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# The 2022 Global Philanthropy Environment Index Indonesia

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## QUICK FACTS

**Legal forms of philanthropic organizations included in the law:** Association, Foundation, Limited Company

**Five main social issues addressed by these organizations:** Basic Needs, Early Childhood Education through High School, Health and Medical Research, Religion, Disaster Response

**Average time established by law to register a philanthropic organization:** 0-30 days

It takes approximately seven days for both foundations and associations to register at the Ministry of Law and Human Rights. The registration can be done online. The more prepared the foundation or association with their statutory documentation, the shorter the time. Sometimes it takes several more days for the Ministry system and notaries to validate whether the name of the foundation or association has been taken and then recommend the Ministry to issue an approval. After issuing an approval of the name of the organization, the initiator of a foundation needs to submit a few statutory documents, including the tax number required for the issuance of a foundation's operational license.

Apart from the online system, the registration process for associations has been more straightforward in the last two years thanks to the Regulation of Minister of Law and Human Rights No. 10 of 2019, which outlines a clearer requirement and direction around legalization of an association and approval of changes in an association's articles of association.

**Average cost for registering a philanthropic organization:** USD 210–USD 350

The estimated total cost for establishing a foundation or association is between IDR 3 million to IDR 5 million (approximately USD 210 to USD 350).<sup>1</sup> The bulk of this cost is to cover notarial services which differ by region and size of organization. The cost for obtaining legal entity status is minor, less than USD 50 for foundations and USD 20 for associations.

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<sup>1</sup> Exchange rate: USD 1 = IDR 14,400

The registration of organizations that opt out of legal entity status is done at the local government offices with the cost being generally less than USD 50.

The Government Regulation No. 6 of 2008 on Foundation requires the founders of a foundation to set aside a minimum of IDR 10 million (around USD 700) as the foundation's initial asset which is separated from the founders' personal asset. This asset separation must be validated with a letter of statement from the founders. Having initial assets are not mandatory for associations.

**Government levels primarily regulating the incorporation of philanthropic organizations:**  
Central/Federal Government, Local Government

In a unitary state of Indonesia, the central government makes and enforces all laws and regulations pertaining to philanthropic organizations (POs). Registration of POs can be done at the Ministry of Law and Human Rights, a national government body, or at a local government office. According to Law No. 17 of 2013 on Societal Organizations (also known as the Ormas Law), the local government can do registration for POs with and without legal entity status. The other role of the local government is issuing a domicile letter which is mandatory for registering a foundation or association.

The government control of POs also extends to operational activities. For public fundraising, any PO must obtain a special permit from the Ministry of Social Affairs or the Office of Social Affairs of a local government, depending on the scale of their fundraising. The permit is obtained through a complex, hence lengthy, procedure but is valid only for three months and must be renewed for every new fundraising event. This is stipulated in the archaic, yet still valid, Law on Raising Money and Goods promulgated in 1961. The Indonesia Philanthropy Association (PFI) and its networks have advocated around legal reforms on resources mobilization to enable philanthropy groups to be responsive to emerging challenges and adapt its sector to societal changes chiefly driven by digital technology advancement.

To be able to mobilize Islamic philanthropy (*zakat*, *infaq*, *sadaqah*, and *waqf*), POs must establish a special entity: either Lembaga Amil Zakat (LAZ), a *zakat* management institution, or Badan Wakaf Indonesia, a *waqf* agency. This provision is based on the Law on Zakat and Waqf. Both LAZ and *waqf* agencies are registered in the Ministry of Religious Affairs with recommendation from Badan Amil Zakat Nasional (BAZNAS), the government *zakat* management agency. A limited scale of fund mobilization, generally carried out by mosques and Islamic boarding schools, is allowed without having to establish a *zakat* or *waqf* management entity.

### Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.00	3.00	3.50	3.25	4.00	5.00	3.79
2018 GPEI	3.33	2.75	2.75	3.00	N.A.	4.00	3.17

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

## Key Findings

### I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

*The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.*

**Question One: To what extent can individuals form and incorporate the organizations defined?**

<b>Score: 4.0</b>
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Freedom of organization is guaranteed in Indonesia's Constitution (Articles 28 and 28E), and other relevant laws including the Law No. 39 Year 1991 Concerning Human Rights and the ratification of the International Covenant on Civil and Political Rights (Law No. 12 of 2005). In general, the key legal forms (legal entity) of POs are foundations and associations. With the rapid adoption of information technology and the use of the Internet for financial transactions, in the last few years Indonesia has seen increased use of limited companies as the legal form of organizations operating crowdfunding platforms for philanthropic purposes.

