



**Public Fundraising Market Assessments**  
OXFAM Indonesia  
August 2016

## TABLE OF CONTENT

	Page	
I	Background	3
II	Country Overview in Fundraising	7
	2.1. Market Summary	7
	2.2. Size, value and the scope of the fundraising market	7
	2.3. Technological trends	10
	2.4. E-commerce and digital fundraising	13
	2.5. Political aspects	17
	2.5.1. Freedom of organizations (NGOs)	20
	2.5.2. Middle class	25
	2.6. Legal aspects	28
	2.6.1. Legal basis for NGOs/NPOs	28
	2.6.2. <i>Yayasan</i> and Fundraising activities	31
	2.6.3. The establishment of <i>yayasan</i>	32
	2.6.4. Financial reporting for domestic and international funding	40
	2.6.5. NPO and tax	43
	2.6.6. Data protection	46
	2.6.7. Employment law	50
	2.6.8. Outsourcing	52
III	Fundraising Market Infrastructure	54
	3.1. Banking: key payment mechanism	54
	3.2. E-banking system	56
	3.3. Challenges in Indonesia e-banking	59
	3.4. Non-banking payment mechanism	61
	3.5. Telemarketing	64
	3.6. Supplier	62
	3.7. Human resources for fund development	66
IV	Fundraising for Individual (Mass Market)	67
	4.1. Giving culture and target audience profile for individual fundraising	67
	4.2. Channels for individual fundraising	69
	4.3. Resources needed	70
V	Implication for Oxfam	72
	5.1. Opportunities	72
	5.2. Positioning of Oxfam	74
	5.3. Risk	75
	5.4. Emergencies fundraising	78
VI	Investment Model	80
VII	Risks and Mitigation	82

## 1. Background

Philanthropic activities in Indonesia have been growing rapidly, more organized and finding momentum since the early 1990s. The momentum took place for the first time when the economic crisis hit Indonesia, followed by a political crisis, which led to the collapse the New Order regime under the leadership of President Suharto. At the same time, natural disasters such as earthquakes, forest fires, landslides, and tsunamis were frequently occurred in some areas of the country. Both economic crisis and disasters have prompted concern and solidarity among communities to help others. Conducive political situation and on-going law reform in the new era have also fostered the philanthropic development activities of many organizations. This included the emerge of various local foundations initiated by certain wealthy/rich families, corporate, media, members of religious organizations and NPOs activists, especially in the beginning of the 1990s.

The potencies of fundraising in term of level of public giving in Indonesia is remarkable. Public Interest Research and Advocacy Centre's (PIRAC) Household Survey in year 2000, 2004 and 2007 showed the high level of generosity (rate of giving) Indonesia people which reached 99,6%. It means that almost all individuals gave well response to do donation. The survey results also showed that amount of money that community contributed to the charity programs generally increased from average IDR 301,515/person/year in 2004 to IDR 325,775/person/year in 2007. The similar phenomenon also applied in *Zakat* (alms for poor people in Islam) where its potencies in Indonesia reached USD 1 trillion per year while the actual amount that could be collected was only IDR 100 billion (equivalent with about USD 7,7 million).

Besides individual giving, corporate is one of the potential sources of social funds for non-profit/social organizations. PIRAC survey pointed the increasing awareness of corporates to run their social responsibilities, one of them is through the provision of grants/donations, in-kind (product, place, skills, networks, etc.), and other forms of donations. PIRAC survey on corporate potential giving (2004) found that 93% of corporates give donations in last 3 years with the average amount of donation IDR 236 million/year or USD 18,154 (multinational companies) and IDR 45 million/year or USD 3,461 (local company). In addition to it, the data released by the Minister of People's Welfare stated that the corporate giving to empowerment and social programs reaches IDR 20 trillion. Most of the funds allocated for the SMEs program in the amount of reached IDR 8.38 trillion or equivalent with about USD 644 million.

The philanthropy development Indonesia is also characterized by the expansion of the programs offered to support and to contribute to community. In the midst of religious based activities fundraising and disaster fundraising as major mainstream philanthropy Indonesia, several organizations began trying to direct philanthropy to support strategic and long term dimension issues by mobilizing the power of public funds for non-charity and non-emergency programs. The tendency can be observed from the rise of raising campaign donations for consumer protection programs, anti-corruption programs, legal aid for the poor and the protection of migrant workers, and other programs that have not been done in previous years.

The dynamics of philanthropy activities has given momentum to the development of fundraising activities, distribution of donations and other forms of support from public, corporate and philanthropic institutions. Raising efforts and community support resources conducted in various places by various organizations, especially at certain times, such as during a natural disaster. The methods of fundraising have no longer conducted in conventional ways, but lead to a modern philanthropic ways. Some social foundations and charitable organizations began using the new fundraising methods, such as direct mail/e-mail, special events, membership, internet fundraising, SMS Charity, Ring Back Tone (RBT) Donation, and other modern strategies in fundraising and community support. The trend starts in the end of 90's where several local NPOs, many of them are religious based organizations such as *Dompot Dhuafa*, PKPU implemented their fundraising activities using modern technologies.

With the promising local fundraising market, many organizations especially INGOs are now working on the local fundraising effort. Some of them have been systematically transforming their organization form to a local entity (foundation) to enable to capture funding in local market.

As an international confederation of 18 organizations networked together with partners and local communities in more than 90 countries, Oxfam International has a bold strategy to increase the impact that the Confederation has in order to achieve broadly shared justice and equality in the world. An important element of this strategy is pooling the resources, knowledge and experiences of different regions of the world and increasing the relevance and legitimacy of the confederation as an actor of change. The strategy emphasises the strength of unity amongst different peoples coming from different walks of life, and paves the way to increased relevance at country, regional and international levels.

To achieve that, Oxfam intends to diversify the mix of affiliates within the confederation so that it better represents different parts of the world. There are three possible ways of creating an affiliate at this point<sup>1</sup>:

1. Inviting an existing civil society organisation (CSO) to join the Oxfam Confederation;
2. Turning an existing Oxfam country programme into an affiliate;
3. Building a new affiliate from scratch and transferring programmes to the new entity.

The Executive Directors (EDs) of Oxfam International have now short-listed several countries including Indonesia for more detailed investigation as potential affiliates. The final decision as to where Oxfam will have its next national affiliates will depend on further information about these countries, including a 5-year financial projection for each.

The capacity of the prospective affiliates to raise income will be one of the elements of this assessment. This will in turn be split into separately commissioned analyses of institutional fundraising and public fundraising (by public fundraising we principally mean individual giving, but we also include corporate and philanthropic giving).

With this context, Oxfam International need to have a deep and comprehensive review of all aspects of public fundraising in Indonesia is being commissioned. There is a particular (although not exclusive) focus on individual giving. Oxfam also want to learn about the potential in corporate and philanthropic giving. Indonesia's public market assessment has been conducted by FriendraisingID to support the initiative.

On this paper, FriendraisingID distinguish 2 types of NGOs (Non-Governmental Organization) that actively seeking donation from private sectors. The first group is local NGOs which being dominated by the religion-based NGOs, the second group is NGOs which basically the local entity of INGOs including UNICEF as one of UN entity that very active on fundraising activities. Many INGOs like World Vision, Save the Children, WWF, Greenpeace and SOS Children's Villages; religion-based NGOs like *Dompot Dhuafa* and ACT; and UN entity like UNICEF have set up local fundraising with local income generation varied between +- 1.5 million and 5 million USD per year. Although the regulation that applied to both group is same, there are some different system to conduct fundraising locally.

---

<sup>1</sup> Public Fundraising Market Assessments: Brief for Consultants, Oxfam International (2016)

<sup>2</sup> PriceWaterhouseCooper projection "The World 2050: Will The Shif in The Golbal Economic Power Continue?". See

On this paper, FriendraisingID is using both NGOs and NPOs terminology, which depends on the context of topics.

## 2. Country Overview in Fundraising

### 2.1. Market Summary

Currently Indonesia is the 17<sup>th</sup> biggest economy globally but forecasts tell that in 10 years it will become the 7<sup>th</sup> biggest economy in the world. Asia, as a region, represents 50% of the global middle class and 50% of the world's economy. 40% of the economic growth worldwide comes from emerging economies like Indonesia<sup>2</sup>.

There is a trend of Indonesia philanthropy becoming more and more institutionalised with a steady increase in the number of foundations that have a diversified source of income-generating funds through corporate partnerships, governments, grant making foundations, as well as individual donations (both internationally and domestically).

Due to Asia's strong economic growth, Asian companies expanded as well and as a result, Asian multinationals focus on CSR and want to reach out to communities where they operate as a way of giving back to the community where their executives, as successful businessmen, were born.

### 2.2. Size, Value, and the Scope of the Fundraising Market

Republic of Indonesia is a country embedded in diversity. It consists of more than 17,000 islands, which are home to more than 250 ethnic groups, with all the world's major religions present. Indonesia has 33 provinces with over 238 million people, and is the world's fourth most populous country. Indonesia is a republic, with an elected legislature and president. The nation's capital city is Jakarta. The country shares land borders with Papua New Guinea, Timor Leste, and Malaysia. Other neighbouring countries include Singapore, Philippines, Australia, and the Indian territory of the Andaman and Nicobar Islands.

As a founding member of ASEAN and a member of the G-20 major economies, Indonesia has grown strongly since 2010. The Indonesian economy is the world's seventeenth largest economy by nominal GDP and fifteenth largest by purchasing power parity. During the global financial crisis, Indonesia outperformed its regional neighbours and joined China and India as the only G20 members posting growth. The government has promoted fiscally conservative policies, resulting in a

---

<sup>2</sup> PriceWaterhouseCooper projection "The World 2050: Will The Shift in The Global Economic Power Continue?". See <https://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf>

debt-to-GDP ratio of less than 25% and historically low rates of inflation. Although Fitch and Moody upgraded Indonesia's credit rating to investment grade in December 2011, Indonesia still struggles with poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, and unequal resource distribution among regions. The government also faces the challenges of quelling labour unrest and reducing fuel subsidies in the face of high oil prices<sup>3</sup>.

After growing by 5% in 2014, Indonesia's economy continued to slow to 4.7% year-on-year (YoY) in Q2 of 2015, the slowest pace of expansion since 2009. The further slowdown in economic growth arose in light of the contraction in exports due to the export ban of raw materials imposed since 2014 and weakening exports of coal and crude palm oil amid sluggish external demand and falling commodity prices. Government spending on infrastructure was slower than expected, thus contributing to softer GDP growth. Household consumption, which accounted for more than half of Indonesia's GDP in 2014, also eased off slightly to 5% YoY in Q2 2015. Indonesia's consumer price inflation rose by 7.3% YoY in July 2015 after peaking at 8.4% YoY in December 2014 following fuel-subsidy cuts and food-price increase.

The fuel subsidy cuts in November 2014 drove up petrol and diesel prices by some 30%. The Indonesia rupiah fell by an average of 2.47% quarter-on-quarter (QoQ) to a level of Rp13,131 per US dollar in Q2 of 2015, and plunged below the mark of Rp14,000 per US dollar in the wake of the unexpected devaluation of the Chinese currency on 11 August 2015<sup>4</sup>. The latest development on August 2016 shows that the Indonesia rupiah is getting stronger for the last couple months.

In general, the economic condition affects the pattern of middle class in giving their money. Based on experiences of three local NPOs (*Dompel Dhuafa*, ACT and Sinergi Foundation<sup>5</sup>), decreasing trend of general donation (local terminology: *infaq/sedekah umum*) usually happens. This is because those local NPOs rely more on single gifts or one stop donation. At another side, UNICEF, WWF and Greenpeace Indonesia are among INGOs who have good revenue from regular giving where the donors commit to donate for certain period (six months, one year) as a result from their F2F fundraising. The revenue will be more stable as the donation is automatically debited/charged from donors' credit card accounts.

---

<sup>3</sup> Indonesia economy Review. (<http://www.uicci.in/profile/country%20profile-Indonesia.pdf>)

<sup>4</sup> BNP Paribas Emerging Economies and Country Risk ([https://cashmanagement.bnpparibas.com/\\_webdata/emerging\\_en.pdf](https://cashmanagement.bnpparibas.com/_webdata/emerging_en.pdf))

<sup>5</sup> Friendraising ID's interview on 16 August 2016



1. During June – July every year due to the commencing of the new school fiscal year. During this period, most of Indonesian families have a high requirement of funding for their children’s education, which has impact in amount of money allocated for giving. The decreasing trend could reach 9-12% in those couple months;
2. During long vacation/holiday in December, where donors usually shifting their money from donation to vacation needs. The decreasing could reach 5-7%;
3. In corporate sector, the trend also happens during November – December every year due to the limited amount of funding still remains in their pocket for corporate giving or CSR. No precise data provided on this field.

The similar trend also happens to INGO such as SOS Children Village. According to its fundraising manager<sup>6</sup>, the decreasing usually takes place during religious holiday or end of year vacation with same reasons with donors of religious based NPOs above.

In addition, a research conducted by CMCS (Centre of Middle-Class) and SWA Magazine revealed the decreasing on “spend of donation” among middle class families. In 2012, each middle class family allocated 5.4% from their incomes per month for giving/charity. In 2015, the percentage became 4.5%. FriendraisingID sees both local NGOs and INGOs have similar experiences on this issue. Deficit on some economy sectors in 2015 including oil and gas industry, palm oil plantation and retail industry are found as a factor of the decreasing.

For religious based giving such as *zakat* (tithe) and *qurban*, a different trend applies where the amount of donation tends to be stable. Within recent five years, several banks in Indonesia intensively offer “qurban savings” (*tabungan qurban*) to people. It is found that *qurban* always has a stable trend with moderate increase at 12-15% per year.

There are a few exceptions for *Dompét Dhuafa*. In 1998, during the severe monetary crisis in Indonesia, *Dompét Dhuafa* got a huge increasing (almost 43%) on general donation (*infaq/sedekah*) from their total donation result. The former CEO of *Dompét Dhuafa*<sup>7</sup> has analysis on this phenomenon:

1. Monetary crisis resulted many new poor people, but at the same time created new rich people. *Dompét Dhuafa* recorded a growth of new donors into their database during the crisis;

---

<sup>6</sup> Interview on 16 August 2016

<sup>7</sup> Interview with Dr Ahmad Djuwaini, former CEO of *Dompét Dhuafa*, 16 august 2016

2. During the crisis, lot of people tried to be closer with their religion and giving alm or donation to those who need is part of activity that adviced by their religion. This statement resulted from random questionnaire spread by the organization at that time).

The Indonesian Red Cross (locally known as PMI or *Palang Merah Indonesia*) have also a different experience where they usually get increased donation from corporates in the end of the year. The reason is because their corporate partners tend to spend all remain money in their balance during that time. PMI's name and reputation have been becoming a reference as a good humanitarian organization among bank corporations, retail and oil and gas companies.

### 2.3. Technological Trends

It has been predicted by telecommunication campaigners that 2010-2030 is an era for Indonesia will grow rapidly into a centre of Asia e-commerce industry. For the first time, Indonesia proves he surpassed Thailand and Singapore became the largest e-commerce market in ASEAN with transaction worth to USD 1,1 billion on 2014 (*katadata research, 04/01/16*).

The high penetration rate of Internet users in Indonesia is also followed by the growth of the value of e-Commerce. Over the last two years (2013-2015) the average growth of the value of e-commerce reached 33%, and it is predicted on 2017 that it will reached USD 24,6 billion, or Rp 332 trillion (*Swa Magazine, 03/2016*).

Indonesian itself is a society which very open with technology and the latest digital trends, both local and international scale. It addition, the number of Internet users in Indonesia has increasing rapidly from year to year.

During 2014-2017 the average growth of e-commerce spending reached 38%, a figure promising potential when compared with retail purchases nationwide absorption only reached a total of 0.07 %. This shows that Indonesia is a niche-market that still need to be tackled seriously by the actors of digital marketing.

Based on Ministry of Communication and Informatics (Kemenkominfo) data (10/2015), the trend of ecommerce achievement is as follows:

Table 1. Trend of e-commerce achievement in Indonesia (Kemenkominfo, October 2015)

Prospective e-commerce	2014	2015
1. Internet Users	88,1 million people	93,4 million people
2. Online Shopper	7,4 million online buyers	8,7 million online buyers
3. Transaction value	US\$ 3,56 billion	US\$ 4,89 billion
4. Popular product	1. Fashion 2. Gadget 3. Ticket voucher 4. Cosmetic/beauty product	1. Fashion 2. Gadget 3. Ticket voucher 4. Home Appliance

E-commerce developments cannot be separated from the habits of Indonesian in the context of "digital-habit". Some of factors that support Indonesia to become the centre of world commerce are:

- Indonesia's population reached up to 252 million people.
- 150 million people in Indonesia is middle class consumers
- 8% GDP growth
- Indonesia's internet users in 2015 reached 93.4 million and in 2016 it is predicted to break over the 100 million
- 9.3% of world trade take advantage of Ecommerce
- The average middle class of Indonesian has 2 smartphones for 1 person
- They (Indonesian) are likely to check their handsets within 5 to 10 minutes.
- 90% of the 88 million Indonesian netizens (internet citizen) are active in social media
- Facebook, Twitter and Youtube are the most often used social media by Indonesian. While Instagram and Snapchat at the second place
- Indonesian love to download gadget application (especially for the free app). Indonesia is the top six of 10 most active countries on Play Store and IOS, especially the online shopping application
- Starting look the prospective mobile-payment using such as: Click-BCA, Tcash, PayPal, Doku, etc.

*Online Shopping Outlook 2015*<sup>8</sup> released by Brand & Marketing Institute (BMI) stated that 24% of total internet users in Indonesia use internet banking for online shopping or equivalent with about 76 million people. BMI predicted that online transactions in Indonesia, especially on online shopping, will grow by 57% in 2015, an increase of more than doubled compared to 2014. Internet banking users, particularly in online shopping, are predominantly women (57%) than men (43%). In addition, 8 out of 10 internet users conduct their transactions via mobile devices. Women consumers shop at 10-12 o'clock noon, while male consumers transact during 8-12 in the evening.

In terms of age, online shopping consumers aged between 24-30 years (33%), aged 18-23 years (23%), aged 31- 35 years (20%) 36-40 years (16%) and age 41-45 years (8%). By 2015, it is predicted that there will be displacement ranges in age from 18-23 years to 24-30 years, make the age range 24-30 will be bigger and becoming a strong potential donors. BMI also noted that the average online shopping expenditure Indonesian people in a year to reach Rp 825,000 per person or total Rp 21 trillion (about US\$ 1,615 billion) in accumulation. This figure is projected to increase significantly in 2015 amounted to Rp 50 trillion. They favourite goods to be purchased are fashion products (40%), gadget (11%) and electronics (11%).

To date, there are at least 12 major actors in Indonesia's e-commerce retail product segments, namely:

- Rakuten.co.id
- BukaLapak.com
- Lazada.co.id
- kaskus.co.id
- OLX com
- Zalora.co.id
- Tiket.com
- Traveloka.co.id
- Tokopedia.co.id
- Groupon.co.id
- Berrybenka.co.id
- Pegipegi.com

---

<sup>8</sup> This report is based on results of a survey in 10 major cities involving 1,213 respondents.

