

PN-11136-284

68617

**Institutional
Mechanisms
to Raise Funds
for Indonesian
Private Voluntary
Organizations**

Prepared for the U. S. Agency for International
Development under contract number PDC-1096-I-01-5049-00

Russell Betts

February 1986



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

TABLE OF CONTENTS

Page

CHAPTER ONE

INTRODUCTION.	1
BACKGROUND.	1
The NGO Community.	5
The Commercial Sector.	6
The Government of Indonesia.	6
The Foreign Donor Community.	7
TASK ORDER REQUIREMENTS	7
ACTIVITIES UNDERTAKEN	9
NOTE.	11

CHAPTER TWO

THE CONTEXT.	13
GENERAL OVERVIEW ON PHILANTHROPY AND FUND RAISING	13
THE INDONESIAN CONTEXT: AN OVERVIEW	15
General Issues	16
The NGO Community.	18
The Commercial Sector.	23
The Government of Indonesia.	29
The Donor Community.	32
RECAPITULATION.	33
NOTES	35

CHAPTER THREE

OPERATIONAL CONSTRAINTS AND OPPORTUNITIES AND PROGRAM NEEDS	37
OPPORTUNITIES AND CONSTRAINTS.	37
The Nonprofit Sector	37
Commercial Sector.	42
The Government of Indonesia.	44
System-Wide Issues	45
PROGRAM NEEDS	47
Awareness.	47
Incentive Structures and Philanthropic Momentum.	48
Enhancing Capabilities Among Nonprofit Development Groups	49
Defining Some Beginnings	50

CHAPTER FOUR	
OPTIONS FOR ACTION	53
CHOICES TO BE MADE.	53
A STRATEGY OF DISCRETE GRANTS	54
Examples	54
Pros and Cons of a Strategy of Discrete Grants . .	56
A Programming Framework.	57
AN INSTITUTIONAL MECHANISM: A NEW INTERMEDIARY	
FOUNDATION.	59
Program Objectives	60
Project Activities	61
Organization and Structure	65
Pros and Cons.	65
Program Inauguration	68
SUSTAINABILITY: THE CRUCIAL VARIABLE	70
NOTES	72
APPENDIX I: PRINCIPAL CONTACTS	I-1
APPENDIX II: REVIEW OF OTHER EXPERIENCES AND MODELS. .	II-1

CHAPTER ONE**INTRODUCTION****BACKGROUND**

Indonesian nongovernmental and private voluntary organizations (PVOs) have expanded significantly in number, diversity, and vitality during the past decade and a half. 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 at first primarily private foreign foundations such as the Asia and Ford foundations, religious entities such as Miseroer, or quasi-nongovernmental organizations such as the Konrad Adenauer or Frederick Neuman Stiftungen and more recently various government-to-government donors such as the U.S. Agency for International Development (AID) and the Canadian International Development Agency (CIDA).

While useful and important, such support remains external and should be neither expected nor required to play too-instrumental a role in nurturing and strengthening the Indonesian private voluntary sector. As these organizations 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. Several reasons explain why this expansion is both desirable and necessary.

First, overreliance on foreign donors, however well meaning they may be, creates dependencies and allows foreign entities too much input in determining Indonesian priorities. The Indonesian nongovernmental organization (NGO) community is sensitive to this fact.[1] Although relationships with foreign donors generally

are excellent and productive, there is clearly a growing awareness of the importance of the independence that is generally a consequence of self-reliance. Not surprisingly, therefore, self-reliance as a concept is put forward and defined to embrace not only the capacity to determine program priorities independently (within the framework provided by agreed-upon national goals and objectives) but also the capability to assure the financing necessary to enable their implementation. As such perspectives further permeate the Indonesian PVO community and drive its evolution, the necessity of seeking means to expand and diversify the domestic funding base is likely to follow almost inevitably.

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. As that community has expanded, it has begun to approach the point where financing will constitute one of its most important constraints. And since the development-related activities of these organizations generally constitute cost-effective mechanisms for accomplishing objectives or reaching populations not as easily accessible through larger, more bureaucratic government programs, the financial bottleneck is one that merits resolution. Without such attention, Indonesian PVOs simply will be restricted in their capacity to contribute fully to national development.

Third, many activities of the Indonesian NGO 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 the status of their own lives and their futures. Thus, effective NGO involvement in development work constitutes important initiatives at the grassroots level. But such initiatives are no

longer merely an expression of individuals' desires to do things for themselves. Perhaps more significant in a historical sense is the extent to which such activity -- now defined increasingly in the terminology of international donor assistance in such terms as "privatization" or "decentralization" -- is seen as providing powerful incentives to legitimating effective popular participation in people-centered national development. This participation is now commonly accepted as being inherently good, and therefore desirable. To the extent that it can be expected to continue, increasing privatization in donor programs means a more important role for nongovernment activities in donor-assisted development activities. Along with the increased levels of financing that will be required to support it, popular participation may represent a wave of the future. If so, and if related programs remain consistent to their own principles, then diversification, privatization, and domestication of the funding base for such activities are part and parcel of the total package.

A variety of options are available to NGOs seeking increased and diversified funding support. These options might include self-financing through related money-making programs or contracting, with government or other entities, for specific activities. Of special interest in the context of this report, however, is the potential for participation by the private commercial sector, including multinational corporations, in providing financial support. Much circumstantial evidence suggests that financial resources from within Indonesia will increase. Aside from multinational corporations, these resources generally are under the control of moneyed individuals and in the domestic commercial sector, neither of which is currently being asked by the nonprofit NGO 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 -- and thus, in many ways, the national life of the country.

While inherently desirable in theory, 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-sector fund raising, 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 and thus generally cannot commit the time, energy, and other resources necessary to address the relevant issues meaningfully. Processes other than those that currently exist may be required to fulfill this function.

An additional need -- a well-known one that has concerned the NGO community and its supporters throughout the current era -- is the need for continuing and strengthening institutional and program development among the Indonesian NGOs, both in general and in relation to the resource transfer function. Indonesian NGOs, like those anywhere else, can always use stronger administrative and management structures and more highly trained personnel. But with the focus on fund raising or resource transfer issues, these needs become especially acute,

particularly regarding program development, proposal writing, and accountability. Similarly, these needs also relate to managing assets, identifying deserving organizations or specific activities that merit funding assistance, developing programs and projects, and a broad range of monitoring, evaluating, and reporting functions.

Mechanisms to improve NGO institutional and program development while also improving links to 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.

Any effort to address the full range of issues relating to this matter must take into account the extent to which the various sectors concerned will have different perspectives. Specifically, the NGO community, the commercial sector, the Indonesian government, and even (in a less direct but still important sense) the international donor community each has potential vested interests in these issues. These interests must be understood if any effort to modify existing circumstances is to be attempted. For example:

The NGO Community

- Do NGOs, either collectively or individually, see a need for a more diversified funding base in support of their development-related activities? How do they see this support occurring?
- Are the NGOs really interested in seeking assistance from the commercial sector, and if so in what types of collaboration? Where does the primary support for this thought come from within the PVO community? How about opposition?
- Are the NGOs capable of dealing, either individually or collaboratively, with the commercial sector? Do they perceive the need for changes in procedure or in program focus in order to do so?

- In what substantive, or programmatic, sectors would NGOs see the greatest potential for collaboration?
- Does the NGO sector have any sense of how significant a resource the commercial sector might become? Does it know what is required to tap that potential effectively, especially for up-front investment of its own limited resources? Is it prepared to make the necessary commitments?

The Commercial Sector

Equally important questions concerning the receptivity of Indonesia's commercial sector to the concept of its providing financial support to development initiatives via the Indonesian NGO community include:

- What is the commercial sector's interest in committing any of its hard-earned resources to development activities. What is that sector's sense of social responsibility, and how might that sense be further refined and directed? What is the tradition? Where are the precedents? How significant a player does the commercial sector perceive itself as becoming in national development activities?
- How does the commercial sector view the NGO community? How does it perceive that community's role in development? Is there any consensus on how a link-up might occur?
- What are the current incentives to private or corporate philanthropy in support of development activities? Of what should an incentive structure consist, and how might the elements that are currently missing be introduced?

The Government of Indonesia

Important issues regarding the Indonesian government's receptivity to any initiatives in support of such activities include:

- What role does the government perceive for NGOs in the Indonesian development process? For the commercial sector? To what extent does the government have a perspective on operational collaboration between these two sectors?
- What oversight functions might the government wish to impose on NGO development work? On commercial sector development work? On collaboration between the two? What are the likely relationships between such activities and existing government-sponsored or supported activities? What incentives might the government be willing to encourage, such as tax deductions or exemptions, to support such activities?
- What latitude will the government allow? What are its own constraints to directing NGO participation in development activities that parallel (or possibly compete with) the government's own programs? At what bureaucratic levels are these activities likely to become most relevant? To what extent are they rigid or malleable?

The Foreign Donor Community

Finally, are the issues relating to the perceptions of those foreign donors who have had significant interaction with the development of the NGO community and that can be expected to continue their interest. The key issue here is:

- Can or should foreign donors support initiatives to increase commercial-sector funding of NGO activities, and, if so, how?

Considerations such as these provide the context for the inquiries that form the basis of this report.

TASK ORDER REQUIREMENTS

As the Agency for International Development and other international donor assistance agencies move increasingly toward concepts of privatization, interest grows within the donor community in exploring mechanisms by which the nongovernmental

sector might be integrated more meaningfully and effectively into national development activities. Thus, in this particular arena a growing confluence of interests appears between indigenous domestic interests and donor agency priorities and potential activities. This task order and the interests within AID that stimulated it are symptomatic of this confluence of interest.

The scope of work specifies that the consultancy provide "specific recommendation to USAID/Jakarta on institutional mechanism which could be developed in Indonesia to foster private sector funding (indigenous) of Indonesian PVOs." Discussions prior to beginning the consultancy revealed, however, that the responsible office within AID (the Voluntary and Humanitarian Programs Office -- VHP) in fact construed things more broadly to include resource transfer for development purposes from any possible private-sector resource (including multinational corporations and private individuals) to the NGO non-profit sector. More specifically, the work order specified that the consultancy accomplish the following tasks:

- Review mechanisms that have been instituted in other developing countries and analyze their applicability to Indonesia, and also analyze mechanisms that have yet to be applied elsewhere;
- Undertake preparatory work, including literature searches and discussions with knowledgeable persons; and
- Confer with relevant NGO and government officials in selected countries (Mexico, the Philippines, Thailand) regarding their experiences in nurturing comparable support structures.

Within Indonesia the tasks included:

- Assess the local NGO funding potential;

- Contact major Indonesian and multinational corporations to assess possible mechanisms for organizing institutional arrangements to facilitate corporate funding of local NGOs or to provide other support such as management training or technical assistance; and
- Explore the Indonesian government's perspectives on the desirability, need, and appropriateness of such activities. This exploration could also include an examination of issues relating to possible assistance the government might provide, possibly through the tax system, to encourage private and/or corporate philanthropy.

ACTIVITIES UNDERTAKEN

The investigations necessary to comply with this task order included the following activities:

- Investigate, through personal observation, research, or interviews, those undertakings in other parts of the world that appeared comparable with what was being contemplated as a possible outgrowth of this work order. These investigations included discussions with relevant people in the United States, Japan, the Philippines, and Thailand, as well as a document examination especially of AID-related activities in the Caribbean Basin, Latin America, and Africa. A visit to Mexico City to discuss related matters with officials at the Mexico Social Welfare Foundation had to be canceled because of the earthquake that hit the city shortly before the visit was scheduled. A summary of the more important findings from that exercise are included as Appendix II.
- Conduct, during a four week visit to Indonesia, a wide-ranging set of discussions with relevant individuals from the NGO, commercial, and government sectors within Indonesia, plus both private and public foreign assistance donors. A selective list of the most helpful individuals (including those contacted in other countries before and after the visit to Indonesia) is enclosed as Appendix I.

As background, it should be noted here that experience with related issues in the Indonesian context as well as elsewhere, from both the NGO and the private-sector perspectives was applied to this consultancy. Specifically, this report draws on the following personal experience:

- Over eight years in Indonesia as the resident country representative of The Asia Foundation (TAF), which required not only providing funding assistance and technical advice in support of the emergence and strengthening of many components of the Indonesian NGO community but also an active involvement raising non-TAF money on behalf of many organizations within that community.
- Over two years as chairman of an Indonesian foundation, the Jakarta International School Foundation, which included responsibility, among other things, for managing the major fund-raising campaign that was required to rebuild the high school after much of it was destroyed by fire in 1980.
- Over two years of management in a commercial-sector consulting firm, which has provided relevant insights into the perspectives of for-profit organizations on issues such as corporate philanthropy.