The Ministry of Law and Human Rights is in charge of PO registration. The procedures have significantly improved with online systems and clear guidelines in terms of the cost and time frame of registration. In general, it is more transparent and accountable. Prior to registration, however, the organization has to be established by a notarial deed. The time and cost for the notary varies. The notary will conduct the procedures at the Ministry of Law and Human Rights as part of their services.

Law No. 17 of 2013 on Societal Organizations requires all organizations to register. Registration status is the basis of the government to acknowledge the right of a societal organization (such as POs and civil society organizations) to operate. Registration requirements have been seen as an instrument of the state to control societal organizations and create a legal loophole to impose restrictions. In practice, organizations that are not legally registered have dealt with various challenges in implementing their public activities. In extreme cases, the entity could find itself stigmatized as illegal, with founders and members of the entity deemed criminal. They are also barred from accessing public resources.

Law No. 17 of 2013 on Societal Organizations also makes it difficult for foreign organizations and foreign persons to establish an Indonesian PO. It is possible on paper, but the procedures are complicated.

**Question Two: To what extent are POs free to operate without excessive government interference?**

<b>Score: 4.0</b>
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The Law on Foundations (No. 28 of 2004, which replaced the 2001 Foundation Law) sets the basic organizational structures for foundations. It stipulates that the foundation's organization structure must consist of three organs: a governing board, a supervisory board, and an executive board. This requirement is not rigorous for other forms of organizations, such as associations and non-legal

entity PO. Law No. 17 of 2013 on Societal Organizations only requires that the executives of such organizations be selected through a process of consensus and deliberation, and it should consist of a minimum of three persons: a chairperson, a secretary, and a treasurer.

Indonesian laws and regulations in general indicate that the government does not have the right to interfere with the internal governance process of any philanthropic organization. The laws also do not restrict the activities of philanthropic organizations.

In principle, organizations are free to use all forms of internal and external communications including the Internet and social media. However, in practice in the last few years, civil liberties have been undermined by the government's measures to control public criticisms in social media or conventional forums. One of the laws that have been used for such measures is the Law on Electronic Transaction (ITE Law).

Indonesia's official statistics office published the Indonesian Democracy Index in 2019, which shows that compared to the previous year, democracy has slightly improved but civil liberties decreased. There are four variables of civil liberties assessed: freedom of assembly and association at 78.03 points (down 4.3 points from 2018); freedom of expression at 84.29 points (down 1.88 points); freedom of belief at 83.03 points (up 0.17 points); and freedom from discrimination at 92.35 points (up 0.58 points from 2018). A 2020 survey conducted by Indonesia Political Indicator showed that there is a fairly dominant view from the society that nowadays people are afraid to express criticism openly for fear of being bullied, threatened by security forces, or brought to justice for violating the ITE Law (Kompas, 2020).

On reporting, foundations are required to make available the summary of its annual reports in their office. If receiving government funding, foreign aid, or other donations of IDR 500 million (around USD 35,000) or more in one fiscal year or owning assets outside the endowment of more than IDR 20 billion (around USD 1.4 million), a foundation must submit their audit to the Ministry of Law and Human Rights and publish their audited financial statement in a local newspaper. The Law on Foundation, however, stipulates neither monitoring mechanisms nor sanctions for non-compliance of these provisions. For other non-foundation entities, Law No. 17 of 2013 on Societal Organizations requires all civic and religious non-governmental organizations (NGOs) to register and submit regular reviews of their activities (Freedom House, 2017).

There are also laws that can be used to restrict the activities of organizations, especially if the organizations are engaged in political propaganda against state principles. Law No. 17 of 2013 on Societal Organizations allows the local government and Directorate General of the National Unity and Politics of the Ministry of Home Affairs to require additional reports and paperwork and impose sanctions if the organizations are deemed obstructing national security and public order.