Nevertheless, there are still number of challenges related to the public's perception of the e-commerce industry, as described in table below:

Table 2. Challenges and opportunity on the e-commerce based on public's perception

Challenges	Mitigation	Impact on digital fundraising
Less understanding about procedure of online shopping	Massive education on online transaction	Need of massive education on online donation
The real product comes under expectation	Money guarantee	Negative perception
The delivering does not on time	Goods controlling	Negative perception
Online payment is considered unsafe	COD – Cash on Delivery	Negative perception
The price is more expensive	Price comparison	Negative perception

Source: (<http://katadata.co.id/infografik/2016/01/04>) with additional analysis by FriendraisingID

It is also a common habit for Indonesians to take a look carefully before they decide to buy something, that way 62% of Indonesian digital buyers claim to view online product reviews for purchase decision. Jakarta, Bali and Yogyakarta are the highest e-commerce penetration's cities in Indonesia.

## 2.4. E-commerce and digital fundraising

The Digital fundraising era has started bustling since 2011, it was marked by concept of digital-based crowd-funding platform. Below are some enormous digital fundraisings operating in Indonesia (see **Appendix 1**):

1. kitabisa.com;
2. indves.com;
3. carincara.com;
4. gotongroyong.fund;
5. qoloni.com;

6. danadidik.com;
7. oneindonesia.com (for corporate);
8. wujudkan.com;
9. modalku.co, id;
10. gandengtangan.org;

So far, those digital crowd-funding goes very well, especially kitabisa.com and wujudkan.com who are the most popular digital crowd-funding among the initiator of the program and donors.

According to Al Fatih Timur, CEO and Founder of *kitabisa.com*, donors prefer to take a part in charity program such like helping people whom sick (suffering with diseases) and need of education (scholarships) than to the empowering program. Donors are mostly at the age around 25-35 years old.

Tabel 3. Causes of digital fundraising run by NPOs

Platform/NPO	Causes/campaign	Approach used to raise awareness	Revenue	Donor recruited
Kitabisa.com	Blood donor bus provision for Indonesian Red Cross	Social media, special event	Rp 500 million	More than 1,000
Kitabisa.com	Mosque Renovation with Social Madani Foundation	Dompot Sosial Madani – Bali (campaign)	IDR 449 million	N/A
Lazada.co.id	Save the Children	Cause related marketing – voucher on every purchase (3 weeks campaign)	Rp 15 million	149
Tokopedia	Yayasan Dompot Dhuafa	Orphan Charity Package	IDR 150 million	500 donors
Blibli .com	Yayasan Dompot Dhuafa	Buy and give programme	IDR 77 million	2,000 donors
Buka Lapak	Aksi Cepat Tanggap	Buy and Give programme (during disaster)	IDR 200 million	N/A

Refer to the data from Charity Aids Foundation in 2014, it has been stated that the population of Indonesia was basically easy to give and sharing for each other. Perhaps, it related to its culture and religion, which has been kept from many years ago.

Table 4. Top 10 countries by participation in donating money

Donating money by country and ranking		People (%)
Myanmar	1	92
Thailand	2	87
Malta	3	78
United Kingdom	4	75
Netherlands	5	73
New Zealand	6	73
Australia	7	72
Ireland	8	67
Indonesia	9	67
Canada	10	67

Notes: only includes country surveyed in 2014. Data relate to participants in donating money during one month prior to interview.

Table 5. Top 10 countries by the number of people donating money

Donating money by country and ranking		People (m)
India	1	184
United States of America	2	164
Indonesia	3	121
China	4	92
Thailand	5	48
Pakistan	6	45
United Kingdom	7	39
Myanmar	8	37
Germany	9	35
Iran	10	32

Notes: calculated using UN adult population number. Only includes country surveyed in 2014. Data relate to participants in donating money during one month prior to interview.

Based on Friendraising ID's analysis on five local non-profit institutions, it is found that:

1. Digital Fundraising has not run optimal. Yet, its scope still limited to the digital campaigned.
2. Local s already started to understand the trend of opportunity and development of Internet users in Indonesia, but they are still slow to respond.
3. The use of social media such as: Facebook Fanpage, Twitter, Instagram and YouTube as a campaign programs from NPO is getting increase day by day.
4. They realize the importance of having a digital marketing division, both from their selves or hiring a digital marketing consultant.
5. Several local NPOs have been initiating on digital fundraising and worked with several e-commerce companies (see **Appendix 2**):

- a. *Dompét Dhuafa* with *Elevania.com* and *blibli.com*
- *Elevania.com* set up a special folder in its website where visitors can contribute through a donation package with amount Rp 150,000 (US\$ 12,5) for *Dompét Dhuafa*'s orphan programme;
  - *Blibli.com* agree to take Rp 10,000 (US\$ 0.8) from every customer's transaction as donation to *Dompét Dhuafa*.
- b. ACT with *Bukalapak.com*: *BukaLapak* provide a special link in its website which allow all visitors to donate some amount of money from their transaction to ACT's natural disaster response programme.
- c. Save the Children with *Lazada.co.id*: during Ramadhan (holy month for moslem), Save the Children had a digital marketing campaign through *Lazada.co.id*. For every buyer that submitted payment with voucher 'SaveChildren', *Lazada* gave a certain amount of donation to Save the Children.

A social-media expert, Nukman Lutfhie<sup>9</sup> says that optimizing the use of social media becomes crucial to social institutions, given the cost of advertising on TV, newspapers and radio are very expensive. Social institutions should use appropriate social media platforms in order to save the cost of the campaign. Youtube and fan page could become a major channel campaign.

So far in Indonesia, the use of social media still fulfils for two purposes: first, for raising public awareness; and second, as platform to do fundraising, but not yet use it as a platform to enable public donate their money.



- Year 2010-2030 is an era for Indonesia will grow rapidly into a centre of Asia e-commerce industry.
- The high penetration rate of Internet users in Indonesia is also followed by the growth of the value of e-Commerce.
- Societies in Indonesian are very open with technology and the latest digital trends, both local and international scale. It addition, the number of internet users in Indonesia has increasing rapidly from year to year.
- With the average growth of e-commerce spending reached 38% during 2014-2017, a niche-market still opens to be tackled seriously by the actors of digital marketing.

---

<sup>9</sup> Friendraising ID interview on June 2016



## 2.5. Political aspects

Indonesia comprises more than 13,500 islands sprawled across almost two million square kilometres, home to almost 250 million people speaking over 700 languages and practicing virtually every religion on earth. Indonesia's only real rival for the title of "most diverse country" is India.

Indonesia is the world's most populous Muslim majority country and third largest democracy. Indonesia is having experienced a remarkable democratic transformation and high economic growth over the last two decades. Yet it still struggles with fragile institutions, endemic corruption, terrorism, and rising religious and ethnic intolerance. Although its economy is growing at over 5,7% per year (World Bank, 2015) and is poised to enter the top 10 largest economies in the world in the coming decades, there is rising income inequality: 20% of the richest Indonesians hold 80% of the wealth and nearly half of the population lives on less than \$2 per day. In these "two Indonesias", one is a growing global presence with increasing clout, while the other has yet to fully realize the positive benefits of democratization and economic growth<sup>10</sup>.

As the world's third largest democracy, Indonesia is a key ally whose successful democratic consolidation has regional and global implications. Successful democracy in Indonesia has the capacity to positively influence democratic trajectories in other countries in the region and the world, especially Muslim and/or former authoritarian-ruled countries. Further, while Indonesia has been successful to date in the transition from authoritarian rule, the full consolidation of democracy is still a work in progress. In multiple analyses conducted by independent scholars, the need for Indonesia to make further progress against obstacles to democratic governance, including the guarantee of equality between men and women, has been clearly articulated. Government accountability and responsiveness, civil society organizations' (CSOs) and non-governmental organizations' (NGOs) capacity, protection of citizen rights, provision of basic services, and sustainability in Eastern Indonesia have all been identified as key constraints to democratic governance and equitable economic development more broadly.

Indonesia has undergone a political transformation since the upheaval of 1998, which saw the fall of General Suharto after 30 years of authoritarian rule and a collapse of the Rupiah. The country is now a vibrant

---

<sup>10</sup> Investing Indonesia: Stronger Indonesia Advancing National and Global Development: USAID Strategy Indonesia 2014 – 2018 (USAID, October 2013)

democracy that is continuing to strengthen its political structures and deepen the enfranchisement of the population. The 2009 election results signalled maturity among the electorate through the re-election of the incumbent president, Susilo Bambang Yudhoyono who became the first Indonesian president to be democratically elected for two consecutive terms, which hugely boosted global investor confidence. His firm stance on terrorism and national security is another welcome continuation of his tenure. Other political reforms such as decentralisation of political power to regional and provincial leaders, while still at an experimental stage, is serving to unleash the potential of Indonesia's less developed regions outside Java and fostering more even participation in the country's growth.

In 2014, Indonesia held its fourth general election and third direct presidential election since the fall New Order regime in 1998. Although the presidential election polarized the country, it was relatively free and democratic, resulting in Joko Widodo becoming the seventh President of the Republic of Indonesia. Widodo is considered a populist leader, distinguished from the mainstream political leaders who are primarily former generals or wealthy businessmen linked to the former New Order regime. During the campaign, Widodo supported by various stakeholders and civil society activists. Other civil society actors conducted election monitoring. Since taking office, Widodo has been open to civil society, even recruiting some NGO's figures to serve as key staff in his administration<sup>11</sup>.

In short, Indonesia's democratic institutions are functional and operate in an effective manner. While the inauguration of President Joko Widodo in October 2014 was followed by a period of conflict between the government and parliament (in which the opposition held a majority at that time), these problems did not cause a serious, long-term crisis in executive-legislative relations. Similarly, the executive has honoured the decisions made by the Constitutional Court, although many of its verdicts have openly contradicted government policies.

Problems with the performance of democratic institutions usually do not arise as a result of interactions between state bodies, but rather have their roots in dynamics within them. For instance, ministries have a high level of autonomy and are controlled by different parties or technocrats, impeding the government to act as a coherent entity. In parliament,

---

<sup>11</sup> BTI 2016: Indonesia Country Report ([https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI\\_2016\\_Indonesia.pdf](https://www.bti-project.org/fileadmin/files/BTI/Downloads/Reports/2016/pdf/BTI_2016_Indonesia.pdf))

decisions are rarely made by majority vote along party lines, but are mostly the result of consensus-oriented negotiations that involve individual legislators and commissions as much as parties and caucuses. This leads to highly protracted policy-making processes and in some cases low-quality legislation. At the local level, the effectiveness of executive and legislative institutions varies widely. While some areas have moderately stable and accountable institutions, in others (such as Papua) these are handicapped by nepotism, corruption, mismanagement and incapacity.

Unlike other western or developed countries where the citizens' political choice can be easily categorised into existing political parties, in Indonesia it is not the case. Alvara Research (2014) revealed 27.1% respondents from middle class were 'swing voters'; 25.1% as apathetic voters; and 22.7% conservative voters (see: 2.5.2 Middle Class).

Another characteristic of middle class is they are easy to give sympathy for those who become political victim; sometimes reactive. This middle class consistently express their support to pro-poor, anti-corruption, migrant worker and violence issues, but it does not automatically make them affiliated into certain political parties.

The characteristics of citizens who's earn over US\$ 50 per day are relatively similar. In recent years, a new trend called "personalized fundraising" has been raising which linkage fundraising activities with their personal moments (as 'rich' persons). For example, several local NPOs have facilitated these persons in celebrating their birthday and donating all at once through a specific event such as 'charity marathon'. The money resulted from the marathon will be donated to NPOs who facilitating the event. There is also the establishment of ANGN (Angel Investor Indonesia) which consists of dependents of rich peoples who carry out their giving by investing some money to some business that have social impact to local communities.

Indonesia has undergone several successive democratic transitions of power during 15 years, seen an increase in decentralised decision-making, and has emerged as a lower middle-income country. Despite some dynamics in political in term of satisfaction to the existing government's performance, Indonesia's political stability is still conducive.



### 2.5.1. Freedom of Organizations (NGOs)

NGOs have been well known in Indonesian society since colonial times, mainly in the form of faith-based organizations and social organizations engaged in educational, cultural, and economic advancement of society. In the early 1970s, non-profit organizations (NPOs) began to emerge and play a role in promoting community based economic and social development in areas such as education, health, water and sanitation, handicrafts and other small businesses, cooperatives, and legal aid. During the wave of global democratization in the 1990s, NGOs were actively involved in advocating for women's rights and gender equality, civil and political freedoms, and democratic governance. NGOs have contributed to political reform in Indonesia and had some success in promoting democracy and human rights.

Over the last 15 years, Indonesia has undergone several successive democratic transitions of power, seen an increase in decentralised decision-making, and has emerged as a lower middle-income country. During this time, the NPO sector in Indonesia has been a key driver of political, economic and social reform, including on issues such as women's rights, anti-corruption, freedom of information, and religious tolerance. The NPO sector also made critical contributions to sustainable economic growth and poverty reduction. Yet the continued ability of the NPO sector to play these roles is of critical concern in the face of declining international donor financial support as Indonesia's economy grows and the consolidation of Indonesian democracy and reform<sup>12</sup>.

Currently, while the role of civil society sector has been acknowledged and their support helped elect the current President Joko Widodo (Jokowi), the relationship between civil society and government continues to be wary. Many civil society organisations and volunteers were involved and supported President Joko Widodo to be elected in 2014. The election represented an important shift away from the 'New Order' establishment to a new generation of leaders who came from outside that power structure. Jokowi had worked closely with civil society groups there, including on issues relating to socially-excluded groups. He also closely consulted with NPO leaders during his presidential campaign and pre-inaugural transition period. However, many in the NPO sector are disillusioned with Jokowi as of mid-2015 as he has made several decisions that appear to contradict commitments made during the campaign on anti-corruption and human rights issues.

---

<sup>12</sup> McGlynn, Megan and Alawiyah, Tuti. The NGO Sector in Indonesia: Context, Concept and Update Profile: Jakarta, Cardno, 2015

According to data from the ministry of home affair in 2014, there were 139,957 NPOs (both associations and foundations) registered with state ministries: 65,577 NPOs, both in the capital and in the regions, registered at the home affair ministry; 25,406 charity and humanitarian NPOs registered at the Ministry of Social Affairs; 48,866 foundations registered with the Ministry of Justice and Human Rights; and 108 foreign NPOs registered at the Ministry of Foreign Affairs. The number of unregistered NPOs is unknown, but may be in the thousands.

In term of activities, generally a foundation or an association as NPOs legal entity in Indonesia can undertake any lawful and not-for-profit activities. Indonesian law also does not restrict an NPO from participating in the political process by lobbying public officials, endorsing or opposing candidates, or otherwise. Because of this freedom, NPOs can do and develop issues and field work on diverse, ranging empowerment of civil society, education, democratization, human rights, gender equality and women's rights, development, poverty eradication, peace and justice, the rights of ESC, good governance, issues of rural, children, conflict resolution, globalization, farmers and fishermen, urban, workers and trade unions, as well as indigenous groups. However, only a small part of NPOs are working on issues of pluralism and diversity, disability and professional workers. In terms of the main activities, NPOs in Indonesia is not so different from one another. Most of the activities including training, some more research including consultancy and capacity building, publications including dissemination, victim advocacy and mobilization and a small part in lobbying.

Concerning to the financial support, the programs run by these NPOs, especially programs related to advocacy and social change, generally less financial support from individuals, corporations, and government. The lack of funding is partly due to the low level of public trust and the private sector to NPOs. A 2014 survey by Edelman Trust Barometer (ETB) found that the level of public trust in NPOs increased in 2014 to 73%, following a downward trend between 2011 (61%) and 2013 (25%). The current level of trust is still below the level of trust in business (82%) and media (78%), but is higher than the level of trust in government (53%). According to ETB, the increase is due to three factors: increased transparency and better reporting by NPOs driven to win funding from international donors; the growing partnership between NPOs and businesses; and the public's recognition of the importance of developing civil society and multi-stakeholder partnerships to advance positive change in Indonesia.

However, there is an interesting phenomenon that occurred since the last 10 years: the emergence of awareness of a number of NPOs to conduct local fundraising. That realization was triggered by the occurrence of the multidimensional crisis and calamities and natural disasters that hit our country since 1997. These conditions led to new initiatives in social fundraising. Previously, NPO in Indonesia took the role as an intermediary between foreign donors with groups of beneficiaries, however at this critical time they started to raise funds from the local community. Initiatives to raise local funds were also fuelled by the realization that foreign donors are not always going to operate in Indonesia. Therefore, there should be alternative ways and diversifying the sources of funds to anticipate the lack of funds if one day they leave Indonesia.

It is noteworthy that some international NPOs and UN agencies have successfully raised funds from the public, namely World Wildlife Fund, Greenpeace and the United Nations Children's Fund. This indicates that there is potential for NPOs to access funding from public donations. However, city / district NPOs' attempts to attract donations from the public have not been as successful. Notably *Lembaga Studi Dan Advokasi Masyarakat* (Institute for Policy Research and Advocacy (ELSAM)), LBH Jakarta (Lembaga Bantuan Hukum or Legal Aid), Wahana Lingkungan Hidup Indonesia (The Indonesian Forum for Environment (WALHI)) and Indonesia Corruption Watch are a few examples of prominent national advocacy NPOs that have attempted to do so but have yet to see significant reward.

Mentioned NPOs above did some fundraising activities, but only at very small scale with no sustainability. The Indonesian Corruption Watch (ICW), for instance, implemented fundraising programme but then stopped, similar with LBH. One main reason was they didn't invest enough in this area and felt that it's more interesting (and potential) to grab money from international donors.

In 2013, the government passed Law No. 17/2013 on Societal Organizations, also known as the "Ormas Law". The law regulates "all organizations founded and formed by the society voluntarily on the basis of shared aspiration, will, needs, interest, activity and purposes in order to participate in the development with the intention to achieve the objective of the Unitary State of the Republic of Indonesia based on the *Pancasila*" (Article 1). Both Foundations and Associations fall under the category of "societal organizations with legal entity status," while all other NPOs are categorized as "societal organizations without legal entity status."

The law contains provisions covering the scope of activities of societal organizations, registration procedures with the Interior Ministry, rights and obligations, and restrictions on societal organizations. Under this law, the Interior Ministry has the authority to suspend the activities of societal organizations that violate legal obligations and restrictions. If the organization does not comply with the imposed sanctions, the government can revoke its legal entity status based on a court decision. However, according to the Ormas Law, permanent dissolution of societal organizations should only occur based on a Supreme Court decision<sup>13</sup>.

Many NPOs oppose the Ormas Law on the basis that it unduly restricts the freedom of association by giving government officials wide powers to curtail the activities of NGOs. To date, there is no evidence that Government have used this law to curtail NPO activities. However, the Government at several events had expressed their 'threat' for taking measurement to NGOs, especially mass organizations who are working on social and politics issues, that have potential power to disturb national security and stability<sup>14</sup>. Another form of limitation is whenever NGOs intends to collaborate with local government, the authority usually asks them to provide and show the SKT as part of requirements.

