

PD-DEC-447

7/17

REPORT OF A STUDY AND
RECOMMENDATIONS FOR A PROJECT DESIGN

**** **** **** ****

INDEPENDENT SECTOR RESOURCE MOBILIZATION
IN INDONESIA

**** **** **** ****

John Rigby	Erna Witoelar
Jason Vourvoulias	Rozy Munir
Mary Ann Zimmerman	Mark Foster
Prasasti Asandhimitra	

Development Associates, Inc.
2924 Columbia Pike
Arlington, Virginia 22204

Development Alternatives, Inc.
624 Ninth Street, N.W.
Washington, D.C. 20001

**** **** **** ****

Prepared for

Office of Voluntary and Humanitarian Programs
U.S. Agency for International Development
USAID/Jakarta, Indonesia

Contract# PDC-5317-I-00-8127-00
Delivery Order #39

November 1990

Table of Contents

I.	INTRODUCTION AND BACKGROUND.	1
II.	CONTEXTUAL ANALYSIS.	4
A.	Introduction	4
B.	Preliminary Words On The "Independent Sector".	5
C.	The "Independent Sector" Principal Stakeholders.	5
1.	The NGO Community	5
(a)	In General.	5
(b)	Focus of Study Attention.	7
(c)	Private Sector Resource Mobilization.	10
2.	The Business Community.	13
D.	Interests of the Government of Indonesia	17
E.	Relationship to USAID/Jakarta Strategy	19
III.	STRATEGIC CONSIDERATIONS	20
IV.	DESCRIPTION OF A RECOMMENDED PROJECT ACTIVITY	22
A.	Program Goal	22
B.	Project Purpose.	22
C.	End of Project Status.	23
D.	Project Outputs.	25
E.	Project Inputs	28
V.	PROJECT IMPLEMENTATION	30
VI.	SPECIAL ISSUES	31

Attachments:

1. Excerpt from Scope of Work
2. Preliminary Study Team Report, October 1, 1990
3. List of Persons Contacted
4. Examples of Private Resource Mobilization
5. Documents/Materials Reviewed
6. Illustrative Budget

INDEPENDENT SECTOR RESOURCE MOBILIZATION

IN INDONESIA

Report of A Study
for the
Office of Voluntary and Humanitarian Programs, USAID/Jakarta
with
Recommendations for a Project Design

I. Introduction and Background

USAID/Jakarta, through its Office of Voluntary and Humanitarian Programs (VHP), commissioned a study to be undertaken in October 1990 on the status and prospects of mobilization of local private sector resources in support of non-Governmental Organization (NGO) work in Indonesia. The study was contracted jointly with two U.S. consulting firms, Development Associates, Inc. (DA), and Development Alternatives, Inc. (DAI), under Indefinite Quantity Contract (IQC) No. PDC-5317-I-00-8127-00 (Delivery Order No. 39), September 20, 1990. The background and antecedents to the study are described in an attachment to the IQC, excerpted here in Attachment 1.

The study team field by DA and DAI consisted of four persons contracted in Indonesia and three from the United States:

In Indonesia:	From the United States:
Erna Witoelar	John Rigby
Rozy Munir	Jason Vourvoulias
Mark Foster	Mary Ann Zimmerman
Prasasti Asandhimitra	

The members of the study team were drawn from different private sector (non-profit and commercial) organizations. Their participation in this study was in their individual capacities, under contract with USAID through DA and DAI, and does not represent participation by other organizations with which the study team members may also be associated.

The study in Indonesia was preceded by preliminary research work undertaken in the United States concerning the following topics:

- Efforts by the United States Agency for International Development (A.I.D.) in countries other than Indonesia to assist NGOs generate local resources;

- Current climate within the U.S. Federal Government concerning funding of such assistance to NGOs; and
- Other donor assistance for this type of activity.

A report on this preliminary research was presented by the study team to USAID/Jakarta by memorandum dated October 1, 1990; a copy is annexed as Attachment 2.

The study team presents with this Report our conclusions and recommendations following our study. The findings and recommendations in this report represent a collaborative process and effort by the team members. There have been individual and group interviews with representatives of NGOs, business, and Government officials. (A list of principal contacts during the study process is contained in Attachment 3; a bibliography is contained in Attachment 4.) Interview findings were filtered through a series of study team meetings as well as in individual and group review meetings at USAID, including the following:

- On October 16, there was a review meeting at USAID (based on an issues paper submitted to USAID on October 15);
- On October 26, the study team submitted to USAID an initial draft of this report; this was reviewed in a meeting at USAID on October 30;
- On November 1, the study team, with VHP, made a summary presentation of the study's conclusions and recommendations to USAID/Jakarta Deputy Director (and Acting Mission Director).

The structured consultations with USAID in the course of this study enabled the study team to absorb and apply USAID reaction and feedback during the course of the on-going meetings with NGOs, business, and the Government of Indonesia. This inter-active process -- that is, the inter-play between USAID and the Indonesian private/private sectors through the medium of the study team -- has, in our judgment, enabled a very high level of Indonesian participation in these initial, and crucial, stages of USAID Project design:

- One of the guiding principles in our study has been the need to determine the extent of interest within the Indonesian private sector (non-profit and commercial) in local resource mobilization as well as Governmental support

for such efforts. It is the firm conclusion of the study team that the level of interest is very high, as discussed at various points in this Report.

- Since the study was undertaken in the context of a USAID design process, the study group has been mindful of the fact that for a future Project to emerge, there would have to be a close fit with USAID's priority and focus (which, in turn, are consistent with the development objectives of the Government of Indonesia). The study team is also firmly convinced that such a fit exists, hence our recommendation that USAID proceed with a Project activity.

As provided in the study team's scope of work, this Report presents information for incorporation into the formal USAID Project Design process (and, particularly, for a "Project Paper" as defined in A.I.D. Handbook #3). In addition, this Report is intended for circulation (edited to exclude information when its disclosure might impair subsequent USAID contracting processes) among private sector and public sector participants in this study,¹ and for a widening circle of persons and organizations whose informed interest now may increase the prospects of future Project success.

¹ This study is largely dependent for substance upon generous contributions of time, thought and energy by a large number of persons interviewed or involved in group sessions. An almost universal request in these meetings was for feedback on how the information gained might be used, and what ultimately might come of this effort. This wide, strong interest in remaining informed and involved is itself an indicator of perceived value in the proposed Project activity.

II. Contextual Analysis

A. Introduction

This study concerns

(a) private sector organizations (non-profit and for-profit),

(b) the public sector (Government),

(c) the general public (particularly the least advantaged, intended as ultimate beneficiaries of proposed Project activities),

(d) the interrelationships among these organizations and people, and

(e) points of concurrence of their aspirations and activities.

Our assignment has been to analyze the status and prospects in Indonesia for mobilization of (a), with the support (and without unwarranted constraint) of (b), for the benefit of (c). This mobilization is to be achieved through (d), motivated by (e).

In a real sense, to understand the context and the environment is to understand both the problem and the solution. In an analysis of the individual elements of this complicated web of relationships, it is important to retain an appreciation of the overall context and to refrain from judgment as to the relative importance of the individual elements. As suggested by the poet, Sapardi Djoko Damono, concerning the interplay between person, sun, and shadow,

aku dan matahari tidak bertengkar tentang siapa di
antara kami yang telah menciptakan bayang-bayang
aku dan bayang-bayang tidak bertengkar tentang siapa di
antara kami yang harus berjalan di depan ²

² "the sun and I don't argue about which one of us
creates the shadow
the shadow and I don't argue about which one of us must
lead the way"

This poem is translated in, and contributes the title to, the anthology "Walking Westward In The Morning", The Lontar Foundation (Jakarta 1990).

B. Preliminary Words On The "Independent Sector" in Indonesia

We refer at various points in this paper, and in the name of the proposed Project activity, to the Indonesian "Independent Sector." The phrase is used here in a generic sense, to encompass both the NGOs and businesses as organized elements of the private sector, to be distinguished both (a) from the organized "public" sector (i.e., the Government), and (b) from the general body of the citizenry as a whole. The term "private sector" is quite often, and particularly in economic and social development circles, meant to refer only to the commercial, for-profit sector. For purposes of our discussion, and this paper, we wish to direct attention to the shared status of NGOs and businesses as being elements of a non-governmental or private sector, which we refer to as the "Independent Sector."³

One of our most fundamental conclusions is that both the NGOs and the business community in Indonesia have insufficient understanding or appreciation of each other. The Project activities that we recommend are intended to assist the organized Independent Sector of Indonesia -- both non-profit and commercial -- to collaborate in mobilizing private skills and financial resources in furtherance of citizen-based economic and social development. We recommend that the topic be approached not from the viewpoint simply of how NGOs might tap the financial resources of the commercial (business) sector but, rather, from the viewpoint of how non-profit and for-profit organizations may operate together from some common ground of understanding and purpose.

C. The "Independent Sector" Principal Stakeholders

1. The NGO Community

(a) In General

We have not undertaken in our study to perform a plenary examination of the NGO sector or community in Indonesia. We have drawn heavily upon the abundant written materials available on NGOs in Indonesia, on the long NGO experience of members of the study team, and on the insights and information provided by the

³ "Independent Sector" is not meant to refer specifically to the U.S. organization by that name, which is a citizens' lobby off-shoot from the organization Common Cause. We also do not intend by employing the term to necessarily accept all of the useages of "independent sector" in the writings on Indonesia by David Korten. See Korten, David C., USAID/Jakarta PVO/NGO Issues Paper, July 6, 1987

substantial number of persons interviewed during this study.⁴

NGOs have been important participants in recent Indonesian history, beginning with the beginning of this century. Early organizations worked in the fields of health care, social welfare and formal education. Some of the groups evolved into movements forming the basis for political activism and even parties.⁵ Others continued with their social welfare activities.

In the late 1960's a new type of NGO emerged which focused its efforts on development rather than welfare. These groups tried to bridge the gap between the needs of the disadvantaged citizenry and the goals of national government programs. They began by responding to a diverse set of problems and issues articulated at the grassroots level, and then identifying and filling development roles not assumed by government or business.

During the 1970's, NGOs throughout the country began to organize and cultivate community self reliance. Some of these, such as YIS, LP3ES and Dian Desa, started as community-focused organizations and have grown to be national in impact. Organizations such as these have helped to gain government recognition and acceptance of NGO roles in the development process. Advocacy NGOs, such as LBH, YLKI, and WALHI were also formed during this time and continue to pursue activities to cause policy changes in areas such as legal aid, consumer protection and the environment. Support for such groups has varied with concerns about their potential anti-government outlook; even so, they have expanded from a sole national focus into more provincial based activities.⁶

⁴ See Attachments 3 and 4. This Section draws heavily upon a September 1988 study co-authored by study team members Erna Witoelar and Mark Foster (with Agus Purnomo), published by PACT in 1989 as the Indonesia contribution to "Asian Linkages -- NGO Collaboration In the 1990s: A Five-Country Study."

⁵ On the shift from traditional communal organizations to other forms of associations for collective action ("bapakism"), see John R.W. Smail, Bandung In the Early Revolution, 1945-1946 (New York-Ithaca 1964). Formal organization for student activism goes back at least as early as 1923 when the "Perhimpunan Indonesia" (PI, Indonesian Association) was formed. See p. 345, Sartono Kartodirdjo, Modern Indonesia, Tradition and Transformation, Gadjah Mada University Press (Yogyakarta 1988).

⁶ See Participation of NGOs In the National Development Process In Indonesia, February 1985 Government of Indonesia, World Bank, Ford Foundation Seminar, Report, pp. 31 et seq., concerning negative connotations of term NGO because of lingering association with the non koperasi (non-cooperation) of NGOs with

During this time hundreds of small NGOs were also established, many of which lasted only a short time. Overall, the number of these organizations has grown, reflecting a need at the local level for alternate ways to voice and act on the public's aspirations. This was not an easy time for NGOs. Political parties were being forced to merge and to adhere to certain principles; university students were depoliticized; mass demonstrations forbidden. Large umbrella or mass movement organizations were, and continue to be, closely supervised by the government.

In the late 1970's and into the 1980's, networking organizations began to form, partially in reaction to the government's intention to centrally coordinate people's organizations. Another reason for the formation of NGO networking organizations was the effort to strengthen activities at the local level by offering services of the larger, stronger NGOs to the newer, smaller NGOs.