### **Question Three: To what extent is there government discretion in shutting down POs?**

<b>Score: 4.0</b>
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In the period of 2018–2020, there is no change in the government's policy concerning dissolution. In general, a POs can voluntarily cease its operation and dissolve its legal entity.

The Law on Foundation (2004) and the Regulation of Minister of Law and Human Rights No. 18 of 2017 provide clear and detailed stipulations on dissolution. A foundation can be dissolved for one of the following reasons: a foundation has reached the end of intended operation as specified in its articles of association; the foundation considers that the objectives of the foundation as set out in the articles of association have been achieved or otherwise; a court decision has found that the foundation violating public order and decency, is unable to pay its debts after being declared bankrupt, or the assets of the foundation are not sufficient to pay off its debts after the bankruptcy declaration is revoked. The first two reasons require a decision from the foundation's governing board.

Law No. 17 of 2013 on Societal Organizations also provides a detailed set of rules on dissolution. Societal organizations of all types can be dissolved if they violate Articles 21 or 59 of the Law No. 17 of 2013 on Societal Organizations, which make organizations subject to certain obligations and prohibitions, respectively (Pokrol, 2017). Any societal organization that violates the terms in Articles 21 or 59 will first be given written notice. If the organization continues its unlawful activities, the government will freeze its funding (if it receives government funding) and/or ban its activities. In the case of national level organizations, the government must consult with the Supreme Court of Indonesia prior to putting a ban on any organization's activities or freeze its funding. The Supreme Court must give its opinion within 14 days. If 14 days elapse without an opinion from the Supreme Court, the government can impose a temporary freezing sanction without the opinion of the Supreme Court. In the case of a provincial-level or local-level organization, the government must consult with the local House of Representatives, the head of the local attorney office, and the head of the local police. The temporary ban can be imposed for a maximum of six months. If the organization continues to violate after the maximum timeframe for the temporary ban, the organization can be dissolved involuntarily (Council on Foundations, 2016).

Law No. 17 of 2013 on Societal Organizations stipulates that the government has the right to dissolve societal organizations *actus contrarius* or without a judicial process. Many groups, including the National Commission on Human Rights (NHRI), have called for a change to this provision such that involuntary dissolution is in adherence with the Constitution. In practice, cases that involve highly controversial groups proved that out-of-court involuntary dissolution is always politically challenging (Nugroho, 2021).

## II. Domestic Tax and Fiscal Issues

*The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.*

**Question Four: To what extent is the tax system favorable to making charitable donations?**

<b>Score: 3.0</b>
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Through the Income Tax Law No. 36/2008 the government provides tax deductions as an incentive for philanthropy. It is recognized only for a limited number of activities, namely: national disaster management, research and development, education facilities, including education related to sports, art, and culture, sports activities, and the development of public facilities (termed "social infrastructure" in the law), including religious buildings, cultural centers, and health clinics.

According to the Income Tax Law No. 36/2008, Article 6 Section 1, individuals and corporations may receive tax deductions for charitable contributions for natural disasters, research and development activities, and the development of social infrastructure, education facilities, and sports. The amount of a donation that can be deducted from gross income in a year may not be more than 5 percent of the net income of the previous year, and the contributions must not be provided for parties that have conflicts of interest according to tax law.

In the period of 2018–2020, this policy has been unchanged. The number of business organizations that have utilized this facility tax deduction provided by the Income Tax Law No. 36/2008 remains small due to complicated procedures, unclear information from different tax officers, and the insignificant amount of tax deducted compared to the time and cost spent to claim it.

The government issued other tax incentives, such as a super deduction policy through Government Regulation No. 45 of 2019 on the calculation of taxable income and payment of income tax in the current year. This regulation provides a 200 percent tax deduction incentive for business and industry groups that run vocational programs. Further, it stipulates a 300 percent tax deduction incentive for companies conducting research and development. This policy was launched to encourage the private sector to support the government's program of expanding job creation and developing skilled human resources. The government has yet to provide similar incentives for philanthropy organizations which have for long helped the country on human development through scholarships in formal education and vocational programs.