Those concerns were based on vague wording in several of the articles and the potential for the law to be used to diminish freedom of association. Articles 21 and 59 of the Law on Societal Organizations (Ormas Act) provide that all societal organizations, including associations and foundations, are subject to certain obligations and prohibitions. Article 21 of the Law obliges all societal organizations to: conduct activities according to the organization's purposes; guard the unity and integrity as well as integrality of Indonesia; maintain religious, cultural, moral, and ethical values and decency; provide benefits for society; maintain public order and social peace; manage their finances in transparent and accountable ways; and participate in pursuing the goal of the country.

---

<sup>13</sup> NGO Law Monitor: Indonesia. INCL/International Center for Non Profit Law: April, 2016 (<http://www.icnl.org/research/monitor/indonesia.html>)

<sup>14</sup> For example, Minister of Interior Affairs threatens NGOs who are anti-Pancasila (five basic principles of Republic of Indonesia). See article: <http://www.pos-metro.com/2016/05/mendagri-tjahjo-kumolo-ancam-bubarkan.html>

Article 59 creates prohibitions on certain activities of societal organizations, barring them from: the use of the flags and symbols of any other country, separatist organizations, other societal organizations, or political parties; activities related to disturbing public order, separatism, or hatred against any ethnicity, religion, race, or group; receiving illegal donations or collecting funds for a political party; or subscribing, promoting, or spreading ideologies contradictory to Pancasila (Law on Societal Organizations Article 59).

There are additional obligations and prohibitions for foreign foundations and foundations founded by foreign entity. These entities must: respect the sovereignty of Indonesia; comply with all laws and regulations; honour and respect the religious and cultural values of Indonesian society; provide benefits to Indonesian society and the state; publish the value of all resources and all spending of funds; and make periodic reports to the government or local government and publish them in the Indonesian language news media (Law on Societal Organizations Article 51).

Foreign foundations and foundations founded by a foreign entity are specifically prohibited from: conducting activities that violate laws or regulations; disturbing the stability and unity of Indonesia; conducting intelligence activities; conducting political activities; conducting activities that may disturb diplomatic relations; conducting activities that are not in line with the foundation's purposes; raising funds from the Indonesian society; or using government facilities. A foundation or an incorporated association becomes a legal entity, with all the attendant rights and responsibilities, upon the approval of the Ministry of Law and Human Rights. A societal organization without legal entity status is formally recognized upon the issuance of Registration Certificate (Surat Keterangan Terdaftar or SKT).



- NGOs in Indonesia have a high freedom to conduct their activities as long as not reach sensitive issues that against Pancasila and can disturb stability. There is a current concern among NGOs about the “Ormas Law” which could restricts the freedom of association by giving government officials wide powers to curtail the activities of NGOs. However, Indonesian law does not restrict an NPO from participating in the political process by lobbying public officials, endorsing or opposing candidates, or otherwise. Because of this freedom, NPOs can do and develop issues and field work on diverse.
- An interesting phenomenon has place within a decade where the emergence of awareness of a number of NPOs to conduct local fundraising. That realization was triggered by the occurrence of the multidimensional crisis and calamities and natural disasters that hit our country since 1997.



## 2.5.2. Middle Class

One potential support for NPOs in Indonesia is the middle class. In Indonesia, middle class is defined using Asian Development Bank criteria which is population with daily per capita expenditure between \$ 2-20 per day). From FriendraisingID's experiences working with many INPOs including UN agencies, even those who earns less than US\$ 20 per day still actively donate their money to available channels including Face to Face fundraising, especially on religious based cases. They have their own reason: that giving habit, to be generous, is part of cultural and religious norms.

Using these criteria, the middle class grows very rapidly. In 1999, only 25 % of the population could be classified as the middle class, but in 2010, around 57 % of population belonged to middle class. This number is expected to grow even faster since in the coming decades, Indonesia is expected to benefit from demographic bonus. This rapid increase of middle class also leads to the growth of consuming class (individuals with net income of \$ 3,600). With a projected annual GDP growth rate of 5-6 %, the number of consuming class is expected to reach 85 million in 2020 and 135 million in 2030. This growing consuming class and per capita house hold income will increase discretionary spending and will drive saving and investment and retail sectors<sup>15</sup>.

However, to be able to take benefit from the growing middle class, Indonesia should be able to handle several challenges. The first challenge is the structure of the middle class itself. Most of the middle class is belong to lower middle class, which is very prone to economic disruption. However, as explained previously, they keep giving their money but with less amount of money and more selective to the offered programmes. The second challenge is to develop labour-intensive sectors. Although, Indonesia's GDP is largely supported by manufacture, agriculture, and trade, hotel and restaurant, the growth is mostly supported by transportation and communication, and electricity, gas and water which is not labour intensive. The third challenge is the quality of the middle class. Of middle class now, only one third hold a university degree and in general, Indonesia's human development index rank at 124 out of 187 countries (medium level). The last challenge is to encourage the middle class to save. Now, the saving account penetration is only 22 %. Such a low banking penetration causes

---

<sup>15</sup> Asian Development Bank: The Raise of Asia's Middle Class  
(<http://www.adb.org/sites/default/files/publication/27726/ki2010-special-chapter.pdf>)

Indonesia's access to financial institution one of the lowest amongst G20 countries.

Posture and characteristic of Indonesia's middle class today is the community that is more oriented towards leisure time than the exposure time. If the information that they simply become just entertainment and will only become a strong political impetus occurred when massive waves from the middle class to become a political movement. This class also has other features, such as love of country, hate the free market, like democracy, dominate the region through informal channels, as well as the proud son of the soil as an option. Indonesia's middle class is also quite participatory. They are more than happy if the state engages them in the process of the state, particularly in crucial political decision-making. They consider it as a form of love for the nation and the Homeland.

A research conducted by Alvara<sup>16</sup> found four typologies of middle class as voters before the legislative and presidential election in 2014:

1. **Swing Voters (27.1%).** They are voters who follow the most trend in public. They give votes to parties/candidates just because majority tend to do that. They tend not to be loyal voters to parties/candidates;
2. **Rational Voters (25.1%).** Give their votes to parties/candidates with some rational reasons, usually based on platform/ideology, programme and figures. Most of them have had preference to vote certain parties/candidates;
3. **Apathetic Voters (25.1%).** As apathetic voters, they didn't care about parties/candidates whom they have to vote. Most of them are still feeling confused and had not decided yet. This category is dominated by young/first voters;
4. **Conservative Voters (22.7%).** They tend to give votes to parties/candidates who have similar religion background.

The research also revealed that still few of middle class who gives their votes based on platform/ideology of parties/candidates, unlike in US, for instance, where voters can be easily categorised as Republican or Democrat. In Indonesia, middle class as voters tend to be "grey" in their political affiliation.<sup>17</sup>

---

<sup>16</sup> See: <http://alvara-strategic.com/tipologi-pemilih-kelas-menengah-indonesia/>

<sup>17</sup> Alvara Research. Idem.

In other words, the behaviour of the politics of the Indonesian middle class dominated mimic the behaviour and response to (imitate and respond). The premise was born –as previously explained—on voting behaviour at the time of the 2014 elections and the implementation of election simultaneously in December 2015 ago. There are three major trends that can be learned in the Indonesian middle class political attitude.

First, behavioural mimicry. This behaviour is actually a form of social proofing that occurs where a social media successfully perform imaging heroic figure. It implies suggestion massive effect that occurs in the middle classes.

Second, submissive behaviour, i.e. voting behaviour, because the majority of the middle class and the party chose a figure which is considered popular. By following the majoritarian logic, it is assumed that the candidate or the party to represent democracy. It actually can be traced on the number of followers and the like collected in social media. The more the number of followers and likes, then the figure is a populist figure.

Third, apathetic behaviour. Behaviour without looking at the background of parties and candidates, but only spontaneity because these figures are often discussed in social media circles. These three behavioural tendency is actually an important implication of the intensity of massive middle class Indonesia today. Important premise that needs to be written is how important or unimportant information was reviewed in social media, it just had influenced the political orientation of the middle class.

According to Intrans (2016), middle class in Indonesia is very active in social media platforms. There is a 10% increase of active netizens from 71.19 million users in 2015 to 88 million. For middle class, social media becomes an essential need to fulfill their interest on social and political issues.<sup>18</sup>



Characteristic of Indonesia's middle class today is the community that is more oriented towards leisure time than the exposure time. Three characteristics are: 1) behavioural mimicry, which is actually a form of social proofing that occurs where a social media successfully perform imaging heroic figure. It implies suggestion massive effect that occurs in the middle classes; 2) submissive behaviour, i.e. voting behaviour, because the majority of the middle class and the party chose a figure which is considered popular; and 3) apathetic behaviour. Behaviour without looking at the background of parties and candidates, but only spontaneity because these figures are often discussed in social media circles.

<sup>18</sup> Perilaku Memilih Kelas Menengah. Sindo Daily, 20 June 2016. <http://m.koran-sindo.com/news.php?r=1&n=0&date=2016-06-20>

## 2.6. Legal Aspects

### 2.6.1. Legal basis for NGO/NPO

In Indonesia, a legal subject is divided into two categories namely Person (human) and Legal Body. In the positive laws (laws in force at the moment), there are two kinds of legal entities: First, public legal bodies including *Persero* (incorporation), PD (local government-owned corporation), *Perjan*, *Perum*, state-owned enterprises, and international organizations. Second, private legal entities that are divided into profit legal entities including UD (trade business), CV (*commanditaire vennootschap* or limited partnership), PT (private company limited by shares) and *Koperasi* (cooperatives) and non-profit legal entities including *Yayasan* (foundation) and *Perhimpunan* (associations).

*Yayasan* (foundation) is a non-profit legal entity that has been chosen by persons and organizations in carrying out social activities. Article 1 of Law No. 16/2001 on Foundation defines *Yayasan* as "... a legal entity consisting of wealth that is separated and aimed at achieving certain objectives in the field of socio-religious and humanity that has no members".

*Yayasan* is regarded as a legal subject because it fulfils the following:

- a. *Yayasan* is a gathering of people;
- b. *Yayasan* can perform legal acts in legal relations;
- c. *Yayasan* has its own treasures;
- d. *Yayasan* has a board;
- e. *Yayasan* has purposes and objectives;
- f. *Yayasan* has a legal place of domicile; and
- g. *Yayasan* can be sued or sue in court.

To obtain approval as a legal entity of *Yayasan*, persons and organizations need to understand and meet various rules that govern and relate with *Yayasan*. In Indonesia, the setting of a *Yayasan* legal entity is conducted through the legislation and policies of cross-ministries or departments. The following are the rules and policies that are related to *Yayasan*:

- Law No. 16 Year 2001 on Foundation;
- Law No. 28 Year 2004 concerning Amendment to Law Number 16 Year 2001 concerning Foundation;
- Government Regulation No. 63 Year 2008 on the Implementation of the Law on Foundation;

- Regulation of the Ministry of Law and Human Rights (*Permenkumham*) No. 5 Year 2014 on Ratification of the Legal Entity of Foundation;
- Law No. 17 Year 2013 on Social Organization;
- Regulation of the Ministry of Internal Affairs No.33 Year 2012 on the Guideline of Registration of Social Organization within the Ministry of Internal Affairs and Local Government
- Regulation of the Ministry of Internal Affairs No. 38 of 2008 on Revenue and Relief Fund from and to foreign party for Non-Profit Organization
- Law No. 9 Year 1961 concerning the collection of money and goods.

In the case of establishment, Article 9 paragraph 1 of Law on Foundations regulates that the establishment of *Yayasan* can be done by one person or more ("person" here may mean an individual or a legal entity), with a separate part of founder's wealth as initial wealth. The basis for the establishment of *Yayasan* may include an agreement of the founders of *Yayasan* for social, religious, and humanitarian activities, or can be based on Wills. The "person" according to the explanation under Article 9 paragraph (1) of the Law of Foundation is an individual (person) and a legal entity (artificial person). The word "person" here can be "an Indonesian" or "a foreigner" or "an Indonesian person together with a foreigner". So, the *Yayasan* can be established by:

- a. one person (can be an Indonesian/an Indonesian citizen or a foreigner/a foreign citizen)
- b. more than one person (Indonesian persons/Indonesian citizens or foreigners/ foreign citizens or Indonesian Persons/Indonesian citizens and foreigners)
- c. One legal entity (an Indonesian legal entity or a foreign legal entity)
- d. More than one legal entity (Indonesian legal entities or foreign legal entities or Indonesian legal bodies and foreign legal entities.

The establishment of a *Yayasan* by a foreigner or a foreign legal entity is governed by Article 9 of Law Number 16 Year 2001 and is described in more details in Government Regulation (PP) Number 63 Year 2008 in Article 10 to Article 14, and the regulation of immigration and work force regulations (the explanation of Article 10 of PP). The requirements that must be fulfilled by the *Yayasans* set up by foreigners and foreign legal entities are as follows:

- Foreigners / founders shall minimally provide worth of Rp100,000,000 (one hundred million rupiah) for an initial capital of *Yayasan*;

- Declare that such a property is derived from legitimate sources;
- Declare that the *Yayasan's* activities are not detrimental to the community, nation and state of Indonesia;
- One of the *Yayasan* board shall be held by the people of Indonesia;
- Board Members shall reside in Indonesia; this includes foreign board members as explained in Article 12 point 1-4 of Government Regulation No. 63/2008. Basically, they must have KITAS, as described in following point.
- Board Members of foreign nationalities are mandatory as the holders of a license to conduct activities or businesses in the area of Republic of Indonesia [work permit, permission to do research, study permit, permission to conduct religious activities, business licenses according to Investment Law (the explanation of Article 12 of PP)] and also the holders of Temporary Stay Permit Card (KITAS);
- Foreign Members of Board or observers if residing in Indonesia are required as holders of a license to conduct activities or businesses in the territory of Indonesia and also the holders of Temporary Stay Permission Card Especially for the officials of diplomatic corps (husband, wife and children), who are not mandatory as the holders of the license to conduct activities or businesses in the territory of Indonesia and hold Temporary Residence Permit Cards.

To finance its operations and achieve its goals and objectives, the *Yayasan* may conduct a business by establishing business entities and / or participate in a business entity with some requirements. First, the business activities of these enterprises should be in accordance with the intent and purpose of the *Yayasan*; second, its activities are not contrary to public order, morality and/or the applicable legislations (Article 8 of Law No.16 Year 2001); third, the amount of the maximum participation is 25% of the entire value of the wealth of the *Yayasan*; fourth, Members of Board, Trustees, Supervisors of the *Yayasan* are prohibited from serving as members of Board of Directors and Board of Commissioners or Supervisors of the business entity.

## 2.6.2. Yayasan and Fundraising Activities

Although the legal entity of *Yayasan* has been endorsed by Kemenkumham, the *Yayasan* can not necessarily be able to do fundraising activity. To do fundraising, the *Yayasan* must meet the terms and conditions as stipulated in Law No. 9 Year 1961 on PUB (Raising Money and Goods). In short, the Law specifies that the *Yayasan* must apply for a permit of donation raising to raise public donations, except for the collection of money or goods that are required by religious laws, customary laws and customs, or held in a limited environment. These permits, based on regulation, need to renew quarterly (every three months), but in reality all NPOs can continue to conduct their fundraising activities due to lack of monitoring, surveillance and law enforcement by the Government. Permits for raising donations by the *Yayasan* nationwide shall be submitted to the Ministry of Social Affairs, while in level I (provincial) and level II (district / city) regions shall be submitted to the governor and regent / mayor. Unlicensed raising of donations and in violation of regulations shall be punished with imprisonment for a maximum 3 (three) months or a maximum fine of Rp 10,000 (ten thousand rupiah). Money or goods obtained by the crime as referred to in this article shall be confiscated and used wherever possible to finance welfare efforts.

*Yayasan* as a legal entity needs to be registered to get *Surat Keterangan Terdaftar* (SKT) from Ministry of Internal affairs or from the local government if the *Yayasan* is being registered on local level. The registration is very important as it became one of the requirements for the *Yayasan* for its activities related to government. SKT also needed for *Yayasan* to do fundraising activities, especially for *Yayasan* that get their fund from external (foreign) sources or want to send their fund abroad. The SKT is different from the permit for raising donation. The SKT is related to the registration process as a legal entity as stipulated in Law no. 16 Year 2001 and its amendments.

A foundation can engage in commercial activities to support the attainment of its objectives by setting up commercial enterprises (*badan usaha*), or participating as a shareholder in commercial enterprises. If the foundation sets up its own commercial enterprise, the activities of that enterprise must relate to the foundation's statutory purposes. The law defines these activities broadly, to include the fields of human rights, art, sport, consumer protection, education, environment, health, and the pursuit of knowledge (see Law on Foundations Article 8).

If a foundation seeks to participate as a shareholder in other, unrelated commercial enterprises that are deemed to be prospective, it may do so provided that such shareholding does not exceed 25 percent of the total value of the foundation's assets (Law on Foundations Article 7(2)). Dividends received by the foundation from investment in its commercial enterprise are not subject to income tax.

In order to maintain good 'corporate' governance, no member of the governing, supervisory, or executive board of the foundation may simultaneously serve as a manager, supervisor, member of the Board of Directors, or member of the Board of Commissioners of any commercial enterprise that a foundation establishes or in which it invests.

### **2.6.3. The Establishment of Yayasan**

The process of establishing a *Yayasan* in general consists of three stages, namely the stages of **formation, registration and announcement**. The stages of formation are usually carried out by the internal organization under the direction of a notary appointed to assist in the establishment of the *Yayasan*. While the registration and the announcement process is generally conducted by a notary.

#### **a. The Formation Stage**

The formation process of *Yayasan* is emphasized on an attempt to register the *Yayasan* to notary in order to obtain a notary certificate so that the *Yayasan* established has a legal entity. Article 9 paragraph 2 of Law of Foundation has stated "*The establishment of Yayasan as referred to in paragraph (1) is conducted based on a notary certificate and made in Indonesian.*"

Some steps that need to be conducted to make a deed of *Yayasan* include:

##### *1. Determining a Notary*

The position and role of notary is very important in the formation of *Yayasan*. In addition to providing feedback on the process and procedures for establishing a *Yayasan*, the notary will also represent the founder of *Yayasan* in registering the notary deed of the *Yayasan* for approval from Kemenkumham).



Therefore, it is necessary to choose a notary who has experience and knows the ins and outs of the handling of *Yayasan* approval from the Ministry of Law and Human Rights. Notaries who have extensive networks and have friends and network with the officers or staff of KemenkumHAM will usually find it easier in obtaining the legal entity of *Yayasan*.

In addition, the selected Notary is also expected to have commitment and be willing to listen to the suggestions and inputs from the founder of *Yayasan*. Because, most notaries generally have their own formats and standardized template in the making of a notary deed and are not willing to listen to inputs from the founder of *Yayasan*, if the inputs are different from their formats.

Basically, every notaries in Indonesia has authority and competency to assist NGO and INGO who are setting up their local entity (*Yayasan*). In practice, there are some notaries –usually based in Jakarta-- who have been familiar in assisting INPOs to set up their *yayasan*.



Determining and appointing an experienced notary would be a very important step for OXFAM Indonesia should do. A good and experienced notary will guard the preparation of *Yayasan* establishment process until its registering to the Government (Kemenkumham).