None of the activities that were undertaken in fulfilling this task order has been exhaustive or as comprehensive as might be desired. Time constraints and other factors, including the unavailability of various key individuals, made such thoroughness impossible. Nonetheless, the findings and recommendations reported here are believed representative of the best experience and thinking that is currently available. The underlying purpose of this task order has been to appraise the possibilities for doing "something" in an area that AID correctly perceives as important. This appraisal has been accomplished, and the results are reported in the remainder of this report. The purpose has been to examine the possibilities in order to draw some parameters around potential activities. Although this report

concludes with a set of options for recommended initiatives that might be taken in order to support the creation and strengthening of the called-for institutional mechanisms, further inquiries would be justified prior to making final decisions regarding the implementation of any of those recommendations.

NOTE

- 1 Elements within the NGO community are also sensitive to the non-governmental implications of the Non-Government Organizations terminology, because of its negative implication regarding the relationship between that community and the government. Therefore the term is used advisedly here. Chapter II will suggest substitution of the concept of non-profit development organizations.

CHAPTER TWO**THE CONTEXT****GENERAL OVERVIEW ON PHILANTHROPY AND FUND RAISING**

This report addresses a broad set of issues related to stimulating increased public philanthropy on a continuing basis by selected elements of the nongovernmental sector in Indonesia to support defined development-related activities. As such, it deals with two closely related but separate issues. The first issue concerns the context within which philanthropy occurs or might be encouraged to occur -- the giving away of money. The second focuses on processes by which money might be acquired for related purposes -- fund raising. Clearly, these two issues are complementary perspectives on the same basic phenomenon, which concerns the transfer of financial resources. But the distinction is useful in that an understanding of the former is essential to successful accomplishment of the latter.

A review of relevant experience elsewhere around the world was undertaken to the extent that time and circumstances allowed. Appendix II selectively reports those findings that may have relevance to this assignment. From the comparatively limited body of literature and experience that was reviewed, certain the key lessons can be drawn:

- Philanthropy occurs only in environments where financial resources are available to be transferred. In their absence, other kinds of resource transfer (labor, goods and services, ideas) can occur, but they are not directly relevant to the concerns of this report.

Previous Page Blank

- The availability of financial resources is a necessary condition for philanthropy, but is not adequate to define the process. The basic dimensions of philanthropy are societally and situationally defined. Although economic considerations are important, the complexion of philanthropy in any society relates fundamentally to factors such as the degree to which that society charges the richer elements to assume responsibility for the welfare of the poor, or the extent to which individuals are considered responsible for the progress and development of the society as a whole. A broad range of societal sanctions, or the absence of them, are involved.
- A properly functioning incentive structure is crucial to any philanthropic process. Philanthropy does not just happen; people or organizations give money away usually for specific reasons, which can be defined in terms of the incentives that motivate them. In the absence of effective incentives, philanthropic acts rarely, if ever, occur. Defining an incentive structure can be an extremely complex matter, as it comprises many components, possibly including peer group pressure, socially defined expectations on the aristocracy, religious values, or administrative factors such as income tax code encouragement (through deductions or exemptions).
- The existence of channels and mechanisms for any resource transfer are also crucial. The giving away of money requires recipients who are qualified to accomplish whatever is intended by the donor. And established systems to assure that the funds were used as intended are frequently a precondition for the process to continue.
- Fund raising is rarely easy, even in places with ample resources, effective incentives, and appropriate transfer mechanisms. In no place can the spigot just be opened up for the money to begin flowing out. A determined effort must be made, and the success of that effort frequently can be measured at least in part by the ways in which it is undertaken. Many different activities are likely to be involved, including extensive research on potential target groups, carefully tailored campaigns of public relations and personal solicitations, the establishment of special accounting and reporting systems to satisfy donor requirements, and protracted negotiations with potential donors. Each activity requires a diversion of resources away from other activities that are traditionally higher on the organization's list of priorities. These resources typically include both personnel and money, resources that frequently are

especially scarce commodities for those organizations seeking to raise money. Thus, successful fund raising requires hard decisions concerning resource allocation.[1]

- Donor perspectives can have a significant influence on the course and direction of activities undertaken by recipient organizations. When the relationship has been long-standing, perhaps where the donor has been involved in forming the recipient organization, it can be symbiotic and smooth. When organizations attempt to expand their resource base by seeking new sources of financial support, the resulting adjustments in operating perspectives or style can be wrenching. This possibility can act as a deterrent to making the effort at all and frequently seems to happen when a private voluntary organization considers seeking funding support from the commercial sector with which it has not, in many cases, had close prior contact. In general terms, PVOs have been prepared to accept corporate grants and in-kind gifts for PVO-initiated programs but have been less able to enter into truly cooperative relationships, for example, in program or project development. PVOs seem generally not well equipped to handle this challenge effectively, which compromises their ability to undertake optimally effective fund-raising activities with that sector.

THE INDONESIAN CONTEXT: AN OVERVIEW

Any institutional mechanism for resource transfer through fund-raising activities must be compatible with the environment within which it will be expected to operate. Therefore, placing things in their proper perspective as they relate to Indonesia is important. A lengthy discourse on Indonesian social perspectives, history, and economy is inappropriate here, and the following discussion therefore assumes a degree of familiarity concerning these matters on the part of the reader.

Five related sets of issues need to be examined in this context: general (societal), the NGO community, the commercial sector, the government of Indonesia, and the donor community.

General Issues

Indonesia's Philanthropic Tradition

Within Indonesia a complex tradition of sharing exists, largely structured around the well-known concepts of gotong-royong, or mutual help. But this tradition does not manifest itself so much in practices involving the philanthropic transfer of money from donors to donees as it does in workload sharing, or community cooperative action. Nonetheless, this tradition does provide powerful support to a shared sense of social responsibility, wherein the collectivity has obligations for the common good of the society, and individuals share responsibilities for one another's welfare.

Yet Indonesia does have a tradition and precedents that support and encourage philanthropic acts, and in some ways they are quite sophisticated. To the extent that philanthropy occurs, however, it is often through religious tithing, for example, through the Hak Zakat or the Hak Fitrah, wherein established percentages of personal incomes of faithful Muslims are set aside for donation to the mosques, usually for religious or educational purposes. This resource transfer is highly individualized, however, and has not permeated Indonesia's corporate culture or business community to any significant extent.

One additional philanthropic inclination that is consistent with the shared sense of social responsibility is activated in support of disaster relief, which occurs as needs arise, for example, when a volcano erupts, a heavily populated area is badly flooded, or an ammunition dump blows up. In these instances, both individuals and the corporate sector become involved. But here also, as with religious tithing, the focus of concern is on the traditional issues of religion, education, and/or welfare.

The concern of this report is public-sector philanthropy in support of development-related activities, and such activities are not currently integral in any substantial way to the Indonesian philanthropic tradition. While some people suggest that the more traditional activities described above have preempted the field, leaving little room for other forms of philanthropy, the more persuasive interpretation is that the Indonesian traditions of sharing provide excellent justification for initiatives to expand philanthropic activities in this new direction. Also, there is no intrinsic reason why traditional giving patterns can not be modified to more directly support development activities. The challenge will lie in establishing the precedents, the incentives, and the appropriate mechanisms, none of which is adequately in place yet in Indonesia. Once they are, there seems to be no inherent reason why broad-based public-sector philanthropy in support of development-related activities would not be possible.

Development Dynamics

Social and economic developments within Indonesia during the past 15 years reinforce a conclusion that increased public-sector philanthropy is possible. Considerable personal and corporate wealth has been generated during this period, with these new resources spread reasonably widely among both the elites and the newly emerging and increasingly significant middle class. "Corporate Indonesia" has prospered, as have the multinational companies that maintain a long-term presence in the country. Irrespective of the current recession, the basics for continued societal evolution toward greater urban, middle class, and corporate affluence seem firmly in place. All represent valid, and potentially generous, targets for resource transfer (fund-raising) activities.

Moreover, it is widely accepted that Indonesia's continuing prosperity will be dependent in part on a continuation of the kinds of development activities that have characterized the past 15 years. Thus, development is a legitimate focus for fund-raising appeals. The challenge will be to instill the belief that development is everyone's business, not only the government's, and that private agencies with support from the commercial sector as well as the general public can make significant contributions to eliminating impediments to even more rapid progress.

The NGO Community

Definition

Indonesia has long experience with associations established to achieve a common, practical purpose; through that experience precedents have emerged for working pragmatically as opportunities and needs arise. The wide range of groups interested in and qualified to work on a wide spectrum of development-related issues includes philanthropic foundations, special-interest associations, cooperatives, educational or training institutions, credit unions and village savings pools, women's organizations, work brigades, citizens' associations, and service-user groups. They constitute a highly heterogeneous group, with a wide variety of sectoral interests, geographical locations, philosophical perspectives, and levels of sophistication. Depending on how they are defined, there are reported to be somewhere between 400 and 2,700 such entities in Indonesia. Many of these have emerged within the past 15 years, when the whole sector that they comprise has witnessed great expansion and maturation. The sector now represents considerable capacity and has the potential of becoming a truly important "partner in development" to the government of Indonesia.

Given the diversity that these entities represent, it is difficult to identify an exact definition for them. Three terms that are commonly used are private voluntary organizations (PVOs), nongovernmental organizations (NGOs), and self-sufficiency units. Each is reasonably descriptive, but for the purposes of this report each is too self-limiting. The discussion here concerns a broader grouping of entities, which might best be labeled the nonprofit development groups, by which is meant those public-sector entities that are concerned with development issues and that are not profit seeking. This characteristic distinguishes them from the other major component of Indonesia's private sector, the profit-seeking, or commercial, subsector. The distinction is useful in that the latter group constitutes the primary target of the nonprofit development groups for the range of activities that are identified in this report. It also enables the inclusion of various groups that are not normally associated with the PVO/NGO community, such as the nonprofit management education training institutes, whose fund-raising needs are similar to those of the PVOs/NGOs.

In addition to their shared interest in development issues, broadly defined, the nonprofit development groups share other common characteristics. For the most part, for example, they are middle-class creations, representing an educated consciousness of the problems in recent development strategy and performance. Similarly, they collectively do not represent any mass movement in disguise, or even a potential one, but instead serve as the interface between engaged intellectuals and grassroots activists. Nor are they anti- or nongovernmental in any agitational or organizational sense. Instead, they constitute a diverse capacity for involvement, ranging from being prepared to assist and improve government services, to wanting to promote alternative models and kinds of development with minimal

government interference. Above all, they share a concern for an equitable and prosperous development of the Indonesian country and its people.

This community has no overall structure and no formal hierarchy. Within it, however, a consensus has recently emerged regarding the existence of an inner group of especially prominent organizations that is informally known by the acronym BINGO, the Big Indonesian NGOs.[2] While the BINGO concept is useful in identifying that subset of organizations that is most widely acknowledged as having the greatest prominence and capacity, it is too restrictive for the purposes of this report. Although certain activities suggested in this report might best be inaugurated through members of the BINGO group, the procedures and precedents that those activities stimulate must remain available for use by the full range of entities included in the broader nonprofit development group sector.

Funding Needs

Most nonprofit development group activities are made possible by grants and cooperative relationships with donor bodies, which up to today have been primarily international NGOs, foreign government aid, or government of Indonesia agencies. This kind of assistance can be expected to continue and to form a substantial portion of the total funding available to the private development agencies. Foreign donors, however, should not be expected to continue providing such a large percentage of the total funding of these agencies. As the nonprofit development group community grows in size and capability, and as the Indonesian government increasingly turns to the private sector for help reaching its national development goals, the potential financial requirements of those agencies will rapidly outstrip the foreign donors' capacity to respond. Thus, either

alternative sources will need to be tapped or the potential contributions of the nonprofit development group will not be realized.

The foreign assistance that has been provided to date has been unbalanced in the sense that it has tended to be concentrated on those few organizations that are Jakarta-based, have cosmopolitan and English-speaking leadership, and have focused their efforts on areas of priority concern of the funding agencies -- essentially the BINGO group. Other organizations that are equally deserving and dedicated (if not yet perhaps as well known or sophisticated) have not had comparable access to foreign assistance. Thus, the BINGO group has been comparatively overfunded, while many non-BINGO agencies have been comparatively underfunded. In some instances this imbalance has had the effect of overextending the capabilities of some of the more prominent groups while the lesser-known ones have been underutilized or have not had adequate opportunity to develop. A more diversified funding base for the entire nonprofit development group sector might contribute to making the resource distribution more equitable, which in turn might help further decentralize the entire sector and in the process strengthen it.

A more diversified funding base might also help solve one other financial dilemma facing this sector. For reasons related to their own funding patterns and procedures, the current funding agencies tend to finance specific projects, not recurring organizational costs. This practice forces the recipient agencies to organize much of their program around sequences of these special projects, while necessarily neglecting the organizational issues of continuity in focus, long-term staff development planning, and rationalization of accounting and reporting procedures. It also forces these agencies to move from one new pilot project to the next, and thus forgo building on the strengths that come from continuity in focus.

Links

Many nonprofit development groups have forged effective links with their foreign sponsors, and increasing numbers are beginning to develop cordial and mutually productive relationships with relevant agencies within the government of Indonesia, largely through work that they are doing under contract. Concurrently, few members of this community have developed any significant links with Indonesia's commercial sector, mostly because to date there has not been a strong incentive to do so. Nor, as the following section will suggest, would there have been much positive response even if they had done so.