- In the first year of the COVID-19 pandemic, the government issued a policy that provides five kinds of tax incentives for companies, organizations, and individuals who have contributed to the handling of the pandemic in Indonesia. This includes:
- Domestic taxpayers who produce medical devices, antiseptic hand sanitizers, and disinfectants may receive an additional reduction in net income of 30 percent of the production costs incurred;
- Taxpayers who make donations or donations for activities related to COVID-19 outbreak can include the donation as a deduction from gross income;
- Health workers and health support personnel who are tasked with providing health services for handling COVID-19 and receiving honoraria or other benefits from the government can receive additional income in full as they are subject to income tax at a rate of 0 percent; and
- Taxpayers who lease land, buildings, or other assets to the government in the context of COVID-19 handling and get rental income from the government can receive the income in full because they are subject to income tax at a rate of 0 percent.

**Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?**

<b>Score: 3.0</b>
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In Indonesia, the POs are generally subject to income tax on the same basis as other legal entities under Article 2, Section 1 (b) of Law No. 36/2008 on Income Tax. Donations, including religion-based donations and grants, are not taxed provided that there is no business or ownership relationship between the parties. In addition, the following types of income are tax-exempt: (i) income that a PO uses to provide scholarship funds; and (ii) income of a PO working in the area

of education or research and development that is re-invested in its work as per the timing requirements of the Law No. 36/ of 2008 on Income Tax. These provisions are regulated in detail by the Regulation of the Finance Minister No. 80/PMK.03/2009 and the General Directorate of Taxation Regulation No. 44 of 2009. These technical regulations provide that the tax exemption is applicable for income generated by POs that is reinvested in the form of facilities for education and/or research and development that are open to the public within four years after the income is generated.

These provisions during the period of 2018–2020 remain the same. They were reaffirmed in the taxation articles in Law No. 11 of 2020 on Job Creation (the Omnibus Law). In addition to the exemption on income tax, Indonesia also applies an exemption on value added tax, especially for financial and goods donations from overseas donors. The government provides incentives in the form of exemption from import duties and customs, value added tax, and sales tax on luxury goods borne by the government, as well as exemption from the collection of Income Tax Article 22 on donations in the form of imported goods. This provision is regulated in the Law No. 10/1995 Concerning Customs Law and the Regulation of the Minister of Finance No. 70/PMK.04/2012 concerning the exemption of import duty and/or excise tax on the import of grant consignments for public worship, charity, social, or cultural purposes, and the Regulation of the Minister of Finance No. 69/PMK 04/2012 concerning the exemption of import duty and/or excise on the import of goods for the benefit of disaster management.

To be eligible for this incentive, the recipient of assistance must be a legal nonprofit entity domiciled in Indonesia as evidenced by a notarial deed. The Directorate General of Customs and Excise published a guidebook that outlines the procedures in detail.

### III. Cross-Border Philanthropic Flows

*The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.*

**Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?**

<b>Score: 3.0</b>
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For any kind of societal organizations, cross-border transactions are governed by the Ministry of Home Affairs' Regulations No. 38 of 2008 on the Acceptance and Granting of Social/Charity Organization's Assistance from and to Foreign Party. To be eligible to send cross-border donations, an organization must be registered with the Ministry of Home Affairs or other government agencies. The organizations are also required to submit detailed descriptions of the activities the cross-border donations will support to the Ministry of Home Affairs. There are some restrictions on the kinds of activities that can be supported, and aid can only be sent to recipients in countries that maintain diplomatic relations with Indonesia.

In the last few years, outgoing cross-border donations have been closely monitored to track potential use of donations to support the rebels and terrorism acts in foreign countries. In addition

to implementing the Terrorism Law for several parties suspected of using donations to support terrorism abroad, the government has also implemented the Law on the Prevention and Eradication of Money Laundering. The government involves the National Counter Terrorism Agency (BNPT) and the Indonesian Financial Transaction Reports and Analysis Center (INTRAC) to anticipate and detect these practices. Further, the government is also actively involved as a coordinator in the management and distribution of aid abroad, especially to countries hit by conflict or war, as in the case of the management of aid for Rohingya refugees in Myanmar.

**Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?**

<b>Score: 4.0</b>
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Akin to cross-border giving, receiving international donations in the form of money and goods is governed by the Regulation No. 38 of 2008 of the Ministry of Home Affairs concerning the Acceptance and Granting of Social/Charity Organization's Assistance from and to Foreign Party.

According to this regulation, societal organizations (including POs in the context of this report) can accept overseas donations only from countries that have diplomatic relations with the Republic of Indonesia. To be eligible, the societal organization must be registered with the Ministry of Home Affairs, other government agencies, or local governments. In addition, a societal organization may accept foreign assistance with the following conditions: the donation is aligned with its scope of activities; the recipient organization is capable of carrying out activities in accordance with the donation's objectives; and the donation and activities are in adherence with prevailing regulations.

Coordination for the management of incoming overseas donations, particularly for major disaster response, has been improved. The government has also issued a comprehensive regulation, including tax incentives, regarding the receipt of disaster-related aid from foreign sources.

#### IV. Political Environment

*The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.*

**Question Eight: To what extent is the political environment favorable for philanthropy?**

<b>Score: 3.5</b>
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The government has increasingly referred to philanthropy, particularly in the context of burden sharing to address developmental challenges. Presidential Regulation No. 59/2017 on the implementation of the Sustainable Development Goals (SDGs) includes philanthropy as a key sector that "shares support and resources with other fellow humans in a voluntary manner to address social and humanitarian problems and advance public interest." High-ranking government officials mention philanthropy often in the context of a potential source of capital to match government budget in infrastructure development projects (Siregar, 2019, Suwiknyo, 2019).

The narratives of the government on philanthropy indicate a lack of understanding on the roles of philanthropy to advance social transformation, democracy, and eradicate social injustice with civil society as the cornerstone. It is presumably the backdrop of why, despite the progress outlined in previous sections of this report, policy framework for philanthropy is still incomplete and incoherent. Some outdated and limiting regulations like the regulations on public donation mobilization (dated 1961) are still in use.

There have been several instances of the government mobilizing and managing resources from the public, which put it in conflict of interest with its role as the regulator. For Islamic philanthropy, the state-led zakat management agency also sometimes directly implements their programs. The practice, which is common in other countries with dominant Muslim populations, is legitimized by laws.

**Question Nine: To what extent are public policies and practices favorable for philanthropy?**

<b>Score: 3.0</b>
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With the 2017 presidential regulation on SDG implementation, the government established a coordination team which includes a working group of businesses and philanthropic organizations. The Ministry of National Development Planning (BAPPENAS), which leads the coordination, involves philanthropy associations and groups in the development of an SDG national action plan and socialization of SDGs across Indonesia. The response of philanthropy groups has been positive as they see the benefits of coordination for aligning their programs with the global goals and local priorities. Such a partnership, however, has been limited to major philanthropy groups based in Jakarta, the country's capital city.

With a predominant perspective of philanthropy as a complementary capital provider, the government has promoted blended finance as a public-private mechanism to fund SDGs programs. A state-owned financing entity created a blended finance platform called SDG Indonesia One (SIO), but the progress hitherto to attract domestic and global philanthropy contribution has been slow, as the platform lacks good projects that match the interests of different funders (PT SMI, 2019).

## V. Economic Environment

**Question Ten: To what extent is the economic context favorable for philanthropy?**

<b>Score: 4.0</b>
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Indonesia is a member of the Group of Twenty (G20) and, in 2020, was the world's sixth largest economy in terms of purchasing power parity (Kusnandar, 2019). Indonesia has made remarkable achievements in poverty alleviation by cutting its poverty rate by more than half since 1999, down to 9.2 percent in 2020. In July 2021, the World Bank downgraded Indonesia to a lower middle-income economy, one year after the country achieved the status as an upper middle-income economy, as the country's economy shrank more than 2 percent by the end of 2020 (Jiao & Sihombing, 2021; Rahman & Farida, 2021).

The economic downturn caused by the COVID-19 pandemic brings unprecedented challenges for Indonesia to achieve its development goals. Between March and September 2020, official statistics report an increase in the national poverty rate from 9.2 percent to 10.2 percent, which translates to a rise in the number of poor people from 26.4 million to 27.6 million.