(b) Focus of Study Attention

The number of NGOs currently found in Indonesia is large, and their size and nature diverse.⁷ In order to make our study (and a possible USAID Project) manageable, we have focused our attention upon the following:

- Those non-governmental organizations recognized as LSMs under Home Affairs Ministry Instruction No. 8 (March 1990). These are defined as

"Organizations/institutions voluntarily formed by Indonesian citizens of their own free will and operating in a specific field determined by the organization/institution itself as a realization of community

Dutch colonial powers. Hence, many Indonesians prefer the use of more specific terms such as LSM ("Lembaga Swadaya Masyarakat"), LPSM ("Lembaga Pengembangan Swadaya Masyarakat"), or other descriptors rather than the generic "NGO". Similarly, in the context of public controversy over the uses of the "yayasan" form in Indonesia, those NGOs-LSMs-LPSMs that are "yayasan" prefer to be distinguished from a generic pool of non-profits or "yayasans."

⁷ As of the time of our interviews in October there were 2,985 NGOs registered with the Ministry of Social Affairs. An estimate of another 6,000 to 8,000 NGOs are eligible for registration under the Ministry of Home Affairs definition of LSMs.

participation in efforts to raise the living standard and well being (welfare) of the community."

- Those non-governmental organizations (usually referred to as LPSMs), networks, or consortia which serve as support for LSMs.
- Advocacy organizations dealing with quality of life of the citizenry (e.g., legal rights, gender constraints, worker organization, consumer movements, environmental organizations, etc.).

In short, we have addressed our attention primarily to those types of Indonesian organizations generally within the ambit of USAID's experience in Co-Financing Projects I and II, and proposed for a new NGO-support project in Fiscal Year 1991. We would propose not to include within the ambit of immediate concern of this activity such NGO categories as the general range of social welfare organizations registered with the Ministry of Social Affairs, or the full range of organizations organized as "Yayasans."⁸ And while we do not treat here the mass organizations or religious denominations as such (e.g., Nahdlatul-Ulama (NU), with its 35 million members; Catholic, Protestant, Hindu, Buddhist groups), we note that there are NGOs/LSMs/LPSMs closely affiliated with these groups and religions.

Those NGOs on which we have focused (and to which we refer generally here as the "social development NGOs) fall into four principal categories, discussed here by size, generally taking into account staffing, project number and size, and budgets. While there is not a precise correlation, it is generally true that organizational size, formality, and budgets are inversely proportional to levels of community involvement and financial support:

- (i) Community Formed Groups: Many community-based organizations fit into this category. Member contributions of time and materials are the normal source of their support. External funds are rarely sought, unless a group is selected or chooses to participate in a project managed by a larger NGO and financed through a grant.

Increasingly in Indonesia, many community-

⁸ Many LSMs/LPSMs are "Yayasans", but not all "Yayasans" are LSMs/LPSMs.

based groups are organized to pursue income generation activities. Their income is from the sale of their product; they may be recipients of training or credit managed by LSMs. They have no "staff members" as such; each member is a worker in the activity.

Annual budgets for these types of organizations are normally under \$10,000 per year. Staffing is typically all or mostly volunteer.

The number of these groups is in the thousands. Most of the locally-based LSMs are of this size.

- (ii) Community-Supported Organizations: Community development arms of Pesantrens and other religious or Church groups are examples of community-supported institutions. Programs are developed and implemented with the financial support of people in their communities. Support can range from each student's family allocating a small parcel of land for the pesantren to plant and sell the harvest (pesantrens average 3,000 students); or "in natura support" providing the materials for a construction project; or large fund raising events or small enterprise activities.

NGOs with 3-10 full-time staff members typically manage from 2 to 5 field projects; these organizations often have a very strong voluntary tradition. Community resources may be supplemented by one or two small grants often channeled through larger, more established NGOs.

Budgets for organizations in this category would be between \$10,000 and \$100,000 a year. Most are probably in the \$25,000 to \$50,000 range.

Several hundred LSMs would fit into this category. Some village groups involved in income generation activities receiving outside technical assistance would also fit here.

- (iii) Mid-Size NGOs: Groups in this size range typically implement several multi-locational

projects, supported through several funding agencies. Sometimes government support is available; often grants support the bulk of funding. Some groups initiate small income generation activities related to their areas of project focus to cover at least some of the core operating costs.

Annual budgets are in the range of \$100,000 and \$500,000 per year. Full-time paid staff (10-50 persons) usually provide for most of the operation and management of the organization.

There are few NGOs in this size range, probably less than 50.

- (iv) Large NGOs: These NGOs, with staffs from 50 to 300 people, have normally successfully diversified their resources. They handle large field programs, as well as budgets sometimes up to \$3-5 million annually. Most would have budgets between \$500,000 and \$1,000,000. Many have organizationally run enterprises that generate income, such as in publishing, consultancy services, hatcheries-seedling farms, animal breeding, and production of certain consumer or industrial goods.

Because their staffs are large, these organizations are relatively stable compared to smaller agencies. They are able to plan several years in advance; financial survival is usually not a major issue, although largely premised at present upon continuation of large infusions of foreign donor assistance. These organizations are often both direct providers of services as well as intermediaries, providing support to local organizations in their areas of expertise; they may also be regional advocates and innovators. Some are national networking organizations. A common problem for these organizations is to maintain a good link with the grass roots and retain trust and respect of smaller groups.

We estimate that there are between 10-15 NGOs and NGO networks in this size range.

- (c) Private Sector Resource Mobilization

Over the course of the study over 30 NGOs were contacted individually or through one of three group meetings held in Jakarta, Yogyakarta, and Ujung Pandang to solicit input. Of these about half were mid-size to large (LPSMs or networks), the others were small locally-based LSMs. Two of the operational NGO groups were international, the rest Indonesian. While discussions covered a range of topics on the mobilization of private sector resources, five key issues were covered in every session:

1. The status of current NGO efforts to tap local resources
2. The extent to which NGOs have made efforts to promote their presence and activities to the community, and the problems encountered
3. The desired relationship between the business community and NGOs; the need for an intermediary
4. The form of a fundraising mechanism in the provinces; the type of cooperation, if any, between national and provincial levels
5. The role of the government.

During the course of our study and interviews, we encountered numerous examples of efforts by NGOs to involve the citizenry and the business community in support of development activities. A summary listing of many of these initiatives is contained in Attachment 4, while several additional examples and prototypes are discussed more fully in Section V.B, below. Some general observations are possible concerning NGO private sector resource mobilization efforts:

- there have been very few sustained attempts at mobilizing resources other than through religious-related development NGOs and the environmental groupings under DML;
- most large NGOs sell consulting services to businesses and government, and view this as a form of private sector resource mobilization; up to 30% of the revenues of the NGOs are provided by sale of services, publications, or fees and interest paid on loan fund management; (we did not develop information on the extent to which NGO revenues were net of costs);
- NGOs are as likely to request and receive management or marketing assistance as monetary support from businesses, although

formal systems and structures to promote this type of technical assistance are not widespread;

- An increasing number of NGOs (both large and mid-size) are interested in direct business ventures as a means of generating unrestricted income;
- In their local fund-raising efforts in Indonesia, NGOs encounter a general view of the population (and business interests) that social development activities are more appropriately the function of Government, and need not/should not be undertaken by the private sector;
- many NGOs are hesitant to approach businesses for support because (a) they are uncertain how to proceed, (b) they have had a prior unsatisfactory experience in dealing with business, or (c) are suspicious of the underlying motives of business who may offer support;
- NGOs find some resistance from individuals who categorize all NGOs as subversive, based on past activities of some NGOs that have resulted in strong government reaction.

NGOs themselves raised concern over the wide variation in quality of their activities. The "lack of professionalism" was often cited as a key issue that the NGOs must overcome to increase local support of their activities. Some estimates were made that perhaps only 20% of the thousands of registered NGOs were seriously involved in social development activities. Smaller NGOs were described as having difficulties because they typically don't know funding agencies and may lack the language and management skills to demonstrate capability in terms readily identifiable, especially to those not familiar with development activities.

Most NGOs think that there should be more interplay with the business community in development activities, although we did not perceive a clear consensus among NGOs on the form that the interplay with business might or should take. Because of the number of NGOs involved in income generation programs, marketing assistance or linkages with the business community were often identified as desirable. The relationship desired by NGOs with business must be based on mutual trust and respect. Because of the lack of knowledge between the two groups, common ground must

be found. Business needs to come to understand community development activities and the role NGOs can play; NGOs must better understand the role of business in community affairs. To facilitate this linkage, an intermediary was felt to be desirable.

There was virtually unanimous agreement that business-NGO contact at the local level was most desirable. For the most part, the external funding which has dominated for NGO support in Indonesia has been channeled through Jakarta bases. One fruitful area for exploration and experimentation in this Project would be support of local (e.g., Provincial) level resource mobilization efforts, with the allocation of those resources under the supervision of one or more mechanism more proximate (than Jakarta) to the LSMs and communities intended to benefit. However, because 70% of the value of Indonesian businesses is based in Jakarta, NGO-business linkages must acknowledge and work within that reality.

A strong Government role in promoting linkages was described in legitimizing NGOs and their role in development activities. It is believed that business fears of NGOs anti-government activities would be lessened. The NGOs (as well as businesses) consulted during this study tended to believe that the Government should address tax exemption and deduction issues to provide incentive for business to make donations and to lead to more transparency in the NGO activities. This issue is discussed more below, and particularly in Section VIII.

2. The Business Community

We emphasize at various points in our review that there is already concrete evidence of NGO-business collaboration in social development activities in Indonesia. Thus, there is some empirical basis for identifying those aspects or segments of the business community in Indonesia likely to be interested or involved in mobilization of private sector resources for social development.

Indonesia's business community is no less diverse and complex in its elements than Indonesia's vast NGO community. Cultural and ethnic influences, colonial history and post-colonial economic policy conflicts, and stresses of an emerging economy in the global markets all contribute to definition of Indonesia's business or corporate sector. It is also well to note, too, that just within the 26 years of the New Order, the same ideological/political/economic forces and tensions that have framed the business community have had major influence on the formation and impetus for Indonesia's indigenous NGO community. It will be important, therefore, to keep in mind some of the common heritage and common bonds (e.g., university ties) of the NGO and business communities when seeking now to forge

collaborative linkages.

Identifiable segments of the business community in Indonesia to be taken into account include:

- (a) State Corporate Sector (e.g., Pertamina, Timah, Aneka Tambang, Bulog, etc.)
- (b) Military-owned Business Groups (e.g., Pt Tri Usaka Bhakti ("TUB"), Kostrad Business Group, Propelat Group, the centralized cooperatives associated with different military commands, etc.)
- (c) Indigenous Capitalist groups (e.g., most of those affiliated with Kadin or HIPMI, Cendana Group, Sutowo Group, Poleko Group, Mahkota Group, and large number of smaller traders and small manufacturers)⁹
- (d) Ethnic Chinese groups (e.g., Liem Group, Astra Group, etc.) and smaller traders and manufacturers
- (e) Foreign corporate organizations
- (f) Combinations, joint ventures, of the above

(While (a) and (b) are sources of major economic power and resources, we believe that they are likely to receive little attention in the proposed Project activity since they are the most problematic for purposes of linkages with NGOs.)

The study group has not undertaken a comprehensive look at Indonesia's economy, but there are sufficient indicators of long-term and short-term economic growth generally, and corporate growth, to support the thesis that the private sector financial resources of Indonesia represent a large pool of resources available for deployment in social development. This pool of resources is only partially tapped through the conventional,

⁹ While we separated indigenous and ethnic Chinese in this discussion, it may be more constructive to avoid perpetuation of this analytical dichotomy. We note, for example, that Kadin is attempting to eliminate the public distinction between "pribumi" and "non-pribumi", and encourage the concept of "pengusaha nasional" ("national businessmen").

public sector taxing system.¹⁰ It seems clear, even without the ability to quantify, that the extent of private sector mobilization in Indonesia of financial resources for social development is but a minute fraction of its potential.

During the course of this study, there has been unprecedented public and published discourse on the practice in Indonesia of corporate-foundation-Governmental linkages through use of the tax exempt foundation-like form of "yayasan."¹¹ On the one hand, the level of current interest in the role of non-profit organizations in Indonesian society brings to the surface some long-standing cynicism and suspicion that non-profit mechanisms in the country are not to be trusted. On the other hand, the "yayasan" debate holds the promise to enable distinction between the legitimate non-profit sector and the ersatz "charities" or business shields that have exploited the "yayasan" reform. It is the view of the study team that the public pressure for reform in this area is quite strong, and growing. It is also our view that the disposition of sufficient number of appropriate Government officials for reform is genuine and determined.

On balance, we believe that the current "yayasan" controversy will serve to lift rather than reinforce constraints on the private sector mobilization prospects covered in our study.

