more programmatic efforts.' Public spending on education and health was lower than in other countries in South East Asia. While Suharto's rule allowed little room for freedom of political expression, foundations were able to work on social issues, though not on social justice, democracy and human rights.

The New Order also saw the emergence of media-based philanthropy, prompted by natural disasters. This grew in the later *Reformasi* period and was to become very prominent after the Asian Tsunami of December 2004, when there was an outpouring of individual giving to support affected communities through media organizations in response to media coverage of the disaster. Indonesia is within the ‘ring of fire’ – affected by tsunamis, volcanic eruptions and earthquakes – and Indonesians are always very responsive to natural disasters, so this is an important part of the story of giving in Indonesia, says Chandrakirana. ‘Response to disaster will be a key space in which individual giving will grow.’

THE REFORMASI PERIOD: NEW FORMS OF PHILANTHROPY

In 1998, following the Asian Crisis of 1997, which helped to bring down the New Order regime, the *Reformasi* period began, bringing in a wave of massive changes affecting different walks of life including philanthropy. Mass riots followed. ‘It was Indonesia’s Arab Spring,’ says Chandrakirana. ‘That was the sort of energy that existed in 1998 when the reform of the system – *Reformasi* – began: a moment of euphoria with massive efforts to change our governing system, amend the constitution, establish new mechanisms for human rights, women’s rights, anti-corruption – no more barriers and CSOs bloomed everywhere; a moment with abundance of energy and effort.’

At the beginning of the *Reformasi* period, huge amounts of international aid went into Indonesia; the international community wanted to see the democratization process succeeding. But as Indonesia’s economy improved, with crises elsewhere in the world, this aid funding began to reduce. Over time, CSOs working on social justice, peace and human rights panicked about how they would survive without international donor money. A few experimented with building their capacity to fundraise from the public.

However, international funding still flows to Indonesia because of the country’s strategic importance to addressing global challenges such as climate change. Funding to address climate change from bilateral, multilateral and philanthropic sources started to increase significantly from 2008 (the Bali Road Map resulted from COP13 in December 2007). In particular, funding for renewable energy has grown significantly in recent years as Indonesia is one of the few countries that has seen an increase in coal use for power generation while renewable energy uptake is stagnant.

A more open and democratic society provides a fertile ground for the growth of philanthropy. A network of state organizations called Baznas, initiated by government, aims to manage the collection of *zakat* – as has always happened in Turkey and some other countries. At the same time a growing number of

non-state *zakat* agencies have appeared. Media organizations are broadening their fundraising efforts and establishing foundations to manage the funds collected. Corporate foundations and family foundations are increasingly being established as the philanthropic arm of family business groups. The Law on Foundations, promulgated in 2001, allowed foundations to operate within a robust legal framework. The *Reformasi* period has also seen the adoption of a law on corporate social responsibility (CSR). As the economy has strengthened – Indonesia is now classed by the United Nations as a lower-middle-income economy – public listed companies are obliged to set aside a proportion of profits for CSR. More and more organizations are moving from informal and unstructured philanthropy to more modern management systems. Collaborations and partnerships are being formed in response to increasingly complex challenges. However, ‘these foundations of the wealthy – corporate and family – mostly support “safe” issues, never social justice or human rights,’ says Chandrakirana.

When global efforts began to engage philanthropy with the Sustainable Development Goals (SDGs), Indonesia was one of the first four focus countries of the SDG Philanthropy Platform,¹ and the SDGs are now the centre of gravity for corporate and family philanthropy in Indonesia. Filantropi Indonesia is the Platform’s main partner in Indonesia, and the SDGs are currently its central focus. ‘The SDGs offer a multifaceted framework with a “no one left behind” principle,’ says Sitorus. ‘This is helpful in our task of promoting philanthropy to all kinds of philanthropy groups working on different causes. It is also a way to ensure philanthropy stays relevant in a world in which impact investing is increasingly deemed the “solution”.’ Those who see impact investing as the only solution typically see philanthropy as outdated, dependence-creating institutions, she adds.

Chandrakirana feels Filantropi Indonesia’s framing of the national discourse on philanthropy mainly in terms of the SDGs is too narrow, as it precludes much-needed space to understand indigenous philanthropy on its own terms. ‘I see the SDGs as a bit of a bandwagon,’ she says, ‘garnering a lot of political support and interest nationally and internationally, including from corporate and high-value philanthropy organizations.’ Meanwhile, she says, social justice and rights-based groups that used to be supported by international donors now need to find a way to engage with the Indonesian public and secure its meaningful support. In the context of a shrinking space for civil society and the rise of fundamentalism, the question is whether or not Indonesia’s improving economy and growing middle class actually increase giving for more

¹ The platform was initially led by Rockefeller Philanthropy Advisors (RPA) and supported by the Conrad N Hilton Foundation, Ford Foundation, Brach Family Charitable Foundation and the UN Foundation. RPA recently transferred its responsibility to WINGS.

progressive causes, such as social justice and human rights. In Sitorus's view, this increase in progressive giving will come from the younger generation. With digital technology starting to dominate economic and social life, the so-called millennial generation have emerged in the philanthropy field. They are introducing innovative ways of doing philanthropy, combining passion, concern about environmental and social issues, and social entrepreneurship.

TWENTY YEARS ON SINCE THE END OF THE NEW ORDER

2018 was the 20th anniversary of the fall of Suharto – so Indonesia has had 20 years of open society and burgeoning philanthropy, which makes this an ideal time to look at what is happening with philanthropy in Indonesia (though, as several commentators point out, the term 'philanthropy' has only recently begun to be used, and philanthropy has only recently been seen as a field).

Since the Ford Foundation's early foray into the field in the early 2000s, recalls Suzanne Siskel, philanthropy in Indonesia has grown into a thriving nationwide sector with a large and expanding corporate foundation component, a number of grassroots fundraising organizations, several large *zakat*-based foundations, a national philanthropy association, and more. Returning in late 2018 for the second Filantropi Indonesia Festival (fifest.filantropi.or.id), she marvels at the existence of 'yes, a national "festival" celebrating Indonesian philanthropy that attracted key government officials including the Ministers of Finance and of National Planning, the UN's head of the Global Compact, a VP of the Ford Foundation, lots of heads of local government from around Indonesia, and many corporate and NGO leaders'.

Indonesians have also been rated as the most generous people in the world. In 2018 Indonesia topped the CAF World Giving Index² for the first time, up from second place in 2017. In the 12 months before the survey, 78 per cent had donated money. By contrast, the Centre for Asian Philanthropy and Society's *Doing Good Index 2018*³ looked at 15 countries in Asia and ranked them in terms of conduciveness for philanthropy, especially focusing on the legal framework. The bottom two were Indonesia and Myanmar.

These two very different rankings reflect the fact that most philanthropy in Indonesia is still ad hoc and unstructured, based on faith and personal preferences rather than an objective assessment of societal needs. Institutional philanthropy accounts for only a small segment of the larger philanthropic

² CAF (2018) World Giving Index: <https://www.cafonline.org/about-us/publications/2018-publications/caf-world-giving-index-2018>

³ Centre for Asian Philanthropy and Society (2018) *Doing Good Index 2018*: <http://caps.org/our-research/doing-good-index-2018>

sector. Philanthropy in Indonesia, as in many other countries in South East Asia and elsewhere, is driven by individual giving, which tends to be based on faith and personal preferences rather than an objective assessment of societal needs.

However, the societal needs are great. According to a 2018 report by GIIN and Intellectap,⁴ although Indonesia's nominal GDP is highest in the region, it still falls in the medium human development category, with a Human Development Index (HDI) rank of 113th out of 188 countries. The country scores below the regional average with respect to life expectancy at birth, expected years of schooling, and Gross National Income (GNI) per capita (PPP). According to the World Bank, rising income inequality is a key social challenge in Indonesia.

ABOUT THIS REPORT

This report is one of a series being produced by Philanthropy for Social Justice and Peace (PSJP) on the current state of philanthropy in a number of countries or regions. The first four focus on philanthropy in India, Russia, the Arab region and Brazil.⁵ Like the other reports, this is not a full-scale statistical survey of Indonesian philanthropy; still less is it a once-and-for-all summing up. Instead, it aims to throw light on current developments in, obstacles to, and possibilities for philanthropy in Indonesia, especially highlighting innovations and new initiatives. This has been done partly through looking at existing research, but mainly through a series of conversations with people who have been trying to promote, support or strengthen different areas of philanthropy in the country.

The areas covered include various forms of giving by the wealthy, including corporate philanthropy and family foundations. It looks at the growth of social enterprise and impact investing. Perhaps most interestingly, it looks at faith-based philanthropy and media philanthropy, both growing areas supported by individual giving, and more widely at giving by ordinary individuals and the potential therein for social justice philanthropy.

⁴ GIIN/Intellectap (2018) *The Landscape For Impact Investing In Southeast Asia*:
<https://www.intellecap.com/publications/the-landscape-for-impact-investing-in-southeast-asia>

⁵ <http://www.psjp.org/the-role-of-philanthropy-in-society-2>

WHAT CURRENTLY EXISTS IN TERMS OF PHILANTHROPY IN INDONESIA?

SECULAR INSTITUTIONAL PHILANTHROPY

Largely established since the fall of the New Order, Indonesia now has a good number of corporate foundations and family foundations. As in other emerging economies, the line between the two is often a blurred one. Not all family foundations in Indonesia are established with their family name. Some choose the name of their corporate group, thus creating a challenge to define whether the foundation is family or corporate run. Either way, some employees of the family business are usually involved in the foundation operation and its activities.

Indonesia also has a well-developed and distinctive media philanthropy, based on raising money from the public for disasters, and a group of local funders that were initially established with foreign funding but are now independent Indonesian organizations. *Zakat* management agencies, state and non-state, are covered in the section on faith-based philanthropy.

Corporate philanthropy

Corporate foundations in Indonesia are dominated by big Indonesian companies and multinationals, established primarily to manage corporate social responsibility (CSR). CSR was initially more of a voluntary initiative of companies, but Law No 47 of 2012 makes it mandatory for all public listed companies in Indonesia to allocate budget for CSR programmes. As is the case the world over, many of the larger and more prominent foundations and/or CSR initiatives come from wealthy families who own extractive industries or industries that are environmentally destructive or public health hazards (mining, lumber/pulp and paper, palm oil, shrimp farming, tobacco and cigarettes, etc). This presents the widely recognized contradiction of having some of these foundations and CSR initiatives working on socially progressive/social justice causes while being the source of some of the greatest injustices.

CSR has increased significantly since the issuance of Law No 47, says Okty Damayanti of Adaro Foundation (Adaro is one of Indonesia's largest coal mining and energy companies). Although the law doesn't specify any amount, it is a way for government to encourage companies to practise CSR.

Implementation of CSR programmes has to be reported in the company's annual report and at the annual general meeting. For state-owned companies, however, 4 per cent of profits for CSR is mandatory. This includes some very big companies, like the oil company Pertamina.

For extractive companies the main objective of a CSR programme is to gain a social licence to operate and to minimize the negative impact of mining operations by improving the quality of life of the communities who live in areas surrounding the company's operation. However, there is also an increasing demand from investors and shareholders for public listed companies to allocate enough resources to make a positive difference to communities or to help solve social issues or to support key national agendas. Examples include improving the quality of the local workforce through vocational training, reducing stunting, and providing clean water and sanitation.

In Damayanti's view, the quality and quantity of company CSR programmes have been improving substantially in the last few years owing to the need for companies to enhance their reputation in the eyes of their key stakeholders (shareholders, government, communities and investors). She identifies two strategic ways for companies to carry out their CSR role, either having CSR leaders directly reporting to the company president/director or establishing a company foundation. While the second is more popular in Indonesia, she feels the first approach is more effective. It increases the ability to influence the way the company operates, and to create awareness of philanthropy, whereas establishing a separate foundation doesn't give the same strong signal within the company. Adaro does both, she says. Damayanti reports direct to the president director. She discusses strategy and policy with him and then presents it to the full board members for their buy-in and support. The company has also established a company foundation because of 'the passion of the shareholders, who really aspire for the company to give back to the country and to be a strategic partner to the government in addressing social issues'. Thus, the CSR division will focus on strengthening the strategy and the company's CSR blueprint, while the corporate foundation can be the strategic partner in ensuring smooth implementation of the programmes.

Media philanthropy

Media philanthropy forms an important subset of corporate philanthropy. Mass media, print and electronic, play a unique role in philanthropy, says Suzanty Sitorus. Since the New Order period, they have collected public contributions, especially in times of major natural disasters. Following the December 2004 tsunami, which killed more than 200,000 people and devastated the province of Aceh, many media companies found themselves with sizeable amounts of money collected from the public and formed a forum to coordinate their reconstruction and rehabilitation efforts in the affected areas. According to *Levers for Change*,⁶ one survey found that almost 150 media outlets had

⁶ IDRC (2016) *Levers for Change: Philanthropy in select South East Asian countries*: <https://www.idrc.ca/en/research-in-action/levers-change-philanthropy-select-south-east-asian-countries>

participated in raising funds to aid the post-tsunami recovery, with two of the largest media companies, Metro TV and Kompas, together raising IDR20 billion (USD2.34 million) in just three weeks.

Since then, media companies have expanded their philanthropic engagement from just soliciting donations for emergencies to planning and implementing programmes to address a range of social needs. At the *Pundi Amal Peduli Kasih* (YPP) Foundation, says Abbas Yahya, 'our activities do not depend on there being a disaster: we are doing social activities continually in health, education and the environment.' YPP Foundation funds come from the company as well as from the community in response to ongoing television broadcasts about these issues. The foundation usually works with the government in carrying out activities. In Lombok, for example, YPP works with the military on disaster management activities, because the military has the resources to reach remote, difficult-to-reach areas. YPP also cooperates with NGOs that share the same vision.

While in other countries, says Sitorus, public collections are channelled to charities, many media companies in Indonesia manage the resources themselves. Few media companies have established a foundation. Rather, the majority use their own staff to run the charity initiatives. In response to public concerns that when the money is given to the target communities, the media label it as their own giving, media companies now state 'This contribution is provided by the audience of X TV' or 'Generous support is provided by the readers of X newspaper' or similar.

Wider concerns about the capacity of media entities to execute social programmes and about their transparency in utilizing funds raised for philanthropy have led a group of philanthropic and civil society organizations, including Filantropi Indonesia, PIRAC (Public Interest Research and Advocacy Center) and the Tifa Foundation (an intermediary grantmaker that channels resources from overseas), to develop a 'Mass Media Philanthropy Code of Ethics' to promote better self-regulation among media companies.

Family philanthropy

There is a long tradition of giving by affluent families, some of whom set up a foundation as the vehicle for their philanthropy, says Sitorus – though it is not common for high net worth families/individuals in Indonesia to make a pledge to dedicate the majority of their wealth for philanthropy. One exception is Dato' Sri Dr Tahir, who has joined the list of high net worth individuals signing up to the Giving Pledge. Some rich families decide not to set up their own foundation at all, instead becoming major donors to other foundations.

Unlike major family foundations in the USA or Europe, these family foundations mainly implement their own charity activities rather than functioning as

grantmaking entities. But there are exceptions. The Tahija family set up a foundation (Yayasan Tahija) as early as 1990. The foundation aims to help build a better Indonesia through partnerships in sustainable ventures and initiatives in education, culture, health, environmental conservation, and social services. The Tahir Foundation and William and Lily Foundation, for example, explicitly state on their websites that their foundations were set up to develop grantmaking programmes. Recently, a few family foundations have started to embrace more modern approaches, for example employing professionals to run their foundation while the family members sit on the foundation board.

Family-owned businesses and conglomerates account for a majority of the Indonesian private sector, says Felicia Hanitio of Djarum Foundation. While most of these business-owning families are involved in some form of philanthropy, their giving may be expressed through different vehicles. Often, giving is integrated into the business itself, communicated as part of their CSR. Sometimes a family might establish a foundation separate from its CSR activities. 'The choice of philanthropic vehicle may depend on the scale of the family's giving, how they choose to express themselves as a family, and their strategic interests in business and philanthropy.'