As evident in the past and current crises, economic conditions do not have a significant impact on personal giving as the primary motive of giving in Indonesia is religious and cultural values deeply rooted in the society. The pandemic-induced economic predicaments have not prevented Indonesians from giving and helping others. The health and economic crisis has, in fact, elevated the spirit of community solidarity. The value and form of donations have slightly changed. Affected communities continue to donate money even though the value of the donation is smaller, or donate in other forms, such as goods and volunteer labor. Contribution to philanthropic institutions, especially religious-based philanthropy, continues to rise, although the increase is not as high as before the pandemic. The state-owned zakat management agency BAZNAS (2021) reported that in 2020, the money collected from different types of Islamic donations increased by 30 percent or amounted to IDR 385.5 billion (around USD 27 million).

## VI. Socio-Cultural Environment

**Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?**

<b>Score: 5.0</b>
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Religious teachings and cultural traditions are still the main drivers of giving in Indonesia. The World Giving Index (WGI) 2021 report released mid-June 2021 by Charities Aid Foundation (CAF) puts Indonesia in first place with a score of 69 percent, up from the score of 59 percent in the previous report published in 2018. Indonesia also ranks first in the 2018 WGI.

In the 2021 WGI report, Indonesia ranks in the top two out of three categories, namely giving to strangers, giving money, and volunteering. The report finds that more than eight out of ten Indonesians give money, while the level of volunteerism in Indonesia is three times higher than the world average. The report also indicates that religious-based donations (especially zakat, infaq and shodaqah) are the main drivers of philanthropic activities in Indonesia during the pandemic.

Many philanthropic entities have grown to become professional and modern institutions. They develop various fundraising strategies and methods, such as face-to-face marketing, direct mail and email, campaigning in the mass media, and the creative use of digital media. Their finances are audited independently by public accountants and together with the program annual reports, their audited financial statements can be accessed by the public, usually on their website. Philanthropy workers, especially amil (managers of Islamic philanthropy) and fundraisers, have increasingly been appreciated as a promising career.

## VII. Future of Philanthropy

*These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.*

### Current state of the philanthropic sector

The potential for philanthropic growth is enormous because there is a strong tradition of giving in Indonesia. The number of philanthropic institutions continues to grow from year to year and the number of donations raised also continues to increase.

The progress of philanthropy is also seen in the diversity of supported initiatives. In recent years, many POs launched advocacy campaigns and fundraisers for environmental protection and economic empowerment. Other non-traditional issues such as anti-corruption, anti-violence against women, and legal aid have emerged in the public campaign and fundraising scenes using crowdfunding platforms, public figures, and influencers to make funding appeals or in collaboration with other POs. There are still many areas that are underfunded such as arts and culture and the empowerment of vulnerable or marginalized groups. Despite the known facts of increased threats from climate change, there is no family or corporate foundation that has put climate change as a key concern or priority in their mission and program.

Philanthropy activists in Indonesia are relatively successful in encouraging the transformation of philanthropic activities from conventional to digital platforms much of which has been expedited by the COVID-19 pandemic urgencies. More and more Indonesians use the Internet to access information and conduct financial transactions. Data in 2021 shows that more than 70 percent of the population, or more than 200 million people, are Internet users (KOMPAS, 2021). By optimizing the Internet, they have successfully overcome various pandemic-induced obstacles in executing their programs and raising donations. As a result, POs that use digital platforms have seen an increase in public donations, particularly during the pandemic.

Aided by information technology, the youth have created a new wave of activism and philanthropy with their somewhat informal and creative approaches. Millennial philanthropy became a buzzword. They are not hesitant to take on issues considered sensitive such as child trafficking, widows' empowerment, and domestic workers' protection. Some of them combine activism with social enterprise. Their enthusiasm speaks for a new belief that one doesn't have to wait until they are old and rich to become a philanthropist.

Despite this encouraging progress, there are still many gaps and challenges. Donations at the community level is still predominantly direct giving and is not well organized. Communities prefer to donate directly to individual beneficiaries rather than to social organizations. Giving for progressive and long-term issues such as rights protection and climate change remains much lower than that for religious activities/institutions and social services.