During the course of our interviews and research of the business community in Indonesia, there was a strong parallel to the expressions by the NGO community itself of the issues, needs, and interests pertaining to private sector resource mobilization for social development in Indonesia. Among the recurring points were the following:

¹⁰ Estimates of the extent of the Government's success in tax collections range from 10% to 40%. The Tax Department is generally viewed as one of the more effective Government agencies in Indonesia. See Section VIII, below, for additional comments on Indonesia's internal revenue policies.

¹¹ This non-profit corporate form emerged during the Dutch colonial period as a way of insulating indigenous community development activities, and even small-scale businesses, from the reach of the colonial laws and administration. A "yayasan" mechanism is easily established by execution of organizing papers in the presence of a notarial officer. Formation of "yayasans" is still used by individuals and small groups for micro-level activities, including those of community and social value. At the other end of the scale, the "yayasan" form shields from public scrutiny, taxation, or legitimate Government regulation monumental accumulations of wealth and financial transactions.

- The need to increase the mutual awareness and understanding of NGOs and businesses of their respective interests, capacities, and possible areas of joint interest and collaboration;
- The need for improved public relations efforts (for the NGOs, to be able to attract increased business support; for the businesses, in order to gain recognition and community goodwill for their efforts);
- The need for greater transparency (general public openness and accountability) in the non-profit social and economic development spheres; (The attention to "transparency" appears to have been more vibrant during the course of our study because of the public discussions of "yayasans.")
- The need for improved channels/mechanisms for collaboration between NGOs and corporations (including channeling of financial support)
- The strong value (particularly expressed by the business community) of going beyond financial support of NGOs and including technical assistance, training, administrative /personnel support, and other corporate services and facilities)¹²
- Policy dialogue issues, particularly the matters of Tax Department interpretations of the internal revenue code provisions,¹³ and

¹² We also encountered some expressions of interest, both by business and NGOs, in the possible role of NGOs in providing training and other support to local citizens to enable them to participate in corporate activities in the area. This is a particularly sensitive topic for NGOs since it suggests that NGOs might be acting more in furtherance of the companies than the community. It is typical of the issues which require greater mutual understanding by NGOs and business.

¹³ There is uncertainty as to the extent to which corporate support of NGO work out of public relations budgets is a deductible business expense. We had business interview discussions early in the month indicating question whether training and research costs are deductible. These were clarified, coincidentally, by a Tax Department ruling circulated October 15, 1990 (Ref. S-342/PI 312/1990), to the Indonesian

the matter of tax deduction incentives for charitable contributions. (See Section VIII, below.)

D. Interests of the Government of Indonesia

The rationale inherent in the recommended Project activities includes achievement of greater openness and participation in national and local development efforts, in accordance with Governmental policy objectives. In addition, our proposed broader definition of "independent sector" to encompass both non-profit and business organizations would have the further relationship to Government policy by promoting unity of possibly diverse elements (as per Pancasila) in furtherance of the development goals of Repelita V.

Our study revealed substantial interest and activity by key Government Ministries interested in matters relevant to mobilization of private sector resources for development. Our sense of a favorable overall Governmental policy environment for the proposed activity was derived both from direct contact with Government as well as general confirmation from our private sector (NGO and business) contacts. Study team conferences with Government included the following:

- The Minister of Population and the Environment, Dr. Emil Salim, has been active in the expansion of the role of NGOs generally, and in promoting NGO-business linkages through his active encouragement and participation in the formation of DML and FISKA.
- The State Minister for Administrative Reform, Sarwono Kusumaatmaja is exercising overall supervision of an effort to reform the laws and procedures concerning the operation of Yayasan, to give greater breathing room to those operating legitimately in the furtherance of social development and to constrict the activities of ersatz non-profit organizations. This effort includes assignment to the National Administrative Agency (under Kristiadi, Director, with whom the study team also met) to revise the laws

Chamber of Commerce (Kadin).

governing "yayasans."¹⁴

- Tax Administration Director Dr. Mar'ie Muhammed and Deputy Director Malamar, while firm in their view that the revenue objectives of the tax laws should not be confronted with exceptions such as "charitable" deductions, described the active interest of Tax Administration in curbing those "yayasan" abuses which have led to reduced public confidence in the role of non-profit organizations generally and which constrain legitimate private sector resource mobilization by social development NGOs. The Tax Administration is also willing to engage in dialogue on possible clarifications on rulings and interpretations concerning (a) deductibility of business expenses (e.g., for public relations purposes) by businesses for activities in association with NGOs, and (b) the increasing involvement by social development NGOs in market-based revenue generation.

- The Ministry of Social Affairs (through the Social/Political Office under direction of Harisoegiman), is expanding its effort to communicate to Provincial and Regency officials the Government's policy of increased openness to NGO activity (e.g., through easing of the registration requirements).

- The Ministry of Social Affairs (through B. Parmanto, Director of Social Resources) has been developing its own program of encouraging supportive business relationships with the social welfare organizations registered with the Ministry, patterned on the T-Bird program of Thailand; this Ministry wishes to remain in communication and dialogue with initiatives or activities that may emerge from the current study.

¹⁴ State Minister Kusumaatmaja, Director Kristiadi, and Deputy Tax Administration Director Drs. Malamar, decided during a joint meeting with the study team to convene a meeting on November 24, and to engage in dialogue with NGO and business representatives on how Government's efforts might further the social development objectives outlined in this Report.

These Government interests, viewed individually as well as in their totality, provide a basis for the study team's conclusion that there is a strong environment of Government interest, cooperation and support for the activities and initiatives suggested with this Report.

E. Relationship to USAID/Jakarta Strategy

This proposed activity fits directly or indirectly under most of the program objectives of USAID's Performance Contract¹⁵ with A.I.D./Washington, and indirectly under two others:

- (a) "Strengthening Democratic Institutions", by enabling improved financial and technical capacity of NGOs included within the ambit of SID/PVO, enhanced by strategic alliances with the business community;
- (b) "Mobilizing Financial Resources", by helping to direct or channel business/commercial resources to locally determined economic and social development;
- (c) "Redefining The Role of Government", by enabling the independent private sector to assume a greater share of the local economic and social development effort previously reserved or relegated to Government;¹⁶

The activity may indirectly relate to the other program objectives. For example, there is very strong potential for NGO-corporate linkages in the area of promoting and supporting small and micro-enterprise efforts throughout Indonesia, and these linkages are likely to lead to efforts to encourage the Government to lift restraints on the small, informal sectors (thereby "Freeing Up the Private Sector" in the sense expressed in the writings and work of Hernando de Soto).

¹⁵ "USAID/Indonesia Program Performance Contract - Summary of Program Objectives", September 1990. This document links USAID/Jakarta's country-specific program objectives to the overall Asia-Near East (now ANE/PRE) Bureau's "Open Markets/Open Societies" goal.

¹⁶ One of the more common initial reactions within the business community during our interviews -- and particularly in Jakarta -- was the suggestion that local economic and social development was the responsibility of Government. These views often softened, however, when the discussions turned to NGO roles beyond that of strictly welfare and relief.

III. Strategic Considerations

Several basic conclusions from our study inform our proposed strategy for mobilization of private sector resources for social development in Indonesia:

1. An essential starting point should be what already exists in Indonesia in terms of

- established disposition and capacities of NGOs, individually and in groups, to form strategic linkages with the business sector;
- the existing disposition of the business community, evidenced by some steps already taken, to associate with NGOs in social and economic development activities;
- the existing Government policies, and policy-makers, supportive of NGO work, and of the mobilization efforts cited above.

We by no means suggest that there is already in place an adequate, effective system for mobilization of private sector resources in Indonesia. We do strongly suggest, however, that any effort to further this objective should be based upon Indonesian initiatives and energies, and not predicated on importation of models however effective they may have proven in other contexts and societies.

For example, important initiatives to promote NGO-business collaboration in Indonesia have proceeded primarily along lines of affinity groupings:

- The Dana Mitra Lingkungan (DML) ("Friends of the Environment Fund") was established by a combination of prominent business people in close cooperation with the Indonesian Environmental Forum (WALHI) and the Office of the State Minister of Population and the Environment. On the basis of on-going corporate contributions, and earnings from an initial endowment fund of some US\$300,000, DML provides institutional and project support for environment-related NGOs¹⁷ as well as serves as an effective public policy forum on the environment. DML's principals

¹⁷ DML has provided over \$200,000 in grant support funding to environmental NGOs through income generated by the endowment fund.

themselves consider their efforts to date only a modest beginning. The essential fact, however, is that DML exists, is effective, and is growing.

- On November 10, 1990, the Legal Aid Society (Lembaga Bantuan Hukum Indonesia, LBH) will inaugurate its own private sector linkage mechanism, aimed more at the medium-scale business groups and the increasing number of middle-class professionals in Indonesia. Investing some of its own resources and with initial support from the Ford Foundation, LBH will establish a separate foundation mechanism (Yayasan Dana Mitra Pengabdian Hukum) and will seek to establish an endowment fund to generate a reliable source of discretionary income for LBH.

- The population network, FISKA, has sought to emulate WALHI's effort in promoting the formation of DML, although FISKA has not yet succeeded in mobilizing substantial corporate financial support or an endowment fund. Thus, this effort must still be deemed to be in the embryonic state, and the immediate bottleneck appears to be the challenge of developing and articulating a recognizable theme on population issues attractive to potential business supporters.

- The community-development NGO network Bina Desa is in the process of formulating a private sector resource mobilization strategy and a mechanism, based upon its own particular constituency of rural-based organizations and a perceived supporting constituency from within Indonesia's middle class and the medium to smaller-size business firms and associations.

These initiatives, and others in varying (but mostly early stages of development), already have informal linkages with some opportunities for mutual reinforcement. The study team is convinced that while there is need for various forms of support for these resource mobilization initiatives, the construction or imposition of some type of formal, coordinating superstructure or mechanism would retard rather than enhance their development, and is likely to inhibit formation of comparable affinity groupings for mobilization of resources.

2. The single greatest resource mobilization constraint

expressed to us, and which we observed in the course of our study, is the inadequacy of communication and mutual understanding among NGOs, business, and Government. There was a recurring theme in virtually all of our meetings that "we really don't know each other." This inability to "know each other" is derived both from an overall lack of transparency in social development activities in Indonesia and from underdeveloped ability to communicate mutually understandable themes transcending the disparate languages and perceptions of the "subcultures" of the NGOs, business, and Government. Whatever its source, the communications gap is a major inhibition to the mutual confidence prerequisite to any form of effective collaboration in private sector resource mobilization.

3. Finally, we conclude that any new initiatives to promote private sector mobilization for social development in Indonesia should include special effort to decentralize both the mobilization effort and the process/system whereby such resources are allocated in furtherance of community-based social development.

IV. Description of A Recommended Project Activity

Based upon the contextual and strategic considerations analysed above, the study team recommends a Project activity described below in accordance with the A.I.D. Logical Framework Matrix format (the "LogFrame"). Annotations to the LogFrame are set out in brackets.

We recommend that USAID/Jakarta proceed with a Project as follows:

Name: "INDEPENDENT SECTOR RESOURCE MOBILIZATION
FOR SOCIAL DEVELOPMENT"

A. Program Goal:

To strengthen in a sustainable way the organized Independent Sector of Indonesian Society

[See discussion above, in Sections II.B and II.C, concerning the composition and possible role of the "Independent Sector" in Indonesia.]

B. Project Purpose:

-- To support Indonesian efforts to have a public sector and private sector policy environment that encourages mobilization of private Indonesian resources in support of

social development.

- To support and promote specific, sustainable NGO-business linkages to channel technical and financial resources to social development.

C. End of Project Status

The conditions to be in place at the end of the Project to indicate that the Project purposes have been achieved are as follows:

(1) The social development NGOs will gain

- (a) greater access to indigenous technical and financial resources;

[Progress indicators would include specific increase in cash and in-kind services support (services, facilities, etc.) received by NGOs through activities supported by this Project. It should be noted that there are qualitative and not just quantitative features to the type of support intended to be generated through this Project: (i) the generation of national and local resources (vs. foreign support) increases the likelihood that the NGO activities will be addressed to national and local priorities; and (ii) funds generated by endowment mechanisms such as in place for DML and proposed by FISKA and LBH are less restrictive than most donor-agency funding, and are available for institutional strengthening and support.¹⁸]

- (b) a resulting sustainable capacity for greater mobilization of community efforts for sustainable economic and social development;

[Progress indicators would be on-going institutional structures and efforts marked by (i) identifiable constituencies and/or affinity groups, and/or (ii) development of on-going generation capacity through endowment and trust fund mechanisms.]

¹⁸ We hesitate to suggest at what point local resource mobilization through activities supported by this proposed Project may equal in size the type of project and institutional support generated through the several USAID/VHP programs, and to be continued through the S.I.D. project. We do suggest that the local resource mobilization strategy in this proposal can be a prototype for A.I.D. on a conscious disengagement (Quakers would use the term "devolvment") from an important, pioneering donor supporting role.