With Djarum Group (a diversified conglomerate with businesses in the tobacco, banking, agriculture, consumer goods and e-commerce sectors, among others), the foundation and CSR are all driven by the decisions of the family that runs the group as a whole. Djarum Foundation was named after the business group rather than the Hartono family – 'the intention being to show that they see things as integrated'. The foundation is a separate legal entity, and it can receive contributions from various local and foreign donors, but its programmes are aligned with and complementary to CSR activities funded directly from the companies' budgets, which ultimately aim to build a more well-rounded, resilient Indonesia.

'We do see families, especially the younger generation, responding to the existence of a wealth gap and wanting to counter the perception that wealthy people own the country and don't really care,' says Hanitio. Many businesses are owned by the ethnic Chinese minority, who often have an interest in showing that they want to give back to society and contribute to building a thriving multicultural nation. Family foundations established by non-Chinese business groups have also flourished, for example the Hadji Kalla Foundation, Mien R Uno Foundation and C T Foundation (of the Chairul Tandjung family).

What causes do foundations support?

Companies often support initiatives that are relevant to their line of business. For example, the Unilever Foundation supports plastic waste issues and a hand wash campaign, and Adaro Foundation supports five pillars: education, health, local economy development, social culture and environment, and is

aligned with the SDGs. 'Our CSR programme focuses on how we can make the communities around our areas of operations more self-sustainable, wealthier, with good access to education, health and employment,' says Okty Damayanti. Education is the flagship programme under the umbrella name 'Adaro Nyalakan Ilmu'. Coca Cola Foundation Indonesia is another big company that supports education. 'The trend to support education is intensifying because this is a pressing issue for Indonesia and the government really encourages corporate foundations/companies to make it a priority, even granting companies tax deductibility for CSR programmes focused on education.'

Like corporate foundations, family foundations across Indonesia tend to support education, often teacher training or scholarships, and health. Businesses often face problems with the quality of human resources related to the quality of schools in their area. Djarum Foundation has five main programme pillars: education, environment, sports development, the arts, and social and community development. The biggest spending is on education, but the foundation is better known for its work on sports and the arts.

Djarum Foundation's President Director Victor Hartono is a member of the Asia Philanthropy Circle (APC) and chair of its Indonesia chapter. When looking at issues of most common interest, education was number one among APC Indonesia's eight members at the time, says Hanitio. Thus, one of the first actions members embarked on was to fund a research report that would help guide collaborative action in Indonesia's education sector. Within education, there has been a growing focus on technical-vocational education and training, whether within the formal system working with high schools and polytechnics or informal vocational training (eg working with women). Here there's a crossover with livelihoods – another popular area, especially in plantation areas. In urban areas there is a focus on entrepreneurship. Environmental conservation and sustainability is a growing theme.

Tanoto Foundation, founded in 1981 by Sukanto Tanoto, an Indonesian businessman involved primarily in the lumber industry, in the belief that quality education accelerates equal opportunities, has focused its efforts on harnessing the transformative power of education to fulfil people's potential and improve lives. The foundation covers the whole life cycle of education – early childhood education, basic education and university scholarships.

Do Indonesian foundations support social justice and rights-based causes?

Indika Foundation, a family-owned corporate foundation, founded by integrated energy company PT Indika Energy, is one that does. Its work focuses on countering religious radicalism, building tolerance and values of diversity,

peace and justice between racial and religious groups. In addition, says Hanitio, the ASEAN Philanthropy Circle has recently set up an Asian Peace Fund, though there are no committed Indonesian funders as yet. 'Family philanthropy doesn't change course easily; foundations tend to want to adopt a good model and run it themselves in the areas where they work, rather than seeing a good model and supporting it through grantmaking. There is little precedent for pooling funds. Foundation members of APC are interested in countering radicalism but not willing to pool funds for something bigger.' According to Erna Witoelar, founder and co-chair of Filantropi Indonesia, many Indonesian foundations do work on peace-related issues such as conflict resolution, interreligious dialogues and cross-cultural issues, but people are reluctant to contribute money to a fund outside Indonesia, especially one based in a rich country like Singapore.

DJARUM FOUNDATION'S ENVIRONMENTAL PROGRAMME

Djarum Foundation has a long track record of environmental initiatives. Since 1979, for example, they have planted over 2 million trembesi trees across Indonesia, absorbing more than 2.3 million tonnes of carbon dioxide per year. However, more recently, says Hanitio, the business group has been looking at various integrated approaches to sustainability within their areas of operation, such as management of inorganic and organic waste. After a process of source separation, inorganic waste is sold to different recycling and processing facilities. Meanwhile, organic waste is brought to Djarum's composting facilities in Jakarta and central Java and converted into humus fertilizer (nutrition-rich soil), used to rehabilitate mountains suffering from erosion. In Djarum's hometown of Kudus, central Java, Djarum Foundation partners with the district government and local businesses and neighbourhoods to develop waste management systems at the village and urban level. Currently, 15 per cent of all organic waste in Kudus is being processed at Djarum's facility. They are also working with The Nature Conservancy on several efforts to revitalize ecosystems near their areas of operation. Other areas are river and ocean conservation, mangrove planting and conservation, and awareness campaigns related to conservation and waste reduction.

Collaboration with government/other foundations/others

The majority of corporate foundations embrace collaboration with partners who have the same vision and mission, says Damayanti. Adaro Foundation, for example, collaborates with government agencies, corporate foundations, NGOs, academics and media. Companies and corporate foundations are in

general more willing to collaborate, Witoelar agrees, but ‘the biggest prefer to work/shine alone. There is a big gap between the very big players and the normal-sized, big-enough players.’

Many CSOs are also forging collaborations with private companies, says Sitorus. During the authoritarian rule of the New Order, there was a high level of collusion between government and private sector, and exploitation of nature by major companies was either facilitated or protected by the government. The social, economic and environmental impact of this over-exploitation brought about the birth of many environmental CSOs, and the distrust between the government/private sector and CSOs was very deep. In the *Reformasi* period, strong demands for an end to this malign collusion between government and private sector have brought about changes in companies’ behaviour, which has led to a more positive relationship between the private sector and CSOs – though there is still distrust in certain areas and collaboration is certainly not widespread. Some CSOs still perceive environmental CSR as greenwashing attempts by oil and mining companies.

There are also tensions between government and companies, says Witoelar, arising from the government’s wish to regulate CSR to ensure it supports government goals and social activities. There has been a strong campaign against the idea of a national law regulating CSR, and ‘we have managed to stop the national law, though there are still local regulations here and there. Companies are resistant to doing what the government wants them to do. They are saying, we have already paid taxes so if CSR goes through the government, it’s double taxation. This is an ongoing struggle.’

Family foundations do work with government, especially at local level. More work on this is needed, for example on how to do it in a way that benefits both parties. ‘We need to move from government signing off on programmes for legitimacy and logistical reasons, to solving problems together. Before starting a programme we need to ask government: what’s on your agenda? And how can we support you? This is challenging for many reasons, but if we find the sweet spot for collaboration with government there is tremendous potential to solve problems at scale,’ says Hanitio.

There are also partnerships between foundations, but this tends to be co-funding of specific projects, with different foundations paying for different parts of the project, rather than a pooling of funds that creates a separate fund to be dispensed to certain projects. Djarum Foundation has school development projects with co-funding from banks and other corporations and other parties bringing in other expertise. Foundations also come together to share knowledge and best practices through various forums including Filantropi Indonesia and APC.

Working more with other foundations is part of Tanoto Foundation's new strategy, says Paul Indra Collett. 'We believe in partnerships writ large, and we believe in the potential of philanthropies to work together and build capacity.' They are members of APC and they meet regularly with Djarum Foundation and other foundations focused on education. In the last year they have developed an interactive map of foundations doing different kinds of work in Indonesia. They are also a member of Filantropi Indonesia, and launched an education cluster within it.

But for Tanoto Foundation, the emphasis is on working with government. This strategy emerged from a large strategic planning process to transform the strategy of the foundation. Conducted in 2017, this process was in turn shaped

TANOTO FOUNDATION WORKING WITH GOVERNMENT

'Front and centre for us is partnering with the government (from national down to district level) in building and developing the capacity of teachers and principals,' says Collett. In their basic education programme engagement with local government is the cornerstone of starting to do teacher quality and principal leadership improvement programmes, whereby they plan to directly train 440 partner schools. 'We design our training of trainers model with the aim of local government coming in and taking over the programme. We want them to adopt the model and spread it to other schools. We want to have a catalytic effect and be able to be proud and excited about the effect we have had in the partner schools we work with and on the other 250,000 schools in Indonesia. The only way philanthropy can hope to have an effect on those, given its scale, is to work with local government and build its capacity.'

Are local governments taking over the programme and adopting the model? 'We have only been operating this strategy and engaging government from the get-go since last year. It's a new way of thinking for us; we used to be focused on direct delivery. But already local governments are engaging with us and neighbouring governments have asked us to help them replicate the programme.'

It is likely that the approach of trying to influence government will eventually run through all the foundation's programmes, says Collett. But the situation is slightly different with early childhood education, he says, because less than 10 per cent of early childhood centres are government run, though government does set standards. Also, the early childhood programme is new, so the model has to be developed first. Tanoto Foundation had been working on the basic education programme for years before trying to influence government.

by an APC Education Giving Guide report titled *Catalysing Productive Livelihood*.⁷ APC commissioned McKinsey to identify to survey the whole landscape of potential interventions in Indonesia and identify the most catalytic areas for foundations. A key conclusion was that if foundations are to have national-level impact, they need to somehow work with or influence government, because only government has the scale to affect the whole country. Indonesian foundations can also make grants to CSOs working on policy engagement and advocacy, says Sitorus, but few do so.

How widespread is grantmaking?

Some foundations with their own assets do give grants, says Witoelar, giving money directly to schools, hospitals or communities. ‘Some have started calling for proposals on certain topics, which is a big advance. This means they have to be more accountable, though they are still not that transparent; many are still spending according to their own likes, not that open.’

There are also intermediaries that channel resources either from foreign philanthropy or from big philanthropy in the country or from companies – like the Indonesian Biodiversity Foundation (KEHATI), she says. ‘But they are just channelling money, and there aren’t enough of them; we’d like to have more. None of our grantmaking organizations are eligible for big funds from global climate facilities so donor countries prefer to channel funds through their donor country NGOs, who will do the work at local level.’

Commentators disagree about how much grantmaking is going on. In Collett’s view more foundations are doing grantmaking than operating their own programmes. In Tanoto Foundation, he says, the balance is slightly towards direct implementation because both the basic education and the scholarship programme are delivered this way. But the early childhood and education development division, a new division working in an area Tanoto Foundation hasn’t been active in before, mostly makes grants. ‘We want to work with some of the best organizations and learn from them and benefit from their technical expertise and experience. Direct implementation often reduces costs and gives us more influence on designing a programme that will have more impact.’

But Felicia Hanitio feels that most family foundations operate their own programmes. Tanoto Foundation is one of the few that does grantmaking, she says. The vast majority of Djarum programmes are operational. ‘We have one project that involves grantmaking, which we’re working on with two other foundations, including Tanoto Foundation.’

⁷ APC (2018) *Catalysing Productive Livelihood*: <https://www.edumap-indonesia.asiaphilanthropycircle.org>

Hanitio attributes what she sees as a low level of grantmaking partly to a general lack of trust in NGOs because of a history of corruption cases in the 1980s and 1990s – though this poor image is changing, she adds. In Kamala Chandrakirana's view, these corruption cases may be referring to foundations set up by Suharto in order to divert state funds for family/personal/political interests. 'To my knowledge,' she says, 'there is no record of corruption cases involving social justice and human rights NGOs during that time.' Witoelar also mentions tensions between cigarette companies and NGOs, as NGOs don't want to work with cigarette sponsorship.

Operating themselves also gives foundations more control – though with greater NGO transparency, this could change. Even where the foundation does in theory make grants, it may remain in control, says Hanitio. A foundation may already be operating a programme and basically hire an NGO as a contractor to implement the programme where they see the NGO as having expertise in a particular area, for example if they want to train teachers in a school they're partnering with they might engage an NGO with relevant expertise and established programmes.

In the past NGOs were largely funded by international donors, she says, but they are now looking for local funds, and implementing programmes for a local corporate or family foundation may be a way for them to earn a sustainable income. Rather than NGOs identifying areas of work and finding donors to support them, they might have to be more willing to be flexible and do what the donors want. NGO may offer certain programmes that donors can pick from. But Hanitio does see disadvantages to this approach. 'If too driven by donor interests, NGOs may sacrifice doing what local communities really need. NGOs are adapting to the needs of donors, but donors also need to trust the NGO knows what they're doing and not be too involved in operational details.'

When it comes to companies, Okty Damayanti comments that 'in my personal observation, multinational companies – especially companies that have a national-level impact, eg fast-moving consumer goods or a cigarette company – like to engage with national-coverage NGOs. They use these NGOs to help them implement programmes across the whole country – something they can't do themselves. But companies that have operations in isolated areas, like mining and palm oil companies, usually do it themselves.'

Adaro Foundation does both. As with Tanoto Foundation, this seems to be partly a matter of expertise. 'Sometimes we make grants to NGOs when we see they have much more expertise to implement the programme than we have and better networks, so they're likely to have a better impact in the long term.' Damayanti highlights that it's also a matter of how important the programme is to the company. 'We run programmes ourselves within our ring 1 area, the area most affected by our operations, for example for clean water and

sanitation. We want to portray our corporate image to the community as our closest neighbours and to nurture our mutual relationship with them. In rings 2 and 3 we'd be happy for NGOs to support us in running our programmes.'

International funders

At the beginning of the *Reformasi* period, say the first ten years, says Chandrakirana, 'huge amounts of international aid were going into Indonesia to support the democratization process. So civil society grew around a whole range of issues, with international funding, which wasn't previously possible for social justice and human rights work.' But as Indonesia's economy grew, international funding to rights-based causes began to reduce, affecting the sustainability of the work of many CSOs. Yet international donors, including bilateral agencies such as the Australian Agency for International Development (AusAID), the UK's Department for International Development (DFID), and USAID, along with various UN development agencies and a few international foundations, still make up the biggest funding block, due to the volume and size of their donations as compared to domestic philanthropic support.⁸ These organisations support a diverse range of issues, including poverty reduction and social development, human rights, environmental protection, women's rights and gender equality, good governance, transparency, and anti-corruption. As already mentioned above, international funding to climate change related causes has increased.

Major international foundations funding in Indonesia include:

- The Asia Foundation**, an intermediary grantmaking and operating foundation, whose work in Indonesia focuses on reforms that improve environmental governance, increase social inclusion, strengthen justice systems, protect human rights, and promote tolerance and equitable economic growth. While much of this work involves partnerships with the government, the foundation also partners with Indonesian civil society. One example is the foundation's 'Civil Society Initiative Against Poverty', a partnership among grassroots organizations, mass-based Muslim organizations, and advocacy and economic reform groups to mobilize poor communities to advocate for pro-poor government policies.
- **The Ford Foundation**, whose early support for philanthropy made a huge contribution to the growth of the field. In addition to funding Indonesian grantees and networks, it helped fund the Asia Pacific Philanthropy Consortium, a major regional force for philanthropy for about 15 years from 1994. The first executive director was Erna Witoelar. Ford's current work in Indonesia centres around increasing

⁸ IDRC (2016) *Levers for Change*.

LOCAL FUNDING AND INTERMEDIARY ORGANIZATIONS ESTABLISHED BY AND COLLABORATING WITH FOREIGN AGENCIES

Indonesia for Humanity

Set up towards the end of the New Order, in 1995, as a civil society 'resource organization' supporting human rights and social justice work, Indonesia for Humanity is an indigenous grantmaking and intermediary organization established by Indonesian activists. It was founded with support from European donor organizations, several of them based in the Netherlands (eg Hivos, Novib). When Suharto abruptly stopped accepting aid from the Dutch government due to criticism over Indonesia's military occupation of East Timor, Hivos and Novib could no longer give money directly to Indonesian CSOs and collaborated with Indonesia for Humanity to subvert the blocking of direct funding to NGOs.