One of the biggest gaps in the philanthropy ecosystem in Indonesia is the lack of comprehensive, robust data. On the supply side, philanthropy groups and the government have not seen the importance of data for program effectiveness. Data is collected partially for a particular project, and without a proper system to store and manage it, it sits in one unit or office for a few years and then disappears. Further, Indonesia has only a handful of think tanks and academia groups that

gather and analyze data with unreliable funding. On the demand side, philanthropy funders and the Boards of POs do not have huge interest in investing in data.

Increased government attention to philanthropic contributions needs to be complemented by a more favorable policy environment. For major companies and high net worth individuals, apart from cultural values, they also seek tax incentives for their giving. The basic provisions for tax deduction and tax exemption exist in the laws but they need to be updated to cover broader areas of philanthropy work and be more efficient and effective in their operationalization. The government needs to better their understanding of the true roles of philanthropy beyond financial contribution, a task that is also applicable to POs. Lastly, to enable more productive and effective philanthropy, the government should maintain a conducive democracy in which POs have adequate freedom and legal certainties to conduct their business without fear of intimidation.

### **Three major recent events affecting the philanthropic landscape between January 2018 and December 2020**

1. The government launched the Philanthropy-Business for SDGs platform in 2019, signifying the state's recognition of the role of philanthropy in achieving the SDGs and the country's development in general;
2. The 2018 Indonesia Philanthropy Festival (FIFest) and FIFest's subsequent convening focusing on Millennial philanthropy I in 2019 are the landmark events that bring together different types of POs and their diverse programs and provide forums to discuss a wide range of emerging philanthropy themes; and
3. Online donation week (Pedoeli Indonesia) in 2019, a partnership between POs, online marketplaces, and crowdfunding platforms, deepened the popularity of Internet use in philanthropy.

### **Future development trends in the philanthropic landscape**

- There has been an increased number of philanthropy crowdfunding platforms which use for-profit legal formats (e.g. limited company) to incorporate as an entity. These platforms have expanded their services from conventional promotion of donation appeals to selecting appeals and recipients and providing advisory for POs to increase their appeal impact.
- A philanthropy-related marketing approach has increasingly been used to attract investors to buy mutual fund products. The fund managers set aside the proceeds of the funds, partially or in their entirety, for selected causes or POs of their choice.
- Increased use of social media in philanthropy campaigns and fundraising has been followed by wider involvement of popular influencers or opinion leaders who come from various backgrounds. In the past, only major POs have had the financial capacity to employ public figures as an ambassador for their cause.
- Growing awareness of the need to have a philanthropy code of conduct to protect the sector from the rising non-ethical cases. In early 2021, the Indonesia Philanthropy Association (Filantropi Indonesia) updated its Indonesia Philanthropy Code of Ethics (KEFI) and established the Ethics Council to enforce it. This code of ethics is statutory for its members and optional for non-members.

### Three key recommendations to improve the environment for philanthropy

- The government needs to be more proactive in improving the policy framework in order to enable philanthropy to work more effectively and adapt to emerging local and global challenges. The policy reform should be guided by the tenet that civil society and philanthropy is a pillar of the nation and a factor in building a just, inclusive, and prosperous society. Philanthropy is an embodiment of compassion and care of people toward their fellows, the environment, and the nation. Philanthropy contributes more than just money, it helps tackle problems at its root, empowers the vulnerable, and strengthens democracy.
- Philanthropy groups should collaboratively strengthen the ecosystem they are operating in, which is currently fragmented. There are still many enabling areas that are either weak or untouched. Philanthropy support organizations are still limited and are not well resourced to meet current needs. A robust and healthy ecosystem will make the sector more fertile and productive. Leadership of major POs is needed to kick off a conversation for this collective effort.
- More thoughts and practice are needed to advance strategic philanthropy which orientates toward impactful, long-lasting transformation. This is intertwined with previous recommendations on policy reform and the philanthropic ecosystem. Currently under the aegis of the Indonesia Philanthropy Association (Filantropi Indonesia), there are six philanthropy clusters whereby POs seek to address specific philanthropy areas in a more strategic and collaborative manner. More partnership is needed, not only among local POs but also between local and international POs, businesses, and the public sector.