(c) greater transparency in NGO stewardship over the resources entrusted to them;

[Progress indicators will be development of policies and procedures (by the NGO community itself, by Government, and through the NGO-business linkage mechanisms intended to be supported by this Project) for greater public disclosure (e.g., general public reporting) of funds use.]

(d) increased public recognition of NGO competence and value.

[Progress indicators will be increased local resources generated, increased instances of willingness/interest on the part of the business sector to cooperate with NGOs, and increased instances of Government actions and decisions enabling expansion of the role of NGOs.]

(2) For the business community , the Project

(a) will generate opportunities, incentives, and instrumentalities for identification and exercise of corporate social responsibility;

[Progress indicators will be increased instances of public acknowledgement by business of commitment to the concept and practice of social responsibility (evidenced, e.g., through public statements, through provision of financial or technical assistance support to social development activities, through public identification with or participation in NGO-business linkage mechanisms and structures.)]

(b) will provide increased opportunity for public and Governmental recognition of corporate efforts to support social development activities, thereby gaining community goodwill; and

[Progress indicators will be instances of formal recognition of business efforts (e.g., press, Government or NGO public awards), together with at least subjective judgment by businesses (ascertained through Project evaluation) of improved standing through increased corporate goodwill.]

(c) will promote corporate confidence that their financial or technical support of social development activities is being used appropriately.

[Progress indicators will be increased corporate participation in the social development support mechanisms supported directly or indirectly through this Project.]

(3) For the Government, the Project

(a) will advance the policy of decentralization ("debureaucratization") of development activities; and

(b) will enable increased private citizen assumption of social development functions.

[We do not presume to suggest how the Government of Indonesia would choose to measure progress toward achievement of its own public policy objectives. However, Project evaluation can ascertain Government officials' subjective assessment of relationship of this Project's objectives to Government policy. In addition, specific Government actions encouraging private sector resource mobilization -- see, e.g., specific expressions of Government interest during this study, Section II.D, p. 17, above -- will be observable.]

[Concluding Note on Project Purposes: The Project purposes and indicators are stated in terms of advantages seen and seized by NGOs, business, and the Government of Indonesia. While the intention would be that the ultimate beneficiaries of the work of the NGOs (supported by Indonesia's private sector) would be the poor or disadvantaged in Indonesia, the proposed Project would not provide direct economic or development benefits to the poor. The proposed Project assumes, without directly addressing, competence and effectiveness in the NGO work. To the extent that the Project will increase NGOs' financial and technical resources to improve their competence, and provide improvement in overall management capacity, NGO operational effectiveness will be enhanced. We recommend, however, that such results be viewed as possible incidental benefits but not be identified as specific project purposes.]

D. Project Outputs

1. Policy Dialogue: Possible policy reforms in areas that currently inhibit mobilisation of private sector resources will become the topic of dialogue, clarification, and (as warranted) reform. This includes:

(a) dialogue on tax policy and procedures concerning legitimate uses of non-profit forms for social development and welfare purposes, and on corporate and individual tax exemptions for contributions to social development, education, charitable and related causes; and

(b) dialogue and reform in laws and

regulations concerning public accountability by non-profit organizations, foundations, and similar organizations.

(c) acceptance by the NGO community of a self-regulatory code of professional and ethical conduct in fundraising and accountability.

(d) acceptance by the key sectors of the business community of a policy of concrete expressions of corporate social responsibility.

[As suggested at several points in this Report, the study team uses the concept of "policy dialogue" in a somewhat broader sense than traditionally employed by A.I.D. Whereas A.I.D. usually identifies "policy" with Governmental decision (by legislation, regulation, or other action with macro-effect), we have extended "policy" to include codes of conduct (possibly even including some form of self-regulation) by the NGO and business communities themselves. A basic difference is that Government "policy" usually operates with the effect of law -- i.e., is mandatory -- whereas private sector "policy" is essentially self-imposed or voluntary. In the matter of emergence of some form of Independent Sector, we suggest it would be particularly useful to identify overarching private sector voluntary policy reforms (e.g., greater transparency by non-profit organizations; greater exercise of corporate social responsibility by businesses) as a complement to Governmental policy reforms.]

2. Resource Mobilization Models: A number of models for mobilization of local private resources through NGO-business linkages at the national and at the Provincial/local level will be tested, demonstrated, documented, and replicable elements disseminated

[The term "model" here should not be tightly construed. This can better be understood as much to mean methods and approaches as to mean mechanisms or structures.

As indicated earlier (see above, Section III), principal attention will be upon ascertaining and furthering those Indonesian models and approaches that can be most effective for private sector resource mobilization. The existing structures such as DML, LBH, FISKA, and Bina Desa can be Indonesian "models" which can not only be perfected but also adapted to other affinity groups and constituencies.

In more general terms, several basic approaches or "models" can

be derived from the DML-LBH-FISKA, Bina Desa efforts and experience, and can be tested through the Project. The two examples given here are illustrative only, and should not be formalized in Project design to the extent that they preclude creativity and initiative in the Indonesian community in fashioning suitable indigenous approaches:

- The "Private Sector Foundation" Model, which is a national or locally based endowment, whose purpose is to support activities in a specific area of community or donor interest. Typically, there would be a Board of Trustees composed of community members and donor representatives to provide policy direction and oversee management of the endowment. An Executive Board composed of community members and donor members would oversee allocation of grants from endowment earnings. As resources permit, paid staff, consultants, and/or volunteer professionals would manage the endowment funds and grants program, undertake requisite community information campaigns, and provide technical assistance to recipient organizations.

- A "Community-Based" foundation ("Yayasan"), located in a major city, typically covering a Province. The purpose of such a foundation could be to "take up where Government leaves off" in supporting social development activities. Typically, such a foundation would have a volunteer Board of Trustees composed of a broad spectrum of community leaders (Government, business, education, non-profit organizations) to provide policy direction and oversee management of funds.

Volunteer Committees from within the Board membership (or, perhaps, a separate Executive Board of community leaders) would be organized for the following tasks:

- o community needs identification (to determine priority sectors for yayasan support)

- o public relations and funds solicitation (create awareness in the community of the impact of supported activities and to handle solicitation activities)

- o determine qualification of recipient organizations
- o allocate funds

Such a Province-based group might have a small paid staff to handle administrative functions as directed by the Board, including management of funds, monitoring of supported activities, reporting, implementing public relations and communications campaigns, and coordinating support services (such as accounting) for recipient organizations.

Again, we emphasize that these examples are cited as illustrative or composite "models" of approaches that might be supported through this Project activity. The study team recommends, however, that the determination of particular structures and forms be the result only of a participatory process and reflective of the genuine interests and commitments of the parties involved.]

E. Project Inputs

1. Project Implementation

Cooperative Agreement through US PVO

[The study team recommends this option from among several examined:

- Channelled through a USPVO, under a cooperative agreement (This is our recommended course, because of need for a neutral, intermediary body. The USPVO would serve in a channelling or support function; this would not serve as a basis for longer-term buildup of the PVO's presence or functions in Indonesia. To reduce costs and build upon institutional knowledge, preference might be given to a U.S. PVO already present in Indonesia and with an established, working relationship with USAID/Jakarta.
- Channelled through an Indonesian NGO (We have serious concerns about the diluting and divisive effects that this option might generate.)
- Contracting through a private sector firm

(Cost considerations

- USAID Mission managed, implementation through a number of organizations (would add appreciably to USAID's administrative requirements; also, necessary USAID on-going oversight might dampen this private sector effort).

While the study team believes that the first option (use of a USPVO) offers the most advantages, we also believe that it would probably be best to engage in an open competition, so that the Mission would have the opportunity to select from actual alternatives presented and not narrow the options through pre-set limitations. Among the principal selection factors for project implementor should be the following:

- o Demonstrated (and available) capacity for handling USAID regulations and procedures; one of the principal functions of the intermediary agency would be to serve as a buffer between USAID and the private sector initiatives being supported by the Project;
- o Familiarity, comfort level, and competence in dealing with Indonesian corporate sector, NGO sector, and Government;
- o Fully bilingual capability.

2. Technical Assistance and Training

Provided by:

- (a) Project implementation staff
- (b) Hired services from NGOs/businesses
- (c) Contributed services from NGOs/businesses

[This would encompass skills training (including workshops) for specific NGOs or NGO groupings in areas important for private resource mobilization in Indonesia. The areas to be covered would include both those for actual establishment of relationships (here, particularly, public relations and communications skills), and (to a more limited extent) those required to gain the confidence of potential private sector partners and collaborators (e.g., strategic planning and management; fiscal management competence).]

3. Linkage Services

- (a) Development/testing/demonstration of a variety of private sector resource mobilisation models
- (b) Support for improvement of existing (and development of new) structures/mechanisms for private sector resource mobilisation

[This, too, would involve technical assistance and possibly training as discussed above, but specifically directed at support of mechanisms, channels, or structures for collaborative efforts by NGOs to join both with their NGO peers as well as businesses. It would include sponsorship and assistance (e.g., with seed capital) of relevant local events.]

4. Resource "Center"

- (a) Information/communications support for NGOs, businesses, Government on private sector resource mobilization approaches, opportunities

[This would be an information/communications service for NGOs, businesses, and Government on private sector resource mobilization approaches and experiences. It would include acquisitions and/or production of materials. Even if this Project does not get directly involved in general public fund-raising, the Resource Center could be a useful source of information and materials for such efforts.]

5. Policy Role

- (a) Technical assistance, linkage, and information/communications services specifically in furtherance of private sector and public sector policy reforms as required to enable resource mobilization.

[While the policy role would also involve technical assistance and linkage services as described above for resource mobilization, the nature of the effort and the types of skills and activities required warrant treatment as a separate function in the Project.]

V. Project Implementation

Attachment 6 contains an illustrative budget of a threshold

effort which would, in our judgment, enable a credible effort in the areas described above. This would be for a three year period, on a declining basis, and assumes that additional donors will buy in (e.g., Ford Foundation has already indicated an interest) and that local costs will increasingly be mobilized to continue and expand the effort. (The budgeted figures cover only proposed USAID costs.)

The activities assume a professional staff of two persons, plus support staff (for finance/administration plus secretary and driver).

A Program Advisory Committee would be established, drawn from the broad range of private and public sector interests to be concerned with this activity. (The Policy Board members would serve on a voluntary, unpaid basis, but their expenses would be reimbursed.)

VI. Special Issues

Several special issues have been identified:

1. Should the proposed Project activity center only on institutionalized private sector mobilization (i.e., through the organized NGOs and the formal businesses) or should there also be attention to general, private sector fundraising (e.g., public appeals, direct mail solicitation, etc.). The arguments in favor of including this is that it addresses the possible interests and capacities/resources of Indonesia's growing middle class; it also builds upon possibilities for increased general public awareness (e.g., through the DML public awareness campaigns; and the USAID-funded PATH/Advertising Council efforts). The principal arguments against taking on general fundraising efforts are possible conflict with the substantial and wide current community solicitations (particularly through religious organizations and Red Cross), the possible dilution of focus and effort, and possible encroachment (in this project) upon A.I.D. strictures against financing of fund-raising efforts.

We have concluded that it would be better to not include direct public solicitation in this activity.

2. Should the Project have as a specific objective a revision to the Indonesian tax code to permit corporate (or individual) charitable deductions? Many of the corporate contacts cited this as a possible incentive to increased corporate financial support of NGO effort, and earlier USAID studies on the issue (and the 1989 PSS proposal) accepted that this policy reform was desirable.

We are less certain. Indonesia's tax code is very new

(1984), and by the judgment of many people (and particularly the U.S. advisers who were influential in its formulation), very modern and efficient. Unlike the U.S. and many other tax codes, Indonesia's tax code has a single purpose: revenue generation. It does not attempt to achieve social policy objectives which, however, desirable, tend to open up a tax code to massive exceptions and abuses. (There are theories that achievement of social policy through tax code is comparable to achievement of social policy objectives through fiscal policies such as subsidized credit: the persons who most benefit are not necessarily those intended to be reached.)

While some questions have been raised, we believe it important to keep the tax policy agenda as a major focus in this proposed Project. The policy may include one of wider interpretation of what constitute the allowable business expenses that may achieve important social objectives. In addition, revision of the tax policy may also become an instrument for achieving greater transparency and public accountability for the non-profit organizations themselves.