As a consequence, these groups in general do not yet know what might be involved in establishing such links or what cooperation with the commercial sector might mean. Nor do they know how to proceed. Dealing with the commercial sector will be significantly different from dealing with the foreign donors (or even the government of Indonesia) because while the latter agencies share an understanding of the meaning and importance of the kinds of development assistance the nonprofit groups can deliver, the commercial sector does not necessarily share the same understandings. In the absence of meaningful links the nonprofits essentially have no commercial perspective, no credibility with the commercial sector, no understanding of that sector's vocabulary, and limited experience with entrepreneurship. Although competent in their substantive fields and relatively comfortable in their relationships with their traditional sponsors, these groups currently are ill-prepared for significant dealings with the commercial sector.

The historical absence of links between these two groups may be waning, however, and the reasons for the expressed willingness of important elements within the nonprofit sector (especially LP3ES, WAHLI, and Bina Swadaya) to contemplate new sets of relationships are as valid now as were the reasons for separation in the past: those nonprofits understand the need to diversify and expand their funding base, and they see the commercial sector as one possible resource.

Clearly, the diverse nonprofit development group has many capabilities, some acknowledged limitations, and a recognized potential to contribute. Additional funds from new sources could, if properly managed and disbursed, help significantly. Members of this group are preparing, at least in principle, to cooperate with the commercial sector. Thus, a window of opportunity has presented itself, and AID's initiative in commissioning this study is timely. But effective response may require a change in attitude and operations among the nonprofit groups involved. A new vocabulary may be required to attract the commercial sector's attention, and new programming approaches may be necessary in order to retain it. Such change may well be both legitimate and historically appropriate, as well as integral to further maturation and evolution of the nonprofit sector. But it will not necessarily come easily.

The Commercial Sector

Definition

The commercial sector can be defined as the for-profit side of the nongovernmental equation. Within the broad nongovernmental private sector, it is the complement to the nonprofit groups. It probably is best to work with this broad of a definition so that the widest possible net is cast and the full

range of potential targets for fund-raising appeals is included. At the same time, however, it should be noted that this sector contains several distinct subdivisions, each with a slightly different profile and each therefore presenting separate and special challenges within the context of philanthropy and fund raising. Among others, the Chinese business people, traditional business elites (both muslim and non-muslim), recently successful nouveau riche indigenous entrepreneurs, joint venture partners, and the multinational corporations all represent legitimate target's for fund-raising initiatives. In the same context, the undifferentiated middle class as individuals and families with newly acquired disposable income as well as the traditional aristocrats also constitute potential sources that any fund-raising efforts should attempt to tap.

As with the nonprofit groups, the commercial sector has grown significantly in recent years, and notwithstanding current recessionary pressures is likely to continue to do so. The basics seem to be relatively sound. Diversification, local production, import substitution, a fundamentally sound and relatively effectively managed national economy, and an abundant and inexpensive labor force all contribute to a relatively optimistic outlook. In the absence of a significant reversal in the overall economic picture, the consensus seems to be that in the middle and long term, Indonesia's commercial sector can expect to continue to grow and generate respectable revenues and profits. Moreover, this sector's growth will also contribute to a growing gross domestic product and to increased standards of living, thus making available greater disposable income for the Indonesian people, especially the middle class.

The Potential

Anticipating exactly the level of financial support that might be forthcoming from the commercial sector or from the public sector generally is difficult. It will, of course, depend on many incommensurable factors, such as the general economic climate, the level of confidence in the future, the extent to which meaningful incentives can be invoked, and the effectiveness of fund-raising efforts. But as a first approximation, the following anecdotal material from discussions during the consultancy and some general extrapolations from the American experience might be instructive:

- An Indonesian banker spoke persuasively and with considerable emotion about the deeply engrained sense of social responsibility that most of his colleagues felt toward Indonesian development. He was convinced that if public awareness could be raised appropriately and if well-justified programs could be effectively presented in the right places, "millions and millions of rupiahs (Rp.) could be obtained."
- A prominent business from the entertainment industry has indicated that his company has "funds set aside" for donation purposes, "but we don't know what best to do with them."
- A foreign industrialist and a long-time resident of Indonesia on several recent occasions has publicly asserted that if the nonprofit development community could just come up with the appropriate package of projects, he could raise over \$1 million within a matter of a few days.
- A Chinese Indonesian advertising executive recently created a radio/television campaign directed toward the urban middle class, which he remains absolutely convinced would have raised at least Rp. 1 billion in support of a program to help the handicapped. This program was aborted only days before it would have been aired because of a government requirement that it be done through the Social Welfare Department rather than independently. The same man has prepared, through his agency, other campaigns that he would be prepared to activate if the

appropriate set of circumstances could be assured. He speaks confidently of the "giving power" of, for example, the more than 1 million Indonesians who have acquired sufficient disposable income in recent years to be able to purchase motorbikes.

- The Jakarta International School raised nearly US\$1.5 million between 1980 and 1983 in local contributions (mostly multinational corporations), as part of its \$10 million fund raising campaign, to help rebuild the high school after it was destroyed by fire.
- The president of the American Chamber of Commerce (AMCHAM) of Indonesia pledged to do everything within his power to assume active support to AMCHAM) the establishment of any institutional mechanism to increase corporate funding of nonprofit development group activities.
- The Chinese business community of Indonesia recently raised Rp 9 billion (of a RP. 10 billion goal) to provide initial capitalization of the Yayasan Prasetya Mulia, a Chinese-financed foundation dedicated to supporting a variety of good causes.
- A quick and incomplete survey of Chinese-Indonesian businesses in Jakarta identified six companies with annual sales in 1983 or 1984 of between \$8 million and \$123 million.
- In 1984, the major companies in the Loksamawe complex in Aceh disbursed the rupiah equivalent of more than Rp US\$1.2 million through the Aceh Development Coordinating Committee in support of social development activities throughout the Loksamawe area. It has been rumored that a comparable level of corporate philanthropy is being negotiated at the industrial conclave near Balikpapan, in Kalimantan.
- The Jakarta business community raised, within only a few days, more than Rp 1 billion to help the victims of the Cilandak ammunition dump explosion in 1985.
- And finally, extrapolating from the American statistics on philanthropy (\$14 billion annually) and adjusting for population and gross national product can support a tenuous case that, all else being equal, Indonesia might be good for an overall philanthropy level somewhere in the range of \$300 million annually.

None of these data is reliable. Nonetheless, it does suggest that a large potential for raising money exists in Indonesia. But there clearly is more: the question is how to tap it.

Receptivity

Currently, the commercial sector is not highly receptive to the idea of giving money to nonprofit organizations to undertake development activities. In the absence of major efforts to alter that situation, it is likely to remain low. Several factors provide explanations.

First, large components of the commercial sector, especially those individuals and firms that have only recently become successful, are focused almost exclusively on making money and using that money to either improve their material existence or acquire power. The idea that wealth carries social responsibilities, and that philanthropy is a legitimate and respected way to discharge that responsibility, is one that is not yet well developed within these components of the commercial sector.

Second, the idea that it can be good business in pure economic terms to give money away to support development activities (because good development increases buying power, which in turn generates corporate profits) has not yet been understood or accepted by most segments of the commercial sector.

Third, the incentive structure for this kind of philanthropy is poorly developed. Peer group pressures are not effectively applied. Informal sanctions for failure to exercise social responsibility have been neither introduced nor applied. And perhaps most important, the tax structure does not encourage

philanthropic acts. In fact, the recent major restructuring of the tax codes eliminated those few incentives (for example, tax exemptions for bona fide nonprofit organizations) that had previously been in effect. As a consequence, it should not be surprising that most, if not all, corporate philanthropy currently being done is predominantly for reasons of self-interest, frequently to buy the good will of some constituency or other in a limited time frame. This incentive is not invalid, and in fact might be encouraged. The point is only that it is not sufficient and that other incentives also need to be encouraged.

And finally, the nonprofit development group community is neither adequately known nor much respected by the corporate sector. Many business people exhibit little or no understanding of the capabilities and experience of nonprofit groups, and those who do understand frequently have difficulty defining ways for the two groups to collaborate on anything to their mutual benefit. In sharp contrast to its self-perception as being hard-nosed, businesslike, and primarily concerned with bottom-line financial considerations, the corporate sector largely views the nonprofits as soft (one entrepreneur referred to them, in English, as the "touchy-feeley crowd"), unable to think in hard economic terms, and much longer on heart than on cost-benefit analyses.

The Challenge

Perceptions such as those described above represent perhaps the major challenge to any efforts to implement successful fundraising campaigns within the commercial sector on behalf of the nonprofit development groups. Although the resources seem to be there, the nonprofit development groups will need to strengthen substantially the perceptions of their legitimacy and capabilities in the eyes of potential new supporters. This

should not be an impossible challenge. Many business people will argue that they and their business colleagues have a deeply engained sense of social responsibility which, if properly approached, could do much to overcome many of the deterrants to giving which have been noted here.

The Government of Indonesia

Background

Three elements of Indonesia's recent sociopolitical history are especially useful in understanding the relationship between the government and the nonprofit development group community and other parts of the private sector. These are:

- Centralization/decentralization. Throughout the first two decades of Indonesia's independence, one of its government's highest priorities was the consolidation of the state, which required and therefore led to considerable centralization of political power and administrative functions. More recently, important elements of the government have become persuaded that the larger interests of the country will be better served by incremental and selective decentralization. Frequently the people who are involved in implementing decentralization activities are the same individuals who had dedicated their earlier careers to the consolidation of authority and administrative functions. Thus, in a relatively benign way the system is in conflict with itself, and the resulting personal and systemic ambivalence is especially acute in the areas of privatization and community development. The lines between what the government will and/or should do and what the private sector might and/or should undertake are blurred and vary from one locality to the next. In some areas, local government officials welcome private-sector contributions to their development efforts; in others, officials act as if such efforts are an invasion of their governmental prerogatives. The relationship will profit from further definitior as it becomes possible.

- Security. The events surrounding the attempted communist takeover in 1965 were highly traumatic, and the recent discussions in Parliament regarding the proposed laws on mass organizations (ORMASS) demonstrates the extent to which security considerations continue to figure prominently in the thinking of important government officials, especially in the Ministry of Home Affairs. One particularly illuminating example of this appears in the Minister Home Affairs' of speech, delivered to the February 1985 meeting, "NGO Participation in National Development Process," which was convened to explore the possibilities for cooperation between Indonesian NGOs and the World Bank.[3] That statement makes clear the extent to which important elements within the government view some of the activities of nonprofit development groups with a high level of suspicion as potential contributors to social unrest. It also graphically outlines the authority the government retains to control these elements of the private sector if it believes there is serious reason to do so. Perhaps understandably, this state of mind causes concern among the nonprofit development groups.

- Bapakism (deference to authority). This well-known characteristic of the Javanese/Indonesian social and political structure further conditions the way in which government authority deals with the nongovernmental sector, just as it does the ways in which that sector deals with itself and with its beneficiary groups. Notwithstanding movement toward decentralization and privatization, the inherent heirarchy of the society and the political system acts to assure that nonprofit development group activities are appropriately subordinated to the government's defined priorities.

Current Perspectives

Notwithstanding an impressive record of accomplishment during the last several Five-Year Plans, the development challenges in Indonesia remain immense, and the government clearly cannot accomplish by itself everything it desires. The government now readily acknowledges that this is the case: the Guidelines for State Policy (GBHN) specifically direct that everyone must be responsible for and participate in the development process. In his speech to the February 1985 meeting noted above, the head of the National Planning Board (BAPPENAS),

Dr. Sumarlin, unequivocally confirmed his belief in the important role the nonprofit development groups could expect to play. At that meeting he emphasized the extent to which the nonprofits would have to help bridge the gap between the needs of diverse citizens and the goals of national development "because of reasons of national priority and resource limitation." [4]

While important elements of the government clearly intend this appeal for cooperation and assistance as serious, the fact remains that the relationship might benefit from more operational definitions concerning what is desired and appropriate as well as how the various private-sector groups can most productively interact with the government and with one another. Given the historical context outlined above, a number of ambivalences need to be worked out. For the time being, the Indonesian government seems generally amenable to policy dialogue on a range of relevant issues and, in the economic realm at least, has demonstrated its commitment through new market-oriented financial policies, comprehensive tax reform efforts, and limited deregulation of the private sector. But the extent to which it will be prepared to accept the private sector as a genuine and full partner in grassroots development remains to be seen. For the government has no proposal to improve the incentive structure. Its policies are moral suasion and decree, which contrasts sharply with incentive-based policies of other countries, for example, Singapore, where attractive tax exemptions and deductions are offered to companies undertaking activities specified by the government as being supportive of developmental and other desired national objectives.

The Future

Within the government and business communities there appears to be some confidence that, barring the unexpected, in the coming years the Indonesian polity will evolve toward a more business/commercial orientation, with an enhanced middle-class rationality. Such an appraisal frequently is based on expectations for the forthcoming generational change in leadership, which is inevitable as the Generation of 1945 passes from the scene. Many informed and sensitive observers anticipate that over time these leaders will be replaced by others with training and experience in, for example, engineering and business, which in turn will lead to more commercialism, decentralization, and partnership with the private sector. If this scenario turns out to be accurate, then new windows of opportunity will be opened for transferring resources to nonprofit organizations in support of development activities. In light of this possibility, anticipating it would be appropriate so that all preparations will have been made by the time the future arrives.