Indonesian Biodiversity Foundation

Also known as KEHATI, the Indonesian Biodiversity Foundation was established in 1995 to help Indonesia conserve its biodiversity resources and use them sustainably. Initial support was provided by USAID in the form of a IDR231.6 billion (USD16.5 million) endowment. In addition to its endowment fund, since 2007 Kehati has also been managing three other trust funds, funded through overseas development assistance from the UK and US governments and some private companies. These include debt swaps for nature with the Netherlands government and the EU.

Partnership for Governance Reform

Also known as Kemitraan, the Partnership for Governance Reform partners with government agencies, CSOs, the private sector and international development partners to support human rights, anti-corruption, civil society empowerment, economic governance, and environmental management. It was established in March 2000 out of a UNDP project designed to help Indonesia realize good governance at all levels of government. It became an independent legal entity in 2003 and is now an Indonesian-managed organization. It has raised over IDR1.4 trillion (USD100 million) since it was founded.

Tifa Foundation

Established at the end of 2000 in partnership with the Open Society Institute, the Tifa Foundation's mission is to promote an open society in Indonesia by supporting human rights, democracy, governance, equality, migrant workers' rights, and access to justice, media and information. It was established as an intermediary grantmaking entity managing and channelling resources, including from overseas, for Indonesian CSOs. It receives funding from large donors such as the Open Society Institute, the Ford Foundation, AusAID, the World Bank, and the Japan Social Development Fund.

political participation among the underserved, expanding livelihood opportunities for the poor and marginalized, promoting sustainable development, advancing public service media, and improving sexual and reproductive rights.

Other US and European private foundations have provided funding for Indonesian CSOs. There is a longstanding tradition of German political foundations and Dutch foundations funding in Indonesia. Sasakawa Peace Foundation, Nippon Foundation, Toyota Foundation and others from Asia have also funded in Indonesia. Others have funded through intermediary/regranting foundations in the US (eg ClimateWorks Foundation) or Europe (eg European Climate Foundation).

FAITH-BASED PHILANTHROPY

Religion remains the primary driver of giving in Indonesia, says Suzanty Sitorus. Giving is very natural in all our religions – Islam, Christianity, Hinduism, Buddhism and Confucianism – says Erna Witoelar. All have traditional giving on specific occasions – Ramadan, Sundays, etc. Faith-based philanthropy is making a significant contribution to developing the field of philanthropy, says Amelia Fauzia of Syarif Hidayatullah State Islamic University, growing much faster than secular philanthropy. The recent introduction of Islamic regulations on giving for development, including the SDGs, is partly responsible for this huge growth in Islamic philanthropy.

Traditional Islamic philanthropy

Islamic philanthropy is based on *zakat*, mandatory alms giving, and *infaq* and *sadaqah*, which are voluntary. There are different kinds of *zakat*: *zakat* of income, *zakat* of assets, *zakat* paid during certain occasions, eg Ramadhan. Though paying *zakat* on income and assets is compulsory for Muslims, the state does not enforce payment. Many Muslims channel their alms to the needy directly, including poor people in their families and neighbourhoods, or through informal entities such as mosques. Most Islamic giving has traditionally been either to religious causes or to social welfare.

Muslims support religious organizations such as the Muhammadiyah, Nahdlatul Ulama (NU), *pesantrens* (Islamic boarding schools), orphanages and mosques. The Muhammadiyah, for example, has utilized Muslim philanthropy such as *zakat* (compulsory giving) and *sedekah*, *hibah*, *infak* and *waqf* (voluntary giving) to support its programmes. Its first modern school started six years after its formal establishment in 1912 and its first health clinic a decade later in 1923. For many decades Muhammadiyah and Nahdlatul Ulama were the principal channels of religious support for social development, and they are still

critical actors in sectors such as education, theology, healthcare and disaster relief.

Other religious communities developed similar religious organizations. For instance, the Lembaga Daya Darma (LDD) in Jakarta managed donations from Catholic churches while the Yadna Puniakerti in Surabaya managed funds from Hindu temples.⁹

Waqf is also a longstanding part of Islamic giving. A *waqf* is an inalienable charitable endowment under Islamic law, which typically involves donating a building, plot of land or other assets for Muslim religious or charitable purposes with no intention of reclaiming the assets. The most popular *waqf* form is a mosque.

Modernization of faith-based philanthropy

Starting from the New Order, there have been moves by government to encourage the payment of *zakat* to organizations licensed to collect and manage it. In Turkey and some other countries the state has always managed the collection of *zakat*. In Indonesia *zakat* giving has always been very local, community-based; people give to the local mosque or religious school. Alms management by modern organizations creates resources to support longer-term initiatives which address the underlying causes of poverty and other social issues, says Sitorus. In the late 1980s and early 1990s, several non-state *zakat* management organizations were founded. In 1997, 11 organizations created the Zakat Forum which tries to create synergy, encouraging collaboration and coordination rather than competition. It has also allowed more organized public awareness efforts. Three years ago, it started to coordinate working in disaster areas, for example establishing which organization works in which area.

In 1999 the Law on Zakat Management was promulgated, giving a mandate to the government to create state-run *zakat* management agencies called Baznas (National Zakat Board) at different levels of government. Prior to this, says Sitorus, there was only one government-owned *zakat* management agency established by the Government of Jakarta in 1968.

However, say Fauzia et al,¹⁰ only a small number of mosques have established charitable collections with registered organizations. The majority collect and distribute *zakat* themselves for the sake of simplicity. It is also easier for the majority of people to give to nearby mosques, especially as registered/licensed organizations do not exist in every village. Whether through licensed organizations or not, 'the massive practice of generosity in Indonesia' enables

⁹ Tuti Alawiyah (December 2013) 'Religious non-governmental organizations and philanthropy in Indonesia', in *Indonesian Journal of Islam and Muslim Societies*, vol 3, no 2, pp 203-21.

¹⁰ Fauzia et al (forthcoming) *Islamic Philanthropy in Contemporary Indonesia*.

institutions of all kinds – not necessarily engaging in philanthropy – to raise funds from Muslim communities, especially on occasions such as Ramadhan and Eid al-Adha and for disasters and humanitarian crises. Islamic organizations of all kinds – mass organizations, schools, mosques – carry out their own fundraising and distribution of *zakat* and *sedekah* donations, even though they are not registered or managed as modern charity organizations.

The conventional practice of *waqf* is also being modernized, with the emergence of the idea of ‘productive *waqf*’, namely ‘dead unproductive’ assets being invested and utilized in an economically productive way. Out of a total number of 435,768 recorded *waqf* (land) estates with a *waqf* manager (called *nazir* or *mutawalli*), it is estimated that about 10 per cent are now being managed as modern charitable organizations.¹¹

The adoption of modern management practices leads Islamic philanthropy organizations to use banking systems, hire full-time professional staff, improve organizational capacities, implement transparency and accountability principles, and have fundraising divisions. A positive environment has encouraged organizations to do financial audits and publish reports, provide equal access for men and women, do public fundraising, and offer the best services and programmes in order to obtain public trust.

State-based zakat management agencies

Baznas is a type of organization established by decree of government at each administrative level. Each province has a Baznas office, established by decree of the governor of the province. There are also Baznas in districts and cities. The number has grown from less than 10 in 2000 to 549 in 2015-18, says Amelia Fauzia, but the number doesn’t yet correspond to the overall number of government units as some district Baznas haven’t been created and some aren’t working well.

Baznas (at national level) was established in 2001 by presidential decree and received a mandate to organize and coordinate *zakat* management in Indonesia, says Arifin Purwakananta of Baznas. In addition, there are 34 Baznas at provincial level and 514 at district/city level plus 84 *zakat* collection units. The funds are collected, managed and distributed by each institution.

The National Zakat Board reports to the president of the Republic of Indonesia and is supervised by the Ministry of Finance, the Ministry of Religion and the Ministry of Home Affairs. Because Baznas receive money from the state budget to run offices, they follow state reporting rules and must distribute all the money they collect each year. There are seven to nine commissioners at

¹¹ Fauzia et al (forthcoming) *Islamic Philanthropy in Contemporary Indonesia*.

national level. Only certain people qualify to be commissioners, including religious leaders and the director of the *zakat* office in the Ministry of Religion. The Baznas Centre for Strategic Studies carries out research on *zakat* and develops standards for *zakat* management.

The idea of Baznas is to use *zakat* contributions for development rather than contributions going direct to mosques or individuals. Baznas use money to distribute to people in need; they also have health, education, economic and scholarship programmes.

The revised Law on Zakat Management (2011) allows individuals to claim a tax deduction for the alms they give to religion-based alms management entities. The Ministry of Finance regularly updates the list of acknowledged alms management entities, which includes state and non-state *zakat* management agencies and Christian and Hindu non-state alms management entities (though not Buddhist or Catholic entities).

Baznas have advocated to the government to make payment of *zakat* mandatory for economically capable Muslims – this would require revision of the 2011 Zakat Law. While this suggestion is still floating, several government-owned companies have collected alms directly from their employees' salaries.

Non-state zakat management agencies (LAZs)

As well as Baznas, there are also community-based, non-state *zakat* management agencies (*Lembaga Amil Zakat* or LAZs), with similar functions to the government ones, ie to collect, manage and distribute different types of Islamic alms including *zakat*, *sedekah*, *hibah*, *infak* and *waqf*. They also raise funds from CSR. One of the earliest was Dompot Dhuafa (Wallet for the Poor), established in 1993 during the New Order on the initiative of journalists at a paper called *Republika*. Others include the PKPU (*Pos Keadilan Peduli Umat* – National Humanitarian Foundation) and Rumah Zakat Indonesia (Humanitarian and Charitable Foundation), both religious NGOs based on Islamic beliefs.

These organizations have pioneered the use of *zakat* for public welfare.¹² They function like operating foundations, collecting *zakat* and using it to support public welfare programmes operated either by themselves or by third-party organizations. Their effectiveness in directing *zakat* to public welfare programmes has brought them considerable public recognition and has made them among the largest *zakat* collectors in Indonesia.

The number of LAZs in Indonesia is currently estimated at more than 600. Of these, 19 work at national level, managing *zakat* funds of more than IDR50 billion (USD3.6 million) a year. Others operate at subdistrict, district and

¹² IDRC (2016) *Levers for Change*.

DOMPET DHUAFA

Dompot Dhuafa was the brain child of editors and journalists at *Republika*, one of Indonesia's biggest Islamic national daily newspapers, says Amirul Hasan. In 1993, the first editor in chief, Parni Hadi, invited all *Republika* employees to donate part of their salary as zakat funds. After that, a fundraising column entitled 'Dompot Dhuafa' (Wallet for the Poor) was born to collect funds from newspaper readers and the general public. From the beginning, Dompot Dhuafa was institutionally separate from *Republika*. Today the Dompot Dhuafa Foundation is an independent body, run by journalists as a modern, professionally managed organization. It is now the largest zakat management agency in Indonesia.

The Dompot Dhuafa Foundation has both community development and advocacy programmes. It has created community development programmes to empower villages with many poor families, and programmes supporting advocacy for Indonesian migrant women workers in foreign countries. To implement this programme, the Dompot Dhuafa staff worked with worker communities in Hong Kong and Malaysia. Dompot Dhuafa has also supported widows and women heads of households by providing them with microfinance support.¹³ It supports community institutions (local NGOs) with grants and capacity building to help them to design and run programmes and create better fundraising campaigns. As mentioned later in this report, Dompot Dhuafa's support for advocacy is seen by some commentators as having 'played the role of transforming Muslim individual giving, which can be seen as a form of traditional philanthropy, into a social justice philanthropy'.

Dompot Dhuafa has a strategic partnership with the government in many fields, at both national and regional levels, especially to achieve the SDGs. We also establish strategic partnerships with many non-governmental institutions, says Hasan. At the global level, we have obtained consultative (ECOSOC) status from the United Nations, initiated the World Zakat Forum, South East Asia Humanitarian Forum and Youth for Peace Union. Dompot Dhuafa also works with international donors including AusAID, Islamic Relief, NAMA Foundation and Qatar Charity.

provincial levels, managing funds between IDR3 billion (USD213,700) and IDR20 billion (USD1.4 million) per year. However, only 53 get recommendations from Baznas. Without this LAZs cannot get a licence from the Ministry of Religion to operate. Some LAZs are based at mosques and

¹³ Alawiyah (December 2013) *Religious non-governmental organizations and philanthropy in Indonesia*.

others in corporations, for example state oil companies or banks. Some are based on mass organizations like Muhammadiyah and Nahdlatul Ulama (NU), which carry out fundraising anyway and establish their own *zakat* organizations. Finally there are NGOs. They are all in competition with Baznas. Most LAZs use foundation as their legal status. One big difference between LAZs and Baznas is that they are not required to submit reports to government. However, says Amirul Hasan of Dompot Dhuafa, LAZs have realized the importance of transparency, and they all routinely make their financial reports available to the public, thus increasing donor trust.

In early 2000, says Amelia Fauzia, Baznas and the Ministry of Religion wanted more centralization of *zakat*, as had happened in Malaysia, with community organizations working with Baznas doing all the distribution rather than CSOs working independently. A draft *zakat* law introduced centralization but there were demonstrations and actions against the idea. In the end the move towards centralization was abandoned. *Zakat* law still endorses the idea of greater centralization, with community-based *zakat* organizations helping Baznas, but it can't be enforced.

Non-zakat Islamic charitable institutions

In addition to Baznas and LAZs, there are charitable organizations not specifically based on *waqf* and *zakat* which do not seek a *zakat* licence from Baznas and the Ministry of Religion. Rather, they focus on other types of Muslim charitable giving and target more general donors. There is great potential for fundraising from non-*zakat* charitable resources. In fact, most *zakat* organizations receive more funds from *sedekah* than from *zakat*.

Examples of this type are the Yasmin Foundation and the Social Trust Fund (Syarif Hidayatullah).

Following the tsunami in Aceh in 2004, a number of foreign institutions entered Indonesia and some have survived to date, namely Islamic Relief and Muslim Aid. These transnational organizations are not allowed to fundraise in Indonesia, so they focus on distributing funds to charities and implementing their programmes.

What causes does faith-based philanthropy support?

While many secular NGOs focus on advocacy and social change programmes such as monitoring, watchdog activism, rights awareness programmes and community development, in contrast, religious NGOs, especially Islamic philanthropic organizations, mainly offer service delivery programmes such as education, health, welfare and relief services.¹⁴

¹⁴ Alawiyah (December 2013)

In fact both Baznas and Dompot Dhuafa do include advocacy among the things they support. In Baznas (national level), says Purwakananta, funds are prioritized for the economic programme, followed by social and advocacy programmes. 'In the economic programme, we have Baznas Microfinance and Zakat Community Development. In the social programme, we have boarding schools for brilliant, underprivileged students, a scholarship programme, free health clinics, a disaster response team, etc. Our advocacy programmes help migrant workers, support law enforcement for unfortunate people and help *mualaf* to access better Islamic learning. We also have our Centre of Strategic Studies.'

Dompot Dhuafa funds are channelled to eight groups of people entitled to receive them according to Islamic law (*asnaf*), says Hasan, including the destitute, the poor, slaves and others. Around 89 per cent of funds is distributed in the form of services and programmes for the poor in areas like education, health, economics, social welfare and advocacy. The remainder goes to institutional operations.

In July 2018 a book titled *Fiqh for Zakat on SDGs* was launched. It is meant to be a reference to help *zakat* managers to use *zakat* as an instrument to achieve the SDGs and at the same time to put into practice the SDG paradigm in managing *zakat*. The publication was the initiative of Baznas, Filantropi Indonesia and the State Islamic University Syarif Hidayatullah and endorsed by the Ministry of National Development Planning/Bappenas and Ministry of Religion.

Other religions are also more open because of this, says Witoelar. 'For example, the Buddhist Foundation has just donated 3,000 houses not just for short-term disaster response but for post-disaster long-term recovery. This is hugely important.'

What about grantmaking? Every institution has different capacities and strategies, says Hasan. Most *zakat* agencies run their own programmes rather than providing grants to other organizations. Baznas operates its own programmes, says Purwakananta, but it also has a programme to support small communities and NGOs based on their proposals.