SCOPE OF WORK

1. Background

The indigenous PVO sector in Indonesia is extremely diverse in terms of organizational interest, motivation, capability and program objectives. This indigenous community has expanded significantly, in terms of number, quality and vitality, during the past two decades. As they have done so, a particular need has emerged for the expansion of the local funding base to support their operations and programs. Up to now, external donors have provided an important portion of this support. In the beginning, it was primarily the private foreign foundations such as The Asia Foundation and The Ford Foundation that provided the greatest portion of the assistance channeled to indigenous PVOs. Eventually, religious entities such as Misereor and quasi-governmental organizations such as Konrad Adenauer Stiftung and Frederick Neuman Stiftung became more important PVO donors. The final group of PVO donors which emerged were the government-to-government donors such as USAID and the Canadian International Development Agency (CIDA).

While support from such outside entities is important during the nurturing phase of a PVO's development, it should be neither expected nor required to play this role in the long run. As Indonesian PVOs continue to grow in size and importance, a more diversified and, therefore, larger base of support will be required for the sector to continue expanding its capacity to contribute meaningfully to Indonesian development efforts. A study, supported by USAID/Jakarta's Office of Voluntary and Humanitarian Programs in 1986, supported this contention. In the final study report, Dr. Russell Betts, Development Alternatives, Inc. (DAI), sighted three reasons why such an expansion of the indigenous resource base was desirable.

1) "First, overreliance on foreign donors, however well meaning, creates dependencies and allows foreign entities too much input in determining Indonesian priorities. The Indonesian non-governmental organizations (NGOs/PVOs) are sensitive to this fact."

2) "Second, even if the independence that undergirds concepts of self-reliance was not an important concern, current funding sources are unlikely to be able to respond adequately to the growing financial requirements of an expanding and increasingly effective Indonesian PVO community."

3) "Third, many activities of the Indonesian NGO/PVO community serve powerful democratizing functions by helping assure that people retain the capacity, through community-based activity, to influence not only the course of Indonesian development, but also direction of their lives and futures."

A variety of options are available to NGOs/PVOs seeking increased and diversified funding support. These options might include self-financing through related money-making programs, or contracting their services to government and other entities for pay. The participation of the private, commercial sector, including multinational corporations in providing support is another potential sector. Much circumstantial evidence suggests that financial resources from within Indonesia will increase. Aside from multinational corporations, these resources generally are under the control of wealthy individuals and business conglomerates in the domestic commercial sector, neither of which is currently being asked by the PVO community to contribute to its full capacity. This potential resource could easily assume greater importance, much as it has in some industrialized countries, especially in the United States where corporate and private philanthropy has traditionally played, and continues to play, a crucially important role in sustaining the vitality of the non-profit sector.

While inherently desirable, in practice such a resources transfer is not now taking place to any significant degree in Indonesia. A variety of reasons can be suggested. Indonesia today lacks the tradition, practice and organizational structure that could serve as a catalyst and channel for this kind of resource transfer. The resulting need for procedures and mechanisms to handle resource transfer has been recognized by various Indonesian NGO leaders, who have begun to explore means of addressing the related issues. However, these leaders have comparatively limited experience with private and private-sector fundraising, and only slightly more experience outside their individual organizations in creating structures to manage the broad range of functions and responsibilities affiliated with such undertakings. Moreover, most of these leaders are preoccupied with the ongoing programs and activities of their respective organizations, thus, generally cannot commit the time, energy, and other resources necessary to address the relevant issues meaningfully. Processes, other than those that currently exist, are required to fulfill this function.

An additional need is the need for continuing to strengthen institutional and program development among the Indonesian NGOs/PVOs, both in general and in relation to the resource transfer

function. Indonesian NGOs/PVOs, like their counterparts elsewhere, can use stronger administrative and management structures and more highly trained personnel. But with the focus on fundraising or resource transfer issues, these needs become especially acute. Mechanisms to assist this community of organizations to improve links to private and private-sector financial support, thus, would represent a major contribution to the work of these organizations, as well as to the broader concept of overall private sector support to national development objectives.

The 1986 Betts study recommended an institutional mechanism to address the needs mentioned above. Betts noted:

"If it can be accepted that multiple/parallel approaches will be required to address most effectively the wide range of issues that are involved here, then an integrating mechanism is highly desirable and may well provide a programmatic context that in the long run is more cost effective than [a] series of discrete grants [to individual organizations]. In contrast to that less-structured approach, an alternative is establishing an institutional mechanism specifically to provide a systematic approach to the full range of relevant issues."

He suggested that this mechanism could be created through a new intermediary organization, national in scope but with operations primarily in Jakarta, that would serve as a central coordinating liaison on behalf of Indonesian non-profit organizations interested in cooperation with private individuals and private-sector participants in development activities.

Complementary to Dr. Betts' study, USAID/Jakarta's Office of Voluntary and Humanitarian Programs (VHP) submitted a proposal to USAID/PPC/PRDR under the special provision for the privatization of social services in FY 1989. In early June 1989, the AID Administrator announced that a new fund of \$20 million was to be made available to Missions to specifically fund privatization of social services projects. Missions were urged to be creative regarding approaches to this concern. Thus, VHP developed a proposal for the privatization of social services through the establishment of a private foundation that would seek to tap into local resources to create a fund to support indigenous NGOs in their development programs.

The selection process was quite lengthy. However, there seemed to be some misunderstanding over some of the components proposed and

whether the support for such activities might breach certain OMB strictures on providing support for fundraising. An AID/W memorandum received at the Mission indicated that the proposal submitted went beyond an OMB exception for the, "financing of costs of technical assistance to and training of indigenous overseas organization . . . in the methods and techniques of fundraising." Also mentioned in the memo was that it would be useful to ask OMB for a broader exception from the fundraising restriction since developing the institutional capability of indigenous PVOs to tap local resources gets directly at the issue of sustainability, and more broadly at AID's institution building efforts.

However, in the end, the Mission received a cable indicating that while the proposal received good support, there was no full consensus on whether to fund it or not. The proposal to use USAID resources to support the genesis of a local organization devoted to fundraising for indigenous PVC projects has resurfaced again. USAID/Jakarta intends to forge ahead with the design for such a project and requires guidance on what model is most appropriate to the Indonesian setting, as well as further guidance from AID/W on the most appropriate funding mechanism. Although the Mission would like to see this activity receive funding from AID/W under the special provision for the privatization of social services, if this is not feasible, funding under the new Strengthening Institutional Development (SID) Project would be considered. The Mission's commitment to undertaking this project is strong as it gets at the very root of the problem of PVOs having too much financial dependence on donor organizations, including USAID, thus threatening financial and organizational viability and sustainability.

2. Purpose

The overall purpose of the PVO Privatization of Social Services (PSS) project paper design exercise is to produce a document reflecting two objectives. The first being the strategy the Mission should use in fostering and nurturing the development of the proposed intermediary fundraising foundation. Secondly, the project paper must set down in a detailed, step-by-step manner: a) how the establishment; structure and operational modes of this foundation should be modeled; b) develop the most appropriate fundraising model(s); c) assess and describe the current and possible future relationships between this foundation its clients/recipients, the GOI, foreign donors, private individuals, multi-national corporations, and the domestic commercial sector; and d) provide a schematic assessment of the potential for private contributions to this organization.

October 1, 1990

To: William M. Carter
Andra Corrothers
USAID/Jakarta, VHP

From: John Rigby
Mary Ann Zimmerman

Subject: Privatization of Social Services - Preview Report
(Projects 398-0249.03 and 497-0336)

I. Introduction

This is a preliminary report on A.I.D. and other donor assistance to NGOs to mobilize local funding in developing countries.¹ This report covers document study and personal inquiries undertaken by the PSS design team prior to arrival in Jakarta and commencement of work (October 2). This report will be revised and amplified, as appropriate, after review with the Mission.

Appendix A outlines contacts made as part of this preview effort.

This report is submitted in accordance with paragraph #7 on Page 9 of the Scope of Work, and covers matters indicated there:

- A.I.D.'s worldwide efforts to assist NGOs in generating local resources (Section II);
- Current climate within the U.S. Federal Government concerning funding of such endeavors (covered in the course of Section II); and..
- Other donor assistance for this type of activity (Section III).

II. A.I.D. Efforts to Assist NGO Resource Development

A. Some Preliminary Findings and Conclusions

Our inquiry to date supports findings and conclusions which, in our judgment, may help inform both the content and process for

¹ We use "NGO" here for indigenous non-profit organizations. We are aware of some preference in Indonesia for terms such as "Self-Reliant Community Institutions" (SCIs), or "Lembaga Swadaya Masyarakat" (LSM), or "Lembaga Pengembangan Swadaya Masyarakat" ("LPSM"). We defer "NGO" labeling and typology issues, but acknowledge their substantive importance.

design and development of the proposed PSS Project for Indonesia.

1. There are a few A.I.D. activities (centrally-funded as well as USAID Mission based), of recent vintage, specifically aimed at local resource generation. For the most part, however, A.I.D. efforts in this area are included within broader programs of NGO institutional strengthening and are not aimed primarily at funds mobilization:²

- A.I.D. and USAID programs to increase NGO funds mobilization are usually combined with support of direct project activities, so that there are separate Purpose level indicators for the institution growth (the NGO) and the project benefits;
- While USAIDs tend to promote NGO fund mobilization in terms of diversification (avoiding excess dependencies that impinge on independence), the emphasis remains on improvement of NGO capacity for grantsmanship rather than "privatization" of social services;
- Programs to support "privatization" of NGO efforts are merged with broader efforts to strengthen the program and fiscal management capacity of the organizations;
- Support of NGO fund-raising capacity is increasingly linked to efforts to improve NGO capacity for strategic planning.

2. The term "Privatization", increasingly articulated as part of NGO funding strategy and efforts, is a source of some confusion within A.I.D. programming (and generally) because of its multiple meanings. "Privatization" as a development term-of-art is derived from strategies for private sector assumption of public sector functions (and, of late, refers to functions which many contend should never have been "publicized" in the first place). When applied to NGOs, "privatization" is often read as "commercialization", a concept no less difficult for most NGOs to accept as it is for them to carry out.

3. NGO "privatization" is also beginning, albeit with some caution and subtlety, to be used to connote "democratization" -- with private citizens assuming decision-making authority as well

² In LogFrames, references to A.I.D. support of NGO fund mobilization capacity is far more likely to be found at the Output level than at either the Purpose or Input levels.

as some financial underwriting with respect to development activities affecting them. USAID Missions adopting this approach (e.g., USAID/Malawi, in the "SHARED" Project going on stream in October 1990) are approaching this with great care lest potential long-term NGO financial gains be offset or even pre-empted by nearer-term losses in autonomy through limitations imposed by Government authorities viewing "democratization" from a different perspective.

4. A.I.D. and USAID design and implementation of programs supporting NGO financial autonomy have highlighted, and at times have even tended to exacerbate, some tensions between indigenous NGOs and external PVOs. For example:

- Use of external PVOs as financial intermediaries (e.g., through block grants) for NGOs generates concern by the NGOs as to their independence;
- Conversely, even external PVOs dedicated to partnership relationships and supportive of NGO independence have not all handled well the "passage" to status of diminished importance to most donors.³

5. In recent years, USAID programs for NGO-support have often opted for an "umbrella" approach, managed by either a "lead PVO" or a "PVO umbrella", with the latter usually in association with an existing or emerging NGO council or coordinating consortium.⁴ For the most part, the implementing mechanisms employed by A.I.D. and USAIDs have tended to be oriented to and managed by representatives from the recipient groups themselves, i.e., the NGO/PVO communities.

6. While USAID NGO/PVO financial support programs do not provide clear "models" for the financial mobilization program

³ Other significant "tensions" observed in NGO-PVO support projects involving financial intermediation (and presumably present in Indonesia) include (a) those between "development"-oriented PVOs/NGOs and the "natural resource" PVOs/NGOs, and (b) those among different layers and types of indigenous NGOs independently of their relationships with external PVOs.

⁴ USAIDs use the term "umbrella" in two senses: (i) an umbrella program approach, involving a multiplicity of grants or sub-grants under a common management structure, and (ii) an umbrella organization, a membership/consortium NGO providing coordination and services for its members. In some countries there have been local concerns that USAID "umbrella" programs may supplant local "umbrella" organizations.

proposed for Indonesia, the experience of the financial support programs suggests that the mobilization effort might take one of three basically different shapes: its orientation (i.e., its "owners" or "clients") could be dominated (a) by the NGOs themselves; (b) by the hoped for funding sources; or (c) by a combination of (a) and (b). Election among these options yields important implications of governance, structure, and operation.

B. Specific A.I.D. and USAID Activities

We describe below in very summary fashion the range and elements of the A.I.D. and USAID experience feeding into the conclusions reached above. We can elaborate, as needed, on the specific features of the activities described below which caught our attention and influenced our views.