The Donor Community

International NGOs and government-to-government foreign aid programs have played a large role in the evolution of the Indonesian nonprofit development group community, and the influence of these agencies in mediating ideas and concepts has been substantial. Thus, the types and the methods of Indonesian groups working on development issues is, in large measure, a reflection of the interests of their foreign sponsors. These interests will not necessarily correspond exactly with the interests of new corporate sponsors, and therefore certain tensions are likely to emerge as the beneficiaries of corporate philanthropy attempt to adjust to new requirements.

Moreover, close relationships can be expected to continue between foreign donors and their Indonesian colleagues. And funding from these sources is likely to be obtained more easily and with less need for new approaches or procedures than might be the case with new corporate sponsors. In this context, at least initially some nonprofit development groups may chose not to be involved with fund-raising attempts within the corporate or public sectors. Any attempt to introduce institutional mechanisms to facilitate such fund raising will need to deal with this entirely predictable reluctance.

At the same time, however, it would not be unreasonable to expect that most foreign donors would support any initiative to broaden the funding base of organizations they have been assisting, as it should serve their own program objective of long-term strengthening of the nonprofit development group sector. AID already has demonstrated its interest in this idea by commissioning this study. Should AID pursue it further on the basis of suggestions made here, the decision would be consistent with AID's privatization objectives, would support other private-sector initiatives that AID has undertaken or is contemplating, and would in turn be supported by precedents that have been established through other programs funded by AID, either in Indonesia or elsewhere.

RECAPITULATION

The foregoing discussion suggests that a socioeconomic system already exists in Indonesia that could, with some work, support follow-up activities. It also suggests that surplus financial resources are potentially available to be tapped by an appropriate program. But it also reveals that that system might require certain adjustments before it could respond fully. In particular, incentive systems need shoring up, and new and better

transfer mechanisms and channels are needed. Thus, although there are some important opportunities, there also are some serious systemic problems that need to be addressed. An argument could be made that these problems are sufficiently large and/or intractable that the risks of failure are unacceptably high and therefore that no new programming initiatives to address them should be attempted.

Yet the preceding discussion also suggests that broad historical trends are evolving in such a way that appropriate program interventions now could pay off substantially in setting precedents and establishing expectations and procedures for possibly significant future private-sector collaboration in support of Indonesian development activities. The emergence of a middle class and of entrepreneurial perspectives, the consensus on shared responsibilities for development, the installation of the basics for continued economic growth, the projected generational change in the government and business communities, and the continuing growth and strengthening among nonprofit development groups all are occurring simultaneously. This coalescence presents an important opportunity to help define new directions and new relationships. If this opportunity is taken and if an appropriate program can be developed and implemented, the future course of public philanthropy in support of national development objectives could be significant.

Program entry into this arena could be difficult and fraught with many problems and frustrations. It could fail. But at the same time the potential is high and the timing is right, especially if the current recession were to end soon. Therefore it should be a challenge that will be difficult to ignore. On the assumption that there is a willingness to at least consider some options, if not take the leap, the balance of this report will explore options for future explorations and, possibly, actions.

NOTES

- 1 Depending upon local circumstances, as much as \$0.40 can be needed to raise \$1.00 through a typical fund-raising campaign. (The Jakarta International School's campaign cost \$0.25 for each dollar raised.) And this money must be spent up front, before the benefits of a fund-raising campaign have been realized. Many organizations experience great difficulty diverting their scarce resources in this fashion, and a common result is poor performance in the fund-raising campaign because the resources available to conduct it properly are inadequate. To coin a phrase, it takes money to raise money.
- 2 While the boundaries of the BINGO group remain fuzzy, the following groups are generally acknowledged to qualify as being within it: LP3ES (Institute of Economic and Social Research, Education, and Information); Dian Desa; Bina Desa; Bina Swadaya; WALHI; Yayasan Lembaga Konsumen (YLK); the Pesantren organization headed by Abdul Rachman Wahab; P3M (Center for Pesantren and Moslem Community Development); Lembaga Studi Pembangunan (LSP); Keperti; Persatuan Keluarga Berencana Indonesia (PKBI); Yayasan Kusuma Buana (YKB); Yayasan Indonesia Sejahtera (YIS); ONIKS (Indonesian National Board for Social Welfare); CUCO (Cooperatives); Pusat Pembangunan Agribusiness; Yayasan Mandiri. Other NGOs that might also be included are: FLSKA (Information and Population Studies Forum); PKK (Family Welfare Program); Lembaga Bantuan Hukum (LBH); and BINEKSOS (Indonesian Association for Advancement of Economics and Social Sciences). Not listed here are those nonprofit development group members that Indonesian practice does not currently consider to be part of the NGO/PVO community but that nonetheless share many common characteristics, such as comparable fund-raising needs. These would include, among others, the Lembaga Pendidikan dan Pembinaan Manajemen (LPPM) and the Institut Penembangan Manajemen Indonesia, Yayasan Prasetiya Mulia, and the Yayasan Dharma Bhakti Astra.
- 3 A copy of the report on that meeting is on file with VHP/USAID/Jakarta.
- 4 Interestingly, nowhere in the report on that February 1985 meeting is any mention made of possible link between nonprofit groups and the commercial sector. It would appear that when making its appeals for private-sector support to development activities, the government has been thinking more about vertical links between itself and the individual components of the private sector, not about horizontal links between these components.

CHAPTER THREE
OPERATIONAL CONSTRAINTS AND OPPORTUNITIES
AND PROGRAM NEEDS

OPPORTUNITIES AND CONSTRAINTS

Chapter Two outlined the broad context within which the creation of institutional mechanisms for public-sector funding of development activities by the Indonesian nonprofit community must be conceived and implemented. This chapter redefines those issues in the more operational terms of their specific implications for future program initiatives. It does so by first exploring the relevant opportunities upon which to build and constraints that will need to be overcome within each of the concerned sectors. It then proposes a set of programmatic considerations and needs that should be addressed.

The Nonprofit Sector

Opportunities/Strengths

The nonprofit development group sector has good potential and offers some significant strengths around which a program might be built.

The sector constitutes a dynamic and vital community with many excellent people, considerable collective experience in implementing development projects, access to villages, and an informed understanding of people's concerns. Moreover, groups in this sector are internally motivated, and generally are not part of mass movements, mass-based organizations, or political parties. They truly constitute an independent sector and therefore can act as a bridge between government programs and the society at large. They also move easily between grassroots,

national, and even international levels, which increase their effectiveness and enables them to enhance the development process.

This group also has other strengths, including a comparative advantage over the government in some types of development work. The nonprofit development groups are better able to pursue concurrently a range of options or to undertake experimental or pilot projects that test concepts or procedures in ways not possible through larger and more cumbersome government bureaucracies. Moreover, their financial independence and self-sufficiency enables greater flexibility, more rapid response, and greater innovation. And they frequently are able to bring together a greater pool of expertise on particular issues because groups often form in response to the specific nature of the problem being considered.

Moreover, this community is growing rapidly in size, diversity, and capacity. Given its willingness to work in tandem with the government, it represents a significant potential asset.

These considerations are real assets. Properly packaged, they can provide ample justification for almost any conceivable fund-raising campaign. When appropriately combined with specific information on project activities of particular interest or relevance to selected potential contributors, they can be very persuasive.

And finally, key groups within the sector (LP3ES, WALHI, Bina Swadaya, and others) already have indicated their keen interest in helping initiate appropriate mechanisms to assure continuing funding support from the corporate/public sector. A core group of nonprofit organization leaders therefore is already prepared to offer support and assistance.

Limitations/Constraints

Not everything is positive about the nonprofit groups. In addition to the assets that they bring to this undertaking, they also possess some liabilities and have some important shortcomings that urgently need to be overcome.

These limitations and constraints revolve around four main areas: internal organizational problems, experiential limitations, finances, and external perceptions:

Internal Organizational Problems. Although this sector contains some truly outstanding organizations most groups within it have a wide range of internal organizational problems. Many suffer from inexperienced staff and high turnover, largely because of low salaries and insufficient job security. Nearly all have weak management and accounting systems, stemming from their inclination to organize around specific projects rather than for institutional continuity. Few understand the principles of effective proposal writing, and fewer still have developed adequate systems to assure high quality and timely substantive and financial reporting to donors. These shortcomings undermine outsiders' perceptions of their competency and professionalism, which in turn can seriously damage their abilities to raise funds for otherwise deserving projects.

There is a second dimension to the organizational issue, which concerns inter-group relations. Part of this relates to fears expressed by many of the smaller groups that the BINGOs may come to control them intellectually, which suggests the need for institutionalized diversity. Concurrently, there is a demonstrated unwillingness to allow any strong hierarchization within the

community, especially with respect to allowing any one group to become spokesman, or supernumerary, for the others, or to attempt to evaluate their capacities or programs.

Experiential Limitations. There are two main issues here. First, many groups in this sector have tended to undertake a progression of pilot projects or experimental programs in order to acquire funding from foreign donors who especially like such activities. Sometimes these sequential activities are closely enough related in substance that they provide some program coherence, but sometimes they do not. Thus some groups have great breadth and only limited substantive depth in any particular area of endeavor, which may facilitate raising money but does not necessarily make for good development work. And in the long run the latter concern is always the more important one.

Also, given the social orientation of the majority of the nonprofit development groups, few have had much experience relating to such economic issues as entrepreneurship development, small-business management, or credit systems. Until this limitation is rectified, and it must be, it will handicap efforts to forge cooperative relationships with the corporate sector, which is likely to have the greatest interest in these areas.

Finances. There are two important issues. First, few if any of these groups have, or are prepared to allocate, money to cover any substantial up-front expenses that might be involved in fund raising. The bulk of their funds are project specific, from other donors, and cannot be utilized in this fashion. As a consequence, fund raising for them has traditionally consisted of specific project proposal writing; and has not entailed any systematic efforts to understand and cultivate the market potential.

Second, and related to its general naivete regarding economics and business finance, this sector as a whole has neither experience nor demonstrable interest in profit-making activities with which they might become involved that could help cover recurring costs and provide funding continuity for, for example, staff training, organizational development work, or fund raising.

External Perceptions. This issue is also covered in other sections of this report. The nonprofit development groups could generally improve their images in the eyes of the government and the commercial sector through a combination of educating the people about their programs, strengthening their expertise and capacity in areas that have been identified, adapting a more entrepreneurial perspective on fund-raising issues, and learning to speak to the government and especially the commercial sector in the vocabulary of those sectors. These groups' general lack of solid business instincts and experience has placed them in a position where they don't know the vocabulary of business and therefore are unable to speak to commercial interests in that sector's own language of "bottom line profitability", "internal rates of return", "opportunity costs of capitol", and so forth. Until they or their representatives can do so, they will continue to be perceived as "soft" by the business community.

In a related view, there exists within the nonprofit community a fairly persuasive negative anti-business attitude. This also needs to be addressed as part of any effort to forge closer relationships between the two sectors.

Commercial Sector

Opportunities/Strengths

The major strength of the commercial/public sector in this context is the potential it represents. There is money there that, given appropriate efforts, can be made available to support the development activities of nonprofit groups. An additional strength is that within the commercial sector a small but influential coterie of individuals exists who are genuinely motivated by concerns for social and economic development and who already understand the important role of the nonprofit development groups. These people, once identified and co-opted, can provide significant help in activating the kinds of fund-raising activities that will be proposed in this report. Given the extent to which social hierarchism and Bapakism remain key elements in Indonesian social dynamics, it will be especially important to involve those representatives of the commercial sector who hold positions of recognized power and prestige.

Limitations/Constraints

Perhaps the most crucial constraint in this context is the pervasive lack of understanding by the commercial/public sector of what the PVO community can do that has any relevance or importance to its concerns and priorities. Because of its unwillingness to deal with anything that cannot speak its language or justify activities in terms their potential to maximize profits, the commercial sector cannot effectively relate to nonprofit groups' terminology, which focuses instead on such concepts as social profitability or the enhancement of the social environment. This attitude contributes to a common business perception that the nonprofit development groups have only marginal relevance to business concerns.

An additional important factor constraining commercial-sector involvement is the inadequacy of the current incentive structure. In the absence of effective and commonly recognized incentives for philanthropy, it simply will not occur. The commercial/public sector needs additional, more persuasive, reasons why giving money away is in its interest. This fact will be especially important, and also particularly difficult, among the newer, leaner, and frequently more provincial commercial sectors, where people seem especially strongly driven by the personal/corporate profit motive.

Another element, what might be labeled the "korupsi factor," has given rise to an element of cynicism and mistrust regarding the ways in which money not within one's immediate control might be used. The onus is on the nonprofit development community to demonstrate that funds donated in support of its activities will be used for the purposes intended. Only by establishing and maintaining reliable accountability systems will these groups be able to gain and hold the trust of potential corporate and donors and philanthropically included elements of the general public.