However, LAZs do collaborate with each other and/or with other local institutions in carrying out their programmes, says Hasan, and most LAZs work with government and other humanitarian agencies in accordance with their respective capacities. Organizations cooperate through the Zakat Forum, and there is inter-faith cooperation through the Humanitarian Forum Indonesia, among others. 'This cooperation will be stronger when a major disaster occurs in an area.'

What about more progressive philanthropy?

Faith-based philanthropy is mainly focused on its own faith communities for several reasons, says Amelia Fauzia. First, it grew from faith communities' aims, such as establishing mosques and *madrasah* and helping community members. Second, faith-based communities are strong, and don't interact much with those of other faiths. Third, 87 per cent of Indonesians are Muslim. Due to socio-political influences and political Islam, giving without discrimination of religion is not easily accepted among certain faith-based communities.

In the Muslim context, says Fauzia, progressiveness consists of accepting a non-discriminatory principle in the regulation and practice of distribution and collaborating with other faith-based (non-Muslim) organizations. 'Progressive thinking and practice is not mainstream – though a more progressive faith-based philanthropy does exist.' This has been challenged by conservative groups, she says, especially in relation to the Qur'anic interpretation of *zakat* beneficiaries (that it cannot be given to non-Muslims). Progressive Islamic philanthropy is therefore easily found among Islamic humanitarian organizations but not in *zakat* organizations. Many Islamic philanthropy organizations (including *zakat* organizations) in principle accept the idea of giving to anyone without discrimination in terms of religion, but in practice it is rarely done, except for disaster relief. Some organizations (such as in conservative Aceh province) say that it is difficult to find non-Muslim beneficiaries, as 98 per cent of the population in their areas are Muslims.

Most *zakat* organizations believe *zakat* should be used only for Muslims. Only a few support progressive faith-based practices, says Fauzia. The differences are illustrated by the differences between Muhammadiyah and Nahdlatul Ulama (NU), both mass organizations with their own *zakat* collection bodies. Muhammadiyah was established in 1912 by moderate, modernist Muslims from more educated and urban communities. NU was established around 1926 by more traditional Muslims in response to the establishment of Muhammadiyah. Both organizations support schools and hospitals, but NU supports *pesantren*, traditional boarding schools, while Muhammadiyah supports wearing modern attire, ties, trousers, etc, and teaching secular subjects. According to NU, this is not following Muslim traditions – though the two organizations are now becoming more similar.

Zakat organizations also collect *sedekah* donations, eg for disasters, which can be used very flexibly. Any money except for *zakat* can be used for any programme. For example, a scholarship for a non-Muslim can be paid for by donations rather than *zakat*. Humanitarian organizations mostly prefer not to collect *zakat* because of the traditional belief that it should go only to Muslims.

The Social Trust Fund chose not to be a zakat organization because it would then have to follow regulations from Baznas and the Ministry of Religion.

SOCIAL JUSTICE PHILANTHROPY

The section on individual giving looks at whether individuals are supporting human rights and social justice causes and what potential there is for them to do so. This section focuses on institutional philanthropy. Given there are very few grantmaking organizations that exist specifically to support rights-based causes – Indonesia for Humanity, the Social Trust Fund, the Yasmin El-Rufai Foundation (a non-profit focused on literary creativity and women’s literacy), *Pundi Perempuan* (a women’s fund managed by Indonesia for Humanity in partnership with the National Commission on Violence Against Women – *Komnas Perempuan*) and the Tifa Foundation are among the exceptions – the question here is more about the potential for faith-based philanthropy organizations to adopt a social justice approach, following what Amelia Fauzia calls ‘a humanistic form of Islam’.

Chandrakirana sees an urgent need for a new narrative for philanthropy in Indonesia, feeling the SDGs are too much the centre of gravity. In her view there needs to be ‘more substantive reflection on how we do our work in order to make a difference in society. If we agree that social justice is a common goal, this is the moment to influence the national discourse. We need to find a more authentic niche that is focused more on the work on the ground and less on the SDGs as a global agenda.’ Not that she sees the SDGs in purely negative terms. ‘We hope to benefit from engagement with the SDGs,’ she says, ‘and we can articulate our work in those terms, but we need other spaces where the nascent and diverse field of Indonesian philanthropy can improve its skills, capacities and sustainability.’

There is no reason why social justice funding shouldn’t come within the SDG framework, says Sitorus. While the SDG goals are agreed globally, she explains, the targets for every goal are local. ‘It is up to each country to determine its priorities and how it will achieve them. To achieve a particular goal, we cannot but look at underlying problems – which are usually about social justice.’ For her the question is whether rights-based NGOs in Indonesia are working hard enough at promoting what they do to the government and foundations.

For Chandrakirana, the key challenge for social justice and rights-based groups is to engage with the Indonesian public. In her view, this is no easy task in a context in which civil society is stigmatized, the space for civil society is shrinking, and fundamentalism is on the rise.

Is Indonesian philanthropy moving towards social justice?

In a 2017 paper, Amelia Fauzia examines two strands in philanthropy in Indonesia today – modernization and Islamization – and asks whether they are contributing to the development of a philanthropy that focuses on social justice.¹⁵

SOCIAL TRUST FUND (STF) (SYARIF HIDAYATULLAH)

Established in 2012 by Amelia Fauzia, STF advocates for ‘philanthropy for social justice and peace’ that promotes equality and diversity, but adapted to an Indonesian Muslim context. It aims to provide opportunities for the less advantaged, regardless of their religious or ethnic background, in order that they can have better access to education and welfare. Its grants and activities include scholarships for schools in remote areas and peace scholarship grants for Muslim and Christian children in conflict zones. It offers advocacy programmes for empowering civil society and the philanthropy movement, such as supporting judicial reviews of the Zakat Law. STF relies mainly on individual givers for its funds, and fundraising brings many challenges, as described in the section on individual giving.

PUNDI PEREMPUAN – A NATIONAL WOMEN’S FUND

Pundi Perempuan was set up in 2001, responding to a sudden growth of local women’s crisis centres around the archipelago and triggered by deep shock over mass rapes during a week of riots that led to the resignation of Suharto in 1998. The fund was set up by Indonesia’s National Commission on Violence Against Women, which was established only three years earlier, also in response to the mass rapes, in collaboration with Indonesia for Humanity. ‘Today, at 17 years and counting,’ writes Kamala Chandrakirana in *Alliance*,¹⁶ ‘Pundi Perempuan continues to function through public donations and support. Its 74 grants have benefitted many of the 122 women’s crisis centres around the country. ... Eventually, Pundi Perempuan’s public fundraising became the model for Indonesia for Humanity in developing its other funds, especially as international donor support for Indonesia’s civil society started to change and diminish.’

¹⁵ Amelia Fauzia (2017) *Islamic Philanthropy in Indonesia: Modernization, Islamization, and Social Justice*.

¹⁶ Kamala Chandrakirana (March 2018) ‘Resourcing For Women’s Rights’ in *Alliance*: <https://www.alliancemagazine.org/blog/resourcing-womens-rights-indonesian-crossroads>

Her conclusion is ‘not necessarily’. She defines *Islamization* as ‘a process of deepening commitment to standards of normative Islamic belief, practice and religious identity’, found in ‘the deepening use of Islamic sources, the involvement of a greater number of Islamic organizations, the efforts toward more revivalist or conservative interpretations of certain practices, and the efforts to implement *zakat* as an individual tax obligation to the state’. *Modernization* in the practice of philanthropy, she says, ‘manifests itself in the use of modern forms of organization, modern technologies, and a modern model of “rational thinking” in the collection, organization, and distribution of various forms of charitable giving. Islamic philanthropy for social justice works in terms of long-term grantmaking, social change, and inclusive giving.’

Fauzia identifies three important ways in which philanthropy organizations have modernized since the beginning of the *Reformasi* period: legal reform, reform in management, and reform in programmes. It is in the last that the greatest potential for social justice philanthropy lies.

Most Islamic philanthropy organizations have expanded their activities into educational, health, disaster relief, economic and socio-religious programmes, she says. In addition, some leading organizations, such as Dompot Dhuafa, have created divisions for advocacy, provide grants for research and the publication of journals and books, and run research and training institutes on *zakat* management. Dompot Dhuafa also supports anti-corruption programmes, advocacy for victims of evictions, and campaigns for environmental conservation. In response to problems related to migrant workers, Dompot Dhuafa established a Migrant Institute with a branch in Hong Kong to provide assistance for female migrant workers. ‘These programmes lead to the enhancement of practices of social justice philanthropy. This programmatic reform has broken the strong tradition of *zakat* giving, which is usually only for purposes related to religion and restricted to Muslims.’ Dompot Dhuafa’s first three institutional goals (published on its website¹⁷) show its commitment to impartiality, inclusiveness, and development and empowerment, as follows: ‘the realization of social change through multi-stakeholder advocacy & programs for the creation of the welfare of the world society’, ‘growing the spirit of inclusiveness and altruism’ and ‘improving the quality and access of the community to service, advocacy and empowerment’.

Two other goals show its commitment to professional governance and the formation of ‘strong world strategic networks and alliances’. In practice, most of Dompot Dhuafa's programmes have focused on poverty alleviation issues, but increasingly its programmes focus on solving the root causes of poverty-related problems with a long-term approach.

¹⁷ https://www.dompetdhuafa.org/page/visi%20dan%20misi/visi_dan_misi/ind/33

THE ZAKAT FORUM – AN ASSOCIATION PRACTISING SOCIAL JUSTICE PHILANTHROPY

The Zakat Forum (FOZ) has been playing a key role in supporting the idea that *zakat* funds can be used for humanitarian activities without discrimination between groups or religions. FOZ not only endorses the concept of universality in the use of *zakat* in the context of humanitarian relief, it also provides examples. In 2016, for example, in response to the Oikumene church bombing in Samarinda, East Kalimantan, and the dreadful death of the infant daughter of a church member after exposure to bombing fragments in the church, in the name of humanity, FOZ raised funds to help the victims of the bombing and their families, including through Kitabisa.com. FOZ collected approximately IDR300 million (USD21,378) in just two weeks and distributed the money to both Muslims and non-Muslims. In another case, FOZ gave donations (some of them from *zakat*) to assist children who had to walk more than 5 kilometres to their schools in a small district in East Kalimantan, though they were aware that most of the children were not Muslim.

The FOZ secretariat has also helped mobilize *zakat* organizations to support the AKIM programme (Indonesian Humanitarian Alliance for Myanmar), which seeks to provide humanitarian aid to conflict-affected communities in Myanmar, especially to the Rohingya refugees. AKIM's mission is to help bring about peace and reconciliation between two communities in conflict in Myanmar through humanitarian aid. The alliance now has the support of several big Islamic charitable organizations, like PKPU, Dompot Dhuafa, Lazismu, Lazisnu and Rumah Zakat. In Fauzia's view, AKIM can be seen as contributing to social justice philanthropy practices in two ways. First is its inclusive, universal approach to giving, distributing *zakat* money to Muslims and non-Muslims alike. Second is its persistent emphasis on advocacy and a long-term development programme focused on building peace rather than short-term social services provision.

Zaim Saidi et al¹⁸ also see Dompot Dhuafa as having 'played the role of transforming Muslim individual giving, which can be seen as a form of traditional philanthropy, into a social justice philanthropy', specifically by 'starting activities to empower society through advocacy'. Advocacy, he says, is seen by Indonesian CSROs (civil society resource organizations) as 'the preferred weapon to effect change at the root level'. It is clear, he says, that 'social justice philanthropy (SJP) in Indonesia is seen as characterized by activities that attempt to influence government policies. Government policies are viewed as the root cause of injustice, and hence the key to realization of a

¹⁸ Zaim Saidi, Muhammad Fuad and Hamid Abidin, *Social justice philanthropy in Indonesia*.

just society ... Most of the CSROs studied here, for example, express unfamiliarity with the distinction between SJP grants versus non-SJP grants. When they pay out grants to organizations, they think of them as either advocacy or non-advocacy grants. A success in advocacy would mean a policy change that affects the life of segments of Indonesian society on a national scale.' In the view of Saidi et al, it was not the vision of its officers that pushed Dompot Dhuafa towards advocacy but 'painful experience', which gradually taught its board and staff that government policies have a great impact on the effectiveness of its programmes.

In their forthcoming book on *Islamic Philanthropy in Contemporary Indonesia*, Amelia Fauzia et al select a number of programmes implemented by Islamic philanthropic organizations that include elements of social justice. These programmes are run by four LAZs and one state *zakat* organization. Apart from Dompot Dhuafa, they mention two other institutions that have social justice philanthropy principles in their vision and main practices, Lazismu and Dompot Sosial Madani. They also give an example of an association, the Zakat Forum, which is actively promoting and practising social justice philanthropy.

Recently, says Fauzia, slogans such as #KuatKarenaZakat (strong because of *zakat*) and #SemuaBerawalDariZakatAnda (everything starts from your *zakat*) have spread on social media and urban spaces. Through these slogans, the state *zakat* agency Baznas is inviting people to donate their *zakat* so that it can be used to help other people in need and endorsing the idea of *zakat* contributing to the SDGs. In this way, she says, 'state agencies are capable of changing *zakat* and other Islamic charitable practices from charity to philanthropy, from compensation to empowerment, and from short-term impacts to eradicating the roots of social problems.'

SOCIAL ENTERPRISE AND IMPACT INVESTING

Social enterprise

Investopedia defines a social enterprise as a business that seeks to maximize profits while maximizing benefits to society and the environment. Their profits are principally used to fund social programmes. Social enterprises often receive investment from impact investors, who similarly aim to generate specific beneficial social or environmental effects in addition to financial gains. These activities thus combine commercial and philanthropic objectives.

Social enterprise and impact investing is an area that is relatively well documented in Indonesia, with 2018 reports from the British Council and

GIIN/Intellecap on the impact investing landscape.¹⁹ According to GIIN/Intellecap, although social entrepreneurship in Indonesia dates to the Council/UNESCAP on the state of social enterprise in Indonesia and from early 2000s, it has greatly increased over the last decade, with more than 80 per cent of social enterprises in Indonesia established since 2012. The British Council report paints a similar picture. Key findings include:

- Social enterprises in Indonesia have shown significant growth in recent years, diversifying into new sectors while strengthening their presence in the creative industries (22 per cent), agriculture and fisheries (16 per cent) and education (15 per cent).
- There are around 340,000 social enterprises in the country, contributing around 1.9 per cent of GDP.
- Social enterprises in Indonesia have very high levels of women employment, at almost 70 per cent.
- The leaders of social enterprises are relatively young, with almost half aged 25-34 (46 per cent).
- Most social enterprises can be categorized as micro and small-sized businesses with an average yearly income of IDR806 million (USD57,467).
- Most social enterprises are based in Java (78 per cent), along with most of Indonesia's economic resources.
- Half of social enterprises (48 per cent) do not yet have any formal legal entity, largely due to the absence of a specific legal entity for social enterprises, complex registration processes, and low awareness of the importance of legal registration.

Some of these new social enterprises have been formed by CSOs that still rely mainly on international sources for their funding but now want to start to source funding locally or to generate income from their own activities, says Suzanty Sitorus. The regulatory framework in Indonesia prohibits the national government from channelling funding to CSOs, though local governments can give grants to CSOs to implement social development work. 'In any case many CSOs take a stand of not taking money from the Indonesian government to ensure their independence.' Many NGOs are now looking to transition into for-profit social enterprises.