1. Specific Examples of Social Service "Privatization"

(a) A.I.D./Washington: PRE Social Service "Privatization" Program: This Program (described at pages 3-4 of the PSS Scope of Work) has already committed its full \$20 million. While A.I.D./W will continue to monitor projects already approved, no further funds for this program are expected. The program was spawned by the specific interest of the late Administrator, Alan Woods. While Administrator Roskins is not interrupting the on-going management role for the Program, it seems quite clear that the Administrator does not support further funding. Program implementation is sufficiently new that judgment of success or failure would be premature.

(b) Some Specific USAID Examples: There are myriad instances of A.I.D. forming and supporting non-governmental organizations (research foundations, institutes, etc.) to carry on public-sector program activities usually associated (in the subject countries, at least) with Government role. Over the past several years, there are examples of USAIDs supporting some of these institutions (usually spawned by early USAID support) in securing long term financial viability through more market-oriented approaches, usually in terms of sale of products and services and/or establishing cost-recovery procedures. Potentially relevant examples are a USAID/Egypt cost-recovery-for-health project, a USAID/Malawi project aimed at financial viability for a small enterprise support institute, and a USAID/ROCAP project designed for financial viability of a regional nutritional institute based in Guatemala. (See also, in paragraph #5, below, concerning USAIDs' support of institution's financial development officers in conjunction with endowment match strategies.)

2. NGO (and PVO) "Umbrella" Projects

USAID/Jakarta is clearly conversant with the history and general

status of A.I.D. and USAID support of NGO and PVO "umbrella" projects. (See, also, Sections II.A. 4 and 5, above.) Different approaches to mechanisms for NGO/PVO support have been followed over the years within the different A.I.D. regions:

- The Asia Bureau, which pioneered in Mission-managed NGO/PVO support programs (particularly Indonesia, Bangladesh, and the Philippines), mostly managed the projects through Mission facilities; after years of experience and growth of "client" NGOs, block grant mechanisms have been channelled through the more mature NGOs for use by newer, smaller, NGOs;
- The LAC Bureau has tended to channel its Mission-based funding for NGOs through pre-existing indigenous consortia of NGOs, with the members of the consortia often being the prime recipients of the grant funding, either for their own activities or as channels to local community ("base") groups;
- The Africa Bureau has tended to channel its Mission-based funding for NGOs through U.S. PVOs designated as "lead PVOs", or through PVO or private firm contractors, competitively selected, that operate grant management units, administering program grants and technical assistance support activities for NGOs (and, occasionally, for other U.S. PVOs).

The Regional differences in NGO support approaches have blurred somewhat in recent years as most NGO support programs world-wide have reflected (a) decreased domination of project-specific support funding, and (b) increased emphasis on NGO institutional strengthening funding and technical assistance. In virtually all instances, the NGO support programs for all regions for at least the past five years have had major emphasis on the management and systems capacity for diversity and sustainability of NGO funding. At the same time, in virtually none of the NGO support programs (including the most recent ones and those currently under design) has there emerged a recognized "model" for sustainability of the intermediation (or "umbrella") function itself.

¹ LAC Mission funding of NGOs is quite similar in many respects to the early (e.g., 1972 - 1982) A.I.D./Washington funding of U.S. PVOs through their membership consortia PACT and CODEL.

3. Support of United Way Approaches

Specific attention, for PSS design purposes, should be paid to the fact of A.I.D. support of application to developing countries of the United Way approach. (Note: we do not here attempt to assess the direct applicability to Indonesia of United Way or its approach; our intention here is simply to identify this as an example of A.I.D. support of resource mobilization efforts.)

A.I.D. (through USAID/Jamaica) has provided specific funding to United Way International to undertake activities in Jamaica. Interestingly, the funding (a \$2 million grant) was ostensibly for direct project coordination and operation activities (for small farmer/fishers/craftspeople adversely affected by the 1989 hurricane, and skills training for micro-enterprise), somewhat masking the local resource mobilization role and running directly contrary to United Way's professed policy of avoiding a project implementation role.

A.I.D. funding (through the intermediary Gray Amendment firm, DATEX), has in 1990 extended in grant form to United Way International for a preliminary design study and technical assistance to local interest groups in Botswana, with a view to possible formulation of a Botswana version of United Way.

4. A.I.D. Support of TA for NGO Fundraising

The 1986 Betts study illustrated the A.I.D.-PVO role in technical assistance to NGOs to secure capacity for resource (funds) development. As noted above in Section II.B.2, virtually all Mission-funded NGO/PVO "umbrella" support programs include grant and technical assistance support for fund-raising activities. Centrally-funded programs through FVA/PVC (particularly PACT) include sub-grant mechanisms for NGO skills development in specific fund-raising strategies and techniques.

There is a general prohibition against use of A.I.D. (or other Federal) funds directly for fundraising. The prohibition is found in the Office of Management and Budget Circular A-122, "Cost Principles for Nonprofit Organizations". However, OMB and A.I.D. clearly permit use of A.I.D. funds for technical assistance and support to NGOs in improving their fundraising capacity. The most recent ruling on this, in a November 1988 letter from OMB to A.I.D., is annexed as Appendix B.

5. Growth of A.I.D. "Endowment" Projects

A.I.D. has funded various forms of endowments over the years, although dollar endowments have usually followed specific Congressional approval. In the past four years, there has been a surge of interest by A.I.D. and USAIDs in endowment funding,

mostly with local currencies (PL-480 and ESF), and mostly in LAC Region. Most of the recent interest has centered on funding of non-governmental foundations involved in agriculture research and education. (In 1990, renewed interest in endowments has been shown in Africa -- e.g., USAID/Kenya, USAID/Malawi, USAID/Pretoria-- and in Asia -- e.g., USAID/Philippines and, through PSS, USAID/Indonesia). Sectoral interests have expanded to health/nutrition, small enterprise promotion, and natural resource management. The impetus for the latter has been the emergence of debt swap transactions (particularly debt-for-nature swaps), and the 1989 Foreign Assistance Act amendment (Section 584) specifically authorizing interest earnings on nongovernmental organization endowments capitalized through debt-for-development and debt-for-nature transactions.

A recent draft of a C.D.I.E. report on the nature and extent of growing A.I.D. interest in endowment funding is being submitted to VHP along with this PSS Preview Report.

In the case of the endowments established in 1988-1990 in Ecuador and Honduras for agriculture research and education, concurrent USAID grant funding was provided for institutional development including capacity (including use of the grant funds for resource "development" staff) to meet matching fund requirements established by the endowment approvals.

While A.I.D. has not yet set down basic guidelines concerning endowment funding, there are certain common elements in the endowment funds approved by USAIDs and A.I.D. over the past several years:

- Acceptable level of competence and reliability (a) of the institutional trustees, and (b) of the organization's management team and systems;
- Establishment of safeguards against dilution or diversion of endowment funds;
- Requirement of some level of further endowment growth through matching fund (or parallel endowment funding) mechanisms;
- Some flexibility in endowment administration (and/or currency convertibility) to try to avoid fund decapitalization through inflation;
- Some on-going USAID leverage through concurrent grant funding (usually through the first three to five years of the endowment);
and

- Sufficiently competent financial projections and reasonable expectation that the endowment will contribute to long-term financial viability.

There is a general belief within A.I.D. that endowment funds can not be established with appropriated dollars unless there is specific Congressional authorization.⁶ This theory derives not from specific legislative provisions but from GAO/OMB theories of Constitutional separation of powers (i.e., Executive Branch agencies can not "augment" Congressional appropriations by generating interest on appropriated funds). Thus, virtually all of the A.I.D.-funded endowments are financed with local currencies (e.g., PL-480, ESF). Dollar endowments (e.g., debt-for-development or debt-for-nature endowments) have specific Congressional approval. However, it is likely that the limitation on use of appropriated dollars for endowments will be reviewed by A.I.D. this year, with some easing of the limitation either administratively or pressed by A.I.D. with Congress.

6. A.I.D. Support for NGO Venture Development

There is at least one example where A.I.D. funding (central funds, through an S+T cooperative agreement with Appropriate Technology International) has been authorized for establishment, through subgrants with indigenous NGOs, of venture capital funds in which the NGOs would secure an equity interest.⁷ These funds were initially established in the mid-1980s in Asia (including in Indonesia with Yayasan Dian Desa and in the Philippines through the Filipinas Foundation), and the theory was in part to enable the NGO to maintain quality control on productive technologies but also, in part, to provide a sustaining stream of income for the NGOs. ATI has expanded its venture fund approach to Thailand, Sri Lanka, and Kenya. As of this point, it seems established that the A.I.D. funds were legitimately converted to equity shares for the subgrant recipients (although it has not yet been established that the approach will be financially successful).

⁶ There is (not surprisingly) some dispute among the lawyers, including within A.I.D.'s General Counsel Office, on this point.

⁷ See, also, Betts report discussion (p.) of venture fund in health technologies of PATH/PIACT.

4/11

III. Other Donor Assistance

A. NGO "Umbrella" Support Activities of Multi-Laterals

In 1986 the UNDP established a separate office in its New York headquarters for NGO support and has begun to develop a series of NGO institutional development support programs. These programs are modest in scope (currently in the range of \$2 million - \$3 million annually in Africa, although larger projects now in design), and are targeted mostly at strengthening of indigenous consortia and coordinating groups for NGOs. Specific project funding is limited, with the greater emphasis being on management and skills development, including NGO capacity for fund-raising. (In the Africa cases examined, the UNDP support of NGO fund-raising assumes most funds being raised through grant and contract negotiation and through market-oriented activities of the NGOs.)

The World Bank has also commenced, but on an even more modest scale than the UNDP, programs intended more directly to support NGOs and including overall institutional strengthening and capacity building. The first of such projects is underway in Togo, and another is about to commence in the Gambia. The World Bank's relatively new (vintage 1987) program coordinating office for NGOs is now studying a strategy with specific project implementation for strengthening of NGOs as an instrument to carry out program activities under the aegis of "Social Dimensions of Adjustment." The first such project under active design would be for Ecuador, and (in its current version) would include funding for NGO development of long-term private sector funding generation, linked to market-oriented services and activities by the NGO (e.g., in agribusiness such as food processing, ag input distribution, etc.). The design team completed the first field study in mid-September 1990, so there is as yet little more than an idea to report.

B. U.S. Foundations

We have found two specific examples of U.S. foundation support for fund-raising activities of organizations working in international development. The Lilly Endowment continues a practice (commenced over ten years ago) of providing specific financial support to U.S. PVOs for fund-raising activities, including funding to the PVOs to purchase/lease mailing lists for direct solicitation (usually for test marketing as part of a long-term strategy of upgrading the PVO's fund-raising approaches).

The Kettering Foundation in 1988 made a \$1 million grant (still in operation, to continue until mid-1991) to the International Council on Adult Education to help the world-wide consortium and

its constituent members (including from some 40 developing countries) to develop long-term financial viability. The funding has been used for hiring of fund-raising consultants to assist both the consortium organization (and, to date, several of the larger members) to structure capital funds and to initiate capital campaigns. Training of executives of the constituent members in fund-raising (including capital funds) has also been provided.

C. Potential U.S. "Models"

Several potentially relevant "models" for support activities (and mechanisms) of NGOs working domestically in the U.S. may warrant consideration:

- Private and corporate foundations in the United States have established and maintained the Foundation Center, to assist and regularize ("professionalize") the fund-raising activities of non-profit organizations. The Center is available to non-profits for research on grant-making histories and requirements of virtually all U.S. foundations; the foundations maintain this on the theory that it is in their interest that funding applications be well formed and relevant to the foundations' interests.
- A large number of non-profit organizations in the Washington, D.C. area have formed the Washington Council of Agencies (patterned after comparable Councils and a network of Non-Profit Support Centers around the U.S.), whose principal purpose is to assist non-profits understand and pursue the grantsperson role. The Council also (and in conjunction with colleague Councils) alerts members (short of direct Legislative and Executive Branch lobbying) to pending legislation or administrative actions likely to constrain general public fund-raising.
- An increasing number of U.S. universities (e.g., New York University, Yale University) have -- with U.S. foundation funding support -- established non-profit "Entrepreneur Centers" and programs to assist non-profit organizations secure long-term financial support through equity positions in businesses, related to their charitable

purposes.

* Illustrative of the emerging field of "nonprofit entrepreneurship" is a list of recent book titles: "Converting to For-Profit Status: Corporate Responsiveness to Radical Change"; "Enterprise In Religious Organizations"; "'The Millionaire' Revisited: Lessons from a Nonprofit Venture Capital Program."

List of Washington Contacts During PSS Design Preview Work
 John Rigby, Mary Ann Zimmerman, Jason Vourvoulias
 September 24-September 29, 1990

A.I.D.