And finally, the current recession has imposed certain constraints, which will not be eliminated or reduced by any initiatives taken in follow-up to this task order report. Nonetheless, the recession itself should not be cause to not pursue this matter further. As indicated elsewhere, the recession promises to be an ephemeral event; the basic economics for continued growth seem sound; and the opportunities to establish mechanisms that might significantly contribute to future development are sufficiently compelling to merit pushing ahead.

The Government of IndonesiaOpportunities/Strengths

Government actions in recent years are primarily responsible for the opportunities that are currently available, and the greatest strength of the government now is its declared intent, at least at the highest policy levels, to continue on a course that enables increased public-sector involvement in the future development of the country. No less a person than President Suharto himself has unequivocally asserted his intent to assure this genuine "partnership in development," and persons close to the President have privately confirmed his, and their, determination to continue on the course that has been set. This course of action promises to offer many opportunities for policy and operational dialogue with the government at many levels. To the extent it successfully accomplishes, this policy will assist in innumerable and important ways in achieving the ideals and goals that undergird this report.

A relevant example is in the area of tax reform and the possible introduction of tax incentives. Key relevant government officials are aware of the potential value of such an approach but were unable to include it among the restructure income tax codes last year for other, equally important, reasons. Specifically, their priority, among others, was first to get everyone accustomed to the requirement to pay taxes. They indicate that once paying taxes is an accepted fact of life, perhaps within the next five years, further modifications in the codes to allow for charitable deductions and exemptions are possible. Most important, the officials indicate they would be prepared quietly to begin exploring options now, and would welcome expert assistance and informed discussion on pertinent matters. Responsible officials in other branches of government seem equally responsive to similar policy dialogue and options analysis.

Limitations/Constraints

The flip side of this coin emerges at lower levels in the government, where bureaucratic questions of turf sometimes remain strong, or in those ministries that continue to be primarily concerned about security issues, especially of the kinds that might seem to involve leftist leanings or the urban and rural poor. At these levels, caution or obstructionism remain impediments to optimal use of the nonprofit organizations in development work. As noted earlier, the Minister of Home Affairs' speech to the February 1985 meetings on "NGO Participation in National Development Process" was a sobering reminder that Indonesia is keeping its guard high on perceived communist-oriented movements and neocolonial activities. Such situations serve to highlight the ambivalence between the rhetoric of collaboration and the realities of fits and starts in implementation. A historical process is involved here, one that should, with the exercise of good will and diligence, resolve itself over time. Effective implementation of the types of activities proposed in this report could accelerate that process however slightly.

A second matter constraining the governments ability to effectively collaborate with nonprofit groups is its inclination to assert varying degrees of control, either to assure compliance with government priorities or to avail itself of access to funds under the control of the nonprofit sector.

System-Wide Issues

In addition to such sector-specific considerations, some broader crosscutting issues can affect any program implementation.

Opportunities/Strengths

The societally defined and historically sanctioned tradition of shared social responsibility (gotong-royong) provides basic justifications for the kinds of activities contemplated in this report. Similarly, the experience of the past 15 years provides a record of accomplishment from which to build and an understanding of how to proceed. And finally, the tendency toward greater privatization, if continued, will create new opportunities. All that may be required is the motivation to proceed and the structure within which to do it.

Limitations/Constraints

It may not prove easy to fit such philanthropic and fund-raising activities into Indonesia's existing philanthropic matrix. Can they be grafted onto, or integrated with, what already exists? If not, will the jockeying that results create competition for funds? If so, what might that mean?

The current recession might be seen by some as a constraint to action now. This is probably invalid, because the fact of the recession and the resulting shortage of money with which the government can implement its development programs have led to a situation where the government knows it needs help in delivering on its development promises. Thus, the situation might be used as leverage for government encouragement for greater private sector involvement.

The final constraint that needs consideration is the overall complexity of needing to deal in an ordered and meaningful fashion with all of the issues that are involved. All elements are so interlinked that failure to address any one of them could seriously undercut the entire enterprise. In this sense, any

crosscutting efforts to establish philanthropic/fund-raising institutional mechanisms will need to deal appropriately with all the systemic constraints and limitations mentioned above, while simultaneously drawing support and assistance from the existing strengths and opportunities. This organizational and management challenge promises to be of the first order.

PROGRAM NEEDS

As fund-raising is difficult under the best of circumstances, it is successfully accomplished only when approached systematically and conducted rigorously. Before beginning a campaign, its components must all be in place and functioning properly. Fund raising on behalf of the nonprofit development sector in Indonesia will require working simultaneously on a broad set of issues in as efficient and cost-effective manner as circumstances will allow. Three categories of operational needs can be identified: awareness, incentive .pa structures, and capability enhancement. These are interrelated and mutually interdependent, of course, but they can be separated conceptually.

Awareness

All parties with interests in related issues need to heighten their awareness, understanding, and knowledge. Borrowing from the KAP methodologies in the health and population fields, it is now fairly well established that from increased knowledge (K) and better attitudes (A) come improved practices (P). This formula could be applied with equal validity in the general area of public-sector philanthropy and fund raising. Two among the several challenges this methodology presents need stating.

First, it will be necessary to develop and manage the implementation of sectorally focused public education campaigns designed to:

- Heighten awareness within the commercial/public sector of the potential of nonprofit-sector programs in promoting development that helps both the country and the commercial sector;
- Educate the nonprofit development organizations on the new perspectives and approaches they may need to apply in order to gain the respect and/or trust of commercial/public sector donors; and
- Persuade concerned government officials of the nonthreatening nature of nonprofit development group activities and of the desirability of even further movement at the operational level toward procedures and agreements for true partnerships in development.

Second, it will be necessary to help promote common understandings and language among all concerned parties by encouraging direct dialogue between them. Included might be efforts to help identify and publicize areas where nonprofit development organizations might have comparative advantages over the government, particularly in areas of special interest to the commercial/public sector.

Incentive Structures and Philanthropic Momentum

There also is a need to identify and promote stronger systemic incentives to philanthropy in support of development. Some incentives might occur naturally as an outgrowth of the activities suggested above, because heightened awareness of the social value of a philanthropic act can, in itself, stimulate giving.

Concurrently, there is a need to engage in policy dialogue and appropriate related activities (comparative research, for example) designed to encourage government movement toward creating a more conducive atmosphere for philanthropy. This new climate might be accomplished both through administrative incentives such as tax codes that encourage philanthropy and through ensuring policy statements and administrative procedures that further legitimate the role of nonprofit organizations in development activities.

And finally, there is a need to promote a sense of momentum in corporate/public giving. Achieving this momentum will require some initial success in raising funds, in then successfully implementing good development work using those funds, and finally in publicizing the benefits derived by both the donors and the beneficiaries in the process. The objective would be to contribute to an environment where success would breed more success.

Enhancing Capabilities Among Nonprofit Development Groups

The better the nonprofits are at doing the things they do, the easier it will be to design and implement successful fund-raising activities on their behalf. Undertaking work that potential new donors can understand as being relevant to their own priority concerns will further facilitate the nonprofit groups' success. The range of issues involved have been discussed in some detail elsewhere in this paper. The main point is that too heavy an emphasis on concerns for institutional strengthening would not adequately serve the objectives of any program designed to create institutional mechanisms for fund raising, because the other needs that have been identified are at least as important. What is necessary is a programmatic upgrading of nonprofit organizations in direct support of the objectives of this

program. Specifically, these nonprofits should undertake a range of activities essential for successful fund raising, which includes identifying fundable and appropriate programs, managing effectively and persuasively, learning to think and act in more businesslike ways, and using accounting and reporting systems that are responsive to their donors' requirements.

Defining Some Beginnings

Effectively addressing all these needs within a reasonable time frame and in a cost-effective manner will be difficult at best. The odds of success will likely increase in direct proportion to the thoroughness with which a program is planned and implemented. Such a program would have many diverse facets and would require careful planning and conscientious management. The nonprofit development groups would have to be solicited for program ideas and for indications of interest and backing. Key corporate, governmental, and public support would have to be obtained, and important patrons (Bapaks) would need to be identified. Research would have to be conducted on potential sources of new funds, the types of appeals that could attract the attention of those potential new donors, and the channels by which those appeals could most effectively be transmitted. Priorities among programs and target groups would have to be established, as would systems to assure that activities focusing on discrete components of this complex set of issues would properly relate to one another. And perhaps above all, structures or systems would need to be established that could help ensure the sustainability of successful program initiatives.

Two possible ways of attempting to implement such a program exist, either:

- Through a series of separate and sequential activities which are integrated into a common conceptual framework; implemented through separate agencies; and designed to independently affect selected elements of the system, possibly in a mutually reinforcing fashion; or
- Through the creation of a new and separate institutional capacity designed specifically to manage an integrated and coordinated approach to the full range of issues identified in this paper.

The concluding chapter of this paper will explore these two options.

CHAPTER FOUR
OPTIONS FOR ACTION
CHOICES TO BE MADE

Assuming that AID is prepared to consider attempting program intervention in this area, two separate conceptual approaches might be pursued. The first involves making, preferably on a continuing basis, a series of discrete and relatively modest grants designed to influence specific elements of the overall structure that has been described in the preceding two chapters. Such grants could be either ad hoc and nonstructured or sequential and ordered. The degree to which such an approach would have meaningful long-term systemic consequences probably would increase in relationship to the extent to which it emphasized the latter category.

The second approach would involve a long-term commitment to an integrated program designed to put in place an institutional capacity, or mechanism, that would foster private-sector funding of nonprofit development organization activities in Indonesia. This approach in fact recommends the establishment of the "institutional mechanism" that was requested in the task order for this report. It is premised on an assumption that the existing systemic obstacles to optimal public-sector philanthropy in support of development assistance activities by the nonprofit sector create an impossible task for any single nonprofit organization or group of such organizations and that what therefore is needed is an active intermediary charged with focusing specifically on the related issues.

As the remaining sections of this chapter indicate, the problems and opportunities inherent in these two approaches are different.

Prepared by [illegible]

A STRATEGY OF DISCRETE GRANTS

Examples

In this strategy, AID would make grants, either directly to each specific beneficiary group or through some of the more prominent groups with which it already has established relationships. These grants would selectively focus on the various needs and opportunities that have been identified in preceding sections. A wide range of discrete activities that might be attempted. Each has value, but in the systemic context within which this undertaking is being contemplated, each has limitations regarding its capacity to alter significantly current circumstances. None would provide a panacea, but each might help either to illuminate future issues that would need to be addressed or to move selected elements of the system incrementally toward a more desirable position. For example:

- Grants could be awarded to one or more of the more prominent and interested nonprofit organizations to enable them to undertake activities designed to strengthen their fund-raising capabilities, to serve as pilot projects for other groups, and to establish precedents. One problem is that such an approach would necessarily be highly selective and, if successful, might lead to only one or two organizations acquiring a set of capabilities that should more properly be shared throughout the nonprofit community.
- Funds could be provided to selected organizations (possibly including academic institutions) for a variety of activities attempting to foster cooperative relationships between elements of the nonprofit and the commercial sectors. For example, workshops to explore cooperation possibilities, ad hoc activities to promote dialogue, or research surveys of the corporate sector to identify organizations or individuals interested in support activities of the nonprofit sector or to identify, means to strengthen the incentive structure for corporate giving.

- Travel/training grants could be awarded to leaders of various nonprofit organizations to enable them to learn about fund raising techniques. One avenue might be through professional observation tours to comparable organizations in other countries that have had relevant experience (although it might lead to exposure to ideas that are not relevant in the Indonesian context or to dealings with people who have no training in fund raising. More professionalism might be provided by enabling grantees to attend professional fund-raising training programs such as those conducted by various academic associations or professional fund-raising groups in the United States. Alternatively, workshops on fund raising such as the one that was to be sponsored by Oxfam in Semarang in January 1986 might be supported.
- Financial or technical assistance support might be provided to encourage one or more attempts at commercial fund raising on behalf of a specific broad issue, possibly using an interested public relations firm such as Matari, Inc., to establish procedures, run pilot projects, determine precedents, and generally raise the visibility for the idea of public philanthropy in support of privately/implemented development work.

This list could be expanded substantially. But care must be taken not to contemplate activities that might appear relevant but that, in fact, would offer little promise of making any real contribution. An example of such an activity might be the workshop that was suggested in the task order and that was intended to announce the creation of the desired institutional mechanism. As this paper should suggest, the issues involved here require a far more continuous and calculated process. Under such circumstances, such a workshop would have been just sound and fury, signifying only an inadequate understanding of the milieu within which program objectives need to be identified and pursued.

Pros and Cons of a Strategy of Discrete Grants

As indicated, this approach has both positive and negative aspects. On the positive side, it would require that less money be committed up front, thus enabling AID to experiment prior to making decisions regarding any larger levels of investment. It would enable work in increments, thus allowing easy mid-course corrections. And if AID were to make a number of grants to organizations with which it already works, then a fairly large number of actors might become involved relatively quickly.