Romy Cahyadi of Instellar (see box below) feels this is a 'very exciting moment'. 'Five or six years ago,' he says, 'I wouldn't have been sure if this was

¹⁹ British Council and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (September 2018) *Building an Inclusive and Creative Economy: The state of social enterprise in Indonesia*. GIIN/Intellecap (2018) *The Landscape For Impact Investing In Southeast Asia*.

just a fad, a fashion. If you ask me now, I'm sure this isn't just a fashion. The number of different stakeholders shows the trend is growing stronger and stronger.' He mentions public and private universities with programmes in social entrepreneurship; the media promoting and mentioning social enterprises; a couple of TV programmes showcasing social enterprises weekly – Metro TV's *Big Circle Show*, which showcases businesses and social enterprises from all over Indonesia, and Daai TV's *Filantropi*, a talkshow that examines philanthropy in Indonesia and includes interviews with social entrepreneurs; companies holding competitions and giving awards for early social enterprises; and of course impact investors – 'though they haven't yet made many investments'. 'I think we're past the tipping point,' he says. 'Social enterprise is becoming a buzzword in Indonesia,' agrees Benedikta Atika of the Angel Investment Network Indonesia (ANGIN).

According to a 2016 report by ANGIN,²⁰ just 10 per cent of social enterprises in Indonesia are investment-ready. Twenty per cent will be able to absorb capital if they receive some form of capacity-building support. Another 70 per cent are not expected to become fundable. But, says Atika, this shouldn't necessarily be seen as a problem. 'We need to understand that social enterprises have different capital needs, and different means of growth or scale-up.' Regarding the 20 per cent with the potential to absorb capital, there is increasingly capacity-building support on offer.

Reflecting the recent expansion of social enterprise, Indonesia now has a good range of 'enablers' (ecosystem builders, incubators, accelerators, capacity builders), including:

- Ashoka
- British Council
- BCG Jakarta Social Impact, a local initiative led by a group of BCG Jakarta consultants
- Campaign.com, a social-tech enterprise that helps governments, companies and social purpose organizations to better organize campaigns for change
- DBS Foundation, which focuses on building a more inclusive Asia by championing social enterprises
- Impact Hub Jakarta
- Instellar, a purpose-driven company which supports incubation, acceleration and innovation in social enterprises and other impact-driven businesses

²⁰ ANGIN (2016) *Social Finance and Social Enterprises: A new frontier for development in Indonesia*, prepared for UNDP.

INTELLAR

Instellar was founded to provide a wider range of services for impact-driven businesses, regardless of whether they are social enterprises or companies wanting to create more impact for society and environment. It was born from the experience of its co-founder, Romy Cahyadi, when establishing and running UnLtd Indonesia, a non-profit organization providing support for early-stage social enterprises. It was established in 2014 with a grant from the US-based Rockefeller Foundation; it was based on the UnLtd model in the UK, but modified to meet local needs.

Initially UnLtd Indonesia ran a programme for one year providing mentoring for entrepreneurs. After a few rounds of this model it added workshops to give entrepreneurs business knowledge and skills. Now the programme typically runs for six months, with five different topics. There is also a demo day when entrepreneurs can showcase their businesses to a large audience including potential investors.

So far Instellar and UnLtd Indonesia have supported over 100 social entrepreneurs through their programme, many from cities like Jakarta but also from rural areas in islands other than Java. 'There is no support there, so they reach out to us. We are quite proud of what we've achieved,' says Cahyadi. 'We get good feedback from the fellows.' A 2017 survey showed that 90 per cent of social entrepreneurs who have done their programme continue to run businesses with increasing revenue, beneficiaries and job creation. The number of applications is another indication that their programme is needed. Initially there were around 25 for each programme; now there are 150-200, of which 20 can be accepted.

- PLUS, which helps social enterprises by providing one-hour free consultations, connecting them with the resources they need and with the broader PLUS nationwide community
- Siap (Social Innovation Accelerator Programme)²¹

The need for capacity-building is also being addressed through workshops and webinars, says Atika: 'Last month we were invited by the US embassy, who were running a webinar for social enterprises and included several business models during the programme – an acknowledgement of the importance of

²¹ British Council and UNESCAP (September 2018).

business acumen for social enterprises. Leadership skills are also important – we need more new champions in social enterprise.’

How are social enterprises funded?

The British Council survey shows that the top three sources of funding for social enterprises are personal income from another job (51 per cent), funding from family or friends (31 per cent), and cash or in-kind donations (28 per cent) – findings that are echoed in ANGIN’s 2016 study and in Cahyadi’s assessment of the situation. ‘Entrepreneurs use their own money,’ he says, ‘bootstrapping, finding families and friends to support them. There’s no financial support for early-stage social enterprises in the country. Banks will ask for fixed assets as collateral, which social enterprises don’t have. Company awards are useful but only for a few winners.’ Funding from friends and family is often reported to be the most preferable option, says the British Council report, as it requires little documentation and can be secured quickly. As well as needing collateral, bank loans require due diligence, and not having a legal entity restricts access. Crowdfunding isn’t a commonly used financial resource for social enterprises, although 11 per cent of survey respondents reported using it.

What about social enterprises at the next stage? Most impact investors want to invest in social enterprises worth IDR7 billion (USD500,000) and above, says Cahyadi; below that there are very few investors. One of the few is ANGIN, an angel investor network, though it isn’t specially focused on social enterprise. Above IDR7 billion (USD500,000) there are quite a number of investors, he says.

Impact investing

According to the GIIN/Intellicap report, Indonesia is the largest market for impact investing in South East Asia in terms of the number of active investors, amount of impact capital deployed, and number of impact deals between 2007 and 2017. ‘Private impact investors, including at least 22 fund managers, several family offices, and one impact-focused angel network, have deployed IDR2 billion (USD148.8 million) across 58 deals, and six development finance institutions have deployed over IDR50 trillion (USD3.6 billion) in impact capital through 67 direct deals.’ A number of other private impact investors are scouting the country for investment. However, only seven funds have a full-time local presence.

Apart from ANGIN, funds active in Indonesia include:

- **Aavishkaar**, headquartered in India, which adopts a venture capital approach to serve the low-income market segment by creating scalable enterprises. Its Indonesian portfolio includes Qlapa, an online handicrafts marketplace.

- **The Northstar Group**, a Singapore-headquartered private equity firm. It has made investments in a number of businesses that are having a positive impact on the social and economic development of remote communities in Indonesia.
- **Patamar Capital**, which provides venture capital investments to high-growth companies aiming to solve South and South East Asia's most pervasive problems at scale. Recently, Patamar partnered with Kinara and Investing in Women, an initiative of the Australian government, to finance the growth of women-led SMEs (small to medium enterprises) in Indonesia, the Philippines and Vietnam.
- **YCAB Ventures**, part of *Yayasan Cinta Anak Bangsa's* social enterprise group, which focuses on enabling sustainable youth development and supporting for-profit entities. It offers products and services that enable social enterprises to better serve bottom of the pyramid consumers.

Since 2013, private impact investors' activity has increased significantly, averaging over 13 impact deals per year, the highest number for any country in the region. The funding gap for small investments at early stages has been partially filled by the formation and subsequent growth of ANGIN and several incubators providing seed capital. They have closed the vast majority of deals smaller than IDR7 billion (USD500,000) in Indonesia, over 80 per cent of these since 2014. ANGIN has mostly invested in enterprises led by local Indonesian entrepreneurs.

'We are seeing some new funds being created to cater for early-stage impact investment opportunities, but still not many,' says Atika. In fact, commercial venture capitalists seem to be doing more to support early-stage enterprises, although they don't claim to be impact investors. But they actually do have impact. We call them impact-driven entrepreneurs. Development agencies like USAID and DFID are impact investors, but they give much larger funding, further down the line.'

Investors offering IDR7 billion (USD500,000) or under usually also provide their investees with high-touch, non-financial support in areas including business planning, access to networks, and advice on governance. Gender lens investors, of which there are now at least five, are particularly active in this regard. For example, the ANGIN Women Fund has provided training to more than 100 women-led businesses. Similarly, Patamar Capital, with support from Investing in Women, an initiative of the Australian government, and in partnership with Kinara Indonesia, started an accelerator programme in 2017 for women-led businesses that address food security.

All private impact investors making deals in Indonesia between IDR7 billion (USD500,000) and IDR70 million (USD5 million) (accounting for 40 per cent of transactions) are headquartered outside the country. Local funds make more

ANGEL INVESTMENT NETWORK INDONESIA (ANGIN)

Formed in 2012, ANGIN has become the largest angel network in Indonesia, with 66 members, including institutional impact investors, who engage in early-stage investment and mentoring. It has been instrumental in developing Indonesia's impact investing ecosystem, supporting enterprises overlooked by banks or private equity and venture capital funds by providing seed-stage capital and impact measurement support. ANGIN also helps match impact investors and enterprises. Ticket size is around IDR421 million to IDR4.2 billion (USD30,000 to USD300,000) for one investor, says Atika, and we usually have co-investors, so we usually go for IDR1.4 billion to IDR7 billion (USD100,000 to USD500,000) investment rounds – though we do also make some smaller investments.

'We don't see ourselves as an impact investor,' she says. 'We don't have specific impact measurement or an impact thesis or impact mandate – which we'd need if we were an impact investor. We treat social enterprises like other commercial businesses, and we believe our impact is supporting these entrepreneurs. We have a big focus on women's empowerment – we started as a women's fund – but we don't have a specific mandate to invest only in women.' ANGIN is largely driven by the different needs of their investors – 'and not all of them care about impact. Rather, we got into impact investing because some of our investors are interested.' The investment type also tends to be different. 'Some angels who care about impact do equity investment, but some institutional impact investors also look at other instruments, including innovative instruments like loans and mezzanine debts.'

Are ANGIN's impact investors less demanding in terms of financial return than their other investors? Not necessarily, says Atika. Some may offer a concessionary (below market) rate, but they might require other things to compensate for the risks. Much depends on where the impact investor is positioned on the impact-orientation spectrum: impact first or finance first. In any case, they still expect the social enterprises they fund to have a strong business model. 'Sometimes applications that come to us don't have one; they lack business acumen,' she says. 'They need to convince us that they will be able to provide strong business growth in the future. This is a problem because investors are mostly at the finance first end of the investment spectrum.' When ANGIN receives applications from social enterprises that lack a strong business model, it will give feedback that the organization needs to improve and may refer them to specific programmes, like Instellar's – though Instellar may insist that certain requirements are met before social entrepreneurs can take part, she adds.

ANGIN founded Connector.ID – the first online platform to help Indonesian entrepreneurs to identify sources of capital. It also introduced the first gender lens investing fund in Indonesia, the ANGIN Women Fund, which has made five investments to date ranging from IDR350 million to IDR2.1 billion (USD25,000 to USD150,000).

deals and smaller ones. Investors with a local presence in Indonesia express more confidence about sourcing deals and potential pipeline. Having a local presence reduces the costs of due diligence and shortens the investment process. Many investors without a local presence, on the other hand, co-invest with local partners to provide post-investment support. For DFIs, most deals are between IDR140 billion (USD10 million) and IDR702 billion (USD50 million).

INDIVIDUAL GIVING

Indonesia topped the CAF World Giving Index for the first time in 2018, moving from second place into the top spot vacated by Myanmar. Its overall score of 59 per cent breaks down into 46 per cent for helping a stranger in a typical month, 78 per cent for donating money and 53 per cent for giving time – the highest proportion of people volunteering anywhere. Indonesia also had the highest proportion of women volunteering at 48 per cent – though this is still significantly less than that reported by men in Indonesia (59 per cent).

The 2019 CAF World Giving Index produced aggregate scores for the last decade. It found that Indonesia and Kenya are the most improved countries overall, having increased their Index score by an average of 19 points each over the ten-year period.

Volunteerism has strong roots in Indonesia's culture, says Sitorus. Many ethnic groups practise *gotong royong*, which assembles financial and non-financial contributions from community members to construct community buildings and infrastructure, to help neighbours in need, or to support the education of other family members.

Traditional, informal volunteerism is still strongly alive, and highly creative. She cites one group who recruit volunteers to regularly collect and wash ladies' prayer cloths in public mosques and prayer places, with some shops offering new prayer cloths. Nowadays, there are organizations that manage volunteers, who are deployed not only in disaster-affected areas but also for children's education in remote areas and many other social problems. The Indonesian Red Cross, one of the oldest organizations using volunteers in times of natural disasters, currently has more than 1,000 volunteers registered in 34 provinces.

Indonesia coming top of the CAF Index in 2018 'speaks to the fact that people are very generous to each other', says Suzanne Siskel. 'It's a giving society, a country where people do help each other. A lot of it you wouldn't call philanthropy in the real sense.' Early studies show a high volume of giving, she says, much of it informal, to relatives and local causes and through religious channels; 'certainly no tax incentive, just people wanting to help each other'. She mentions a phenomenon called *arisan* – whereby groups of say 10 people

will pool money every month or so and each month one person will get all the money until each member has received her share and the cycle begins again. 'This might be used for a special purpose like a wedding or new baby. While it can be seen as a kind of forced savings scheme, it also reflects a sense of shared interest in the needs of others, a philanthropic impulse.'

As we have seen, media philanthropy is largely driven by individual giving, with media companies collecting public contributions, especially in times of major natural disasters. Religious giving obligations are the motive for a lot of giving, with Muslims paying *zakat* and other Islamic alms to state and non-state *zakat* management agencies. Most of these funds still go to charitable and religious causes, though more now goes to livelihoods, social protection and other longer-term programmes. A big question is whether some of this giving can be targeted to longer-term, more developmental programmes, including social justice causes.

Crowdfunding and online giving

As the digital era has begun to gain traction, with Indonesia becoming one of the most active users of internet and social media, the younger generation have started crowdfunding initiatives. 'Crowdfunding is still in an early stage,' says Alfatih Timur of Kitabisa.com, the largest crowdfunding platform, founded in 2013. 'We have perhaps three or four platforms active.' In 2017 Kitabisa raised IDR193 billion (USD13.8 million). The number one cause people are supporting is medical, says Timur, followed by humanitarian and religious giving. 'If there is a disaster, humanitarian funding goes up, but generally religious causes like building a mosque or helping an orphanage are always the second or third most popular. Indonesia is a majority Muslim country and people have an obligation to pay 2.5 per cent of their incomes every month in *zakat*, it's the Muslim equivalent of tithing.' Mostly Muslim people pay it through Islamic institutions but people are beginning to spend it on projects, either run by Islamic institutions or just general projects that are eligible for *zakat* giving.

In general online giving is still at an early stage, says Timur. 'E-commerce started blooming just two years ago. If you look at the US market, crowdfunding comes around seven years after e-commerce, so we're still at an early stage. If you look at our website, we have 1.4 million users and close to IDR702 billion (USD50 million) in donations, but it's still very small compared to the number of people who are transacting online.'

The biggest lever is story telling and sharing on social media, he says. Kitabisa also partners with several big organizations like the Red Cross, Dompot Dhuafa and the Islamic organizations.

Fundraising from the public

Currently, apart from the media companies and *zakat* organizations, it is mostly big NGOs that have been fundraising in Indonesia. It is illegal for international organizations to fundraise locally unless they have set up an independent, local legal entity such as *yayasan* (foundation). 'Indonesia is a growing market for supporting social and environmental causes through one-off donations and regular giving,' says Sri Indiyastutik of YAPPIKA-ActionAid. International NGOs with local legal entities and Indonesian NGOs affiliated with international NGOs have been doing face-to-face public fundraising in Indonesia for over 10 years. This includes environmental groups with vast international networks – such as Greenpeace, The Nature Conservancy, and WWF – and Save the Children, all of which have already established legal entities in Indonesia, and also SOS Children's Villages, Indonesia for Humanity and YAPPIKA-ActionAid. They all target regular giving as well as one-off donations.

UNICEF Indonesia, through its website, asks people to 'improve the lives of children across Indonesia and beyond ... Be a Hero for Children by giving monthly donation through UNICEF Indonesia.' As well as targeting regular and one-off donations from individuals, it seeks donations 'from Community / School / Institution / Organization'. Save the Children Indonesia suggests that people might like to 'run a marathon, donate money, volunteer in a shop, email your MP or put on a silly jumper – there are plenty of ways you can help children build a better future.'

Greenpeace has been relatively successful in raising money from the public, says chair of Greenpeace Southeast Asia Suzy Hutomo. Fifty per cent of their money is raised from the region and 50 per cent internationally. 'Indonesia has huge environmental problems,' she says. Body Shop Indonesia has a community school for children of trash pickers and raises money from its customers. Save the Children and Plan International are partners at Ramadan and Christmas. Every year it raises about £250,000 from its customers.