### VIII. Philanthropic Response to COVID-19

*These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.*

#### Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

Despite the unprecedented challenges that come with the COVID-19 pandemic, POs in Indonesia continue to play vital roles to help the society and the government. These include:

- POs, especially grantmaking organizations, that distribute grants through the national disaster management agency or directly to the community to support various emergency responses;
- POs facilitate the mobilization of money and other needed resources from the community through various means like crowdfunding platforms and virtual events;
- POs facilitate the recruitment and deployment of volunteers to assist health workers in dealing with COVID-19 patients or help low-income communities and vulnerable groups. POs, directly or in collaboration with emerging community groups, also help ensure that health workers consume healthy meals and vitamins;
- POs help educate the public through various channels of communication around COVID-19 and how to prevent its infection, including by observing health protocol;
- POs help source and distribute personal protective equipment such as face masks, face shields, and respirators to the public health facilities and directly to the community;
- POs support initiatives to cushion the economic impacts of COVID-19 pandemic on poor communities and vulnerable groups through various programs, such as food assistance, training

and seed funding for workers who lost their job, and food gardens at household and community levels; and

- POs successfully advocate for government facilitation to fast-track vaccinations for the vulnerable groups, including people with physical disabilities and unregistered citizens.

### **Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses**

The magnitude of impacts brought by COVID-19 pandemic has changed the ways in which POs conduct their activities, such as:

- Just like other sectors, POs moved to working-from-home mode and used digital applications for internal and external meetings, public events, and procuring goods and services. It has become imperative for PO staff to be technologically savvy, as otherwise they cannot be productive;
- Restrictions of mobility and in-person interactions have accelerated the use of online media, including social media and digital platforms for campaign and public fundraising. Such a transformation has also changed advocacy and appeal messages and the type of communications engaged;
- There has been an explosion of creativity to ease the so-called “COVID-19 fatigue” due to constant virtual events. POs include various artistic performances and games in their online campaigns and fundraising events; and
- Unreliable support of the government has prompted several people-to-people initiatives, including the Warga Bantu Warga (People Help People) website which provides an integrated portal for sharing essential information needed by COVID-19affected residents such as hospitals, ambulance service, and oxygen.

### **Impact of COVID-19 on the philanthropic environment**

At the time this report was written, the COVID-19 pandemic was far from over and for more than one month, Indonesia continuously recorded the world's highest daily deaths. The overall impact of the pandemic on the philanthropic environment is yet to be assessed, but there are several trends that emerged after a year and a half of the global pandemic:

- There is a growing awareness that, for any national crisis, social solidarity saves lives, and that the government has too many limitations to address multiple challenges from a crisis. Philanthropy groups need to benefit from this social capital better;
- The pandemic-induced economic downturn has restricted the capability of corporate philanthropy and business groups to donate. This trend is likely to continue for the next few years until the economy is back in full steam. The commercial activities operated by some POs are forced to be temporarily or permanently closed causing a drop in PO's income. The uncertainties are looming large as to whether the COVID-19 virus could be eradicated soon, or it will still be around for many years to come. For philanthropy, this could mean a great uncertainty as to the extent it can rely on domestic public donations; and
- Many POs that run programs with funding from international philanthropy are not financially affected but, because of mobility restrictions, they have to adjust the scope of their work and the timeline of their deliverables. With uncertainties on domestic philanthropy sources, the pandemic

might deepen POs' dependence on international funding, particularly for strategic, multi-year initiatives.

### Anticipated impact of COVID-19 on the philanthropic environment in 2021

No one is safe until everyone is safe. This is probably the biggest challenge in anticipating what could happen with philanthropy, as for all sectors in 2021. Only a few countries already have a good vaccination rate. Scientists have warned that new and possibly more deadly variants of COVID-19 will possibly emerge. The impact that was felt by POs in 2020 could become worse.

2020 offers many important lessons for POs to operate in 2021. POs have learned how to adapt to the drastically changed circumstances, with some doing better than others. In 2021, some POs might have to make a hard decision to discontinue programs previously funded by business groups or other depleting sources. Overall, POs will increase their attention on information technology and digitalization, including during the hiring process.

Several POs have made the link between disaster management preparedness and the pandemic response capacity. This could reinvigorate strategic thought and initiatives in 2021 and the following years to make the country's institutions and systems more equipped to deal with large-scale or nationwide crises.

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