Conversely, such an approach could easily lose its focus, which could lead to a lack of coherence in programs. The impact of the grants therefore would be more likely to dissipate. Such an ad hoc approach could not effectively address many of the more important systemic issues, such as the desirability of a more effective incentive system for philanthropy or the need to legitimate the nonprofit organizations in the eyes of the commercial sector. Moreover, such an approach would likely help primarily only a few of the many nonprofit organizations that should profit from an endeavor of this nature, most likely the BINGO group, which now need this type of assistance less than many others.

And finally, there is the pragmatic problem that such a series of discrete activities would be extremely labor intensive for VHP/AID/Jakarta, in that grant administration requirements would be high. If VHP/AID/Jakarta attempted, as it is doing with much of its other current programming, to decentralize by farming out the work to several of those private agencies with which it currently works, the problem of program dissipation would be compounded, and the prospect of consistently or comprehensively addressing all pertinent issues would be correspondingly lowered.

Nonetheless, an approach that focuses on making a series of discrete grants could help illuminate the operating environment within which problems will be worked out. If, however, a decision is made to proceed in this fashion, then the larger picture should be kept in mind, and any discrete activities undertaken would need to be conceived and implemented within the context of a clear and concise program framework.

A Programming Framework

The basic program challenge involved here concerns legitimating, in a self-sustaining fashion, the concept of public or corporate philanthropy in support of Indonesian national development objectives using the organizational skills and experience of Indonesian nonprofit organizations. Given the potentially complex links among the various sectoral components, this challenge can be met only with a holistic understanding and a well-conceived set of objectives. If AID attempts to affect the current situation through a program of discrete grant activities, then those activities should be undertaken on the explicit understanding that the objective is long-term institution building, not short-term project impact. Within this context, the key issues to be addressed include:

- Consolidating a consensus regarding the role of nonprofit development organizations in Indonesia's national development efforts;
- Opening an effective dialogue between the nonprofit and the commercial sectors regarding ways in which the two could meaningfully cooperate in undertaking development work;
- Strengthening capacities among nonprofit development organizations to identify, plan, implement, and report on the types of development work that would attract and retain the interest of the commercial sector, and;

- Developing incentive structures and appropriate processing mechanisms to encourage and facilitate public and corporate philanthropy in support of development activities.

With these issues addressed a number of specific programming strategies can be suggested that could help identify appropriate activities to support, and/or criteria by which to make programming decisions. Specifically, in any grants AID makes relating to this broad set of issues, it might:

- Support projects that might later qualify for follow-on funding from the private or the commercial sector by favoring project proposals that are closest to commercial-sector perspectives, such as activities that relate to developing entrepreneurship, providing credit, encouraging agrobusiness, or generating employment.[1]
- Support efforts by nonprofit development organizations to learn how to deal better with the commercial sector such as, preparing better proposals for submission to other sources, learning the vocabulary of business, or undertaking public relations campaigns designed to attract the interest of businesspeople.
- Help increase the overall professionalism (and business orientation) of NGOs, especially through activities that encourage improvements in general administration, management, and, above all, accountability and reporting systems.
- Fund pilot projects that encourage the testing of collaborative mechanisms.

The following final suggestion does not have immediate programmatic or financial implications for AID. In cooperation with the U.S. embassy, AID should incorporate into its policy dialogue discussions with the Indonesian government appeals for: further improvements in the atmosphere for meaningful cooperation in development work at all levels between the government bureaucracy and the nonprofit development organizations, including exempting the nonprofits from ORMASS restrictions; and providing official encouragement to strengthening the incentive

structure for corporate and individual philanthropy, especially in the area of providing tax incentives through deductions for charitable donations.

AN INSTITUTIONAL MECHANISM:
A NEW INTERMEDIARY FOUNDATION

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 the series of discrete grants suggested above. 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.

This mechanism could be created through a new intermediary organization, national in scope but with operations primarily in Jakarta, that serves as a central coordinating liaison on behalf of Indonesian nonprofit organizations interested in cooperation with the private sector in development activities.[2] For lack of a better term, this new intermediary organization will be referred to as the Foundation. Were it to be formed, one of its first orders of business should be to give itself a more descriptive and appropriate name. This new entity should not become a broad-gauged central coordinating board for the nonprofit development organization community, but instead should be limited in its mandate to issues relating to public and corporate fund raising, broadly defined, plus whatever backstopping and institutional strengthening support would be appropriate to this basic function.

Program Objectives

The activities of the Foundation should be designed to support progress on multiple fronts over the period of time necessary for the types of systemic change that will be required to assure project sustainability, ideally seven years. The basic objectives would be to work toward creation of an environment in which public and corporate philanthropy in support of development activities would be accepted and accomplished while concurrently also bringing the nonprofit development organization community to the point where it could effectively respond to the challenges this opportunity would provide. The first of these two objectives would require public relations activities, educational campaigns, and active lobbying with the Indonesian Government and with all relevant business entities. The latter would require enhancement of fund-raising capacities, some realignment in program focus to make it more compatible with the core interests of potential new supporters, and continued upgrading in the capacities of the nonprofit organizations.

In accomplishing these objectives, the Foundation would employ two basic programming approaches. First, it would serve as a locus of fund-raising activities on behalf of the nonprofit sector, both by taking the lead initially in developing and conducting fund-raising activities on behalf of its constituents and by assisting those constituents in developing the capacities to undertake such activities on their own. Second, it would serve as a source for technical assistance for its constituents' efforts to develop capacities to undertake development programs in areas that would also interest the commercial sector in Indonesia and AID/Jakarta. It would do so primarily through a matching-grant program, whereby partial financial support could be provided on condition that the balance be raised from other sources, with help from the Foundation, and that the organization

seeking funding would also accept mutually agreed upon technical support from the Foundation relating to issues that would strengthen that organization.

Project Activities

Any such undertaking necessarily should be process oriented to allow things to evolve naturally in response to improved understandings of needs and changes in circumstances. Adherence to any blueprint of activities could only restrict the effectiveness and long-range significance of the undertaking. Thus it is not be appropriate here to specify a hard-and-fast agenda of activities that should be undertaken. Suggestions can be made, however, regarding the types of activities that should receive attention.

Activities Involving the Nonprofit Development Organizations

- **Fund-Raising Assistance.** The Foundation should establish, as one of its two main operational divisions, a development office "development" is used here to mean fund raising as foundations and educational institutions elsewhere use it that would undertake research, maintain files, establish a fund-raising information resource center, help identify or in qualifying cases provide training or assistance concerning the technical aspects of fund raising, help formulate and launch public awareness or public relations campaigns, and actually assist in fund-raising efforts. It would be principally concerned with helping identify the range of incentives and the means of propogating them that would encourage private-sector support of nonprofits' development activities. In addition to creating a central body of expertise on these issues, this aspect of the Foundation's work would have the objective of empowering local organizations, over time, to undertake further similar activities without assistance. The services of the Foundation's development office should be available to all qualifying members of the nonprofit community, on a time available basis. The approach should be one of "learning together by collaborating" on how to raise money successfully. An important aspect of this collaboration should be to educate the nonprofit groups

on the extent to which it takes money (and time and effort) to raise money. Above all, this office would be charged with helping organizations from the nonprofit sector develop the strategic business plans that will be needed to persuade the commercial sector that corporate philanthropy in support of development work is a viable idea.

- **Matching-Grant Financial Support.** As indicated earlier, fund raising from the public/commercial sector is likely to prove difficult under the best of circumstances. Given that many nonprofit organizations may be reluctant to try, especially since funds from traditional sources for work in certain areas have become reliable, an incentive might be useful. This incentive, in cases meeting qualifying criteria, should be partial financial support on a matching-grant basis, with the Foundation helping raise the balance, in conjunction with varying types of technical assistance to the requesting organization. Thus, the Foundation, acting as an intermediary, should seek to furnish complementary financial support and attempt to co-finance projects while encouraging increases in beneficiary capacities and resource bases. The provision of matching grant support would not only be a mechanism for expanding the resource base through fund raising activities. It would also enable a substantive association to explore program areas of potential interest to new donors and to create greater institutional capacities among nonprofit development organizations.

Such a matching-grant component of the Foundation's activities would require establishing selection criteria for funding assistance. Assuming that AID will provide core support for the Foundation's operations, those criteria would have to conform with AID's priorities. Concurrently, however, the criteria should also reflect the probable areas of greatest interest among Indonesia's corporate sector. One such priority might be to help increase off-farm employment opportunities, with special emphasis on productive enterprise. Other priorities should be identified.

- **Institutional Development Assistance.** Perhaps the most appealing and intriguing feature of the intermediary Foundation being proposed here is its mandate to provide both financial and technical assistance to participating nonprofit development groups. From the outset it would form a holistic assistance relationship with the beneficiaries, which would facilitate a dialogue linking the needs and capacities of organizations with their project concepts. Such dialogue would produce agreement

on the assistance relationships whereby movement would be realized simultaneously toward developing project ideas and implementing them, upgrading the technical and managerial capacity of the organizations, and strengthening their abilities to identify and obtain other funding support. Given the types of matching-grant funding criteria that are likely to evolve -- which logically can be expected to place an emphasis on entrepreneurship -- this approach should significantly contribute to the nonprofit communities declared desire to move toward greater self-reliance. These recommendations do not anticipate that the Foundation will have at hand all the expertise and skills that might be required to provide technical assistance to its clientele. When specific technical assistance is needed, the Foundation probably should attempt to provide it through contracted services, perhaps through some of the more advanced members of the nonprofit development community, rather than developing its own staff capabilities to perform such roles. Thus groups within the sector will be able to help one another.

Activities Involving the Commercial Sector

- **Public Awareness Activities.** These activities would be designed to make the programs and capabilities of the nonprofit development groups better known by the commercial sector and the public at large. Such activities should have several objectives, including legitimating the role of the nonprofit sector in supporting national development activities and persuading the commercial sector of the strengths of the nonprofit sector and of the mutual benefits which might be derived from collaboration;
- **Promoting Dialogue Opportunities.** Through this dialogue representatives of the commercial sector and of the nonprofit development groups would have regular opportunities to get to know one another and to explore ways in which collaboration might be affected. It could prove especially useful to attempt entry through the many industry associations which are springing up in most industries. These associations are new, are still defining their roles, and are anxious to earn credibility.

- Research on Fund-Raising Potentials within the Commercial Sector and among the Public at Large. In addition to seeking likely sources for financial support, such research would also attempt to identify those patrons who could be most useful to the foundation in the achievement of its objectives.
- Brokerage. The Foundation could act as a broker to assist interested representatives of the commercial or public sector to identify groups or programs that they might support.

Activities Involving the Government of Indonesia

- Public Policy Dialogue. Such dialogue would be designed to promote the most supportive official sociopolitical environment possible, both for the nonprofit sector's involvement in development activities and for nonprofit/commercial collaboration in such activities. Such dialogue should seek to encourage relaxation of any implementing regulations pertaining to the recent ORMSS law that might have a negative impact on legitimate development activities undertaken by NGOs and to facilitate the easing of government control and/or supervision of private developmental activities, primarily by encouraging local government officials in some localities to be more accepting of private development initiatives. The Foundation could either engage in such dialogue itself, as appropriate, or perhaps more commonly could provide research services and other support to others at higher levels who could carry on such dialogue.
- Incentive Structure Strengthening. These activities would especially but not solely work toward modifications of the Indonesian Tax Code to incorporate deductions or exclusions for specified categories defined as being in the public interest in support of activities addressing national development priorities. The Foundation should actively attempt to explore with the government other ways that government policy might be modified to encourage collaboration between the commercial sector and the nonprofit development groups.

Intermediary Roles

The Foundation may be able to play an intermediary role between nonprofit development groups and the various interested external donors. Initially those roles may be fairly limited because of the prerogatives that the donors may wish to retain. However, as the Foundation develops its own capacities, some agencies might find it useful to work with the Foundation to identify, or perhaps even screen, deserving projects to be funded. Similarly, the Foundation might come to provide an information clearing house facility that will be useful to all concerned parties.

Organization and Structure

In order to achieve its objectives, the Foundation would need to be organized into two divisions: one to serve as a development, or fund raising, office; and the other to undertake all necessary operations relating to the provision of matching-grant support and technical assistance. Management of the Foundation should reside with a director who would supervise the operations of both divisions and who would be advised, especially regarding program focus and decisions on matching grants, by an advisory council consisting of prominent representatives of all four sectors (nonprofit, commercial, government, and donors) that will have an interest in the operations and success of the Foundation.