In YAPPIKA-ActionAid's experience, face to face is the most successful way to collect regular donations, says Indiyastutik. 'We are doing fundraising campaigns in malls in big cities and in streets, office buildings and train stations. This is working. With digital fundraising we create leads and convert leads into regular donors through telemarketing. But we stopped this because the investment needed was too great.' Most people giving regularly donate around IDR156,000 (USD11) a month. People donating digitally can pay less, sometimes very small amounts.

Faith-based organizations are most successful on Kitabisa and face to face, says Indiyastutik. 'No secular organization can compete right now. For example, if you go to the mall, you can see YAPPIKA-ActionAid actively stopping people, engaging with them, telling them about our cause, and asking

for donations, while Dompot Dhuafa just sit in their booth with brochures and people come to them to pay their *zakat* dues.’ Muslims can’t give *zakat* to secular organizations, she explains, unless they have a special government permit to collect *zakat* and follow policies that regulate *zakat* collection.

However, Dompot Dhuafa does face competition from other LAZs and Baznas, says Sitorus. ‘They are aggressive in their public campaigning, using an array of methods to reach their target *zakat* payers: email, WhatsApp, SMS and direct calling as well as different kinds of event.’

One secular national organization that has tried to do fundraising in the same way as the international NGOs is Indonesia Corruption Watch. ‘They started one or two years ago,’ says Indiyastutik, ‘but they have now stopped it because face to face needs significant investment to start; it won’t pop up in one month or one year. The lack of investment from donors who would like to empower Indonesia Corruption Watch is one obstacle.’ The Indonesia Legal Aid Foundation is also fundraising but in a smaller way, with fewer than 1,000 regular donors via face to face.

Do individuals support social justice causes?

‘Public fundraising to support rights-based work is a steep uphill climb,’ says Kamala Chandrakirana, writing for *Alliance*.²² ‘While there are plenty of corporate- and religious-based philanthropic foundations, much of the rights-based work done by CSOs is considered too risky, too controversial and too political. The current sad turn of Indonesian society towards religious conservatism and intolerance has also made women’s rights a highly contested agenda. The resourcing for women’s rights – and human rights in general – is now at a crossroads in a highly polarized nation. It must find new pathways to grow along with the rising middle class that believes in CSOs’ contributions to

CICAK AND BUAYA (GECKO VS CROCODILE) – A SUCCESS STORY

Despite the challenges faced by Indonesia Corruption Watch (ICW) in establishing systematic public fundraising, reported above, ICW led what Maria Anik Tunjung of Indonesia for Humanity remembers as one of the most successful campaigns since the beginning of the *Reformasi* era. The aim of the Cicak and Buaya (Gecko and Crocodile) movement was to prevent the dissolution of the Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK) in 2009 by the national police and high prosecutor’s office. ICW was able to raise funds and mobilize thousands of people to join ‘one of the biggest rallies we have ever had addressing a structural issue such as corruption’, to send a protest letter, to mobilize media to cover the issue. As of now, the Commission still exists.

²² Kamala Chandrakirana (March 2018) ‘Resourcing for women’s rights’.

equality and justice for all. Otherwise, it can lose ground along with the rise of intolerance and anti-democratic forces across the nation.'

This gloomy assessment is echoed by Amelia Fauzia, talking about her experience of trying to raise funds for the Social Trust Fund. 'Fundraising is so challenging,' she says. 'Our donors are educated middle-class individuals. Previously we only wanted to fundraise and support programmes with a strong long-term target, involving both development and advocacy and promoting inclusivity. But we could not get the support we expected. Advocacy, social justice and long-term development are too difficult for Muslim donors to understand.'

She does see a way forward, however, in taking what she calls a 'combination approach', used in efforts to raise funds for relief for Rohingya refugees. These efforts involved AKIM, which is strong on promotion for inclusive, non-discriminatory giving as well as for long-term development. 'We take a kind of combination approach,' she says, 'namely going with mainstream fundraising for disasters, but trying to focus on at least middle-term purposes such as providing scholarships (we call them humanity scholarships) in addition to peace scholarships. With the Rohingya fundraising we tried to promote peace, non-violence, diminishing growing hate speech in the public space involving the two ethno-religious groups, non-discriminatory aid distribution, and a long-term development programme rather than short-term charity.' Having established this combination approach, the Social Trust Fund has successfully carried out fundraising (via social media) for consecutive disasters in Lombok (earthquake), Palu (earthquake and tsunami) and Banten (tsunami).

Hutomo similarly stresses the importance of framing. CSOs need to build a narrative that the general public can relate to. 'Everyone gives to a natural disaster,' she says, 'and of course to religion, building mosques and churches. And it's easy to ask for money for social efforts like building schools for the poor.' But human rights is a 'mixed subject for Indonesia', she says. It can be framed as political, or as embodying western values, or as part of Indonesian culture. The Body Shop raised money for a museum of human rights, she says.

'Munir, a human rights activist dealing with young people who disappeared, was poisoned on the way to Amsterdam, and his wife built a museum in his memory. We knew people wouldn't trust the idea of raising money for human rights but because it was for a museum for educating children we raised quite a lot.' People might also give directly through Kitabisa for a specific case, for example money was raised for the defence of a grandmother jailed for taking a cocoa bean. NGOs can also raise money this way. Nexus Focus, an environmental organization working with toxic substances like mercury, has raised money for children affected through Kitabisa.

Middle-class people do want to be part of a movement, says Hutomo. Greenpeace raises about IDR9 billion (USD654,000) from individuals, 'more from the younger and more progressive and more educated crowd. If human rights one day becomes something people start to value, the middle class would give.'

Looking at Islamic philanthropy in particular, Amelia Fauzia feels that there are 'progressive thoughts inherent within the religion'. She refers to the findings of a 2003 survey, which in her view show that 'Muslims in Indonesia have the potential to develop social justice philanthropy'.²³ More than 65 per cent of survey respondents agreed on certain principles of social justice, such as 'the importance of obtaining and securing rights, income equality, women's rights, minority rights, and freedom of expression'. The tendency toward social justice can also be seen in the motives for giving, she says, with 11 per cent of respondents stating that they give for 1) discharging 'the rights of the poor', 2) reducing poverty, and 3) helping the government to increase community wellbeing. 'These motives show evidence of concerns over other people's rights and welfare, which is itself an indicator of the potential of social justice philanthropy.'

The survey results also showed that 77 per cent of respondents found no problem with the notion of giving to others without considering their religion. However, when asked about the possibility of *zakat* money being given to non-Muslims, half of Muslim respondents (51 per cent) voiced objections.

The concept of social justice is rooted in the popularity of the state ideology *Pancasila*, says Fauzia, especially in the last of its five principles, 'social justice for all Indonesians'. '*Pancasila* has been taught at schools and read out loud by students at their weekly school assemblies. In addition, it seems that experiences of injustices since the 19th century have encouraged the idea of social justice.'

The actual figures for giving are less encouraging. While 94 per cent of Muslims donate to religious organizations, only 3 per cent donate to human rights organizations, 11 per cent to women's organizations, and 11 per cent to environmental organizations. 'This shows the domination of a traditional pattern of giving. What is clear is that issues related to the empowerment of human rights, or to women and labour rights, do not attract much attention from Muslim donors. Advocacy activities are somehow too abstract, so they are not popular targets of giving among Muslim donors. In the same way, giving for "long-term purposes", which has the character of social justice philanthropy, is also not popular.'

²³ Amelia Fauzia (2017) *Islamic Philanthropy in Indonesia*.

Giving by the younger generation

Social justice and rights-based approaches are being practised in different ways by today's social and philanthropy groups, says Sitorus, spearheaded by the younger generation. Facilitated by IT technologies, they are shaping a new philanthropy. 'Many veteran activists may consider the new philanthropy to be insufficient, narrow and shallow in promoting social justice and rights-based approaches. If they engage with the new generations of givers, they will see that social justice is big in their heart. They have different motives and approaches, and many of them are not political, but they are genuinely concerned about social injustice.'

The millennials have certain characteristics that actually offer great potential for social justice, says Sitorus. 'They are more sensitive to cross-ethnicity/race/gender issues.' 'We are seeing a new breed of philanthropists doing things their way,' says Erna Witoelar. 'They are pulling away from family foundations. Some are just part of a group of people wanting to do something for others.' Indonesian demographics make this a significant trend. According to 2015 research by FISA, 60 per cent of the population are below 30 with a total income of IDR4.9 trillion (USD348 million).

In 2019 Filantropi Indonesia organised the NEXT GENEROUSion Festival 2019 or Festival Filantropi Muda (Youth Philanthropy Festival). The festival saw the launch of Online Donation Week in collaboration with Go-Pay (one of Indonesia's most popular payment gateways) and a lot of interest in social justice philanthropy.

Giving by wealthy individuals

Indonesia has the fastest growing population of high net worth individuals (HNWIs) in Asia, defined as individuals with at least IDR billion (USD1 million) in liquid, investable assets. One report indicates that the population of HNWIs grew by 67 per cent between 2007 and 2011 and held combined wealth of IDR3,383 trillion (USD241 billion).

Do the wealthy see their role as being part of giving? Not quite yet, says Hutomo. One problem is that donations are not deductible except for specific causes. 'Some have their own pet projects. One woman has a children's choir which she takes around the world, and it's been winning prizes. Someone might finance a school for training children to be Indonesian mathematicians. Wealthy people are often interested in seeing if their projects can become sustainable.'

PHILANTHROPY INFRASTRUCTURE

Infrastructure organizations

The key organization for philanthropy ecosystem support in the country is [Filantropi Indonesia](#). Now a national platform on philanthropy, it originated from the initiative of a number of individuals and institutions/non-profit organizations that were part of the Ford Foundation-funded Philanthropic Strengthening Initiative, which ran from 2003 to 2006. It included high-value institutions and media organizations and a few social justice/rights-based grantmaking organizations – most of the main players, says Chandrakirana. After being fairly quiet for many years, Filantropi Indonesia became revitalized in 2015 when the SDGs' engagement with philanthropy began.

Filantropi Indonesia aims to advance philanthropy in Indonesia to contribute to the achievement of social justice and sustainable development, says Sitorus. Underpinning it is the feeling that 'the grave social and environmental challenges in Indonesia today require transforming philanthropy from a potential that exists in the Indonesian individual and nation into something more meaningful'.

To advance this goal, Filantropi Indonesia runs a number of services specially tailored for foundations, like the Philanthropy Learning Forum and philanthropy skills-sharing classes. It has initiated clusters of philanthropy organizations to deepen peer-to-peer learning and partnerships among organizations working on similar areas such as education; nutrition; arts and culture; conservation and environment; and urban areas and settlements. It holds a two-yearly Philanthropy Festival. It plays a central role in aligning the efforts of philanthropy with the SDGs. Filantropi Indonesia is 'very creative and supportive and useful', says Paul Collett, 'but there's a long way to go'. 'Filantropi Indonesia is not yet playing a distinct role in supporting the strengthening of rights-based grantmaking organizations working for social transformation,' says Chandrakirana.

Filantropi Indonesia is a member of WINGS. 'We have built relationships and networks with other international philanthropies, directly or through Ford Foundation and WINGS, and we connect some of our members with them.'

Two other national associations are:

- FOZ (Forum Zakat), an association of *zakat* organizations established in 1997, supported by Dompot Dhuafa. To date, FOZ is the biggest and strongest association of *zakat* organizations in Indonesia, with 257 members in December 2018.

- **Konsil LSM Indonesia (Indonesian NGO Council)** is the only heterogeneous association of NGOs that is not limited to organizations working on a single issue. It is focused instead on improving the capacity and accountability of NPOs in Indonesia in general.

Another important organization is the Zakat Management Institute (IMZ). Established in the early 2000s, IMZ was the only institution that focused on developing the human resources of zakat institutions. There are hundreds, even thousands, of graduates of IMZ programmes, such as the Zakat Executive Development Programme and the Amil Development Programme, who are now involved in managing *zakat* institutions in Indonesia.

At the international level, there is the World Zakat Forum, a network of organizations, individual practitioners and academics that together aim to enhance the practice of *zakat* worldwide, looking at how *zakat* could be used effectively for development – specifically for poverty eradication – and contribute to the SDGs. It was established in 2010, initiated by Dompot Dhuafa and supported by Baznas.

There are also industry associations and networks active in Indonesia that support impact investing including the Aspen Network of Development Entrepreneurs (ANDE) and the Asian Venture Philanthropy Network (AVPN). Some family foundations are members of the Asia Philanthropy Circle, AVPN and other international philanthropy networks.

But taken overall philanthropy infrastructure in Indonesia is far from adequate, says Sitorus. Currently there are only a few organizations (CSO or university-based) with an interest in philanthropy research. These include:

- PIRAC (Public Interest Research and Advocacy)
- Pusat Studi Hukum dan Kebijakan (PSHK – Centre for Law and Policy)
- Social Enterprise and Islamic Philanthropy Lab at University of Muhammadiyah
- Research Centre for Zakat and Waqf, at the State Islamic University of Maulana Malik Ibrahim, City of Malang (East Java)

Almost entirely lacking are private advisory firms and law firms with a special focus on philanthropy (high net worth individuals/families) and organizations that provide capacity building and advice for family and corporate foundations.

Legal and fiscal framework

Since 1998 and the fall of the New Order regime, a number of new laws and regulations have been introduced that affect the philanthropy sector. Although philanthropy is considered a different sector from the NGO sector, and in practice government sees them as different actors, the same legal framework applies to both.

- **The Law on Foundations**, introduced in 2001 and revised in 2004. This created a clear legal basis for foundations. Before this it was debatable among legal experts whether foundations were a legal entity or not, says Eryanto Nugroho of PSHK. The law creates obligations for accountability and transparency, financial audit and so on. Corporate philanthropy uses the same framework, as do most NGOs/CSOs.
- **Government Regulation No 93/2010 on deductible donations**, issued in 2010, introduced tax incentives for donations in certain limited areas (natural disasters, research and development, educational facilities, sports development and the costs of social infrastructure construction).
- **CSR Law No 47 of 2012**, which makes it mandatory for public listed companies to allocate budget for CSR programmes (though no amount is specified). Companies must report on their CSR programmes in the company's annual report and at the annual general meeting. For state-owned companies, allocation of 4 per cent of profits for CSR is mandatory.
- **The 2013 Law on Societal Organizations** (*Organisasi Kemasyarakatan* in Bahasa Indonesia), also known as the Law on *Ormas*, is currently the most problematic aspect of the legal framework, says Nugroho. 'The law reflects problems stemming from the legal framework of the New Order regime. It is very politically orientated; the dynamic is to control/restrict the activities of CSOs. This has come back as a new law but the problems are still there.' One problem is the restrictive registration system for receiving donations from and giving donations to other countries. Another is the language, which is very vague, which means it can be interpreted differently by different governments. Yet another is the incorrect understanding being pushed by the Ministry of Home Affairs that foundations and associations are included in *ormas* – which isn't in fact a legal entity but a status issued by the Ministry. This would mean many universities, schools and hospitals that use foundation as their legal entity being included as *ormas*, 'which makes no sense in the Indonesian context'.
- **2017 law giving government the power to dissolve societal organizations**. In 2017 the president issued an emergency decree that gives government power to dissolve societal organizations without due process of law, ie without going to court. This was accepted by parliament and became law.

A further problem is the Law on Associations (associations are membership-based organizations in Indonesian law, as opposed to foundations, which are not) or *Staatsblad* (State Gazette), dating from 1870. A draft new law has been around since the 1990s, but it is still being discussed by the government.

Because it is an old law, the *Staatsblad*, with only 11 articles, is no longer sufficient for regulation of the current practices of associations in Indonesia.

Another gap is endowment legislation. Endowments are not really a known concept or practice, says Nugroho, 'though we have *waqf* and foundations'. There are regulations for government trust funds, which would apply to Kehati (also registered under foundation law), but the law is inadequate and there is no law for trust funds as such.

WHAT IS DRIVING THE GROWTH OF PHILANTHROPY IN INDONESIA?