## 2. *Determining the name of Yayasan*

In the Law of Foundation and derivatives regulations, the name of *Yayasan* is not specifically regulated. The Law of Foundation only provides that the filing of the name of *Yayasan* must observe the following:

- The name of *Yayasan* submitted shall be preceded by the word "Yayasan"
- The name submitted must not be the same as the name of an existing *Yayasan*.
- The name of *Yayasan* must not be contrary to public order and/ or decency

In addition, the term of use of foreign name as the name of *Yayasan* is not specifically regulated. However, the notary who handles the *Yayasan* is usually advised to avoid the use of a foreign word or name. If the proposed name of the *Yayasan* is from a foreign word, some notaries are usually advised to translate it into local languages. For example, *Yayasan Public Interest Research and Advocacy Center (PIRAC)* is recommended

to be translated into *Yayasan Pusat Penelitian dan Advokasi Kepentingan Publik*. World Vision Foundation is translated into *Wahana Visi Indonesia*, while Save the Children is translated into *Yayasan Selamatkan Tunas Cilik (SCT)*.

In Indonesia, many *Yayasans* engaged in education, social, and religious activities. With these conditions, it is not unlikely that similar *Yayasan* names are used. In order to prevent the similarity in the name of *Yayasan*, Article 15 paragraph (1) determines that a *Yayasan* shall not use the name that has been used legally by another *Yayasan*. So far, the things that can be done by a Notary Public or community that will establish a *Yayasan* in order to prevent this is to ask directly to the Department of Law and Human Rights of the Republic of Indonesia.

The name formulation of *Yayasan* shall prepare at least three (3) names of *Yayasans*, of which 1 main and 2 reserve names. Later these names can be registered by the person appointed by the *Yayasan* or a notary who has been approved to obtain. The process of filing the name of *Yayasan* is carried out in Kemenkumham, especially the Directorate General of Public Law Administration that will determine the name of the *Yayasan* approved. Filing a *Yayasan's* name can also be undertaken online at <http://www.ahu.go.id>. Confirmation of the name of *Yayasan* takes approximately 2 weeks.

After the name reserved is approved, the founder must immediately follow up with the establishment of the *Yayasan* by signing up a notarial deed. Notary will immediately process the ratification of *Yayasan* within a maximum of one (1) month since the approval to use the name from the Department of Justice. Because if the ratification process is not made within 1 month since the approval of the use of the name, then the name reservation becomes void and the name can be used by other *Yayasans*.

### 3. *Establishing the Boards*

The *Yayasan's* components or devices are provided for in Article 2 of Law No. 16 year 2001 which states: "*Yayasan* has a component that consists of trustees, board and supervisors". They cannot be given a salary, wage or honorarium, or any other form that can be valued in money, (Article 5 of Law Number 28 Year 2004).

Especially with regard to Board, an exceptional arrangement may be made in the Statutes of Foundation, that says that Board may be given a salary, wage or honorarium under two conditions: first, the board members and not the founders of the *Yayasan* are not affiliated with the

founders, trustees or supervisors of the *Yayasan*; second, board members can carry out the management of *Yayasan* directly and in full.

Besides the prohibition to provide wages, salaries or honorariums, the *Yayasan* is also forbidden to share the results of its business activities to Trustees, Board members and Supervisors (Article 3, paragraph 2 of Law No. 16 Year 2001). Violation of the prohibition is punishable by a criminal code (article 70 of Law Number 16 Year 2001). However, all fees and expenses incurred by the organs of the *Yayasan* in order to carry out the tasks of the *Yayasan* shall be paid for by the *Yayasan*.

A minimum management structure of *Yayasan* shall consist of Board of Trustees (usually the founder or the person appointed/ requested as the board of trustees), Supervisory Board and Management Board (consisting of Chairman, Secretary and Treasurer). The management structure of *Yayasan* may be filled by 1 (one) foreigner (a foreign citizen) in the Board of Trustees. The number of the composition in each board is not a binding provision. A good management structure in term of both representation and number shall be an agreement based on the organization's needs.

The composition of the management of *Yayasan* can be augmented with additional structure and functions as required by the organization, such as the Board of Experts, Board of Donors, etc. Such an addition is permitted as long as it does not reduce the principal composition required by the law that is board of trustees, supervisory board and management board.

#### *4. Establishing the Goals and Objectives of Yayasan*

It is stipulated in Laws and regulations on *Yayasan* that a *Yayasan* should have goals and objectives in social, religious, and humanitarian fields. In practice, the three areas of the goals and objectives of *Yayasan* can still be specified further into several sub-areas, such as shown in the Table 6.

Table 6. Area and goal of *Yayasan*

Area	Sub - Area / Goal
Social	Formal and non-formal institutions Orphanage, nursing homes Hospitals, Polyclinics and laboratory Sport development Research in sciences Comparative study Others
Religious	Establish house of prayers Establish Islamic schools ( <i>pondok pesantren</i> and <i>madrasah</i> ) Receive and distribute alms, infaqs and doles Improve religious understanding Implement religious Religious comparative study Others
Humanitarian	<ul style="list-style-type: none"> <li>· Provide assistance to disaster victims</li> <li>· Provide assistance to battle refugees</li> <li>· Provide assistance to the homeless, poor and tramps</li> <li>· Provide and establish halfway homes and funeral homes</li> <li>· Provide document protection</li> <li>· Preserve the environment</li> <li>· Others</li> </ul>

Three areas of focus of this *Yayasan* is an important requirement to be met by the organization that wish to register a legal entity prior its establishment. Determining this focus area is discussed and decided internally by the submitting organization. The focus area of *Yayasan* is very important to give the identity, direction and focus of organization in carrying out its work.

### 5. Establishing the Initial Wealth of *Yayasan*

To establish a *Yayasan* will need the so called an initial wealth or budget of *Yayasan*. The preliminary budget is used as an initial wealth (capital) of *Yayasan*. Usually the initial budget is set aside from the personal wealth of the founder of *Yayasan*. Under Law No. 16 Year 2001 it is declared that the budget that needs to be prepared for the establishment of a *Yayasan* is Rp 10,000,000 (ten million) for the founder of the Indonesian citizenship. As for the *Yayasan* set up by a foreign citizen, or a citizen of Indonesia together with a foreign national, the minimum initial budget is Rp 100,000,000 (one hundred million rupiahs).

In general, the *Yayasan* which is newly formed tend to provide an initial budget in accordance with the minimum limit. As performed by *Yayasan Sayangi Tunas Cilik (STC)* at the beginning of the establishment include a budget of Rp 10,000,000 (ten million), because the three members of Founding Board were the citizens of Indonesia.

#### 6. *Developing the Statutes of Yayasan*

One of the requirements that must be met in creating a notary deed of *Yayasan* is the Statutes of the *Yayasan* which will be included in the notarial deed of *Yayasan*. The Statutes of *Yayasan* shall at least contain:

- a. The name and domicile of *Yayasan*
- b. The goal and objectives and the activities of *Yayasan* to achieve the goals and objectives
- c. The duration of establishment
- d. The amount of initial wealth that is allocated from a personal wealth
- e. How to obtain and use the wealth
- f. Procedures for the appointment, dismissal and replacement of the members of Trustees, Board and Supervisor
- g. Rights and obligations of the members of Trustees, and Board of Supervisors
- h. The procedure for implementing the *Yayasan*'s element meeting
- i. The provisions concerning amendment
- j. Merger and dissolution of *Yayasan*, and
- k. The use of wealth after liquidation or the distribution of wealth of *Yayasan* after dissolution.

#### 7. *Completing additional documents*

In addition to preparing the Statutes of *Yayasan*, founders also need to complete the documents required in the handling of the notarial deed of *Yayasan*, namely:

- Copy of ID cards of all the founding members, trustees, supervisors, and board of *Yayasan*. If among the officials in the *Yayasan* structure are foreigners (foreign citizens), it is required to attach the photocopies of passports, Permits/ KITAP (Limited Stay Permit Card / Permanent Stay Permit Card).
- Copy of NPWP of all board members of *Yayasan*.

## 8. *The Signing of Notary Deed*

After all the requirements and documents are complete for the formation of *Yayasan* as assessed by the notary and the name proposed to Kemenkumham approved, the next step is the signing of notarial deed (locally known as "Akte Notaris"). The notary will invite or come to the founders of the *Yayasan* to sign the notary deed. The signing is done by the founders/trustees, supervisors and board of the *Yayasan* before the notary.

### b. Registration and ratification

A *Yayasan* is not necessarily able to operate when the deed of establishment is already made before a notary. In order to obtain approval for its status as a legal entity, a *Yayasan* must go through the process of approval by Kemenkumham of the Republic of Indonesia. It is stipulated in Article 11 paragraph 1 of the Law on Foundations, which reads: "*The Yayasan will gain a legal status after the deed of establishment of the Yayasan as referred to in Article 29, paragraph 2 is approved by the Minister.*" The status of legal entities for the *Yayasan* will only emerge after the deed made by a notary has gained approval from Kemenkumham or by the local office of the Ministry of Law and Human Rights.

Therefore, the next step that the founder and manager of *Yayasan* need to do is to register a notarial deed of the *Yayasan* for the approval from Kemenkumham. A request for the ratification of the Deed of Establishment of *Yayasan* is filed by the founder or notary to Kemenkumham c.q. Director General of Public Legal Administration.

The request for the ratification of the notarial deed of *Yayasan* shall attach:

- The name of the *Yayasan* that has been approved
- Organizational structure
- Copy of NPWP (taxpayer ID number) of *Yayasan* that has been certified by a notary
- Letter of notary deed of *Yayasan* in Indonesian
- Certificate of domicile
- A written statement complete with the full address of the domicile of the *Yayasan* signed by the board and is known by head of *kelurahan* or local village head

- Proof of payment of PNBP / non-tax state revenue of Rp 200,000 through SIMPADHU in the form of vouchers for reserving the *Yayasan's* name.
- Proof of payment of non-tax revenues of Rp 330,000 for the announcement of the *Yayasan* in BNRI and TBNRI.
- Proof of deposit or bank statement on behalf of the *Yayasan* or a written statement from the founder that contains information of the property value set aside as an initial wealth to start a *Yayasan*.
- A statement letter of the founders of *Yayasan* of the validity of the initial wealth.

Ratification of the government must be given in no later than 30 days from the date of receipt of complete application, as provided for in Article 12 of Law No. 28 of 2004. If the validation request is rejected, then the refusal of approval by the Minister shall be notified in writing with reasons. However, in giving approval the Minister of Law and Human Rights or Head of Regional Office may request considerations from relevant agencies. In case the considerations from relevant agencies are required, approval or rejection of endorsement shall be given at least 14 days from the answers from relevant agencies, or 30 days from the receipt of no response from relevant agencies.

### c. Announcement

The deed of establishment of *Yayasan* that has been approved as legal entity shall be published in the State Gazette (the cost of the announcement is stipulated by government regulations). The announcement must be filed no later than 30 days since the deed is passed. The consequences of not doing the announcement is that while the announcement has not been made, the board of *Yayasan* jointly and severally shall be liable for all losses of *Yayasan*.

After the three runs of the process (establishment, approval, and announcement), the *Yayasan* has rightfully become a legal entity.

Formally, the time of ratification of *Yayasan* as promised by Kemenkumham is 30 days, with a condition that all kinds of requirements have been furnished by the applicant or a notary designated by the applicant. But in practice it is quite diverse. WWF Indonesia Foundation, for instance, from the registration process until the issuance of certificate of establishment and ratification of the legal entity of *Yayasan* took only approximately 2 months. While for STC and WVI Foundation the process took more than 6 months.– Main causes of these different length of time are: 1) capability of notary; 2) completeness of required documents; 3)

not aware of providing alternative/option of *yayasan*'s name. Returning documents to the requester because of incompleteness, need alternative name, etc. is a common case. So far, there is no information about request that being turned down, based on Friendraising ID experiences.



For ratification, it will take variously 2 – 6 months in its process. Oxfam Indonesia should consider this timeframe by fulfilling from very beginning all steps required including providing documents; agree on name of *Yayasan*, starting to identify and select board members, develop statute and bylaw.

#### **2.6.4. Financial reporting for domestic and international funding**

How does a *Yayasan*, that is established and operated with support of its international affiliation, report its funding use to the authority? In Indonesia, the report for fund use obtained from domestic source is regulated by the Regulation on Foundations and PUB (*Pengumpulan Uang dan Barang*) and some other derivatives regulations.

For report on grants or donations received by the *Yayasan* that worth more than USD 500 million with the wealth, except *waqaf* fund (e.g. property more than 20 billion), there is the obligation to conduct an audit by a public accountant. The *Yayasan* is also required to announce a summary of its annual report through the mass media and it should be audited by the public accountant as well.

The *Yayasan* that receives donations of less than Rp 500 million has no obligation to publish the report through the mass media. They just required displaying the report on their internal bulletin. Also, for donations obtained from fundraising activities (raising funds from public), the *Yayasan* must submit reports to the Ministry of Social or Social Services (Dinas Sosial). The *Yayasan* also needs a license from the Ministry of Social or Social Services before raising donations from the general public.

Report on donations obtained from abroad is being regulated by law from Ministry of Internal Affairs No. 38 of 2008 on Revenue and Relief Fund from and to foreign party for Non-Profit Organization. The regulation divides the fund from overseas into three categories; foreign aid, grants, and foreign loans. Foreign aid is defined as fund comes from foreign governments, state or local governments abroad, the United Nations or other multilateral organizations, including its agencies, organizations or international agencies, civil society organizations abroad, as well as



business entities owned by government/states/regions abroad and private agencies abroad.

Grants is defined as a fund from a foreign government, state government or local governments abroad, the United Nations or other multilateral organizations, including its agencies, organizations or international agencies, civil society organizations abroad, as well as owned enterprises governments/states/regions abroad and private entities abroad. It could in the form of Indonesia currency (rupiah), goods not services, including experts and training that does not need to be returned.

Loans are the funds from foreign government, state government or local governments abroad, the United Nations or other multilateral organizations, including its agencies, organizations or international agencies, civil society organizations abroad, as well as government-owned state/states/regions abroad and private agencies abroad.

To be able to receive support from foreign parties, civil society organizations, including *Yayasans*, must be registered with the Ministry of Internal Affairs or other government agencies nor local government. Based on regulations by Ministry of Internal Affairs, the fund should be matched with the scope of works of the NGO, the NGO can carry out activities by the intent and purpose of the provision of help and hold responsibilities of its implementations.

Foreign aid is categorized into three types: a) foreign aid that can be granted to NGOs through the Government nor Regional Government; 2) foreign aid that can be given directly to the NGOs; 3) Assistance from foreign parties in the form of a grant can be received directly or indirectly.

The NGOs that will receive foreign funds has the obligation to report the fund's plan to the Ministry of Internal Affairs (for NGOs with the scope of work nationwide). For the scope of works in province level, the *Yayasan* needs to report to the Ministry of the Internal Affairs through the governors, and to the Ministry of the Internal Affairs through the Regent/the Mayor with a copy of the governor for NGOs with the scope of works at districts/cities level.

Above report should mention the origin of the source of the fund, purpose, and objective of the fund, the nature and type of fund, and the amount and period of assistance. It also should mention about the fund's utilization plan, the availability of matching funds held by NGO and plans for its use, the national bank account number of the NGO, and Taxpayer Identification Number, or NPWP, of the recipient.

Minister of the Internal Affairs may grant the approval for the plan of the foreign fund after coordinating with the related governmental departments/non-departmental agencies to get the inputs. This approval should be issued no later than 14 (fourteen) working days from the submission. Regarding foreign loans, the funder, and the NGOs should have an agreement prior the fund's transfer.

This above regulation also stated that NGOs, including *Yayasans*, that generated domestic funds that will be sent abroad should get approval from the government.

These entities should be registered with the Ministry of Internal Affairs and other government agencies; such as local government. Aid or funds to foreign countries can only be granted to beneficiaries in a country that has diplomatic relations with the Republic of Indonesia. The fund to a foreign country may be granted on the condition that the fund is intended for humanitarian activities, not derived from the proceeds of crime nor intended to hide or disguise the proceeds of crime, and not used for illegal activities in the recipient country and international law. The fund should not interfere with diplomatic relations with the recipient country, nor do not have a negative impact on the economy and social life in Indonesia.

Moreover, the *Yayasans* need to submit the report to the Ministry of Internal Affairs, governor or regent/mayor. This report includes the fund's usage plan includes purpose and objective of the fund, the nature and type of the fund, the beneficiary, information about sources of fund, the amount and period of assistance; and plans for utilization of assistance.

Minister of the Internal Affairs may approve the plan after coordinating with related departments/non-departmental and government agencies. Approval will be given at least 14 (fourteen) working days from receipt of the report.

The report of fund's usage should be announced by the NGOs to the public through mass media at least 14 (fourteen) working days after the date of implementation of activities. This reports should be done in thoroughly and periodically manner for the public.



- Report on donations obtained from abroad is being regulated by law from Ministry of Internal Affairs No. 38 of 2008 on Revenue and Relief Fund from and to foreign party for Non-Profit Organization.
- NPOs that will receive foreign funds has the obligation to report the fund's plan to the Ministry of Internal Affairs (for NGOs with the scope of work nationwide)
- NPOs, including *Yayasan*, that generate domestic funds to be sent abroad should get approval from the government. In general, there is no complication experienced by NPOs to send money abroad from local fundraising as long as they coordinate and report it to Ministry of Foreign Affairs and other related government institutions including Ministry of Social Affairs. *Yayasan* should be registered at Ministry of Internal Affairs and other government agencies. Aid or funds to foreign countries can only be granted to beneficiaries in a country that has diplomatic relations with the Republic of Indonesia.

### 2.6.5. NPO and Tax

NPOs are generally subject to income tax on the same basis as other legal entities, according to Law No. 36/2008 on Income Tax, Article 2 Section 1(b).

Donations, including religious-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<sup>19</sup>:

- a. income that an NPO uses to provide scholarship funds; and
- b. income (*sisal lebih- residual fund*) of an NPO working in the area of education, or research and development that is re-invested in its work as per the timing requirements of the Income Tax Law (Law No. 36 of 2008 on Income Tax Article 4 Section 3). These provisions are regulated in detail by Minister of Finance Regulation No. 80 of 2009 and General Directorate of Taxation Regulation No. 44 of 2009. These technical regulations provide that the tax exemption is applicable for income (*sisal lebih*) generated by NPOs 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.

---

<sup>19</sup> <http://www.cof.org/content/indonesia#exemptions>

Tax deductions are 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 centres, and health clinics<sup>20</sup>.

Based on experiences and common practices in Indonesia, such tax deduction applies only for corporate giving while for individual giving, there is no implementation in reality due to the absence of derivative regulations under the Law which enable to do the deduction.