Robert Friedline, Action Group for Private Provision of
 Social Services, PRE

Thomas Geiger, LAC Office of General Counsel

Gary Hansen, Center for Development Information and
 Evaluation

Mary Lee MacIntyre, Office of Private and Voluntary
 Cooperation

Renee Matalon, Office of General Counsel

Other

Nan Borton (PACT - InterAction)

Richard Edwards, World Wildlife Fund

Thomas Fox, World Resources Institute (former PVC)

Rita Gibbons, PACT

Carolyn Long, InterAction

Andrew McGuire, Appropriate Technology International (ATI)

Halida Miljani, Commercial Attache, Embassy of Indonesia

Barry Nickelsberg, The Funding Center (private firm)

Dr. Len Oliver, Oliver Associates (private fundraising firm)

Carl Reinhardt, Overseas Private Insurance Corporation
 (OPIC)

Theresa Siegl, Council on Foundations

Dianna Torres, United Way International

Howard A. Wallack, Center for International Private
 Enterprise

James Watson, The Center for Privatization

NOV 18 1988

Mr. Richard E. Bissell
Assistant Administrator for Program
and Policy Coordination
Agency for International Development
320 - 21st Street, N.W.
Room 394 N.S.
Washington, D.C. 20523

ATTACHMENT 2

Page 13

Dear Mr. Bissell:

This is in reply to your memorandum of August 22, 1988, to Palmer Marcantonio, concerning fundraising efforts of AID supported indigenous organizations. You asked whether certain costs related to fundraising efforts were allowable under the provisions of Circular A-122 "Cost Principles for Nonprofit Organizations."

Item 19 of Attachment B to Circular A-122 makes unallowable the following costs in connection with U.S. government grants to private organizations:

"Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions"

We do not believe this should be interpreted to prohibit AID from financing the costs of technical assistance to and training of indigenous overseas organizations and their affiliates (organizations owned or controlled by such indigenous organization) in the methods and techniques of fundraising. Assistance to increase the capabilities of such organization to raise capital such as those you propose: i.e., seminars and workshops in fundraising techniques, assistance in proposal writing, and advice on the fundraising industry in general, including methods of selecting potential donors, presenting proposals to such donors and contracting with fundraising agents, would not fall within the scope of the Circular A-122 prohibition. Such activities focus as much or more on the capability of the organization to achieve self-sufficiency as on the direct solicitation of capital or contributions. Thus, they are not incurred "solely to raise capital or contributions" within the meaning of Circular A-122.

Sincerely,

/s/

Jimmie D. Brown
Chief, Financial Systems and
Policy Branch

cc: Mr. Clifford Brown
State Department/AID

So
KCP

List of Persons Contacted

(Draft as of 11/02/90 -- to be further edited and alphabetized)

Government of Indonesia:

Ministry of Population and the Environment
Dr. Emil Salim, President

Departemen Sosial (Social Affairs)
B. Parmanto, Director, Social Resources

Ministry for Administrative Reform
Sarwono Kusumaatmaja, State Minister

National Administrative Agency
Kristiadi, Director

Ministry of Finance, Tax Administration
Dr. Mar'ie Muhammed, Director
Drs. Malamar, Deputy Director

U.S. Advisors:

David B. Robison (U.S. Internal Revenue Service), IRS Project Team Leader
Robert B. Uhar, Jr., Tax Administration Advisor

Dirjen Sospol Depdagri (Home Affairs)
Harisoegiman, Social/Political Office
Soewarno

USAID/Jakarta

Lee Twentyman, Deputy Director
Paul Scott, Legal Advisor
William Carter, VHP
Andra Corrothers, VHP
George Lewis, Office of Program and Project Support
Edward H. Greeley, Office of Program and Project Support
Juanita A. Darmono, Office of Program and Project Support
James Watson, Private Sector
John Rogers, Private Sector
Lee Ann Ross, Eco
Marcus Stevenson, Contracts Office

Non-Governmental Organizations -- Indonesian

JAKARTA

Bina Desa

Kartjono, Executive Director

Dana Mitra Lingkungan (DML)

Prof. Dr. Sumitro Djojohadikusumo, Chairman, Board of Trustees

Wisaksono Noeradi, President, Executive Board

K.T. Sudarto, Communications Coordinator

I.G. Komasurya, Secretary of Executive Board

Forum Indonesia untuk Swadaya Kependudukan (FISKA)

Dr. D.R. Mahar Mardjono, President, Board of Directors

Mustapha Affif, Executive Director

HIPA-KLH

Maftuchah Yusuf

IPADI

Kartomo Wirosuhardjo

Lembaga Bantuan Hukum Indonesia (LBH)

Abdul Hakim G. Nusantara, Chairman

Heppi Wicaksono, Resource Development Director

Adam Malik Foundation

T.K. Adhyatman, Secretary General

Jam'iyah Nahdlatul Ulama (NU)

Dr. A.R. Wahid, President

Said Budiary, Lakpesdam

Ermalena, Fatayat

Abdoel Djlal, LKK

Perhimpunan Pengembangan Pesantren & Masyarakat (P3M)

M. Nashihin Hasan, Executive Director

Perkumpulan Keluarga Berencana Indonesia (PKBI)

Abdullah Syarwani, Executive Director

PSE-KWI (Indonesian Bishop's Council)

Father Turang

Wahana Lingkungan Hidup Indonesia (WALHI)

Alex Yusufardi

Dimitris Theodorou

YAKOMA

Indera Nababan, Director

YKAI

Panji Putranto
Lily Rilantono

YKM

Ny. Hamid Bardjowi

YLKI

Mei Mei Komariah

SOLO:

LPTP

Hari Muyadi
Amina

YIS (Yayasan Indonesia Sejahtera)

Dr. I.G. Ambar Yoewana, Director

YOGYAKARTA

Yasanti

Budi Wahyuni

PKBI-Yogya

Pandu K. Hadi, Director

Sahabat Remja

Denny

YPB (Yayasan Pengembangan Budaya)

Lab. Dakwah-Shalahuddin

Effendi Ishak

YAPSIM (Yayasan Putra Indonesia Membangun)

Fadhillah M.
Zainal Arifin

Yayasan Desa Bina

Muslikmin Kusand

Yayasan Trisna Karya

Amir Pansur

Yayasan Patria Nusantara

Dian Desa

Anton Soedjarwo, Director
Christine, Deputy Director

UJUNG PANDANG

YLK Sulawesi Selatan
Zohra Andi Baso
Dra. Ny. Johanna A. Muis

LPPM (Lembaga Pengabdian Pada Masyarakat)
Prof. Dr. Samuel Sangka, MSME, Ketua

LP3M (Lembaga Pengkajian Pembangunan Pedesaan & Masyarakat)
Sufri Laude, Director

LEKMAS (Lembaga Kajian Masyarakat)
Bachtiar Mashud

WAPI

YBTTI

YPSM

Fatayat

Yayasan Bulukuny

Non-Governmental Organizations -- (non-Indonesian)

JAKARTA

The Asia Foundation (TAF)
Dr. Gordon R. Hein, Representative

Asian American Free Labor Institute (AAFLI)
Jeffrey D. Ballinger, Country Program Officer

Catholic Relief Services
Daly Belgasmi, Country Representative
Kristanto Sinandang, Program Director

The Ford Foundation
Dr. David Winder, Representative for Southeast Asia
Bianti Djiwandono

Oxfam
Richard Manning, Country Representative

Private Agencies Collaborating Together (PACT)
J. Victor Bottini, PACT Representative
Jacob Pfohl, Deputy Executive Director (USA)

Program for Appropriate Technology in Health (PATH)
Leona D'Agnes, Country Representative

UJUNG PANDANG

CARE
Brian Jones, Representative

Other:

United Nations Development Program
Christina E. Juchniewicz

International Labor Organization
Jaime Cortes

World Bank
Willem Struben

Businesses:

JAKARTA

PT Usaha Sistim Infomasi Jaya/IBM
IG.M. Mantera, Ph.D.

AMCHAM
James Castle
Laure Sinclair

KADIN

General Electric Aircraft Engines Group
Bruce H. Charnley, Indonesia Country Manager
John W. Tenhundfeld, Manager/International Market Development

PT International Chemical Industrial Co, Ltd
Pudjiono Dionegoro, Director/General Manager
H.S. Adiwibawa, Import/Export Manager

PT International Nickel Indonesia
B.N. Wahju, Vice President & Secretary
Dr. Usman Effendi, Director, Government Relations

Nike, Inc

John R. Woodman, General Manager

PT Bristol Myers Indonesia
Nicolas Pataky, President Director

The Astra Group - Soertadjaja Group
Summa Group - Soertadjaja Group
Dr. Gunarso Laksmono, President Director
Widjanarico Puspoy, Direktur Muda
Magdalena Wenas, P.R. General Manager (Bank Summa)

Karwell Group
Hendrawan (Hadi) Rush, Executive Director
Tony Kam, Merchandising Manager

Group CCM
PT Nagasaki Paramashoes Industry
IR. Donatus Dipontoro, Director of CCM
Prodjo Suwaryanto, Director, PT Nagasaki

PT Colgate-Palmolive Indonesia
Chico Bernal, General Manager

Bank of America
Fred Pascher, Vice President, Operations

PT Warner-Lambert, Indonesia
Paul R. Latchem, President Director
Drs. Ika Kuntari Siagian, Human Resources and Administrative
Director
Andreas Halim, Marketing Director, Pharmaceutical

Citibank
Darrel E. Carver, Vice President

SOLO

Matari, Inc
Subandi Kartoatmodjo

YOGYAKARTA

Mara Advertising
S. Djarot Soediroprono
Aamito Tistomo

Sapto Hudoya Art Gallery
Sapto Hudoya

PT Mirolta
Siswanto H.S., Direktur Utama

63

UJUNG PANDANG

Matari, Inc
William Hany Baon

Toyota
H.M. Yusuf Kalla

Bosowa Group
PT Bosowa Berlian Motors
Drs. M. Said Sutte, Executive Sect
Abd. Rahman At, Direktur
Achmed Manjingari B Sc, Direktur (Berlian Motors)

Rotary Club
Husny Yachya, President
Jusuf Sikado H.M.
A.J. Usman
Dr. Abdullah Baasir
Dr. Karsono Moeljo

Pedoman Rakyat
Nurdin Mangkana, S.H.

Antique & Souvenir Businessman Assn. Indonesia
M. Ilyas Amin SH.
Abd. Rauf Nyarrang

56

Documents/Materials Reviewed

[Draft list as of 11/1/90 -- to be edited and alphabetized]

Primary Documents:

Aditjondro, George J., "Networking to Promote, or to Control Indonesian NGOs? Questions Concerning the Networking and Coordinating Rush Among Jakarta-Based NGOs, Ministries and Donor Agencies", YPMD-IRJA, Jayapura, March 1987

Betts, Russell H. (Team Leader), "A Strategic Assessment of NGO Development in Indonesia: The AID Co-Financing Project", DAI, October 1987

Betts, Russell H., "Institutional Mechanisms to Raise Funds for Indonesian Private Voluntary Organizations", DAI, February 1986

Brown, Clifford H., Memorandum on Fundraising, REDSO/ESA?RLA, March 26, 1990

Cotter, Jim, "USAID-Financed PVO Co-Financing Projects in the Philippines and Indonesia: Reshaping the Terms of PVO Collaboration", December 1988

Eldridge, Philip, "NGOs and the State in Indonesia", PRISMA 47, 1988

English translation of Act of the Republic of Indonesia, Number 6, 1974, Concerning Basic Provision of Social Welfare

Hansen, Gary, "Endowments for Sustainability", A.I.D. Evaluation News, July-August 1990

Hansen, Gary E., "Terms of Endowment - A New A.I.D. Approach to Institutional Development", A.I.D. Center for Development Information and Evaluation, Draft, June 1990

Hobohm, Sarwar, Indonesia to 1993 - Breakthrough In The Balance, Special Report No. 2012, EIU Economic Prospects Series, The Economist Intelligence Unit, 1989

Indonesia, A Country Study, Area Handbook Series, U.S. State Department, 1983

Indonesia Country Profile 1990-1991, Annual Survey of Political and Economic Background, The Economist Intelligence Unit, London, August 1990

Indonesia Corporate Update Program - Indonesia Corporate Alert, Resource Development Consultants (REDECON), Jakarta, September

- 51

1990

Indonesia Corporate Update Program, " August 1989

Indonesia Forecasting Seminar, "Planning for the '90s in Indonesia: The Business Environment and the Implications", Background Paper, Resource Development Consultants (REDECON), Jakarta, May 1989

Korten, David C., USAID/Jakarta PVO/NGO Issues Paper, July 6, 1987

Ministerial Instruction No. 8 for 1990 Concerning the Support of LSMs, Home Affairs Ministry, March 1990

Noeradi, Wisaksono, "Waiting for the Durian To Fall...", Paper presented at Bangkok Symposium on "Organized Private Philanthropy In East and Southeast Asia," (Columbia University East Asian Institute, Ford Foundation, Rockefeller Foundation, Rockefeller Brothers Fund), August 1989.