The growth in philanthropy is across the board, says Erna Witoelar. The fact that government sees philanthropy as a positive thing and isn't suspicious of it is helpful, she says. Paul Collett sees the government as 'increasingly forward-thinking in terms of trying to integrate multiple stakeholder perspectives into the national development agenda'. Witoelar also mentions a stronger commitment from *zakat* management agencies to giving for development, including the SDGs, which have led to a huge growth of more organized Islamic philanthropy as well as having a knock-on effect on other religions. Kamala Chandrakirana mentions 'civil society's drive for survival and the sustainability of their work on social justice, democracy and human rights'.

Several commentators mention the greater commitment of corporations and families to contribute to the country's development. Collett mentions the 'massive challenges remaining' despite the 'general wealth and economic success of the country over the last 10-20 years'. Indonesia underperforms on scores like PISA and other international educational tests considering its per capita GDP and the constitutional requirement that 20 per cent of the country's budget should go towards education. 'I imagine philanthropists are looking to address these needs,' he says.

Wealthy families want to leave Indonesia a better place for their children and grandchildren, and fulfil their obligations as citizens, says Felicia Hanitio. 'There is also the desire to leave a legacy, and sometimes a healthy sense of ego: you see another group has done something in their area and you ask, why can't we do it in ours? Seeing examples in other areas can be a positive force.' Business interests also play a role, she says. Families see that problems like climate change and deforestation will have major repercussions for their businesses if they don't address them. 'Even radicalism can affect operations, and insufficient education can hamper the workforce. Philanthropy can be the route to solving these problems and becoming more sustainable.'

Okty Damayanti talks of 'the commitment of top-level company management to go beyond compliance' while Abbas Yahya talks of 'media companies' increasing sense of caring for the community and solidarity with social issues and wish to ensure a high level of public trust in the media'. Romy Cahyadi sees the fact that 'even in Indonesia businesses are affected by global demands for companies to be more social responsible' as a significant factor behind the growth of social enterprise. Businesses are quicker than government in terms of learning about the new model of social enterprise, and

some now have competitions and awards for social entrepreneurs. TV seems to be playing its part. Cahyadi mentions two weekly TV programmes that showcase social enterprises – Metro TV's *Big Circle Show* and Daai TV's *Filantropi*. Witoelar agrees that TV features about 'philanthropy by ordinary people – people who aren't rich or old but who have a commitment to supporting others – are playing a big part in promoting individual giving'.

Four factors that seem to be particularly important in the growth of Indonesian philanthropy are the SDGs, disasters, the changing attitudes of millennials, and technology. These are covered below.

THE SDGS

Institutional philanthropy in Indonesia is increasingly aligning its work with the SDGs. Filantropi Indonesia and other private sector coalitions and associations are setting up philanthropy and business networks around the SDGs, says Witoelar, and incorporating the SDGs into members' activities. 'The SDGs are gaining attention fast, and this is having a very positive effect on the growth of philanthropy. Over the last two years a big change can be seen in people adopting the goals. People are building collaborations around them, between different sectors, between civil society, private sector, universities, philanthropy and local governments. This was not happening five or ten years ago. This is an overwhelming moment.' Using a common framework like the SDGs helps philanthropy organizations learn from and collaborate with other partners who share similar goals.

Filantropi Indonesia serves as the country focal point for the SDGs Philanthropy Platform, says Sitorus. Since 2015 it has been running a massive campaign on the SDGs. 'The nature of the SDGs, all-encompassing and aspirational, appeals to philanthropies,' she says. Increasingly, philanthropy institutions are identifying their activities with one or more SDGs.

Collett also talks about the SDGs. Indonesia's national planning agency is very focused on implementation of the SDGs, he says, and trying to encourage private and public sector groups and philanthropies to contribute. Indonesia will participate in voluntary annual reporting on SDG achievements in 2019 and this will include reports from philanthropies and the private sector on their contributions to meeting targets.

While Witoelar sees the SDGs as a positive coalescing force, as we have seen, Chandrakirana is less positive, seeing them as drawing all the attention and leaving human rights and social justice issues with almost no funding. They're both right, in Suzanne Siskel's view. While she agrees that the lack of

funds for social justice causes is a serious problem – one she worked to address when she led Ford Foundation’s efforts to expand and strengthen philanthropy in Indonesia in the early 2000s – she does see the SDGs as ‘a way of potentially getting more coordination of resources from the private sector, the public sector and philanthropy in a way that might benefit communities’. But she admits to not being sure how successful it is. ‘There’s probably not as much going on as some of the hype might suggest. The jury is out. Certainly the Indonesia government is trying to promote the SDGs, and this may be helpful in organizing collaborations in future.’

RESPONDING TO NATURAL DISASTERS

‘Indonesians are always very responsive to natural disasters,’ says Kamala Chandrakirana. This is often people’s first experience of philanthropy. In the early 1980s, *Kompas Daily* began fundraising from the public following a huge volcanic eruption in West Java. In 1993 *Republika*, a mainstream Muslim newspaper, set up a fund after a big earthquake in Sumatra, and the establishment of Dompot Dhufua was the result. Dompot Dhuafa ‘progressed from asking for blankets and instant noodles to being a thriving NGO working on trafficking, livelihoods, etc’, says Siskel. Since then, other media companies have followed suit, and *zakat* funding is increasingly being channelled to humanitarian causes through a large array of *zakat* collection agencies, including Dompot Dhuafa. There was an outpouring of giving through the media after the Asian tsunami in December 2004, and even more after the Palu earthquake and tsunami in September 2018. With so many disasters striking the country, crowdfunding and ad hoc appeals have become important channels for activating giving. ‘This brings potential for building more social cohesion, but it can do the opposite,’ warns Siskel. ‘Aceh had been under martial law but after the devastating tsunami every country and organization swarmed in and government let it all happen – they had no way to control what was happening. One thing that was heartening at the time was the phenomenon of non-Muslims giving money to help the Muslim population. To many Muslims there it was a revelation that this could happen – though now they have sharia law in Aceh, so it’s not as if this had a long-term impact in terms of helping to bridge religious divides.’

ATTITUDES OF MILLENNIALS

Millennials are changing the way philanthropy is done, says Witoelar. While they are continuing their parents’ or other family philanthropy, they are doing it in different ways. ‘New millennial philanthropists are not waiting to be old or rich but crowdfunding to raise money for causes they care about. They’re not

using the traditional methods, they're using IT to raise money and communicate about causes.' Maria Anik Tunjung similarly sees 'a young generation with a new perspective on life and new social concern' as the potential driving force behind the growth of social justice philanthropy.

For Cahyadi, the fact that 'millennials are behind the movement' is 'good news' and the main driver for the development of social enterprise. Most social entrepreneurs are between 25 and 40. 'More and more young people are looking for meaningful jobs,' he says, 'meaningful ways to contribute to society – jobs that give them opportunities to help society or the environment as well as money'.

TECHNOLOGY

Expanding channels for digital fundraising is a big reason why fundraising is starting to work, says Sri Indiyastutik. 'There's Facebook, connecting with payment channels, with landing pages on websites, and using electronic money with transportation apps like GoPay, a sort of electronic wallet. The more organizations that implement fundraising through different channels, the more familiar people will become with the idea of philanthropy outside faith-based organizations.' This in turn will bring more competition. 'At present,' she says, 'we have four banks open to facilitate regular giving by debit card. If more organizations are fundraising, there might be more banks open to processing regular donations without laborious sign-off processes.' But digital fundraising is still a challenge for secular organizations in Indonesia, although they are committed to keep testing it to make it work better. Tunjung sees technology as important in enabling people to get access to information about injustices – potentially a first step towards supporting social justice causes.

Technology is a big factor in disaster philanthropy too, says Chandrakirana. Indonesia is one of the biggest users of Facebook and Twitter globally. 'If I look at my smartphone when a disaster strikes, I'm in touch with several networks of groups doing different things and almost every group is fundraising, linking with groups in the areas affected, sending humanitarian workers, a whole ecosystem of response.' International aid does come in but not usually in the first few days so these networks are crucial in providing assistance. 'Although we are a country of 250 million people, our networks are strong. Indonesia has always been a unitarian state, never a federal state, so our national networks are quite deep, not extensive enough but durable and vibrant.'

Interestingly, Kitabisa's Alfatih Timur, asked what is driving the growth of crowdfunding, talks about communities and not technology. 'If a campaign

goes viral, it will spread across different communities. Indonesia is very community driven. People have specific communities they belong to and each community has its own identity. Even Islamic communities have their own identities. Some love to help orphanages, some want to help people who are trapped in debt.'

WHAT IS HOLDING BACK PHILANTHROPY IN INDONESIA?

Despite the progress, it could be said that philanthropy in Indonesia isn't doing as well as it could be. On the one hand, the government recognizes that philanthropy can contribute to the national development agenda, especially in the framework of the SDGs. On the other hand, says Kamala Chandrakirana, 'government has not provided a robust regulatory framework to ensure the sector can thrive and stay responsive to the challenges in building a just and humane society'. Government has not recognized that it is their responsibility to ensure that the field grows and that it is in their interest to do so. This neglect is reflected in Indonesia's bottom two position, along with Myanmar, in the Centre for Asian Philanthropy and Society's *Doing Good Index 2018* ranking 15 Asian countries in terms of conduciveness for philanthropy, especially focusing on the legal framework.

A further problem, she says, is 'a continuing suspicion and distrust of civil society'. She speaks of 'a rise of conservatism and identity politics and Islamist ideology'. In addition, 'a general trend towards the security approach in governance' has re-emerged after 20 years, driven by the need to counter terrorism – Indonesia has been one of the sites of global Islamic terrorism. Siskel also refers to a 'disturbing trend of greater acceptance of intolerance, greater polarization around difference, as in many other parts of the world'.

These trends have a particular impact on social justice philanthropy. There is a history of opposition between the civil society movement and government, says Tunjung, and no government support for social justice philanthropy. There is little tradition of giving to social justice causes, and little understanding of the idea of social justice. In addition, 'Fundamentalism prevents people from thinking in terms of unity in diversity and applying human rights perspectives.'

While government seems not to be paying due attention to philanthropy, Felicia Hanitio feels that it is 'often not the biggest priority for families' either. For many affluent families/businesses, she says, the focus is business and philanthropy is about furthering business objectives. She questions how seriously they are focusing on philanthropy, and how much time they are willing to give to 'sit together with other foundations, NGOs and other stakeholders to figure out how to align initiatives better and make a bigger bang'. Collaboration and coordination is difficult because everyone has their own agenda, and it can be extremely challenging to get people to agree.

INADEQUATE LEGAL FRAMEWORK

It is generally agreed, says Eryanto Nugroho, that the main problem with the existing legal framework is the Law of Societal Organizations/Law on *Ormas*. This gives the Ministry of Home Affairs considerable powers to control civil society, just like under the New Order regime. It threatens the operational independence of NGOs and places burdensome bureaucratic requirements on them. 'For example, if you want a permit to do research in the regions of Indonesia, you don't go to the Ministry for Research or an academic body, you go to the Ministry of Home Affairs.' In addition, it places strict restrictions on the registration and operation of foreign NGOs by raising residency and capital requirements.

As regards organizations working on human rights issues, although there is no specific law in Indonesia explicitly prohibiting either international or domestic organizations from working on human rights issues, anecdotally, it seems that 'some problematic provisions of the Law on *Ormas* have in practice been used by the government to create obstacles for organizations working on human rights issues considered sensitive/controversial by the government'.

Tax incentives are widely agreed to be inadequate. They do exist, says Nugroho, but few make use of them. 'Government is providing a highway, but no one is using it yet.' Sitorus agrees that existing tax incentives for individuals and corporations are ineffective. The causes covered by the current regulations are limited, and the cap on the donation amount of 5 per cent of the previous year's fiscal net income is low. 'The operational regulations are vague and tax officials have different understandings of them. As a result, the process of claiming a tax deduction is not worth the effort. The amount is insignificant compared to all the trouble taxpayers have to go to for the claim.'

Another problem for companies, pointed out by Okty Damayanti, is that companies cannot claim a tax deduction for strategic CSR programmes that support the national agenda. Currently the government gives tax deductions to only five types of CSR programme. If the government were to give more incentives (eg tax deductions) for CSR programmes that can help solve national issues, companies would be more enthusiastic about participating. Government regulations requiring media companies to provide reports on their philanthropic activities every three months are another issue, says Abbas Yahya.

Another law that is considered to be limiting current trends in philanthropy is Law No 9/1961 concerning Raising Money and Goods (*Penggalangan Uang dan Barang*), says Linda Hoemar Abidin of the Indonesia Art Coalition (*Koalisi Seni Indonesia*). This law and related regulations do not take account of the current digital revolution, including the effectiveness of social media in collecting donations from the public. However, the Ministry of Social Affairs has

appointed a legal drafting team, which is in the process of revising the law to enable public fundraising through social media and the internet. The revised law is expected to increase transparency and accountability for organizing donations, and prevent internal abuse in the management and utilization of the funds raised.

Finally, Cahyadi mentions the lack of a specific legal basis for social enterprises, and suggests that a wise course would be ‘to provide a number of options, as in the UK, so people can choose from these options and don’t have to label themselves as a social enterprise, though they can choose to’. Around half of the social enterprises surveyed by the British Council did not yet have a legal entity.

LACK OF ORGANIZATIONAL CAPACITY

Limited organizational capacity is an issue for foundations and CSOs alike, says Sitorus. For family and corporate foundations, hiring professionals to operate the foundation, developing and managing funds, grantmaking capacity and board management are all issues. CSOs have capacity issues relating to fundraising and programme impact management, among other things. Talking about social justice philanthropy specifically, Tunjung mentions the very limited history of grantmaking/resources organization, which is creating a scarcity of human resources, and a lack of understanding about the division of roles between social justice philanthropy organizations, NGOs, and corporate/media foundations.

Lack of managerial skills is an issue for social enterprises, identified as such by 31 per cent of respondents to the British Council survey. Only securing capital (debt/equity) was seen as a bigger issue, mentioned by 47 per cent, while obtaining grant funding was also mentioned by 31 per cent. UNDP Indonesia staff interviewed for the British Council study reported that most social enterprises have limited experience of dealing with investors, resulting in a mismatch of expectations. Investors reportedly find it difficult to find social enterprises with a proven track record and scalable business model. The GIIN/Intelicap report also identifies the nascent entrepreneurial culture as a challenge. There is a perception that grants should be the ongoing financing mechanism along with a limited awareness of the concept of impact investing. The fact that several competitions and incubators in Indonesia provide grant capital to social enterprises must contribute to this perception. In this context Cahyadi mentions the lack of business education. ‘Many entrepreneurs don’t come from a business background and lack business knowledge and skills,’ he says. ‘In Singapore, for example, people are more business literate than in Indonesia.’

One conclusion of the British Council study is that social enterprises need more support in finding appropriate funding based on their current stage. Microcredit programmes, lower-risk investments, crowdfunding, grants and competitions are all seen as good sources of funding for early-stage enterprises, with angel investment or impact investing as possible funding sources for more mature businesses that want to scale and expand.

PROBLEMS FOR IMPACT INVESTING

Apart from the impact investment readiness of social enterprises, the biggest problem on the investor side, says Benedikta Atika, is that most funding is still coming from overseas, and smaller-scale SMEs and social enterprises currently can't receive funding from overseas. To do so, you have to be a PMA entity, which involves securing a certain amount of capital.

Another problem for the growth of impact investing is the lack of demonstrated exits. Impact investors in Indonesia are more on the financial first end of the spectrum, says Atika, so it's important for them to see exits and investment outcomes. The January 2018 exit of Patamar Capital from MAPAN was therefore a significant event.

THE POTENTIAL OF PHILANTHROPY IN INDONESIA

Most commentators are optimistic about the potential. Philanthropy in Indonesia is thriving, says Sitorus. After experiencing a massive crisis in the late 1990s, the economy has bounced back, placing Indonesia in the club of the world's 20 countries with the largest GDP. The number of high net worth families and individuals has soared. The political system is generally conducive for civil society. At the same time the country continues to face social, economic and political challenges, ranging from nutrition, environment, governance and interfaith harmony to economic inequality. Growing wealth and continuing problems together provide 'a strong basis for further growth of philanthropy in Indonesia'.