Individual and corporate taxpayers may deduct charitable contributions for natural disasters, research and development activities, the development of social infrastructure, education facilities, and sports (Law No. 36 of 2008 on Income Tax Article 6 Section 1)<sup>21</sup>. In 2010, the Indonesian Government issued Government Regulation No. 93 of 2010 regarding these deductions. The regulation stipulates that the amount of a donation that can be deducted from gross income in a year may not be more than 5% of the net income of the previous year (Government Regulation No. 93 of 2010 Article 3). In addition, the contributions must not be provided for parties that have conflicts of interest according to tax law (Government Regulation No. 93 of 2010 Article 4). The technical procedures for the tax deduction are provided by the Minister of Finance Regulation No. 76/PMK.3/2011 regarding procedures to record and to report contributions for national disaster management, research and development, education facilities, sport, and social infrastructure that can be deducted from gross income.

Indonesia imposes a Value Added Tax (VAT). The applicable rates are 10 percent on most goods and services, and between 10-50 percent for goods and services covered by the Luxury Sales Tax. Certain goods and services are exempt from VAT, including basic food supplies such as rice, salt, and corn; and services such as medical, social (public benefit), religious, educational, and art services.

---

<sup>20</sup> idem

<sup>21</sup> Before the enactment of the 2008 Law, additional tax incentives were set up on an ad hoc basis. As but one example, the Minister of Finance issued a special regulation concerning the tax deductibility on donations for the Tsunami disaster in Aceh (Regulation Number 609/04)  
<http://www.cof.org/content/indonesia#exemptions>

Foreign grants to private NPOs are exempt from VAT upon the approval of the Director General of Tax in the Ministry of Finance. However, this procedure is conducted on an ad-hoc basis, and NPOs are often unfamiliar with it. Grants related to government projects are clearly exempt from VAT (Government Regulation No. 42 of 1995 Article 2).

Every legal entity, including an NPO, conducting business activities that produce taxable income above a certain threshold is called a Taxable Entrepreneur, and must require its buyers or clients to pay VAT. These thresholds are quite high, so most NPOs in Indonesia are not affected. The thresholds are generally between 180 and 360 million IDR (approximately US \$15,000 - \$30,000), depending on the nature of the activities conducted by the NPO.

Certain items are exempted from customs duties on imports (Law No. 17 of 2006 on Customs Article 25 Section 1; Law No. 39 of 2007 on Duties Article 9 Section 1). Those items include the following: goods belonging to a registered international institution and its officers on duty in Indonesia based on the reciprocity principle; science books; grants for religious, charity, social, or cultural activities and for the purpose of natural disaster relief; goods for museums, zoos and other similar public places as well as nature conservation; goods for scientific research and development; goods for the use of disabled people; and goods for social purposes.

To receive such an exemption, the importer must submit a proposal to the Minister of Finance through the Director of Customs and Duties. The proposal must include details of the imported goods, a gift certificate or letter of donation, and a recommendation letter from the related Ministry. If the proposal is approved, the Director of Customs and Duties in the name of the Minister of Finance will issue a decree for the exemption<sup>22</sup>.

Regarding other taxes, NPOs are subject to Land and Building Taxes, Stamp Duty, and Real Property Acquisition Fee. A double taxation treaty exists between the United States and Indonesia, but it does not specifically address the deductibility of contributions to NPOs.

---

<sup>22</sup> There is no specific provision about the abuse of this exemption through resale, but a general provision states that those who violate these exemption regulations and cause losses to the country's income will be fined in the amount of 100 percent of the duty (Law on Customs and Duties Article 25 4) -- <http://www.cof.org/content/indonesia#exemptions>

Tax deductions are 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 centres, and health clinics.



### **2.6.6. Data protection**

There is no general law on data protection. However, there are certain regulations concerning the use of electronic data. The collection and use of personal data is regulated under Law No. 11/2008 regarding Information and Electronic Transactions (the IET Law) and under the Government Regulation No. 82/2012 regarding the Provision of Systems and Electronic Transactions (Regulation 82). These regulations apply to data privacy matters. Reg. 82 defines personal data as data of an individual, which is stored, maintained and which correctness is preserved and of which its confidentiality is protected (including under the EIT Law and Regulation 82).

EIT Law and Regulation 82 do not specifically address electronic marketing. Article 25 of the EIT Law provides that an Internet website, amongst other things, is acknowledged and protected as an Intellectual Property (IP) and consequently, should fall under the ambit of the relevant IP laws, which may in certain cases fall under the Indonesian Copyright Law.

However, a new draft Bill on the Protection of Private Personal Data (the "Bill") is currently being discussed and listed as one of priority for 2015-2019, but not included in the 40 prioritized bills to discuss by the parliament in 2016. If the bill passed, this will become Indonesia's first comprehensive law to specifically deal with the issue of data privacy.

Both EIT Law and Regulation 82 specifically regulate the obligation to obtain "consent" from the owner of the personal data in the case of data collection, use and processing. Regulation 82 provides the specific provisions on the obligation for Electronic System Providers to public services to set up a data centre and disaster recovery centre in Indonesia, namely:

- Before an electronic system for public services is implemented, the provider of an electronic system must register to the Ministry of Communication and Information Technology ("MOCI")
- In providing the provision of an electronic system, the provider should ensure secrecy, totality and the availability of the personal data it manages. The provider should also ensure that the obtaining, the consumption, and usage of personal data is based on the consent of

the personal data owner, except if regulated otherwise. Further the provider should ensure that the usage or disclosure of data is done based on the consent of personal data and is in line with the objectives as disclosed to the relevant owner at the time of obtaining the data; and

- The provider of the electronic system is also obliged to provide audit track records of the electronic system.

Regulation 82 also rules the transfer of data in Article 22 paragraph 2 which provides in any case that in the implementation of an electronic system and/or electronic document aimed to transfer electronic information and/or electronic document, the electronic information and/or electronic document must be unique and (the provider shall) explain the control and possession of the electronic information and/or electronic document.

Neither the EIT Law nor Regulation 82 specifically restricts or permits the transfer of data, including personal data, out of Indonesia (the regulations are silent on this issue). Existing restrictions are not related to location or movement of the data (including out of Indonesia), but are related to whether the data, particularly personal data, is obtained and used in accordance with the purpose conveyed to the data owner at the time the data was acquired.

Concerning to data security, the obligations of electronic system providers are regulated under Regulation 82 and amongst other things shall:

- guarantee the confidentiality of the source code of the software;
- ensure agreements on minimum service level and information security towards the information technology services being used as well as security and facility of internal communication security it implement;
- protect and ensure the privacy and personal data protection of users;
- ensure the appropriate lawful use and disclosure of the personal data;
- provide data centre and disaster recovery centre (for electronic system providers for public services);
- provide the audit records on all provision of electronic systems activities; and
- provide information in the electronic system based on legitimate request from investigators for certain crimes.

There is no national data protection authority for data privacy in general in Indonesia. For example, the Financial Services Authority of Indonesia (OJK) has the authority to act as the regulator of data privacy in the capital markets sector (since 31 December 2012) and with regard to banks' customer data privacy issues (since 31 December 2013). However, we need to underline article 65 of Regulation 82 which states that a business enactor who operates electronic transactions may be certified by a Competence Certification Body (*Lembaga Sertifikasi Kompetensi/ Keandalan*) which may be a domestic Indonesian (but currently no such domestic bodies exist) or foreign competence certification body.

Article 15 Paragraph 2 of Regulation 82 provides that the provider of an electronic system must provide written notification to the owner of personal data, upon its failure to protect the personal data. Article 20 Paragraph 3 of Regulation 82 provides that the provider of an electronic system must make the utmost effort to protect personal data and to immediately report any failure/serious system interference/disturbance to a law enforcement official or the supervising and regulatory authority of the relevant sector.

In Indonesia, the sanctions for breaches of data privacy are found under the relevant legislation and are essentially fines. Imprisonment may be imposed in severe instances such as in the event of intentional infringement.

- the EIT Law provides criminal penalties ranging from; Rp 600 million fine to Rp 800 million and/or 6 to 8 years imprisonment for unlawful access; Rp 800 million fine and/or 10 years imprisonment for interception/wiretapping of transmission; Rp 2 billion to Rp 5 billion and/or 8 to 10 years imprisonment for alteration, addition, reduction, transmission, tampering, deletion, moving, hiding Electronic Information and/or Electronic Records.
- Failure to comply with Reg. 82 is subject to administrative sanctions (which do not eliminate any civil and criminal liability). These administration sanctions are in the forms of:
  - a. written warning
  - b. administrative fines
  - c. temporary dismissal, or
  - d. expelled from the list of registrations (as required under the regulation)

In term of online privacy, there are currently no laws and regulations concerning cookies and location data. However, if the data collected by cookies or location data is obtained by the unlawful access of another party's electronic information, this is subject to 6 to 8 year imprisonment and/or a fine of Rp 600 million to Rp 800 million.



In addition to the provisions under EIT Law and Reg. 82, there are also a series of regulations that also cover certain provisions which may relate to data protection, such as:

- *Telecommunications Sector*

Article 40 of Law No. 36 of 1999 regarding Telecommunications ('Telecommunications Law') provides that any person is prohibited from any kinds of tapping on information transmitted through any kinds of telecommunications network. Furthermore, Article 42 of the Telecommunications Law stipulates that any telecommunications services operator has to keep confidential any information transmitted and/or received by telecommunications service subscriber through telecommunications networks and/or telecommunications services provided by the relevant operator.

- *Public Information Sector*

Article 6 of Law No. 14 of 2008 regarding Disclosure of Public Information provides that public bodies may not disclose information relating to personal rights. Furthermore, Article 17 of the relevant law, together with other laws, prohibits the disclosure of private information of any person, particularly that which concerns family history; medical and psychological history; financial information (including assets, earnings and bank records) and evaluation records concerning a person's capability/recommendation/intellectual, formal/ informal education records

- *Banking and Capital Markets Sectors*

Data privacy in this sector is regulated under Law 7 of 1992 as amended by Law 10 of 1998 on Banking ('Banking Law') and Law 8 of 1995 on Capital Markets ('Capital Markets Law') respectively. The regulations apply to both individuals and corporate data. In addition, Bank Indonesia's Regulation No. 9/15/PBI/2007 on the Implementation of Risk Management in the Utilisation of Information Technology by the Bank stipulates that the bank's customer data transfer (by way of establishing a data centre or a data processing outside Indonesia territory) necessitates prior approval being obtained from Bank Indonesia.

In daily practices, there is no obstacle for a NPO to run campaign through e-mail blast, SMS, or telephone call based on potential donor data the NPO has. Usually, Indonesia consumers are familiar with those fundraising approaches. At the same time, the NPO who conduct above methods should always aware and respect if recipients reply or give feedback that they don't want to receive such call/SMS anymore.

### 2.6.7. Employment Law

The sources of labour law in Indonesia are widely dispersed among a number of national laws and regulations, presidential decrees, ministerial decrees and circular letters. Some of these sources are relatively new, while others are quite old with some even issued in the past during the colonial period.

In general, these laws and regulations are applicable to all "employees", regardless of their position (i.e. whether they are managerial or non-managerial employees) or their status (i.e. whether they are indefinite (permanent) or definite (fixed term) period employees). However, there are some provisions that exempt certain groups of employees from receiving certain benefits e.g. employees in managerial positions are not entitled to overtime.

The main employment law in Indonesia is contained in Law No.13/2003 on Labour ("Labour Law"). There is also Law No.2/ 2004 on Industrial Relations Dispute Settlement; Law No.21/2009 on Labour Unions and Law No.3/1992 on Workers Social Security. These laws are designed to safeguard interests of employees. The main regulatory authority is the Ministry of Manpower or "Manpower Affairs".

The Labour Law sets out general principles and requirements in relation to labour and employment matters, including among other things:

- employment agreements, Company Regulations and Collective Labour Agreements;
- the protection of certain groups of employees, such as disabled employees, children and women;
- discrimination;
- working hours (including overtime);
- health and safety;
- wages (including the principle of a minimum wage);
- paid leave e.g. annual leave, maternity leave, religious leave, etc;
- welfare facilities e.g. worker cooperatives;
- principles of the industrial relationship e.g. the obligation to establish a bipartite forum, Company Regulations and the negotiation of Collective Labour Agreements;
- outsourcing (both "outsourcing of work" and "outsourcing of labour");
- strikes and lock outs; and
- termination of employment.

The Labour Law also includes sanctions for non-compliance with certain requirements. Sanctions could be administrative or/and criminal.

The Labour Law refers to 2 main types of employment, that are (1) indefinite period (i.e. permanent) and (2) definite period (i.e. fixed term). The type of employment covered in these 2 main categories is determined based on the type of work i.e. whether it is permanent or temporary in nature or whether the work can be completed within a certain period.

The Labour Law does not distinguish between the structure of salary and benefits of employees hired under these 2 types of employment. Generally, a definite period employee is entitled to the same benefits as an indefinite period employee. However, the structure of the termination package applicable to each type of employment is quite different. See section 7 for further details on the requirements for termination of employment in Indonesia and the structure of statutory termination payments.

Further differences between the 2 types of employment are explained below.

*a. Indefinite Period Employment*

Indefinite period employment is the employment of an employee for an indefinite period. An employer may impose a probationary period of a maximum of 3 months. During this probationary period, provided that the probationary period was agreed in writing an employer may terminate the employment without notice and without the obligation to pay a termination package. Otherwise, unless an employee agrees to a "mutual termination", the reason for an employer to terminate an indefinite period employee must be a reason set out in the Labour law (and there are not many).

*b. Definite Period Employment*

Definite period employment is the employment of an employee for a certain (or fixed) period of time. An employment agreement for a definite period can only be made for certain work which as to the type and characteristic or the work activities concerned will be completed within a certain time period, i.e. work that:

- is completed once and for all, or is of a temporary nature;
- is completed in a short period of time (3 years at most);
- is considered to be of a seasonal nature, or to be repeated (e.g. seasonal harvesting); and

- is related to a new product, new activities, or supplemental products that are still experimental or in the exploration stage.

An employer cannot impose a probationary period on a definite period employee.

As a general rule, the maximum validity of an initial definite period employment agreement is 2 years. This period can be extended once for up to 1 year. Subsequently, it is possible to renew a definite period employment agreement once for up to 2 years, but only after a break in employment for at least 30 calendar days.

Yayasan is also following the Employment Law. In term of Face-to-Face Fundraising, the common practice is to give daily worker status for fundraiser on probation period (maximum 3 months) to see whether the fundraiser could reach the initial target or not. After 3 months, the fundraiser will get definite period employment contract (usually 1 year) with clear points that he/she will get 3 times warning letters if he/she couldn't reach the target. The Yayasan has right to terminate the contract after 3<sup>rd</sup> warning letter.



The Labour Law refers to 2 main types of employment: 1) indefinite period (i.e. permanent); and 2) definite period (i.e. fixed term).

Indonesia applies two types of outsourcing mechanism: 1) outsourcing of work – one company outsources part of the implementation of the work of the company to another company; and 2) outsourcing of labour - one company supplies labour (i.e. workers) to another company.

### 2.6.8. Outsourcing

Indonesia applies two types of outsourcing mechanism as follows:

- outsourcing of work – one company outsources part of the implementation of the work of the company to another company
- outsourcing of labour - one company supplies labour (i.e. workers) to another company

There is currently no exemption for affiliated entities to not have to comply with the requirements for outsourcing. There are numerous requirements for outsourcing of work in Indonesia. These are briefly summarized as follows:

- a. Flowchart  
The relevant Industry Association of the employer needs to issue a Flowchart that sets out what work can be outsourced and what work cannot be outsourced.
- b. Description of Supporting Work  
An entity wanting to outsource work to another entity (commonly referred to as the "Service User") must submit a Description of Supporting Work (DOSW) to the relevant office of the Ministry of Employment. A DOSW sets out what work will be outsourced by the Service User. A copy of the Flowchart must be attached to the DOSW i.e. to show what work can be outsourced by the Service User.
- c. Proof of Report  
If the DOSW is in order, the relevant office of the Ministry of Employment will issue a Proof of Receipt.
- d. Outsourcing Agreement  
The Service User and the entity that will conduct the outsourced work (commonly referred to as the "Service Provider") need to enter into an Outsourcing Agreement.
- e. Proof of Registration  
The Service Provider will need to register the Outsourcing Agreement with the relevant office of the Ministry of Employment. Then the work can start.
- f. Sanctions for Non-Compliance  
If the requirements for outsourcing of work are not complied with the impact is that by law the employees of the Service Provider conducting the work will be deemed to be employees of the Service User.

Outsourcing of labour is highly regulated and limited to 5 areas only: (a) cleaning services; (b) catering services for employees; (c) security services; (d) support services in the mining and oil sector; and (e) transportation services for employees.

In addition, the company providing the labour must be a licensed labour supply company. If several conditions are not met, inter alia, the conditions concerning the work submitted to the other party, and the terms which define that other companies were to be incorporated, then the working relationship between the worker / labourer with the company providing labour services turn into a working relationship between workers / labourers employed by the job.

### III. Fundraising Market Infrastructure

#### 3.1. Banking: key payment mechanism

In Indonesia, the banking sector has made remarkable progress. It caused by the progress of banking technology products, as well as the growth number of bank branches or the emerge of new banks due to merger or acquisition of the world's giants banking, such as Qatar which acquired Bank NISP Bank, Maybank to Bank International Indonesia, Malaysia and CIMB Niaga and so on.

Generally, there are 114 National Bank and private operating in Indonesia, where total of 133,826 scattered branch offices to support the operations of financial transactions in Indonesia (Litbang OJK/2015)

Some findings from Friendraising ID's experiences with NPOs in Indonesia:

1. There is already established cooperation between banks and NPO which formed as:
  - a. Standing Instruction or direct debit account to bank customers for a regular-donation to particular NPOs which have accounts at the bank;
  - b. Direct debit credit card (Visa card, Mastercard, American Express) that can be processed from any bank's partner of the NPO
  - c. Some banks have installed donation facility for some particular NPOs (especially religious-based) on the menu-selection to donate through the ATM (Automatic Teller Machine);
2. Some Banks have announced their initiative convenience of donating through e-banking facilities or SMS-banking to their customers;
3. Some banks, especially the three leading national banks such as BCA, Mandiri and BNI have familiar with the debit account payment cooperation in face to face fundraising system mechanism with NPOs. However the NPOs need to negotiate with the respective bank to have such system and process the payment with bank individually since there is no integrated system yet for debit account. NPOs need three months in average to negotiate the process with the bank before reaching the agreement.

4. Our analysis on six (6) local religion-based NPOs in Indonesia shows that most preference method of donation by donors are in the following order below:
  - a. transfer via ATM
  - b. transfer via bank counters
  - c. transfer through internet banking
  - d. visit the nearest NPO's outlet or office

The first 3 methods above basically is a transfer to the NPO's account that stated on the website or brochure. Donor later will send the copy of payment slip to NPO's customer service through email or fax, and the customer service will check the slip against NPO's account transaction list for confirmation.

