Towards Socially and Financially Inclusive Indonesia

Anti-Poverty Programs of the Dompet Dhuafa Foundation
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Aims and Scope

- **Indonesian government**: the main actor in undertaking poverty eradication programs.
- **If there is an alternative actor?**
- What are the most suitable strategies for growth of the emergent actors in undertaking anti-poverty programs in Indonesia?
- What programs are offered to combat against poverty by non-government actors?
Findings

1) Islamic alms-base programs have focused on social development and the growth of Islamic social businesses. This in turn could assist in creating new approaches to poverty reduction in Indonesia.

2) The funds and leadership roles of the development of the Islamic philanthropic organisations and their social businesses derive mainly from inside Indonesia (low cost)
The growth of Islamic third sector (not-for-profit organisations, cooperatives, social businesses) has been significantly linked to the role of private-Islamic alms collection agencies (LAZ).

The revision of Law on zakat no.38/1999 in progress should not consolidate the zakat management power solely to the state agencies.
Islamic Alms or ZISWAF

- **Obligatory**: Two types of Zakat
  - zakat fitrah during the fasting month
  - zakat maal the fasting month (2.5% of wealth)

- **Voluntary offerings** (Infak, Sedekah, Wakaf)
- Recipients: the poor
- Reasons: social justice and equitable distributions of wealth, *Part of Islamic Economy*

- Traditional method: offering boxes in a mosque
- New method: Institutionalisation of zakat organisations
  - State-sponsored zakat collection: BAZ
  - Private-sponsored zakat collection: LAZ
Recent Development of Islamic Philanthropic Organisations

- Nationally collected ZISWAF total amount:
  - Rp.68 billion (2002) LAZ raised 80%
  - Rp.348 billion (2007), LAZ raised 63%

- Budget of the national community empowerment program, PNPM Mandiri (2007): Rp.4,400 billion

- Funds collected by Islamic philanthropic organisations: voluntary donations from the community
Dompet Dhuafa Republika Foundation (LAZ)

- 1993-1994 started by the employees of the Islamic daily newspaper, *Republika*
- Received above Rp.30 billion annually for the last five years
- Offers various programs for the poor through sponsored partner institutions
- Offers support to develop Islamic financial and business institutions (BMT)
- Leads to develop the *Islamic third sector* in Indonesia
Strategic Issues Related to the Growth of Islamic Third Sector

- Legal framework:
  - Law no.38/1999 on zakat and Law no.40/2007 on Corporate Social Responsibility
- Islamic resurgence among the middle class Indonesians, increased interest in piety
- International Islamic economy movement
- Institutional building of DD group-partners (10 funded institutions, BMT Islamic financing institutions)
- Institutional building of zakat organisations in Indonesia (FOZ)
continued

- Effective Media use for fundraising, targeting middle class
- Innovative Zakat interpretations for fundraising
  - Eri Sudewo, co-founder, UI Archaeology major
  - Routine Islamic study at work
  - Linking social needs and Islamic jurisprudence
The Dompet Dhuafa Foundation

DD employees: (Secular) University Graduates
DD anti-poverty programs

- To unite the poor, to create brotherhood, and to develop work ethics
- Vocational training
- Education and health service
- Partnerships with the community members often through voluntarism
- Flexible schemes, not restricted by administrative units (assistance schemes for overseas migrant workers)
- Islamic teaching linked to work ethics
DD Supports Social Entrepreneurship

- Exemplified by the creation of Islamic Credit and Savings Cooperatives (BMTs)
  - Institutional and industry building (BMT Center, BMT Ventura)
  - Large asset BMTs (Rp. 50-70 billion)
  - Investment schemes for the migrant workers overseas so that they can return to Indonesia to take up **alternative suitable jobs**
Conclusions: Effectiveness and Challenges

- **Status change:** From the Islamic alms recipients to donors (increased capabilities and social inclusion of the poor)
  - Rp.5.4 billion donations as Islamic alms donated from DD Hong Kong and DD Australia in the last fasting month
  - Total funds raised by DD in the last fasting month: Rp.45 billion

- **Voluntary offerings from the community may decrease if**
  - The misuse of CSR
  - Unfavourable Revision of Law on Zakat for LAZ
  - Political use of free education and free health clinics