Pros and Cons

This program, if fully implemented, would be an ambitious one that would require a fairly large long-term commitment on the part of its principal sponsor. Considerable risks are involved because the possibility always exists that, notwithstanding the

best efforts of those most directly involved the concept could still fail. What would happen, for example, if Indonesia's current recession gets significantly worse or continues indefinitely? Similarly, how could the program handle a situation in which, notwithstanding all prior assurances, the majority of the nonprofit development groups decided that fund raising in the commercial sector simply was too much work or required too substantial a departure from earlier programming priorities? Or what would happen if the government of Indonesia felt it necessary, perhaps for some as-yet undefinable reason, to clamp down on nongovernmental development activities in the name of national security? Finally, how could the Foundation react if the government decided to use it somehow to exert control over the nonprofit development community, perhaps to dictate approved activities that it could undertake or to control the flow of funds from all donors? However remote, these risks would need to be considered and then weighed against the possibly substantial contribution to Indonesia that the program could make if it were successful. At the same time, implementation of the project should keep such possibilities continually in mind, and then conscientiously strive to do whatever is possible to prevent their occurrence.

Similarly, such a project should be designed so as not to create dependencies among its constituency for the services it would provide. Nor should it be structured so that it might itself become dependent on its primary sponsor, or on anyone else. Thus, its activities will need to complement the basic goals and purposes of the organizations seeking its assistance, which should be possible under the structure and modus operandi being proposed here. Since participation in the Foundation's activities would be voluntary, and its basic goal of helping others achieve their own objectives, preferably in better ways and drawing on a more diversified financial support structure, would not violate this principle.

An entity such as the one proposed here cannot, and should not, attempt to be all things to all people. The Foundation will need to put limits on its aspirations and activities in order, from a management perspective, to insure its success; the Foundation also should avoid certain activities that could pervert or destroy the whole effort.

For example, the Foundation should not attempt to accomplish too much, too soon. Overly ambitious goals and objectives are as certain a prescription for failure as are no goals and objectives. As was emphasized earlier, the purpose here is to help the nonprofit organizations grow over the long term. Such a process in the environment that will likely surround this project cannot easily be measured in terms of short-term subproject success or failure.

Also, the Foundation should not be designed to serve as a central coordinating body for the nonprofit development group community for three basic reasons. First, it would require the Foundation to take on various functions which would detract from its ability to concentrate on achieving its basic goals and objectives. Second, the nonprofit development community does not wish to be led in such fashion and probably would resist efforts by any entity to place itself in that position. The community correctly perceives itself to be more vibrant because of its diversity. Third, and closely related but probably more important, centralized coordination of the community would furnish a tempting target for any agency interested in establishing governmental control. The vitality of the community stems in large part from the fact that it operates outside (but of course often in cooperation with) governmental structures. Trying to alter this situation would not serve anyone's interest.

The Foundation also should not allow its existence to be used in any way to politicize on any issues of concern to its constituency. The reasons for this stricture should be obvious.

Program Inauguration

What should happen next? First and most important is deciding whether any of the foregoing should be pursued further. If so, then it probably would prove useful to circulate these thoughts to a selected group of knowledgeable and interested individuals. And any feedback should be considered carefully. This analysis and the conclusions and recommendations that flow from it may be faulty or may have omitted something important. If so, appropriate corrections or revisions should be incorporated before any significant initiatives are taken.

How should implementation begin? Should an existing entity be called on to perform the functions outlined here for the Foundation? The research upon which this report is based suggests not for several reasons:

- There is considerable collegiality within the nonprofit community in consequence of which no existing group is willing to develop the capacity to judge its peers by evaluating program or project proposals or by accrediting management capacities or accounting systems.
- No existing group stands out as sufficiently strong in the areas where the Foundation would need to focus to assume its role. In fact, many of the functions outlined in this report have never before been systematically attempted in Indonesia. Further, any attempt to graft these functions onto an existing organization would have the almost inevitable consequence of detracting from that organization's capacity to accomplish its current programs at their present levels of professionalism.

- Some very different perspectives are needed for this undertaking than most existing nonprofit groups in Indonesia currently exhibit. In order to deal effectively with the commercial sector, the Foundation will need to be somewhat aggressively entrepreneurial. It will need to understand and use the vocabulary of business. It will need to understand and employ professional fund-raising techniques. These new perspectives will require institutional socialization that is more easily acquired in the process of setting up a new organization than it is in attempting to re-tool an old one.
- In order to represent the diverse interests of all its constituents, the Foundation must be multisectoral in perspective. Few if any of the existing groups are adequately multisectoral.

Thus, establishing a new entity seems required. To do so, a number of activities should be inaugurated simultaneously. In addition to preparing the necessary grant documentation and finishing the program review process, these activities would include identifying potential staff and advisory council members and then training them, completing legal incorporation and registration procedures, acquiring and equipping the necessary physical space and office facilities, and beginning to obtain the information upon which subsequent Foundation activities would be based. Concurrently, all appropriate steps should be taken to assure the widest and most sincere possible support from key people within the nonprofit and commercial sectors, as well as in the government of Indonesia and among the principal donor agencies.

As indicated earlier, the quality of the staff and the advisory council will be fundamentally important to the success of this entire undertaking, and great care should be exercised in both their selection and their training. The director in particular will need to meet a diverse range of qualifications, including strong management skills, high intellect, good creativity, and considerable capacity to take the initiative, and

excellent public relations skills. He or she also, and perhaps most important, will have to have, or quickly develop, a reputation that will enable easy access to the most important and powerful representatives of the four sectors.

The role played by members of the advisory council also will be important, and these people need to be selected with equal care. In order to help legitimate the Foundation, they should not only be prestigious, but also deeply experienced in the various areas of activity encompassed by the program. To provide the appropriate balance and to demonstrate multisectoral support for the activities of the Foundation, the council should comprise representatives from both public and private sectors, including commerce/banking, development organizations (other than those applying for matching-grant assistance), government officials, and donors.

And finally, the Foundation should be provided early in its existence with appropriate computer hardware and software, as well as the necessary staff training to assure its optimal use. An operation of the potential complexity of this one will be far better prepared to accomplish its many objectives if it has capabilities, for example, to do computer-based mass mailings, to organize its research electronically, and to support automated financial and substantive reporting to donors by its constituents.

SUSTAINABILITY: THE CRUCIAL VARIABLE

As has been emphasized repeatedly throughout this report, the basic challenge is to undertake a set of activities, either as a series of discrete grants or through the creation of a new intermediary organization, that can institutionalize a process whereby resources are transferred from the commercial sector and the Indonesian public to private agencies for the purpose of

advancing Indonesian development. Strictly speaking, however, this is not a straightforward institution-building exercise. The creation of a Foundation to stimulate and channel at least initially, the transfer of financial resources will be far less important than will be legitimating and institutionalizing the process by which such transfers will continue to occur.

Thus, the real issue is sustainability, not institutionalization. In this context, any series of discrete activities that are undertaken or any entity that is created to stimulate a process may be only temporary expedients that can be discarded or forgotten when they have served their purpose. In particular, if a Foundation is created, it may serve the purposes for which it was designed and then, after the whole process has been internalized into the Indonesian structure, just fade away. Alternatively, the system may require that the Foundation continue to play a role. Either result should be acceptable, provided that the process continues in a self-sustaining fashion.

Whatever the case, the recommendations contained in this report should enable an initial effort with the flexibility to accommodate any foreseeable outcome. Provided that a process orientation to project design and implementation is retained, subsequent activities should be able to evolve in purpose and structure over time in response to increasing knowledge and experience and to changing circumstances.

On the basis of the discussions and investigations leading to this report, the recommendations submitted here hold some promise of achieving the multiple objectives that any program in this area would need to address. In particular, the thoughts concerning the creation of a new foundation to undertake in an integrated fashion the necessary tasks were all developed during the course of task order inquiries and in no way represent any

preconceptions. The general concept of such a Foundation was explored with concerned Indonesians as it evolved, and has been well received and broadly endorsed by all of the individuals from the Government of Indonesia, the nonprofit groups, and the commercial sector with whom it has been discussed. Thus, the Foundation concept constitutes what may be a consensus perspective.

NOTES

- 1 An analysis of recent activities of the BINGO group suggest an even wider range of activities which might be of interest to the commercial sector. These are listed below, along with some of the organizations which already have undertaken such work:

Small scale enterprise development, entrepreneurship, or income generating projects (LP3ES, Bina Swadaya, Dian Desa); agro-industry (PPA, Pekerti, Bina Swadaya); savings and credit (CUCO); irrigation development (LP3ES); water supply development programs (Dian Desa), non-formal education (Bina Desa, WALHI, YLS); institutional or community organization development (Pesantran, P3M, LSP); health, nutrition, or sanitation (YIJ, YKB); family planning (PKBI), social welfare (DNIKS); transmigration (Bina Swadaya); appropriate technology and rural energy (Dian Desa, Yayasan Mandiri); environment/conservation (WALHI, Bina Desa).

Other areas of need not covered by this list include:

Low cost housing and marginal settlements; youth, sports, and recreation; consumer advocacy/protection legal aid; social and action research, small-scale and cottage industries, and handicrafts; urban informal sector development projects; low cost transport, and; trade facilities for low-income groups.

- 2 In addition to attempting to be responsive to Indonesian needs and circumstances, the following suggestions also selectively combine elements of the activities of other entities such as the Council of Foundations and the United Way in the United States, the National Development Foundations in the Caribbean Basin and Latin America, the AID-funded Kenya Rural Enterprise Development Project, and the Philippine Business for Social Project Foundation. See Appendix II for brief descriptions of these and selected other comparable activities.

APPENDIX I
PRINCIPAL CONTACTS

APPENDIX I
PRINCIPAL CONTACTS

Many individuals contacted during the course of this assignment were notably helpful or informative. They provided numerous insights and perspectives. Many others should have been contacted because of their extensive interest in or knowledge of related matters, but scheduling difficulties, inadvertent oversight, or other factors prevented meeting with them. The consultant's long contacts with many of them in earlier years should help assure that their perspectives are at least partially incorporated in the text of this report. Four weeks in-country clearly did not enable as leisurely a set of discussions as might have been desirable, nor did it provide any opportunity to discuss related matters with individuals outside Jakarta. In the event that this report's recommendations are followed up, the perspectives and knowledge of many others should be solicited.

- Mr. Larry Balli - Director of Fund Raising, Jakarta International School, Jakarta
- Ms. Micheline Beaudry-Somcynsky - First Secretary, Development, Canadian Embassy, Jakarta
- Mr. Ross Bigelow - Program Officer, PVO Programs, AID, Washington
- Dr. Tyler Biggs - Harvard Institute of International Development, Cambridge
- Dr. Bimo - Director, Yayasan Indonesia Sejahtera, Jakarta
- Dr. Mochtar Buchori, - Senior Adviser, Indonesian Academy of Sciences, Jakarta
- Mr. Jim Castle, - Director, Business Advisory International, Jakarta
- Mrs. Chinda Charungcharoenvejj - Senior Vice President, Bangkok Bank, Bangkok
- Mr. Alan Choate - Representative, The Asia Foundation, Washington, D.C.
- Mr. Greg Churchill - Attorney at Law and Law Professor, University of Indonesia, Jakarta
- Ms. Leona D'Agnes - Representative, Program for Appropriate Technology in Health, Jakarta
- Mr. Djatikusumo - Deputy Director, Bina Swadaya, Jakarta

- Mr. Tom Fox - Director, International Division, Council on Foundations, Washington, D.C.
- Mr. Ernesto D. Garilao - Executive Director, Philippines Business for Social Progress, Manila
- Mr. Harvey Goldstein - President, American Chamber of Commerce, Jakarta
- Dr. Kathleen Goodman - Adviser, Institut Pengembangan Managemen Indonesia, Jakarta
- Mr. Ahmad D. Habir - Faculty Member, Institut Pengembangan Manajemen Indonesia, Jakarta
- Mr. Ismid Hadad - Deputy Managing Director, P.T. Redecon, Jakarta
- Mr. Abdul Hakim G. Nusantara - Director, Lembaga Bantuan Hukum, Jakarta
- Mr. Adnan Harahap - Community Development Coordinator, Mobil Oil, Jakarta
- Mr. Bambang Ismawan - Director, Bina Swadaya, Jakarta
- Mr. Bambang Keosoema - Managing Director, Astra Foundation/ (Yayasan Dharma Bhakti Astra), Jakarta
- Dr. Tom Kessinger - Representative, The Ford Foundation, Jakarta
- Mr. M. S. Kismadi - Assistant to Minister Emil Salim, Jakarta
- Dr. David Korten - AID, Jarkarta
- Mr. Paul Lopian - Board Member, P.T. Astra International, Jakarta
- Dr. Firman Lubis - Executive Director, Yayasan Kusuma Buana, Jakarta
- Mr. Sipano Lucas - Director, Africare, Washington, D.C.
- Mr. Seiichi Mitani - Executive Director, Mitsubishi Bank Foundation, Tokyo
- Mr. C. Yuuichiro Nakajima - Economic Research and Technical Appraisal Department, Overseas Economic Cooperative Fund of Japan, Tokyo