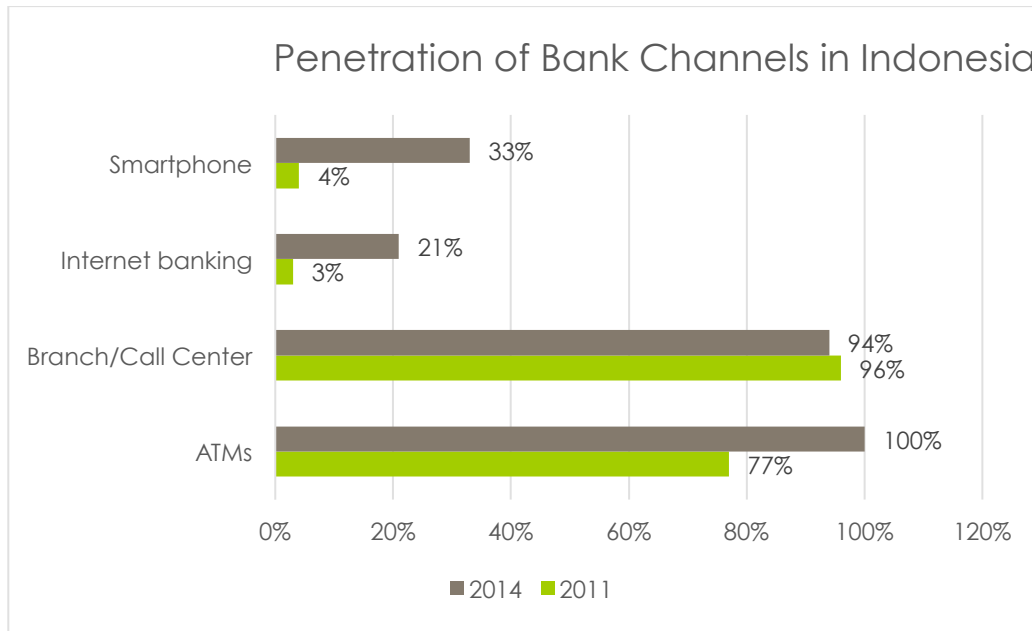
5. All of NPOs which has Face to Face program are using direct debit account and direct debit credit card for their payment system. None is more popular than the other, since it depends on the recruitment strategy of every NPO. For instance, Appco only receive donation through debit credit card, since the process is easier compares with debit account.
6. The use of internet banking by new donors reach the range below 15% of the total donation payment mechanism according to information at no.4. They (donors) are still happy to do a donation via bank transfer via ATM. This is in line with what McKinsey & Company found in its survey in 2014 where the penetration using ATM is still the biggest portion. Meanwhile, penetration using internet banking channel have been increased from 3% in 2011 to 21% in 2014 (see Graphic 1).

Survey by APJII and *Puskakom* UI in 2014<sup>23</sup> shows that the most transactions in internet banking done by users is balance inquiry checking (80.2%), money transfer (63.0%) and routine bill payment (28.7%). Most of them access the internet banking using mobile application (56.5%), bank website (40.2%), mobile site (13.5%) and ATM (3.7%).

---

<sup>23</sup> *Profil Pengguna Internet Indonesia 2014*. A survey which involved 2,000 respondents in 42 districts/cities randomly from all provinces in Indonesia. Published in March 2015 (1<sup>st</sup> edition).

Graphic 1. Penetration of banking channels by users.



Source: McKinsey Asia PFS Survey 2014 in "Understanding the Indonesian Consumer. McKinsey Company, 2015 (capturing only for Indonesia country with 720 respondents in 2011 and 1,103 respondent in 2014).

### 3.2. E-Banking System

Electronic banking or e-banking are banking services facilitated with information and communication technology and include activities like balance checking, reviewing transaction histories, payments, fund transfers, and document printing. E-banking may be grouped into multiple categories including Internet banking, automatic teller machine (ATM) banking, and phone banking. Internet banking is one of the most profitable financial services and tremendous growth is anticipated in developing countries, including online support for offline banking services<sup>24</sup> (Kim et al. 2006).

<sup>24</sup> Kim, et al. 2006. The Determinants of Consumers' Adoption of Internet Banking: Factors Determining Consumer Adoption of Internet Banking



Personal finance trends across emerging Indonesia have seen a visible shift towards digital banking over the past five years. The nation's favourable demographics, high mobile adoption rate and deepening internet penetration have opened opportunities for banks to leverage on technology for bridging a widening financial inclusion gap. Convenience banking has assumed priority, with banks offering a gamut of financial services through web portals and mobile apps while redesigning their backend technology architecture. However, still at an incipient stage, Indonesia's digital banking transformation process has led to a new set of challenges for policymakers in terms of redefining the regulatory framework; and traditional banks are striving to convert customers to the digital platform in the wake of stiff competition from new age ecommerce companies.

E-banking emerged in Indonesia with ATM services in 1987 and Internet banking by Bank Niaga in 1991 (Bank CMB Niaga 2009) and Bank International Indonesia (BII) in 1998. Bank Central Asia (BCA) became a pioneer of e-banking products and services in Indonesia in 2001 (Wikipedia 2011) and is the largest privately-owned banking company, having the biggest network of ATMs across the country. Internet penetration is expected to increase dramatically over the next five years in Indonesia<sup>25</sup>.

Indonesia despite having a relatively high per capita GDP level at USD 3,500, scores very low in terms of financial inclusion at roughly 36%. Low financial inclusion has led to concerns of high income inequality in Indonesia. Unequal branch distribution across the archipelago, where only the Java, Bali belt has been significantly banked while banking access to eastern Indonesia is very limited, is a key concern facing policymakers. Interestingly, Indonesia boasts of ubiquitous ownership of smart phones (57 million individuals) and high social media penetration (69 million Facebook users); with 1/3rd of the 250 million population having internet access. High levels of mobile penetration (95% cell phone ownership) and widespread use of social media opens opportunities for banks to leverage on technology for business expansion and in turn enhancing financial inclusion.

---

<sup>25</sup> Infobank Research Bureau, 2011.

Indonesian banks are actively exploring e-banking channels to enhance market share and create a platform for basic banking services viz. deposit and lending. At the forefront of the digital transformation are top Indonesian banks such as Bank Mandiri, BRI, BCA and BTPN which are taking quick quality steps to enhance customer reach through branchless banking, e-money segments, E-cash, and ATMs. Branchless banking by leveraging on high ownership of cell phones among the poor and vulnerable is the way forward to enhance financial inclusion in Indonesia.

Indonesia currently has a two pronged regulations on e-banking: 1) Agent-based branchless banking model known as 'Laku Pandai' or *Layanan Keuangan Tanpa Kantor dalam Rangka Keuangan Inklusif* (popularly named as branchless banking), which is regulated by the Financial Services Authority of Indonesia or OJK; and 2) E-Commerce Payments known as 'Layanan Keuangan Digital' (digital financial services) which is regulated by Bank Indonesia. The three key focus areas for Indonesian banks aiming to enhance their digital banking footprint are:

a. Branchless banking model:

Under *Laku Pandai*, selected agents assist the public in setting up basic banking services account with one of the six selected banks (4 state owned and 2 privately owned) and subject to regulations placed by the OJK. The focus of *Laku Pandai* is on providing prudent financial services to the public while leveraging on mobile banking technology. Agents play a dual role of facilitators as well as educators to the public by creating awareness about the benefits of formal banking through the digital platform. The new branchless banking model has opened up opportunity for banks to transact with millions more customers, with whom banks have an opportunity to cross sell. Key positives of Indonesia's branchless banking model include a one stop shop for all clients' financial needs such as savings, micro insurance, and transfers. With 40% of Indonesia's population living on USD 2 a day, encouraging financial savings through the formal route is crucial to alleviate poverty in Indonesia. Under *Laku Pandai*, banks have set themselves high targets with Bank Mandiri (Indonesia's largest state owned bank) aiming to achieving 9,000 branchless banking agents by end 2015 from 391 agents in February 2015, and increase it to 50,000 agents in 3 years and about 200,000 to 300,000 agents in net 5 years.

b. E-Money services regulated by Bank Indonesia:

Alliances between banks and industries such as large toll operators have helped banks provide e-money payment services and cashless payment method. Bank Mandiri dominates the e-money card segment with a 65% market share (2014). Key tie ups by Bank Mandiri include: 1)

PT Jasa Marga (large toll operator), 2) Indomaret (largest minimart company in Indonesia) and 3) Pertamina (Largest Oil and Gas company and gas station operator). Bank Mandiri has thus issued the gaz card and the Indomaret. From 2011 to 2014, Bank Mandiri has achieved an impressive 55% CAGR growth in e-money card users.

c. Service providers and banks partnering with the government

Indonesian banks have benefitted from exceptional growth in mobile wallets, 'E cash'. State subsidies are distributed to millions of households through the E-cash platform. Banks in Indonesia intend to add millions of bank accounts through their branchless banking initiative and E-cash. There is no e-cash payment mechanism has been used yet by any NPOs and INGO in country.



- Indonesian banks are actively exploring e-banking channels to enhance market share and create a platform for basic banking services viz. deposit and lending. Currently, Indonesia currently has a two pronged regulations on e-banking: 1) Agent-based branchless banking model (Laku Pandai) which is regulated by the Financial Services Authority of Indonesia or OJK; and 2) E-Commerce Payments known as 'Layanan Keuangan Digital' (digital financial services) which is regulated by Bank Indonesia.
- Most Indonesians still prefer paper money to transact, unaware of the value of mobile banking and/or apprehensive of the associated risks. Only 3% Indonesians knew about the concept of mobile money -- despite the high mobile phone penetration in the country; where more than 60% own a mobile phone and 75% have access to one.

### 3.3. Challenges in Indonesia E-Banking

Despite visible progress towards cash-less banking, most Indonesians still prefer paper money to transact, unaware of the value of mobile banking and/or apprehensive of the associated risks. The lack of awareness of mobile financial services is an important hurdle for Indonesian banks. A recent survey by FII highlighted that just 3% Indonesians knew about the concept of mobile money. This despite the high mobile phone penetration in the country – more than 60% own a mobile phone and 75% have access to one<sup>26</sup>.

---

<sup>26</sup> Deorukhkar, Sumedh and Le Xia, 2015, Digital Banking in Emerging Asia: Progress and Prospect in Asian Banking Watch, 13 Oct 2015

Indonesia also needs to upgrade its digital and mobile infrastructure. As per McKinsey, Indonesia ranks 85th out of 144 countries in digital infrastructure; 77th in internet bandwidth; and 61st in having a skilled workforce. Furthermore, governance issues related to bureaucratic bottlenecks, delays in decision making and red tape are a concern as it creates hurdles for banks and Fintech companies in their efforts to enable digital transformation in the Indonesian banking space.

Finally, with the agent network at the core of digital banking in Indonesia, banks will have to invest much more in strengthening their agent network. However, heavy investment in time and money have raised viability issues for Indonesian banks, particularly given the regulatory restrictions associated with banking services and on managing and supervising agents in Indonesia. Banks are looking to offer a wider gamut of services beyond plain savings account and including insurance, and loans to customers through the *Laku Pandai* program in order to justify financial viability. Indonesia has nearly 114 banks but top 10% of the banks account for 60% of the banking sector deposits. Big banks are in a better position to leverage on technology and achieve digital transformation. It is unfair to put the responsibility of digital transformation on the select top few banks, who are also striving to mobilize deposits and enhance profitability in a challenging environment.

### **3.4. Non-banking payment mechanism**

Some leading NPOs are having the payment mechanism in their website. Most common platform was provided by the local Internet Payment Gateway agency like DOKU, partnering with local bank in Indonesia for the processes. Some NPOs also have payment method offline for credit card processes on their website, meanings that donors could input their data on the secure digital form but the payment processes to the bank were doing offline by the NPOs (not real time). Most of the NPOs and crowd-funding site in Indonesia also has the ATM transfer option for the donation payment, where the donor's data will be captured online and donor will receive notification on the website or by email for the amount of the transaction and the account number for transfer donation. Donor needs to transfer within a certain period of time, and they need to confirm the payment after ATM transfer, sometimes with copy of transfer receipt, and this confirmation will be recheck against transaction record on charity's account.

Paypall is not known but not widely used in Indonesia, but some local agency like DOKU has the service called 'Doku wallet' that works like Paypall. However some NPOs still keep the Paypall option on their payment method to accommodate foreign donors.

There is a growing trend to use e-money, in form of card or chip on the mobile phone. However it's only for simple payment like bus or train tickets, buying food in the restaurant, or ticket for cinema. The use of e-money is not widely accepted yet in Indonesia and only concentrated in some highly populated urban areas. There is no NPOs are using e-money as part of their payment method yet.

In summary, payment mechanism through banking system still the preferable choice in Indonesia and it will needs time for non-banking payment to have significant contribution to diverse the payment mechanism.

- Paypall is not known but not widely used in Indonesia. Some NPOs still keep the Paypall option on their payment method to accommodate foreign donors.
- There is a growing trend to use e-money, in form of card or chip on the mobile phone. However it's only for simple payment like bus or train tickets, buying food in the restaurant, or ticket for cinema.
- Some NPOs in Indonesia set up their telephone marketing team internally (in house). The success factor of telemarketing is "donation pick up service" where the NPO team come to the donors (house, office) to pick up the money with agreed minimum donation amount.



### 3.5. Telemarketing

Friendraising ID compiled and analysed data from local NPOs in Indonesia and found several main keys in these NPOs' implementation of phone calls and SMS service-based donation.

Table 7. The use of telemarketing by local NPOs in Indonesia<sup>27</sup>

<b>NPO</b>	<b>Tele-fundraising</b>	<b>Amount of Tele-fundraising team</b>	<b>Service</b>
<i>Dompel Dhuafa</i>	Regular	In-house 5 persons (can be added as necessary)	<ol style="list-style-type: none"> <li>1. Donor service</li> <li>2. Offering donation</li> <li>3. Offer a charity evening event or social travel event</li> <li>4. Birthday greetings (random)</li> </ol>
PKPU	Regular	In-house 4 person	<ol style="list-style-type: none"> <li>1. Donor service</li> <li>2. Offering donation</li> <li>3. Offer a charity evening event or social travel event</li> <li>4. Offering by regular 'pengajian' (religious service)</li> </ol>
ACT	Occasional: <ul style="list-style-type: none"> <li>- Ramadhan Month</li> <li>- Qurban</li> <li>- Natural disaster</li> </ul>	In-house 4 persons (can be added as necessary)	<ol style="list-style-type: none"> <li>1. Donor service</li> <li>2. Offering donation</li> </ol>
SINERGI Foundation	Regular	In-house 2 persons (can be added as necessary)	<ol style="list-style-type: none"> <li>1. Donor service</li> <li>2. Offering donation</li> </ol>
UNICEF & Save the Children	Periodically (based on budget and time period)	Out-sourced	<ol style="list-style-type: none"> <li>1. Donor service</li> <li>2. Lead-gen / Offering donation</li> <li>3. Cross-selling</li> <li>4. Up-grading</li> <li>5. Reactivation</li> </ol>
WWF & SOS	Periodically (based on budget and time period)	In-house and out-sourced	<ol style="list-style-type: none"> <li>1. Donor service</li> <li>2. Lead-gen/ Offering donation</li> <li>3. Cross-selling</li> <li>4. Up-grading</li> <li>5. Reactivation</li> </ol>

Several interesting facts from the local NPOs in working on their fixed/mobile-phone fundraising:

<sup>27</sup> Friendraising analysis, July 2016. Data compiled from various sources.

- All four religion-based NPOs is only using regular land lines without sophisticated telemarketing system to acquiring donors
- All of them have a division for telephone fundraising in-house and not using a telemarketing agency
- Some big NPOs have “donation pick up service” where the NPO team come to the donors (house, office) to pick up the money with agreed minimum one-time donation amount Rp 1,000,000 (equivalent to US \$76).
- Since no recording or telemarketing system, there is no data yet related to how many percent of successful acquisitions donors via telephone fundraising.
- The use of telemarketing is more for taking care donor and handling complaints
- There are three popular models done by non-profit organizations in the country in conducting telephone to fundraising namely (see **Appendix 3**):
  - SMS text campaign for a small monetary gift (i.e. *Dompot Dhuafa*, ACT, PKPU, *Rumah Zakat*);
  - WhatsApp campaign for a small monetary gift (*Dompot Dhuafa*, Sinergi Foundation, ACT, *Rumah Zakat Indonesia*);
  - E-mail messaging campaign to in-house email database (*Dompot Dhuafa* and *Rumah Zakat*)

On the other hand, all INGOs that transform into NPOs are using telemarketing as one of their channel to recruit new donors and maintain relationship with their existing donors. Some of them are having in-house telemarketer as ‘donor service’ or in-bound call service, while the out-bound call service is being handled by agency. For those above-mentioned NPOs, telemarketing is the 2<sup>nd</sup> biggest channel to acquire individual donors although it still could not give volume as big as F2F.

There are two sources of database for above mentioned NPOs, first is self-generated data (in-house database) that come from campaign, and second is the list that bought from agency. In general, self-generated data perform better than bought list from agency. However the volume of self-generated database alone is not enough for telemarketing channel and should be supported by bought list.

### 3.6. Suppliers

It is relatively easy to fundraise in Indonesia because it possesses good fundraising infrastructures, which includes presence of experienced face-to-face, telephone fundraising and back end agencies and small but experienced pool of fundraising managers. The concept of committed giving is fairly prevalent in Indonesia.

The leading INGOs – Greenpeace, UNICEF, WWF and World Vision have sizeable database of committed donors. Most of them recruit 12,000 or more new committed donors every year. According to APPCO Direct, the leading face-to-face fundraising agency, in 2012 it acquires more than 26,000 committed donors for their 3 NGO clients – UNICEF, WWF, and Heart Foundation Indonesia every year. The average donation size is above USD 10 per month, bringing it in par with other high potential markets.

However, APPCO Direct, as the biggest F2F (face-to-face) agency, was struggling in 2014-2015 because they lost a lot of fundraisers and were not able to reach the client's target. They discontinued the partnership with WWF and restructured the program with 3 remains clients (UNICEF, Heart Foundation Indonesia, and SOS). Currently APPCO's situation is getting better, and by 2017 they will be ready to work with another client. However only limited spot available and many NGOs are lining up to be chosen as the APPCO's next client. Not only the 'old players' such as WWF and Greenpeace, but also the new comers like Action Aid, TNC, and Save The Children. This situation is actually not beneficial for OXFAM Indonesia since they have to compete over limited spot as APPCO's client against other NGOs. At the moment, APPCO charges 85% from 12 months donation up front for their services.

OPTIMO, another F2F agency, emerged and took the opportunity of the lack of competition on F2F provider by entering Indonesian market in the beginning of 2015. They are working with UNICEF and Save the Children, however the results are not as good as expected. OPTIMO has also not performed well in Thailand. OPTIMO's charge is lower than APPCO, but their background as marketing/sales agency for tangible products makes them difficult to sell products for charity.

Although Greater Jakarta (meaning, Jakarta and it's satellite cities) always become the first option for city where the agencies work in, there are 2<sup>nd</sup> tier cities like Surabaya, Bandung, Medan, Makassar and Denpasar and 3<sup>rd</sup> tier cities like Malang, Pontianak, Samarinda, Solo, Semarang, Yogyakarta which could become the operation areas for



Face to face program. Some NPOs or F2F agencies open their branch offices on 2<sup>nd</sup> tier city and going for a short period trip to other cities.

The most common site for Face to Face is shopping mall. However with tight competition, NPOs are being forced to find alternative sites like airports, office buildings, hospitals and thematic chained stores like bookstores, fruit stores and supermarket. Street is not favourable and only being utilized when the NPOs has excess team that could not be operated on the malls.