PACT, "Asian Linkages: NGO Collaboration in the 1990s - A Five-Country Study", 1989

Statistik Indonesia, Statistical Year Book of Indonesia, 1989, Biro Pusat Statistik

** (internal document, may want to eliminate on list) Purnomo, Agus, Erna Witoelar, Martha Belcher, "Institutional Strengthening of Environmental Non-Governmental Organizations: The Indonesian Case", ANGO and Asian Development Bank, May 1989**

Soeryadjaya, Edward, "Forming Strategic Alliances In The Indonesian Banking Sector: A Case Study on Bank Summa", PT Astra International/Bank Summa, Paper for 1990 Symposium of Asian Chief Executives, Hong Kong (October 1990)

Taylor, Alan, "NGO Management Development in Indonesia: Discussion Paper and Proposal", Oxfam-UK, 11 August 1986

USAID, Annual Budget Submission, FY 1991, Indonesia, July 1989

USAID, Annual Budget Submission, FY 1992, Indonesia, July 1990

USAID, Country Development Strategy Statement, FY 1986, Indonesia, January 1984

USAID, Management Action Plan, Indonesia, April 1989

Valikiotis, Michael, "The Charity Business", Far Eastern Economic Review, October 1990

Witjes, Ben, "The Indonesian Law on Social Organizations: A Study of the Sociopolitical Context and the Consequences for Indonesian and Foreign NGOs", Nijmegen, April 1987

** (internal document--may want to eliminate on list) Witoelar, Erna, Agus Purnomo and Mark Foster, "Roles of Indonesian Non Governmental Development-Oriented Organizationa and U.S. Private Voluntary Organizations: Future Trends and Potentials", PACT, September 1988**

Secondary Documents:

ANGOC/Bina Desa, "A perspective on the State of NGOs in Rural Develoment: Indonesia", 1988

Bonner, Raymond, "The New Order, A Reporter at Large", The New Yorker, June 6 and 13, 1988

(English translation of NGO Workshops On Training and Mobilization of Resources), Laporan Temukarvan Pengembangan Dan Pendayagunaan Sumber Sumber Pelatihan LPSM/LSM, 1985

INGO (International NGO Forum On Indonesia), Aide Memoire, Sixth INGO Conference, 9 - 11 April 1990 (Bonn, Germany)

Institute of Family Welfare: Nahdlatul Ulama (NU), Proposal on Mudzakah for Religious Leader on Family Planning

Jones, Earl and John Rigby, "A Proposal for Development Endowment Assistance for the Honduran Agricultural Research hFoundation (FHIA), Development Associates, November 27, 1989

(NGO Directory), Dafter Alamat NGO Diluar-Negeri, 1986

Organization Publications, Reports from:

- Dana Mitra Lingkungan (DML)
- Perhimpunan Pengembangan Pesantren & Masyarakat (P3M)
- Jam'iyah Nahdlatul Ulama (NU)
(Also sub-units:
 - o Institute of Family Welfare (Lembaga kemaslahatan Keluarga Hahdlatul Ulama, (LKKNU))

- o Young Women of NU (Fatayat NU)
- LPPS (Caritas Indonesia)
- Catholic Relief Services (USCC)
- Bishops' Conference of Indonesia
- Perkumpulan Keluarga Berencana Indonesia (PKBI)
- Forum Indonesia untuk Swadaya Kependudukan (FISKA)
- Dian Desa
- Yayasan Indonesia Sejahtera (YIS)
- Lembaga Pengembangan Teknologi Pedesaan (LPTP)
- LP3M
- Credit Union Coordination of Indonesia
- Indonesian Planned Parenthood Association, Yogya Chapter
- YLK Sul-SEL (Yayasan Lembaga Konsumen Sulawesi-Seletan)

Participation of NGOs In The National Development Process In Indonesia, Seminar Report (Ministry of State for Population and the Environment, World Bank, Ford Foundation), February 1985.

Project Document for The Indonesian Enterprise and Trade Development Foundation, NCBA-CBI with Department of Cooperatives (Government of Indonesia), 1988

Purnomo, Agus, Surya Witoelar, Craig Thorburn, "Evaluation: Block Grant for Strengthening Indonesian LPSMs", The Asia Foundation, Jan-May 1986

Report On Management Development Programs For Indonesian Non Government Organizations, Bina Swadaya-PKBI-P3M-WALHI-YIS, with Manitoba Institute of Management, December 1986

Romashko, Tania, Malcolm Young, Thomas Morris, Evaluation of PRE Cooperative Agreement In Support of Cooperative Business International, Development Associates, Inc., April 1989.

Rudel, Ludwig, "Prospects for a US-India Bi-National Foundation", Development Associates, Inc, May 20, 1983

USAID, "Description of Active PVO Subprojects (as of September 30, 1990), Private Voluntary Organizations (PVOs) Co-Financing II Project, Indonesia

USAID, "Privatization of Social Services" Proposal, Indonesia, June 30, 1989

Various articles, Prisma (LP3ES)

- March 1980
"Community Participation and the Role of Voluntary Agencies In Indonesia", Glen Williams

"People's Participation At The Local Level",
Soetjipto Wirosardjono
"Worker Participation In Socio-Economic
Development", Dr. Albert Widjaya

- June 1983
(8 articles on NGOs in Indonesia)
- June 1988
(8 articles on NGOs in Indonesia)

YPMD Irian Jaya, "The Utilization of MAF Block Grant for NGO-
Projects in Irian Jaya, Maluku and Sulawesi in FY 1986/87",
Jayapura, February 1987

Examples of Private Resource Mobilization

[The following is a listing of some of the specific references during study team interviews of NGO private sector resource mobilization activities undertaken in Indonesia within the past two years. (See, also, references to DML, FISKA, LBH, and other efforts in the Report Text.)]

PATH project to start Ad Council; composed of Ministry of Health, P3I (advertising association with over 20 members), advertisers (several including Rotary), and media house organization (with over 100 members); first campaign will be on immunization.

Bank loaned person to national NGO to improve financial reporting

Bank Summa and NU have entered into joint venture (through holding company, NUSUMMA, owned 60% by NU and 40% by Summa) to establish banks at sub-District level (up to 2,000 over next decade), with provision for local citizen buy-out; Bank Summa providing pro bono training assistance to NU in developing 2000 rural credit banks over 20 years; 250M Rp (\$125K) bank investment per rural credit bank; strong support to religious groups

Formalized council in Aceh, government controlled, receives contributions from multinationals such as Kraft, LNG, Mobil, for distribution to LSMs in social/community development

"Bapak Angkat" (a foster parent program through the Director General, Dept of Small Industry and Trade) set up program 3 years ago to encourage factories to work with small groups of skilled workers to become local parts suppliers; factories to provide capital and technical training; group provides factory with spare parts - no inputs on results

Steel company helping with small scale industrial development by helping existing businesses improve quality of products

Zakat mechanism attempted at steel company (but not successful): 60% to go to Regency and Provincial Government for social work per local regulation, remainder to other development activities around factory

Some large business firms operating in Indonesia have initiated contact with Oxfam inquiring about process for donating funds

LPPS (Caritas-Indonesia) has been working with Association of National Banks of Indonesia on training to start people credit banks

Enterprises owned by government must contribute 10-20% of proceeds for development of people around enterprises; influence

non government owned businesses; money goes to big yayasans

Local pharmaceutical company provides management support to villagers in specialized ironwork home industry, helping to form cooperative

Local pharmaceutical firm helped to build yayasan run hospital; provides management assistance, sends staff for overseas training

Several businesses provide funds to YPMS (Chinese-based yayasan helping poor, providing disaster relief)

Many companies support individual orphanages in local communities

Local advertising firm referred group with literacy project to other businesses for support

NGO approached multinational oil firm; found them more interested in charity or vocational training

NGO in NTT trying to involve local business with regency level of government in regional economic development planning; business to help with environmental scanning, better economic strategy, funding

NGO working with Bank Indonesia in self help banks (GTZ funds)

Regional firm gives donation every month towards security in neighborhood surrounding factory; annual plan for giving; building mosque in community; donate packages of product to health clinics in several villages

Many firms give small donations for festivals, proclamations, etc

Some founders of one regional NGO socially conscious business people

Many business contributions through dinners sponsored by high ranking government officials--such as for sporting events

Flour/sugar distributor collects 100 or 500 Rp for each 100kg of sugar/flour sold; 7M Rp/month collected; coordinated through government to Bank BuKopin for village lending

Major firm has social budget; gives to religious/educational activities

Major firm has social budget; no priorities for allocation, but give to social not developmental activities

Newspaper makes small contributions on incidental basis;

62

sponsored scholarship program (elementary, high school) for one year

Multinational loans/donates equipment, provides management assistance to organizations involved in cultural restoration, education, agriculture, social welfare/development, as well as sponsorships and some donations; approximately \$500,000 (?) per year; under \$40,000, local approval

Some construction/building contractors and consulting firms have supported national NGO network programs

Multinational makes contributions in the areas of education and health for children, some through the ministry of Science and Technology, one through a university, and with Operation Hope

Mining firm has provided scholarships to employees and dependents; built and equipped a school; contributed to several yayasans; built hospital, supporting PVO health programs, community based chicken and livestock programs, cooperative training programs; Jakarta symphony, sports events. Most of activity based in area of mining activity

Multinational makes contributions through foreign pharmaceutical company association; support to international PVO; PAT for oral rehydration program; 3 employee cooperatives (per govt)

Textile firm gives unspecified amount to health and education activities; rice contribution/religious contribution; equity contribution to cooperatives (per govt)

Bank has made some contributions to sports activities and tourist promotions

Multinational has supported some special interest situations - emergency situations; special medical training in conjunction with 20th Indonesian independence; through foreign pharmaceutical company association

E. Java: hospital built in 6 months with local resources and contributions (50 rooms/adults, 40 beds/youth); cost 260M Rp (\$130K); local shoemaker donated ambulance; auto dealer gave 8 month no interest loan for operating costs (500M Rp - \$250K); list contributors on plaque; NGO organized effort and bought land

C. Java: NGO joined with government/party to gather 126M Rp (\$63K) in 2 months; money given to improve education (schools, etc)

Jimpitan: in rural women's groups decide, for example, to collect one handful of rice/member each day, sell bags gathered each

month, use proceeds to pay for activities of organization

Arisan: usually among group of women; 1/month put together resources (money, goods), give to one member via drawing or use to make improvement (like build toilet) at each members house; NGOs play facilitator role for technical projects

E. Java: in sugarcane area some of proceeds from each harvest given to private hospital for improvements; 25M Rp (\$12K)/yr

Government lottery gives proceeds to social welfare agencies (50%), see DNIKS, and sports activities (25%)

NGO has tried direct mail campaign

Local funds raised through Catholic Lenten Campaign (\$550,000 annually) used for social welfare/development efforts

In Jakarta, 30% of Sunday collection at Catholic Churches allocated for social welfare/development activities

In Surabaya, community contributes funds for waste disposal collection

Zoo recognizes donors with sign/plaque

Hospital in Sidoharjo recognizes contributors with plaque

Fatayat (young women's organization under NU) in Ujung Pandang received support from community for a training program.

Illustrative Budget
(US \$)

Year I

1.	Salaries & Benefits	
	- Executive Director	24,000
	- Asst. Director	18,000
	- Fin. Adm/secr/driver	20,400
2.	Consulting fees:	
	- Social marketing, mobilization	16,000
	- Legal services	4,000
3.	Travel and per diem:	
	- In country travel	5,000
	- Overseas (N.Am/Europe)	6,000
	- Regional (ASEAN)	2,400
	- Consultants per diem	8,000
	- Staff/Advisory Board per diem, trav	7,500
4.	Rent	
	- Office (incl. util. and maint.)	18,000
5.	Office Costs:	
	- Telephone, communications	24,000
	- Supplies	24,000
	- Vehicle operations	2,400
	- Insurance	1,200
	- Materials Acquisition (Res. Center)	8,000
6.	Purchases	
	- Vehicle	15,000
	- computers (2), printer	10,000
	- Office equip/AV/FAX/copier	10,000
7.	Activities	
	- Production of materials	12,000
	- Seed capital for local events	20,000
	- Media events	12,000
	- Meetings (incl. Adv. Counc/workshps)	20,000
	- Advisory Council expenses	4,000
	- Training	25,000
	Subtotal:	316,900
	Contingency (10%)	31,690
	Total for Year I	348,590