'Indonesia is a rapidly developing country where the middle pyramid of people is increasing significantly,' says Okty Damayanti, 'and young people are concerned about the environment, education and health, and starting to have a lot of money.' In the last 15 years, says Abidin, philanthropic activities have been growing rapidly in Indonesia. 'Public donations, to help others, have been flourishing in communities across Indonesia. Hundreds of philanthropic organizations have been popping up, mostly Islamic religious-based, but also family foundations, corporate foundations and community organizations. It is heartwarming to see the increasing involvement of young people who are engaged through communities and pioneering the digital philanthropy movement, addressing issues such as economic empowerment, anti-corruption, protection of women and children' though she regrets that 'the percentage going to the arts and cultural sector remains very low'.

FAMILY AND CORPORATE PHILANTHROPY

There's lots of potential for family philanthropy, in Paul Collett's view. 'Plenty of commitments will come out of the woodwork in coming years, with increasing wealth and an increasing trend towards giving back through philanthropy.' 'One thing I'm proud of,' says Erna Witoelar, 'is the increasing shift from charitable giving to community development and empowerment. The next generation is moving from giving to financing, and using approaches like impact investing and blended investment. As a result, they are getting more from resources than their parents and grandparents.'

With the growth of Indonesian start-ups and foreign investors in the country, the potential for corporate philanthropy is promising, says Damayanti. Media

companies have enormous potential to raise funds from the public because the media has great power to change mindsets, says Abbas Yahya. 'People like to give and are easily touched by humanitarian issues.' But media companies need to do a better job broadcasting the latest news related to social issues and actively campaign on those issues, he says. Amelia Fauzia is 'quite optimistic' about the potential for social justice philanthropy, 'but maybe not in the next decade'.

Using resources effectively

As in other countries, philanthropic resources are small compared to those of the government and private sector. 'The extent to which philanthropy can create meaningful impact,' says Sitorus, 'therefore depends on philanthropic actors finding the right niche and using resources effectively to respond to both the short-term, superficial problems and the long-term underlying problems faced by society.' Felicia Hanitio agrees that, despite their limited resources, philanthropic institutions have the potential to innovate, and they have leeway and funding to leverage business know-how and connections. Sitorus outlines a few areas where philanthropy might find the 'right niche'.

Disaster response Philanthropy has improved its approach to disaster response, not only dispatching aid (including food) immediately after a disaster happens but also working on rehabilitation and reconstruction of the affected areas, which includes addressing psychological trauma and longer-term social and economic improvement. Philanthropy also has the potential to reduce fatalities and other risks due to disasters by helping people's readiness.

Education Under the revised constitution, the government is mandated to allocate a minimum of 20 per cent of its budget for education. However, there are still numerous problems, for example not all areas of the country are covered; government assistance for damaged education infrastructure is either slow or corrupt; and a lack of support for vocational education, which can employ young people from poor families or rural areas.

Arts and culture This is an area that philanthropy has recently begun to pay attention to. Indonesia has one intermediary grantmaking foundation for the arts, Kelola. The funds for its Hibah Seni (arts grants) programme for the performing arts come mainly from foreign institutions. There are also a few high net worth families/individuals whose philanthropy has a special focus on the arts, including through their foundation. But overall capacity is limited. In particular, more support is needed to support small groups of artists across Indonesia who play a critical role in preserving Indonesia's rich culture. In 2017 the government issued the Law on the Advancement of Culture, which includes a mandate to establish an endowment for culture. To date, the Indonesian Government is in the process of preparing the legal and related aspects of the

endowment. An increase in the amount of the allocated fund is also being discussed with the Ministry of Finance.

Social cohesion In a country with so many different ethnic groups and languages and several religions, maintaining social cohesion is critical to ensure Indonesia is not plunged into social disintegration and political conflicts. The government's efforts to maintain the nation's fabric are often not effective due to budgetary limitations and a project-oriented attitude. With its more flexible resources and understanding of the importance of process, philanthropy is uniquely well placed to support work in this area by addressing the roots of social and economic problems that are likely to cause conflict.

Environment and climate change Philanthropy has been supporting environmental causes for several decades. The challenge, and the opportunity, for philanthropy now is to go beyond environmental education and to extend support for advocacy activities and environmental protection efforts which have potential economic benefits for communities and the wider society. Clean energy is an area where philanthropy has not invested adequate resources. It has both environmental and economic benefits, especially for communities in rural and remote areas. The government has deployed solar PV in several small islands and villages but without much involvement of local communities to operate and maintain the units.

What would be needed for institutional philanthropy to realize its potential?

One thing that all commentators agree on is the need for a better legal framework and better tax incentives – they are currently limited in scope (both for individual and corporate donors). 'The fact that government recognizes philanthropy as an important sector in society is evident in the structure of the National SDGs Committee, which includes philanthropy as a key cluster,' says Sitorus. 'But the government does need to improve the policy and regulatory framework.' Says Okty Damayanti: 'if government were much more aggressive and innovative in providing incentives to encourage more giving to the community by all sectors and individuals – tax deductibility, one-to-one grant matches, etc – the country could really achieve the SDGs more quickly.' But she wouldn't want to see giving made mandatory, she says. 'I would rather see more motivation for philanthropy among donors. If donors are encouraged by tax incentives, recognition, etc, it's more effective than if giving is mandatory, with penalties for not giving.'

There are also more specific issues. For example, government should encourage companies to establish corporate foundations by making donations to them tax deductible – which they currently aren't. Reporting requirements for

media companies must be relaxed, says Yahya, so they can submit reports annually rather than every three months.

Philanthropic institutions also need to improve the way they operate, says Sitorus, adopting better, more modern management approaches across their organizations; maintaining and improving good governance and transparency to ensure trust from all parties; improving the quality of the people running the foundation, from board to staff level; and working in collaborative platforms with other organizations, including global foundations. Maria Anik Tunjung mentions the need for capacity building for grantmaking organizations and NGOs, as well

HOW A BETTER LEGAL FRAMEWORK COULD ADVANCE CULTURAL DIVERSITY

Indonesia's cultural diversity is the nation's most valuable asset, says Linda Abidin. However, the cultural sector had been largely overlooked by the government until the Advancement of Culture legislation (Law No 5/2017) was adopted. This provides the legal framework not just to protect Indonesia's culture but also to magnify its potential. The law specifies the duties of the central government and regional governments to ensure freedom of expression, protect cultural expressions, sustain diversity and encourage community involvement. Article 49 specifies that the central government will establish an endowment fund for culture and provide incentives for donations to support the advancement of culture. As stated above, the government is still in the process of preparing the legal and related aspects of the endowment. Notwithstanding an addendum making clear that donations to arts and culture are covered by Regulation 93 on deductible donations, and provision in Regulation 45 for a deduction of up to 200 per cent for costs incurred in relation to certain internship and vocational training programmes, giving to arts and culture still ranks very low among giving priorities.

In 2017 the Indonesia Art Coalition, in partnership with Filantropi Indonesia, the Ministry of Education and Culture and the Agency for Creative Economy, established a working group called the Philanthropy Cluster for Arts and Culture. The Cluster aims to increase awareness about philanthropy for arts and culture, while facilitating dialogue to foster private and business sector support, as well as advocate for better policies to encourage philanthropic giving for Indonesia's arts and culture. 'We do not believe, however, that advocating for better policies will be enough,' says Abidin. 'Due to the lack of appreciation for Indonesia's arts and culture, we must increase awareness about the achievements of Indonesia's arts and cultural practitioners, on both national and international stages.'

as more investment in grantmaking organizations, possibly in the form of an endowment fund.

Hanitio emphasizes the need for foundations to be more willing/able to collaborate with other players with the same objectives. ‘There are many forums and gatherings of stakeholders but follow-up action is still lacking,’ she says. Ecosystem builders could play an important role here, she suggests, perhaps even facilitating the process of working together. Filantropi Indonesia could do more than it currently does on clustering organizations, Witoelar feels. There are private foundations working to support teachers in remote areas, others working on habitat and urban development, sanitation, and slum improvement. ‘There is also a huge range of gender-related philanthropic activities – advocating against early marriage, women’s economic and social empowerment, advocacy for social justice – so much more than five or ten years ago.’

Dialogue across different sectors is also needed. ‘We need more exchange and dialogue between government and civil society and foundations, who potentially live in their own worlds,’ says Hanitio, ‘with the goal of learning more about each other’s goals and interests and how they can be aligned. We also need to clarify the role of philanthropy. Government doesn’t have a clear view of how philanthropy can contribute to national development. Filantropi Indonesia is focused on the SDGs, but there is still relatively little conversation going on about the role of philanthropy and government and what they can expect from each other.’ Tunjung talks of the need to ‘build trust among activists, philanthropists, the state, corporations and others’.

FAITH-BASED PHILANTHROPY

There is no question about the potential of faith-based philanthropy. All *zakat* agencies in Indonesia are growing every year, both financially and institutionally, says Arifin Purwakananta. In 2011, research indicated that the potential of *zakat* in Indonesia had reached IDR217 trillion (USD15.6 billion), but only IDR6 trillion (USD430 million) per year are actually collected by all institutions, so the potential to raise *zakat* funds from individuals and companies in Indonesia is huge.

Admittedly, at present most people still like to donate directly rather than through LAZs, says Amirul Hasan. ‘We need to raise awareness in the community that *zakat* paid to an LAZ will be of greater benefit than if it is donated directly because funds that are collected and managed can produce quality health services for the poor, free schools, scholarships, and various other poverty alleviation programmes.’

Is there potential for faith-based philanthropy to become more progressive? Yes, says Amelia Fauzia, if we see interaction/collaboration between faith-based and secular philanthropy and a more inclusive society/community. 'When the Muslim community is inclusive, then their philanthropy will be too.' But unfortunately society is becoming more conservative, she says. 'Religion in Indonesia is related to politics, and in the last five years Indonesia has seen a dangerous rise of identity politics.' Philanthropy will need to invest in programmes for educating donors, traditional Islamic organizations and schools, she says, and in advocacy with the state apparatus, especially the Ministry of Religion. 'In addition, philanthropy will need to invest in collaboration among different groups, enhancing inclusivity and empowering civil society.'

SOCIAL ENTERPRISE AND IMPACT INVESTING

'I'm very optimistic about the potential for social enterprise in Indonesia,' says Romy Cahyadi. 'Indonesia is now a middle-income country, but we still have many problems. First, inequality: income gaps are great, and there are issues about reproductive health and malnutrition, especially in eastern parts of the country. Second, Indonesia is the second most polluting country in the world in terms of plastics in the ocean. These problems mean opportunities for social enterprises – which is why the sector is so vibrant.' Thirty-five per cent of the social enterprises in Instellar's programme are from the agriculture sector. It's an important sector, but it has many problems. 'There are opportunities to create sustainable business and address these issues. Unfortunately there's no solution for palm oil production at the moment.'

What would be needed to realize this potential? 'Of course we need more money, but technical assistance is equally or even more important, from mentoring and sharing experiences, so you don't have to learn things the hard way. And attracting talent is another issue for all small businesses.'

When it comes to money, it's not just a question of finding impact investors willing to invest in social enterprises that are below the IDR7 billion (USD500,000) ticket size. There is also a role for grants. 'I was talking to Plan International a few weeks ago,' Cahyadi recalls. 'They are looking to use a social enterprise model in work in Indonesia. Their question for me: is there a role for NGOs now we are moving towards being a higher income country? Of course, there are issues that are hard to monetize – like gender equality, HIV, human rights, corruption. It's hard to find business models to tackle these issues. In addition, if a social enterprise wants to do business with a group of women in a rural area, it won't be economic to do so unless the women are already well organized and able to follow a business routine. Helping the women to organize themselves is work for an NGO: only when they are strong

enough can the social enterprise work with them. So grant money is needed for making them ready.'

Benedikta Atika is optimistic about the prospects for impact investing. 'Over five months I've seen several impact investors looking at our potential,' she says. 'The Indonesian market is lucrative for them. And there are so many issues to be addressed.' Microfinance is controversial but a good demonstration that you can balance the financial and the social, she says. She gives the example of Amarta, a start-up, peer-to-peer lending platform, focused on women, smaller kiosk owners and retailers in villages. The GIIN/Intellect report agrees that the outlook for impact investing in Indonesia is positive, and many investors interviewed for the study expected to make impact deals in the near future.

Better education of the market would help realize the potential, says Atika. 'We're talking about individual money so people can change their minds easily.' If the market was better educated, she says, maybe CSR funds could be moved into impact investing.

Cahyadi mentions the need for local impact investors. 'The reality is that most institutional investors won't come in below the IDR7 billion (USD500,000) ticket size; it's not efficient for global investors unless they are heavily philanthropic in their outlook.' How can domestic investors be brought into impact investing? An understanding of impact investing is still lacking in Indonesia, says Atika. 'People see either commercial investing or donating. My experience is that I have to tell social enterprises that impact investing needs a financial return. People still don't understand that it isn't a donation.' There are a few domestic impact investors in ANGIN, she says, but not many and it's individual money so it's not that much money anyway. The market needs an ecosystem that builds the capabilities of local fund managers, says Cahyadi. In addition, foreign investors need to build a local presence in the country to improve the effectiveness of sourcing and investing.

INDIVIDUAL GIVING

Alfatih Timur feels the potential for crowdfunding and online giving in Indonesia is 'quite huge'. He cites research by Baznas on the potential of *zakat* in Indonesia, which concludes there is a potential to give IDR200 trillion (USD14.3 billion) – 'assuming that all Indonesian Muslims pay their 2.5 per cent *zakat* every month'.

Sri Indiyastutik also sees 'a big potential for regular giving of small amounts, a good positive prospect'. Research shows a huge growth of middle-income consumers. International NGOs are starting to do research and create local

legal entities to do fundraising in Indonesia. YAPPIKA-ActionAid has 8,500 active regular donors since mid 2016 – 15,000 if you include those who have cancelled. Many donors do cancel in around month one or month six, she says, but many have stayed with us. Donor lifespan is around two or three years. IDR156,000 (USD11) a month is a significant amount. Corporate giving also has a big potential, she says. ‘Local and international companies are growing – Indonesia is one of biggest markets in Asia – though it will depend on the political situation.’

If the potential of individual giving is to be realized, several things will be needed. Timur says building trust has been a challenge for Kitabisa since day one. ‘However, we managed to prove the platform credibility by consistently offering success stories from one campaign to another, sometimes including public figures who have raised funds on the platform.’ Another challenge is the payment ecosystem, and yet another is general internet infrastructure, which is still underdeveloped compared to China and India. Indiyastutik also mentions payment mechanisms, which she says are not fitted for telemarketing. Telemarketing regulations say donations can only be made by credit card, she explains. ‘If you would like to donate via debit card or bank debit you can’t. Banks still need physical paper sign-up, and the process is very rigorous: if your signature doesn’t match exactly with the signature on your bank ID, the bank will reject it.’

Giving to social justice causes

Suzy Hutomo sees potential for individuals to give to social justice causes if the causes were better communicated and the outcomes better understood. ‘With better branding, I think people will be more aware about social justice. Most people don’t know what human rights are. So moving from having a school to a right to have a school is a difficult transition. Helping migrant labourers is easy to understand, but when it comes to migrant labourers’ rights, people wonder whether this is likely to be frowned on.’ In addition to organizations being able to communicate more effectively with potential donors, she mentions the need for role models and for donations to be tax-deductible, especially for bigger donors.

Moving from having a school to a right to have a school may be a difficult transition for givers in Indonesia, but, as in the other countries PSJP has studied, individual giving undoubtedly represents the best potential source of resources for rights-based and social justice causes. Having a large number of small-scale donors confers legitimacy on causes that the government might otherwise frown upon. And in a country where individual giving, both to faith-based philanthropy and to media companies for humanitarian causes, is already widespread, the potential must surely be great.

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Published by Philanthropy for Social Justice and Peace

in association with *Alliance*, Filantropi Indonesia,
Indonesia for Humanity and WINGS

February 2020



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