So far, the Consultant has not heard about new F2F agencies that will enter Indonesian market soon, however some F2F agencies already show interest to open branches in Thailand and Singapore, and this is just a matter of time before they are entering Indonesian market.

SG, sister company of APPCO, is the sole player on donation back-end processing. They provide services from database management, payment administration, financial report, design and producing retention materials, e-mail blast, postal and donor services. Almost all NGOs that do F2F program (APPCO or non-APPCO) are using SG in some extends to run their back-end system. SG has tendency to generalize its system and report and difficult to adjust to specific needs of the NGOs. SG's charge 10-15% of their services and this fee is depends on type of services needed.

There are several agencies doing telemarketing for charities but the most dominant one is KPSG. The challenge to work with telemarketing agencies is the data volume needed and requirement for long-term contract. The database for cold calling is widely available from agency such as Egentic, and this data including specific data for NGOs that comes from campaign on Change.org. The price is around \$1 per data but change.org charges higher compares to other provider. Beside to follow up the lead generations, telemarketing also used for up-grade and reactivation program. SG is providing some of these services as well.

### 3.7. Human resources for fund development

There is a growing pool of experienced fundraisers in Indonesia, mainly due to manpower intensive tools of fundraising used: face-to-face and telephone. But like in other countries, the demand supply gap is expected to widen as more NGOs and INGOs start to raise funds locally. On the recent years, A fundraising manager working for an INGO and possessing at least 5 years of experience draws a monthly salary anywhere between IDR 20-23 million (USD 1,540- USD 1,770). In domestic NGOs, this amount is lower, but in corporate foundations it jumps to USD 1,900 per month. The fundraisers, like several other people in Indonesia, usually possess average skills in spoken English, but this is good enough for international communication and training purposes.

However, with more NGOs are coming and will operate in Indonesia, there is big competition to hire experienced fundraisers and it bring impacts on massive increase for compensation for experienced fundraisers especially on senior management level.

Table 8. The average annual salaries for fundraising team.

<b>Position</b>	<b>Annual Salary (USD)</b>	<b>Minimum years of experiences in Fundraising</b>
Fundraising Director	46,000 – 50,000	8 years
Senior Manager	20,500 – 23,000	6 years
Manager	17,500 – 18,750	4 years
Coordinator	14,000 – 17,500	3 years
Staff	10,000 – 12,500	2 years*
Administrator	7,500 – 9,000	2 years*

Note:

- Annual salary = 13 months gross salary (12 months + 1 month annual bonus on Eid Festive)
- Exchange rate 1 USD = 13,500
- Staff and administrator position doesn't required minimum years of experiences in fundraising

## IV. Fundraising from Individuals (Mass market)

### 4.1. Giving Culture and Target Audience Profile for Individual Fundraising

Local customs, community ties, and religious values drive charitable giving in Indonesia, as in much of Asia. Organized philanthropy is a relatively new concept in Indonesia and has reportedly become more prevalent in the aftermath of the monetary crisis of the 1990s and various natural disasters that followed afterwards. Overall, philanthropy in Indonesia has grown in terms of the volume and size of charitable contributions. Individual donations have kept pace with the country's robust economic growth. A notable development in philanthropy in Indonesia has been the rise of Islamic philanthropy and media philanthropy. 'Islamic philanthropy' refers to charitable acts directed or encouraged by Islamic tenets, while 'media philanthropy' refers to fundraising drives conducted by media companies, most often around natural disasters.

Although philanthropy seems to have taken root in Indonesia, a majority of philanthropy in Indonesia is ad-hoc and sporadic. While many institutional philanthropic organisations in the country have clear strategies for their giving, institutional philanthropy accounts for only a small segment of the larger philanthropic sector. This is mostly because individual giving, which tends to be based on faith and personal preferences rather than an objective assessment of societal needs drives philanthropy in Indonesia, like in many other countries in South East Asia. Adding to this, a weak legal framework and inadequate support structures for donors and non-profits alike are also viewed as stymieing the development of large-scale strategic philanthropy.

The Indonesian's giving culture has been very significant that Indonesians are generous and like to help others. Furthermore, Indonesia is a growing marketplace for charitable giving because Indonesia's economy is strong so far.

The middle and wealthy class is a potential source of income for NPOs. In addition, young urban professionals and "fresh graduates" working in other sectors in Indonesia seem to volunteer at high rates, though often through their own ad-hoc efforts or in service groups. A report from Boston Consulting Group estimates Indonesia's middle-class to consist of 74 million people, who are projected to expand to 141 million at the end

of the decade (8 to 9 million people will enter middle class annually).<sup>28</sup> Consequently, Indonesians' purchasing capacity has increased significantly. While Data from Standard Chartered shows Indonesia's middle class population – which it defines as those earning in the range of US\$2 to \$20 a day – has continued to rise. In 2010, the bank recorded a total of 131 million people who qualified by its definition. In early 2015, the number grew to 149 million, with predictions it will soar to 171 million in 2020.<sup>29</sup>

The CAF World Giving Index Report (2014) puts Indonesia in top 10 countries (10<sup>th</sup>) by donating money to charity. 66% of the Indonesians give money to charity, translating to 117 million people. Still based on the current classification by the World Bank, Indonesia currently belongs to the lower middle-income economies with a GNI per capita of more than \$1,045 but less than \$4,125.<sup>30</sup> This means that the size of the donation would be relatively small at the moment but has a potential to increase in the future. Also knowing that the bulk of this incidence relates to Faith-Based Islamic Organisations, one needs to fine-tune the potential for locally-registered INGOs.

Most INGOs got their individual donors with similar demographic; middle class, urban, 21-50 years old. Although every age group responds to donation ask, but the most potential donors come from mature donors (30's to 40's years old). The potential donors still heavily concentrated at big cities (Jakarta and it's surrounding, Bandung, Yogyakarta/Semarang, Surabaya /Malang) in Java Island and other cities in different big islands (Medan, Makassar, Manado, Denpasar, Balikpapan, Palangkaraya). In general, these urban people mostly concern on disaster relief, education, health, child protection, poverty and environmental issues and want to see direct impact to their donation. Therefore, advocacy cause is harder to get attention and willingness to support financially from the general target market. Some religion-based NGO also use the cause from other country related to refugee and war's victim to generate support from individual donors.

---

<sup>28</sup>[https://www.bcgperspectives.com/content/articles/center\\_consumer\\_customer\\_insight\\_consumer\\_products\\_indonesias\\_rising\\_middle\\_class\\_affluent\\_consumers/](https://www.bcgperspectives.com/content/articles/center_consumer_customer_insight_consumer_products_indonesias_rising_middle_class_affluent_consumers/)

<sup>29</sup> <https://www.sc.com/en/news-and-media/audio-video-library/indonesia-middle-class.html>

<sup>30</sup> [https://www.cafonline.org/docs/default-source/about-us-publications/caf\\_wgi2014\\_report\\_1555awebfinal.pdf](https://www.cafonline.org/docs/default-source/about-us-publications/caf_wgi2014_report_1555awebfinal.pdf)

## 4.2. Channels for individual fundraising

F2F is the biggest income generator from individual donors for most of the leading INGOs in Indonesia. It's follow by telemarketing and smaller contribution from digital channel. DRTV is not proven yet to become source of income for individual donor fundraising after unsuccessful small test attempt from WWF in 2013, and none of INGOs were testing DRTV since then.

Based on common situation with other NGOs, the individual pledge donors will contribute about 80-90% of the total income. However it is not cheap to set up a pledge/monthly donors program, especially if OXFAM Indonesia decides to use F2F channel. The cost will be much higher OXFAM Indonesia uses well-known and professional marketing agency compared to doing it in-house.

Besides the option of running F2F with agency or in-house team, there are two alternative scenarios that are being used by other NPOs in Indonesia:

1. F2F will be conducted with agency for the first years of operation to make sure big incoming revenue. On the 3<sup>rd</sup> or 4<sup>th</sup> year, NPO then builds their in-house team to reduce dependency. Later on, they will discontinue partnership with agency when the in-house team is ready to take over. This alternative scenario used by WWF and UNICEF on the condition that few F2F coordinators were available at that time. However, this scenario is not favourable any more since the limitation on human resource is not become an issue anymore.
2. Other NPOs (Like SOS and Save the Children) with big initiate fund, conducted F2F in-house and outsourced on the same time to save cultivation time.

Some risks on alternative scenarios mainly arise because of practice of 'competition' and mismanagement. Some noticeable risks are as follows:

- Competition on sites//locations
- Different treatment / management between in-house FR and agency will trigger dissatisfactions;
- Hard to maintain 2 different team with different objectives and behaviours

Therefore it's very important to have a good F2F coordinator that could balance the attention and manage both team in-house and agency.

As mentioned above, telemarketing is the next most common channel for fundraising. This channel usually starts with lead generation to get significant amount of database. The NPOs have two methods to generate database, first is from organic grow through their offline and online campaign, and second is from buying data from agencies or through paid campaign on change.org. Most of the NPOs are using first method, which cheaper than second method that could cost triple.

There are several telemarketing agencies that have capacities and capabilities to conduct tele-fundraising. Some of them paid by percentage of debit success, but some of them is paid based on number of agents on the field. The payment method is using credit card, which automatically processed by agency, or through third party. However most of the agency required significant amount of database to running the tele-fundraising program with certain period time of contract.

#### **4.3.Resources needed**

Either using in-house or outsourced F2F or both, OXFAM Indonesia needs to prepare resources as follow:

1. Banking system to enable auto debit account and credit cards;
2. In-house team: Contract and payment system of fundraiser – NGO usually face difficulties to pay fundraisers because it's related with bonus, which sometimes will cause discomfort situation between permanent staff and fundraiser who get more income because of the bonus system. Moreover, it is also hard to suit the regulation on NGO to hire fundraiser because their termination is based on results (number of donors, amount of collected donation (please refer to Employment Law section previously).
3. Database & donor retention system – could be solved by hiring SG, the sister company of APPCO that provides services for back-end administration & retention regardless what agencies or in-house team that Plan Indonesia is using;
4. Sponsorship system to accommodate local donors;
5. Human resources needed: F2F coordinator, administrator, donor relation staff, event staff, city coordinator, team leader, fundraisers. (Note: In-house program needs more human resources in place).

Telemarketing is a second option for fundraising, especially if it involved lead-generation and the usage of huge amount of database that could

come from 3<sup>rd</sup> party or from local campaign. New media/Digital fundraising is a must-have channel from the first year. Although it will not give a big contribution in term of income generated yet, the digital channel will become a vehicle for marketing communications and branding. Digital Fundraising will give significant income in near future due to fact that Indonesians are now becoming more comfortable to spend money online due to the growth of e-commerce. Direct mail is not a familiar channel for fundraising in Indonesia, not only because the postal cost is still expensive, but also because the Indonesian has less habit to read post mail.

- Indonesia is a growing marketplace for charitable giving because Indonesia's economy is strong so far. The middle and wealthy class is a potential source of income for NPOs.
- Most INGOs got their individual donors with similar demographic; middle class, urban, 21-50 years old.
- F2F is the biggest income generator from individual donors for most of the leading INGOs in Indonesia, followed by telemarketing and smaller contribution from digital channel.
- Some noticeable risks: 1) competition on sites//locations; 2) Different treatment/ management between in-house FR and agency will trigger dissatisfactions; 3)Hard to maintain 2 different team with different objectives and behaviours.
- Resources needed to conduct F2F: banking system, in-house team, database & donor retention system, sponsorship system, HRs.



## V. Implications for Oxfam

### 5.1. Opportunities

The opening up of political space and decentralisation of power to the cities/districts, following the 1998 reformation, has created many opportunities for Oxfam to be directly engaged with city/district governments. The government provides institutional funding to NGOs primarily through grants and project contracts.

There are four main potential streams of government funding:

- 1) *dana hibah* (grant funding) that could be accessed from the city/district government budget (APBD) by Oxfam;
- 2) *dana sosial* (social funding) that could be accessed by submitting a proposal to the city / district government (APBD);
- 3) *dana belanja tidak terduga* (one-off unexpected funding) that could be accessed for one-off activities like responses to natural disasters or other disasters involving human casualties;
- 4) *Swakelola* activities: self-administered projects where the government agency acts as the financial principal and Oxfam acts as the technical implementing agency.

Other significant developments in Indonesia that will impact fundraising's growth are:

- There has been a significant growth in the number of high net worth individuals (HNWI) in Indonesia – with analysts expecting this to continue to increase – who have established family philanthropic organisations. HNWI could be potential donors for Oxfam fundraising programs, especially major give and endowment program.
- Corporate Philanthropy in Indonesia' documented an increase in the total amount of philanthropic funding from Rp 8.6 trillion (US\$ 860 million) in 2013 to Rp 12 trillion (US\$1.2 billion) in 2014. It's a great potential to develop corporate fundraising programs. Moreover, the programs run by Oxfam, especially economic empowerment and disaster management, become the preferred program and is supported by many companies.
- Indonesian government and the private sector in recent years to give attention and great support of the economic empowerment program which characterized by the number of match making program, market idea, seed capital, competition, training and exhibition for entrepreneurial programs. Many High Net Wealth Individuals also



become angel investor by providing support to some of the social impact of business units.

- The Indonesian government, the business sector, philanthropic institutions and donors to give attention and support greater funding to the eastern part of Indonesia which is considered far behind compared to other regions in Indonesia. Many financial supports, capacity building and other forms of support allocated to the eastern Indonesian region in order to reduce economic disparities and improve the social and human resources. This is in line with the focus area selected by Oxfam in developing programs and be a great opportunity to synergize and foster partnerships program.
- Although the number of grants given international donors tended to decrease, but the number of grants given to Indonesia is still very large. For example, the number of grants given by the government of Australia reached 375.7 million Australian dollars, while grants are channelled through MCC (Millennium Challenge Corporation) – a U.S. foreign aid agency that is helping lead the fight against global poverty-- amounted to 600 million US dollar. In terms of modality of funding, the bilateral governments and institutions especially the Australian Government are outsourcing their contract management capacity to large international for profit firms. The two leading companies in Indonesia are GRM and Cardno they for instance are managing each more than 600 million USD value contracts in Indonesia. This has increased the opportunities for the local NGOs to accessing these funds.

Regardless of the underdeveloped institutional philanthropic sector, Indonesia ranks highly in its propensity to give in global rankings. In the 2013 World Giving Report Indonesia was ranked 17th worldwide with 63% of Indonesians reported to give regularly. An earlier study conducted by PIRAC (2007) found that 98% of the public regularly gives or volunteers their assistance to help others. The high level of individual rate of giving is opening the tremendous potential for Oxfam fundraising program.

## 5.2. Positioning of Oxfam

Oxfam Indonesia has the vision that people in Indonesia will live equitably and free from injustice of poverty, enjoy their rights, and are resilient in times of disasters. Oxfam have three main programmes to support the government, civil society, and community in Indonesia to realize their right and have better and equal access, control, and benefit from the development in the country. The programme are: Gender Justice, Economic Justice, and Right in Crisis.

Oxfam's role is to enable direct response during disasters and to create transformational and sustainable change through their programs. Oxfam acts in their work as conveners, facilitators, funders, capacity builders and catalysts opening up political space at different levels, assisting in multi stakeholder processes, building capacity and sharing technical expertise with civil society organisations, private sector and government institutions. Gender mainstreaming, Influencing and Active Citizenship and Organisational and Institutional Development are cross cutting elements in these three programs

Oxfam is well placed to support opportunities that link up with the private sector to promote inclusive sustainable business practices. This includes linking successful small holder agri-businesses in selected values chains with impact investors or financial institutions and promoting social entrepreneurship that is responsible and inclusive for poor women and men, smallholders, urban workers, farmers, peasants and artisanal fisher folks.

Based on Indonesia Country Strategy 2015-2020, we can conclude that Positioning Oxfam compared to other CSOs are:

- a strong and large network of Civil Society Organisations
- support the democratic and poverty reform agenda of the government: Gender Justice, Economic Justice, and Right in Crisis
- Having unique and integrated approach that combines influencing, advocacy and campaigning with sustainable development and immediate support during time of disasters
- Bringing different stakeholders together to create the conditions for change
- Impacting poor women and men at village and district level
- Promote inclusive sustainable business practices.

In contrast to other organizations that have a specific program and a partial, Oxfam is recognised for its unique approach that combines the Influencing, advocacy and campaigning with sustainable development

and immediate support during the time of disasters. With issues and field work on this broad, Oxfam has a chance to garner support from donors to a broader segment and interests. Menu program offered will more diverse and could seize the opportunity of many parties.

But the fundraising activities in Oxfam can lose its focus because there is no specific program that stands out and is characteristic of Oxfam. In other words, Oxfam needs to sharpen its positioning and strengthen it to give a clear difference with other similar INGOs operating in Indonesia. If Oxfam proceed to transform the institution into local entity as foundation (*Yayasan*), the positioning that Oxfam has is similar and overlapping with some other prominent local NPOs who have been playing in getting fundraising from local public.

Concerning to above positioning, Oxfam can develop some fundraising strategies:

1. Public Fundraising:
  - Individual donor
  - major donor
2. Earned Income
3. Institutional fundraising:
  - Mobilising financial support and partnerships with companies
  - Raising the support and funding from the government
  - Raising the support and funding from international donors

### **5.3. Risk**

#### **Individual donors**

- Oxfam is perceived as an established international NGO that is able to fund its programs through the support of Oxfam global so that Oxfam had to formulate a strong reason when developing public fundraising program.
- There is a lack of an appropriate local regulatory framework and tax incentives to support and encourage philanthropy in Indonesia
- Individual donors in Indonesia tend to support and contribute directly to the beneficiaries rather than to channel its contribution through the CSO. In addition, they also tend to be accounted for religious programs, sponsorship and social services.

## Government donors

- Relations between government and CSOs are weak, as there is a lack of mutual trust. Many government officials and politicians at national and local levels view CSOs, particularly advocacy-oriented CSOs that target government policies at national and local levels, as anti-government forces. Many in the government consider CSOs that receive foreign funds to be foreign agents.
- There are difficult procedures to access the funds, including complex reporting requirements, timing and planning issues (where the government has to plan ahead for the following year through the MUSRENBANG – development planning meeting-- process for what it will include in its budget, while it is rare for an CSOs to do so), and a mismatch between government funding allocations and programmes with Oxfams' programmes.
- Given the alleged corruption often associated with government contracts, NGOs that do receive funds from the government are often seen to lack credibility by their peers. These organisations have also been widely criticised in the mass media.
- Presidential Decree 54/2010 concerning Procurement of Government Goods and Services provides extremely limited opportunities for CSOs to participate in government development projects because such projects are considered businesses. CSOs therefore must meet the same requirements as companies, including obtaining a business license, bank guarantee, and the ability to pre-finance projects. Exceptions are granted only to groups of people directly involved in small-scale construction projects, such as building roads and bridges.

## Corporate donors

- The CSR (corporate social responsibility) law introduced in 2007 mandates corporations in the natural resources sector to allocate 2% of their budget to charity or CSR activities. However, there is little oversight and enforcement, and businesses tend to fund their CSR activities through their own corporate foundations, which make it hard to ascertain the effectiveness of this as a potential funding resource.
- There is also the associated issue of lack of clarity around what constitutes CSR activity and what the law requires from companies in terms of CSR.
- The ability of Oxfam to access private sector funding depends on strong personal connections, procedures that enable easy access to the funding, and alignment of Oxfam activities with the private sector

organisation. However, there are difficulties in establishing solid relationships due to the way in which Indonesian institutions chose to disperse or use their philanthropic or CSR funds, which does not align with international standards and understandings for philanthropic best practices.

- Difficulty in accessing information from the private sector on available funding. It is very difficult to access funding information on CSR and other philanthropic activities and little information about how to access these opportunities
- Many of the CSR arms of large companies chose to directly implement activities rather than find existing NGO partners with knowledge in the area to do so. In some cases, businesses will channel their funding through their own foundations.
- The CSR legislation and the lack of incentives to promote corporate giving have inhibited the growth of a more vibrant institutional philanthropic community. There are also limited tax incentives that would otherwise encourage private sector companies to fund Oxfam Programs

#### **Earned income/economic development**

- Legal entities *Yayasan* (foundation) does not give freedom to Oxfam in developing businesses because there are a lot of terms and conditions that must be met for the foundation Indonesia who want to develop the business unit.
- The limited amount of staff NGOs have been able to commit to such activities given the demands of their core activities and the required skills to carry out such activities has been the main limiting factor. These earned-income generating activities are also in some cases problematic because of the tendency to distract the organisation from its core mission. Given the significant focus on earned income from city/district NGOs, it is important for them to consider how this might impact their program work.
- *Yayasan* which manages the business unit generally difficult to compete with other businesses that use commercial legal entities, such as limited liability companies, in terms of obtaining capital and product marketing.

#### 5.4. Emergencies Fundraising

Indonesia is well-known as one of the most disaster-prone countries in the world due to its location in the Pacific Ring of Fire, an area with a lot of tectonic activity. Indonesia has to cope with the constant risk of volcanic eruptions, earthquakes, floods and tsunamis. The country has the most active volcanoes of all countries in the world. The Eurasian Plate, Pacific Plate and Indo-Australian Plate are three active tectonic plates that cause the subduction zones that form these volcanoes. Indonesia is estimated to have 129 volcanoes.

Almost every NPOs in Indonesia put natural/man-made/technological disaster remains as interesting issues. It is easy to find out that almost all NPOs have their own special account for disaster (fundraising).

In general, when a disaster occurs, the most frequent response in term of fundraising is collecting emergency fund or emergency disaster relief from public. Several elements that usually become the interesting issues to fundraise are rapid response fundraising (sending relief items, donate medicines), traumatic children fundraising (both physical and psychosocial) and post-emergency response fundraising (bridge construction, religious facilities provision, school).

Based on NPOs' experiences, disaster event as an issue has a high value within the first two weeks after the onset. NPO such as *Dompot Dhuafa* Foundation, for instance, had received public funds for the Tsunami disaster in the end of 2004 with amount Rp 2 billion (US \$ 155,000) in just one week. ACT had received Rp 1 billion (US \$ 77,000) only in first three days when the earthquake occurred in Padang, September 2009.

It seems that fundraising on local/national disasters gain more donation than the international disaster events. However, public in country still show their attention and help to international disasters such as Haiti earthquake (2010), Pakistan flood (2010), Japan earthquake and tsunami (2011) and Nepal earthquake (2015). Indonesian Red Cross, for example, successfully collected more than Rp 500 million (US\$ 43,000) from public in nine days (27 April – 4 May 2015) for Nepal earthquake.<sup>31</sup>

Fundraising during emergencies (disasters and maybe conflict as well) is still a potential area to explore, including for new NPOs. Several suggestions and recommendations to Oxfam related to this fundraising type are:

---

<sup>31</sup> <http://www.pmi.or.id/index.php/berita-dan-media/peristiwa/item/531-personil-pmi-beraksi-untuk-nepal.html>

- a. Community or donors need actual information and rapid response when disaster strikes. The principle is the earlier they got information (about disaster), the earlier they will help (donate);
- b. Oxfam could create specific and unique programs to fundraise during a local/national disaster to keep its positioning among many local NPOs that have been working earlier in this area;
- c. Tele-fundraising will be very useful and important when a disaster happens because Indonesian is more comfortable and intense using telephone/mobile phone than visiting website.
- d. Social media can be another effective platform to fundraise during disaster, especially Facebook and Twitter.

- Oxfam has a good opportunity to work on local fundraising and access possible funding from various resources.
- Oxfam needs to define its positioning sharper to make a clear difference with other similar local NPOs.
- Oxfam needs to identify risks in seeking and managing funding as local entity.



## VI. Investment model

The financial projection is based on assumption that OXFAM will use the experienced F2F agency (note: please refer to F2F virtual conversion projection document). With approximately 85% from 12 months donations of CPA (Cost per Acquisition), it could be projected that OXFAM will get approximately 20,000 donors in 5 years program.

Key figures for the F2F program that used for virtual conversion projection is follow:

1. Average gift = USD 10,-
2. % of donors not making a first payment = 20%
3. Typical 1<sup>st</sup> year attrition rates = 30%
4. Typical change rates (ie % of donors making a payment each month) = 70-80%

There are some pro's and contra's to having F2F program that running by agency:

### PRO's

- Generally, get bigger results on quicker time since the agency could start the program immediately without 'grace period'
- Doesn't have to invest on resources and system
- Doesn't have to deals directly with daily operations of F2F i.e. recruitment Fundraiser, sales training, contract, event management

### CONTRA's

- Big investment to pay the F2F agency's fee – hard to convince the funder
- Slower to reach ROI
- Potential issues - internal conflict and 'moral question' arise
- How the program being conducted is not 100% under OXFAM's control
- High dependency on the F2F agency – risk if the agency decided to terminate the contract
- High competition to get commitment from best F2F agency
- Possibility even higher cost if the agency decided to raise the commission



Experienced agency will help OXFAM to achieve the target sooner compares with in-house F2F. On this case, consultant suggestion is to use APPCO. There will be wasted time for OXFAM in order to build the in-house team and prepare the whole system related to it, such as: recruitments and trainings, fundraiser contract, fundraiser payment (based on bonus), input & send database, office set up for in-house team with a minimum capacity of 15-20 persons, and other nitty gritty related to in-house team.

Although several organisations show interest to become APPCO's client, there is limitation on APPCO's capacity to take another client for 2016. It will approximately 4-5 years to reach ROI if APPCO is running the program, but the high number of existing donors that will be recruited could become important factor to be considered.

The Consultant doesn't suggest to work with other smaller agency like OPTIMO, INABEN or AOS until they show improvement on results and back end process. It is not advisable to put risk by hiring new foreign agency that has limited experiences on Indonesian market. Based on Consultant's experiences, lot of new foreign agencies were approaching South East Asia countries with higher fee compare to APPCO, however none of them has the proven results yet.

The upgrading and reactivation program could be done by experienced telemarketing agency or by SG – sister company of APPCO for back end processing.

## VII. Risks and mitigation

Below is the top 5 risks list that would be threaten the establishment of a viable fundraising operation for OXFAM Indonesia:

No.	Risks	Impact	Probability	Mitigation
1.	The process to become local NPO takes longer time than expectation and makes it more difficult for OXFAM to compete with other NPOs in fundraising	3	2	Find alternative ways to fundraise through local NPO partners until the legal requirement fulfilled
2.	OXFAM could not obtain the fundraising licence and therefore at the risk for not being able to conduct fundraising program	3	2	No other way than wait until OXFAM get the licence
3.	OXFAM could not secure the partnership with APPCO / experienced agency and has to build in-house F2F program. It will slowing down the achievement.	3	3	<ul style="list-style-type: none"> <li>Recruit experienced managers and fundraisers to set up in-house F2F program</li> <li>Focus on telemarketing for individual fundraising and CSR/CRM for corporate fundraising</li> </ul>
4.	OXFAM could not stand out from the crowd / another similar NPOs OR being 'ear-marked' as a rich organization which doesn't need money/donation.	3	2	<ul style="list-style-type: none"> <li>Find a niche product that give emotional connection with the donors</li> <li>Build focused fundraising campaign periodically</li> <li>Build excellent retention program</li> <li>Use social media to emotionally engage with potential donors and the donors</li> <li>Use media (printed or online) for publication</li> </ul>
5.	Internal objections from OXFAM's staff to has massive and aggressive program of fundraising that will be 'harm' OXFAM reputation	2	3	<ul style="list-style-type: none"> <li>Internal and intensive communication</li> <li>Strong leadership</li> </ul>

Note:

1 – Low; 2 – Medium; 3 – High

# APPENDIX

## 1. Examples of digital fundraising website

**Kitabisa.com** | Caring Dana | Donasi | Zakat | #WakilArtisrah

### Campaign Organisasi

Dukung program dari organisasi dan yayasan terpercaya

- Tebar Qur'an Ke Papua**  
Zakat  
Banyak dari anak Indonesia yang semangat belajar membaca. Alquran meski dengan keterbatasan prasarana. Walau dengan Alquran Isyah, mereka tetap giat belajar.  
Oleh: DPU DT  
Rp 104.291.312 terkumpul  
17% | Tanpa Batas Waktu
- Double the Tigers: Donasi untuk Harimau Sumatera**  
Pelestarian Lingkungan  
Harimau Sumatera hanya tersisa 371 individu di alam liar. Mereka menghadapi ancaman perburuan dan hutan yang semakin sempit. Mari bantu sedemikian mereka.  
Oleh: WWF-Indonesia  
Rp 9.045.924 terkumpul  
5% | 27 hari lagi
- Aleppo Is Burning**  
Zakat  
Fasilitas Rumah Sakit di Syria melanda terkena bom oleh militer Rusia. Apakah kita berdamai diri melihat tragedi Derdarah ini?  
Oleh: Aksi Cepat Tanggap  
Rp 536.745.746 terkumpul  
107% | Tanpa Batas Waktu

Perlu bantuan? -

Kitabisa.com

**indves.com** | Search

### Last Campaign

Bisnis yang sudah didanai dan sedang berjalan.

- Hi-Breed Tahap II**  
oleh Dinesa Agung Seputra  
Wirasusaha sosial yg memberdayakan peternak desa dengan fokus pada integrasi penyelesaian tiga masalah: akses modal, akses pelatihan beternak, dan akses pasar.  
Rp 18.000.000  
100% | 1 bulan yang lalu
- Bisnis bahan pakaian seragam sekolah**  
oleh muhammad ardiansyah  
Bahaspakaian merupakan bisnis yang bergerak pada Perjualan bahan pakaian seragam sekolah yang berlokasi di Pasar Tanah Abang.  
Rp 29.107.000  
100% | 2 minggu yang lalu
- Rumah ACI - www.rumahACI.com**  
oleh Sutan Achmad Hilmi  
Rumah ACI sebagai UMM yang sedang berkembang, kami bergerak pada Industri JUDES produk makanan terlaris di Tokopedia.  
Rp 57.745.000  
100% | 2 bulan yang lalu

Indves.com

**carincara.com** | Search

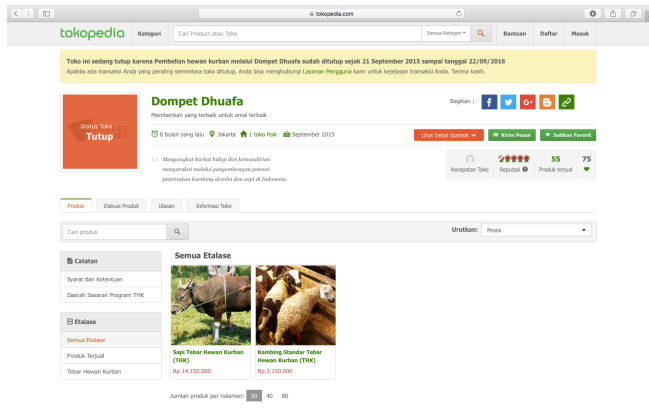
### MOST SHARED PROJECT

- Merdeka!! Patungan Untuk Mengibarkan Merah Putih di Langit**  
Merdeka!! Patungan Untuk Mengibarkan Merah Putih di Langit  
Inisiasi Pengibaran Merah Putih Dalam Rangka Memperingati HUT RI Ke-71  
Rp 2.000.370  
24% | 1 Hari
- #TIPEX1999**  
Sebuah buku biografi tentang perjalanan karir Band TIPEX  
Rp 3.126.045  
13 | 1 Hari
- Patungan Untuk Delegasi Indonesia di Festival Culture Croisses en Ile-France**  
Culture Croisses en Ile-France adalah sebuah festival untuk memperkenalkan kesenian tari dan musik tradisional yang diselenggarakan di Perancis.  
Rp 0  
0% | 1 Hari

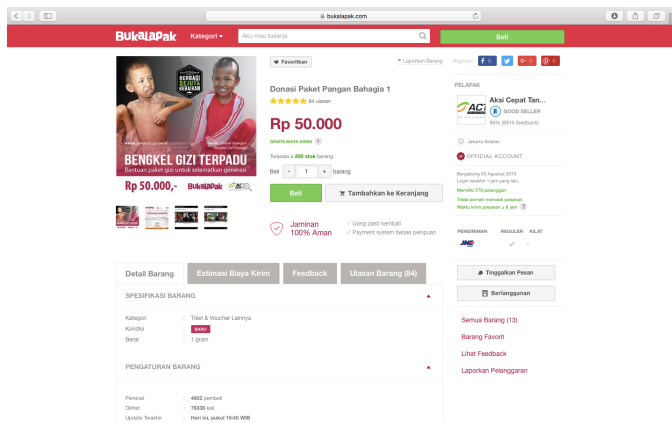
Chat? - Online

Carincara.com

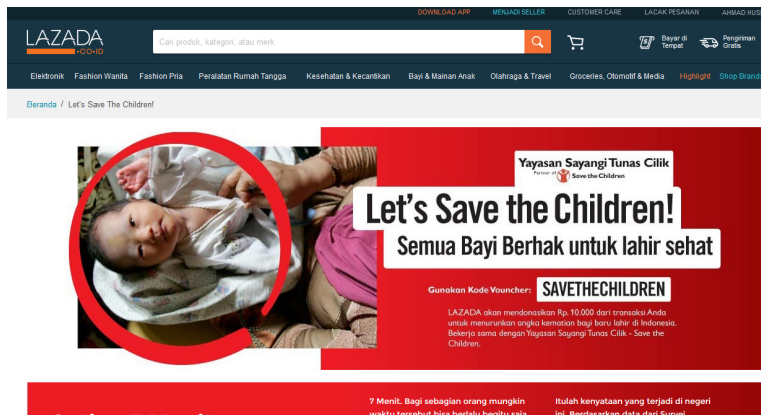
## 2. Examples of NPOs' collaboration with digital fundraising



Dompet Dhuafa with Lazada.com



ACT with Tokopedia.com



Save the Children with Lazada.com

### 3. Examples Telemarketing conducted by NPOs

**Kepada Yth:**

**Palang Merah Indonesia**

Salam Kami Tahu, Kami Rasa, Kami Jaga . . .

Bapak/Ibu yang budiman, perkenalkan kami Palang Merah Indonesia sebagai sebuah organisasi kemanusiaan milik masyarakat Indonesia yang didirikan sejak tanggal 17 September 1945, hadir ke hadapan Bapak/Ibu.

Sebagai satu-satunya organisasi kepalangmerahan di Indonesia, kami memegang teguh 7 (Tujuh) prinsip dasar sesuai mandat Komite Internasional Palang Merah yaitu kemanusiaan, kesamaan, kemetralan, kemandirian, kesukarelaan, kesatuan dan kesemestaan/Universalitas.

Banyak program yang telah kami gulirkan ke masyarakat nasional maupun internasional sebagai bagian dari komitmen kami untuk terus menjalankan amanah Bapak/Ibu kepada yang membutuhkan.

Akhinya, kami menghaturkan terimakasih yang sebesar-besarnya atas peran serta Bapak/Ibu dalam mendukung aktivitas kami. Semoga Tuhan Yang Mahabesitas membalas budi baik Bapak/Ibu. Amin.

Marie Muhammad  
Ketua Umum

**PROGRAM PEGOLAHAN AIR BERSIH DAN SANITASI**

Program pengolahan air bersih dan sanitasi berbasis masyarakat merupakan program pemberdayaan masyarakat yang mengalami kesulitan akses air bersih serta masyarakat di tempat pengungsian yang mengalami musibah baik akibat bencana maupun konflik.

Palang Merah Indonesia adalah organisasi netral, independen, non-partisipatif, non-SARA, mengutamakan keadilan, transparansi dan memegang teguh 7 (tujuh) prinsip dasar kepalangmerahan.

Lawan terorisme yang berkeadilan Indonesia

- Lahir: 17 September 1945
- Rapport RI No. 21 di Jalan 1909
- Keputusan Sidang Komite Internasional Palang Merah Tanggal 15 Jan 1950
- Keputusan Sidang Komite Internasional Palang Merah dan Komite Lokal Merah Tanggal 19 Oktober 1950
- Rapport RI No. 246 tahun 1963

Markas Pusat Palang Merah Indonesia, Jl. Jend. Gatot Subroto Kav. 96, Jakarta 12790  
Telp : +621 2992325 ext. 207 Fax : +621 7995186

[www.palangmerah.org](http://www.palangmerah.org)

Red Cross Direct mail.

**SQN**  
Sebar Qurban Nusantara

**pkpu** LEMBAGA KEMANUSIAAN NASIONAL

saatnya berqurban  
bagi saudara kita  
yang membutuhkan

agar tidak mubazir

**Kutunggu Qurbanmu**

TEPAT SASARAN

Harga Qurban 1434 H

1/7 sapi	Rp 1.540.000,-
sapi	Rp 10.750.000,-

Referensi s.a PKPU Padang

Bank Nagari Syariah	71 000 108 0000 25
Bank Syariah	092 557 9950
Bank Syariah Mandiri	2 7000 7000 2

☎ 0813 6398 8855

☒ 24CA4F72

☎ (0751) 77 92 60

🌐 [www.kutungguqurbanmu.com](http://www.kutungguqurbanmu.com)

**pkpu**

E-mail campaign PKPU.

tumbuh bersama

Bank Muamalat

22thn tumbuh bersama DOMPET DHUafa

Dari Rp 1 juta...  
menjadi Rp 104 milyar  
untuk 47 Ribu  
pemetik manfaat.

# Ambil Berkahnya

Tunaikan Donasi Anda Melalui Rekening Muamalat

**Zakat 301.001.5515**  
**Infak 304.007.1777**  
**Wakaf 304.003.1667**  
a.n. Yayasan Dompet Dhuafa Republika

Peringkat 1  
Lembaga Amil Zakat

741 6050  
(021)

Foto: Mursida Rambe, Direktur Utama BMT Beringharjo

[www.dompetdhuafa.org](http://www.dompetdhuafa.org)

Email campaign Dompet Dhuafa



**FriendRaisingID**

PT Kreatif Solusi Berdaya  
Prudential Centre, 22<sup>nd</sup> floor, Kota Kasablanka,  
Jl. Casablanca Raya Kav 88 Jakarta 12870  
PHONE: +6221 2960 7321, +6221 7756071