- Mr. Widsaksono Nuradi - Director of Public Relations, Caltex/Indonesia, and Board Member, Dana Mitra Lingkungan, Jakarta
- Mr. Jim O'Brien - Program Officer, Private Agencies Collaborating Together, New York
- Dr. Soepadmo Padmoprawiro - Consultant, P.T. Indoconsult, Jakarta
- Mr. Sid Parrett - Reporter, Jakarta Post, Jakarta
- Mr. Dawam Rahardjo - Director, LP3ES, Jakarta
- Ms. Tanya Ramashko - Consultant, Development Associates, Inc., Washington, D.C.
- Dr. Emil Salim - Minister, Environment and Development, Jakarta
- Mr. Francis X. Shea - Senior Vice President, Chase Manhattan Bank, Jakarta
- Ms. Pam Shlutz - Second Secretary, American Embassy, Jakarta
- Mr. Chris Sigur - Assistant to the President, The Asia Foundation, San Francisco
- Mr. Wiyatno Soepenadie - Director, P.T. Bank Niaga, Jakarta
- Mr. William Soeryadjaya - President Director, P.T. Astra International, Jakarta
- Ms. Esther Chodchoi Sophongpanich - Director, Green Eyes Environmental Forum, and Director, Bangkok Bank, Bangkok
- Mr. John Strand - Consultant, VHP/AID, Jakarta
- Mr. Ken Sudarto - President, Matari Inc., Jakarta
- Ms. Minki Supit - Director of Public Relations, Institut Pengembangan Manajemen Indonesia, Jakarta
- Mr. Adi Susono - Director, Lembaga Studi Pembangunan, Jakarta
- Mr. Roy T. T. Tan - Executive Director, P.T. Astra Foundation, Jakarta
- Dr. Nelle Temple - Consultant, World Bank, Washington, D.C.
- Mr. Craig Thorburn - Consultant, The Asia Foundation, Jakarta
- Mr. Marzuki Usman - Director of Financial Institutions, Ministry of Finance, Jakarta

Ms. Yoshiko Wakayama - Program Officer, Toyota Foundation, Tokyo

Ms. Erno Witoelar - Director, WAHANA, Jakarta

Mr. Richard Zmuda - Director, Corporations That Care, and
Manager, Mobil Oil, Singapore

APPENDIX II
REVIEW OF OTHER EXPERIENCES AND MODELS

10

APPENDIX II

REVIEW OF OTHER EXPERIENCES AND MODELS

The task order calls for a review, including a literature search and discussions with knowledgeable persons, of fund-raising and resource transfer mechanisms from other developing countries. This appendix selectively reports on the results of that review and includes suggestions on other activities that merit further investigation. While certain precedents emerged that have relevance to Indonesian circumstances (notably the Philippines Business for Social Progress Foundation in Manila, an ongoing AID-funded experiment in Kenya, and various observations from the American experience) the two principal conclusions drawn from this exercise are that:

- Very little experience pertinent to this assignment, or literature reporting on that experience, exists; and
- No model from experience elsewhere is directly applicable in Indonesia;

Within this context, the following items, which are organized geographically, have varying degrees of interest. Although an examination of experience in developed countries was not requested, some brief comments regarding the American experience are included because corporate and private philanthropy has played an important role in the American experience and because that role has had a commensurate impact on the ways in which other countries have sought to address comparable issues.

THE UNITED STATES

Historically, the United States has been one of the most philanthropically oriented countries in the world. Currently, for example, philanthropic organizations raise over \$14 billion each year for reallocation to the poor, only about 10 percent of which is for activities outside the U.S. The literature reveals the considerable extent to which American society has been influenced and, in some sectors, conditioned by a wide range of activities financed through corporate and individual philanthropy. Major educational institutions, museums, hospitals, and social movements, to mention only a few, have been created and supported in this fashion. The literature on this subject is rich and diverse and confirms the positive impact that philanthropy can exert.



Relevant Projects

A full inventory of relevant activities in the United States is far too broad to include. Selected efforts with possible lessons for an Indonesia initiative include the following:

The Fund for Multinational Management Education (FMME)

With AID help FMME provide technical assistance and venture capital for feasibility studies to individual American PVOs interested in designing and implementing development projects in cooperation with multinational organizations. This effort has two focuses: linking agribusinesses and small farmers in development-related activities; and supporting PVOs as intermediaries for the U.S. private sector in their relationships with public and private sectors of developing countries.

This effort identified three obstacles to the achievement of its own objectives:

- Weak PVO skills in marketing and business negotiations;
- Insufficient PVO financial resources to undertake essential feasibility studies; and
- Poor knowledge by corporate executives of PVO capabilities and the benefits a company might be able to derive from cooperation.

FMME concluded that it would be an impossible task for any single PVO to overcome these obstacles and, therefore, that an active intermediary would be essential. Such an intermediary would need to provide technical assistance in designing and marketing collaborative projects to improve PVO capabilities, in partially subsidizing (at least in the initial stages) feasibility studies, and in acting as an advocate on behalf of the PVOs to increase corporate awareness of their existence and their capabilities to be involved in mutually beneficial activities.

The Program for Applied Technology in Health (PATH)

This AID-funded nonprofit NGO is providing technical and financial assistance to projects that establish or expand private- or public-sector production of health products. Loans or loan guarantees for the purchase of equipment needed for the production, quality assurance, or packaging of these products are available through the International Loan Fund and Health Link program. As appropriate, PATH staff members carry out feasibility assessments and negotiate licensing and loan agreements. In payment for its assistance, PATH also can receive equity participation in such activities, and income received is used to finance continued or expanded PATH activities. This experimental

program is demonstrating the valuable intermediary role an entrepreneurial-oriented development organization can play in linking nonprofit activities with commercial-sector interests and needs.

The United Way

The United Way offers an often-replicated model for coordinated and centralized public fund-raising efforts on behalf of a diverse and dispersed community of nonprofit organizations. It functions essentially as an intermediary, providing sophisticated fund-raising and financial accountability capabilities to its membership while simultaneously offering a "one-stop service" for public philanthropy. Its efforts focus on making broad appeals to the American public (rather than specifically to the corporate sector). It then distributes the collected funds among its membership according to predetermined ratios, after its own overhead and costs are covered. The member organizations thus do not have to divert resources to their own separate fund-raising activities, and the public is not subjected to as continual a barrage of individual appeals for financial support. The United Way is prepared to provide technical assistance and materials to agencies in other countries that are interested in adapting this mechanism to their own circumstances; it are reported to be currently helping establish such a capability in Peru.

The Institute of School Management (ISM) in Wilmington, Delaware publishes a continuing series of pamphlets and runs an excellent training program on fund-raising. Sample of these materials and descriptions of courses taught can be obtained from the Jakarta International Schools Development office at the Cilandak campus.

Relevant Reading

See especially the Filer Commission study, Philanthropy in America: A Report and Recommendations, and Management by Objectives for PVOs, copies of which are on file with VHP/AID/Jakarta.

Other useful reading on related subjects might include:

Brody, Ralph, and Krailo, Holly, "An Approach to Reviewing the Effectiveness of Programs," Social Work 23, 3, (May 1978): 226-31.

Community Relations Handbook, Literacy Volunteers, Inc., Syracuse, NY, 1984, 45p. This book contains discussions of fund-raising issues.

Gibson, Duane, Ed., Citizen's Guide to Community Development, National University Extension Association, Washington, D.C. 1980. This book contains a long fund-raising section.

McConkey, Dale D., MBO for Nonprofit Organizations, American Mangement Association, 1975.

O'Connel, Brian, "The Independent Sector: Uniquely American," pp. 17-24, New Directions for Experiential Learning, New Partnerships: Higher Education and the Nonprofit Sector (December 1982).

Williams, M. Jane, Better by the Year. The FRI Annual Giving Book, Fund-Raising Institute, Ambler, PA, 1981, 240 p.

Potential Contacts

Fund-Raising Institute, Box 365, Ambler, PA 19002

This institute claims to be able to provide advice and assistance on how to start and run an increasingly profitable program for attracting the kind of gifts that will be repeated year after year.

Independent Forum,

This is a national forum to encourage giving, volunteering, and not-for-profit initiatives. The address and other information are on file at VHP/USAID/Jakarta.

Funderburke and Associates, 1511 K St., NW, Washington, D.C. 20005

This fund-raising management consulting firm has helped the Pan American Development Foundation design fund-raising programs for its 17 affiliated national development foundations in Latin America and the Caribbean.

Other American Organizations

Excellent training programs concerned with creating and managing development offices, which are offices responsible for public and corporate fund raising on behalf of individual educational institutions, exist in the field of education. Such training could be especially relevant to the needs of any institutional mechanism that might be established in response to the recommendations in this report. Advice on locating the best of those programs that are currently active can be obtained through the Development Office of the Jakarta International School in Cilandak, South Jakarta.

gh

ASIA

Beyond America, comparable experience thins out quickly, especially in the developing world. The literature on such matters is especially sparse, in fact, practically nonexistent.

The Philippines

The Philippines may be unique in the developing world in the variety and vibrancy of its PVO community. This situation has contributed to an especially interesting example of a country's commercial sector spontaneously coalescing to form a business-sponsored effort to promote development in collaboration with local nonprofit development groups, the Philippine Business for Social Progress (PBSP). PBSP is a voluntary affiliation of domestic and multinational business organizations that was established in 1970 by 50 Filipino and expatriate business people who observed the need to contribute to national development by applying their management expertise and financial resources to the problems of the urban and rural poor. The Statement of Commitment under which they incorporated PBSP as a foundation reads as follows:

We believe ...

FIRST: Private enterprise, by creatively and efficiently utilizing capital, land, and labor, generates employment opportunities, expands the economic capabilities of our society, and improves the quality of our national life.

SECOND: The most valuable resource in any country is man. The higher purpose of private enterprise is to build social and economic conditions which shall promote the development of man and the well-being of the community.

THIRD: The growth and vigorous development of private enterprise must be anchored on sound economic and social conditions.

FOURTH: Private enterprise must discharge its social responsibility towards society in a way which benefits its unique competence. It should involve itself more and more in social development for the total well-being of the nation.

FIFTH: Private enterprise is financially and technologically equipped to participate actively in social development. In terms of scientific technology and managerial competence, private enterprise can help provide the total approach for social development in our depressed communities.

SIXTH: Private enterprise, together with other sectors of society, shares obligations and responsibilities which it must discharge to the national community. The ultimate objective of private enterprise is to help create and maintain in the Philippines a home worthy of the dignity of man.

THEREFORE: We hereby pledge to set aside out of our company's operating funds an amount for social development equivalent to one percent of the preceding year's net profit before income taxes, of which sixty percent shall be delivered to, and for management and allocation by, a common social development foundation to be known as PHILIPPINE BUSINESS FOR SOCIAL PROGRESS. (Underlinings added.)

Since 1970, the membership of PBSP has grown to 167 companies, and the foundation now engages in a broad range of development activities, most of which involve improving the organizational capacities of its partner agencies, which are primarily Filipino nonprofit development groups. The foundation operates on the conviction that its best contributions can be made by helping form and enhance capacities of organizations that can function as agents of change in rural areas and slum pockets of urban cities. Thus, its primary emphasis is on enhancing management skills among its partner groups; these groups therefore must undergo management skills training from PBSP before any other assistance is provided. Follow-on assistance is always in the form of loans rather than grants, further reflecting the business orientation of PBSP.

PBSP funds its own operations on approximately 15 percent of its total annual income, using the balance of its resources either to finance its development activities or to build, through investments, a capital fund for future activities. Since 1979 PBSP has begun to diversify its income base. Economic conditions in the Philippines have made it difficult for some of its members to continue making their tax-deductible annual contributions of 1 percent of prior year pretax profit, and although the foundation can now continue its current level of operations drawing on its capital fund income, it has started working with international organizations in joint financing and collaborative programs.

In 1984, for example, PBSP received a three-year \$170,480 AID grant to help increase capabilities of 169 partner institutions or organizations via technical assistance and training in planning, implementation, and evaluation of development projects, primarily through the PBSP's three regional centers. This program is consistent with AID's focus in the Philippines on subprojects of an income-producing nature that can demonstrate a return on investment equal to the opportunity cost of capital. It also is consistent with the AID/Philippines emphasis on "self-sustainedness potential" as a key selection criterion for making grants.

PBSP also has been working with Japanese charitable trusts since 1983, largely by serving as an intermediary between those trusts and some of its partner development organizations. In such activities, PBSP says that resource mobilization is becoming one of its major institutional roles, through which it leverages its own funds to secure additional funds from other sources, which then can be moved to its proponent organizations. In such activities, PBSP also is able to stand in for local organizations until these organizations have the capacity to deal directly with donors such as AID, the Japanese trusts, CIDA, and others.

The PBSP's Articles of Incorporation and other relevant registration documents, as well as additional background information, are on file with VHP/AID/Jakarta.

Representatives of PBSP have indicated their willingness to assist as appropriate in exploring the possibility of creating a similar organization in other countries in Asia, and especially in Indonesia.

It should be noted that the American Chamber of Commerce in the Philippines has found the PBSP approach so attractive that it is currently reported to be attempting to set up a comparable foundation among its membership. This initiative should be investigated later, to determine its possible applicability to the American Chamber of Commerce in Jakarta.

Thailand

Thailand is an example of the extent to which philanthropy is societally defined. Traditionally, nearly all Thai fund raising was the prerogative of the rich and the royal, and in fact the majority was under the direct patronage of the Queen. The many fund-raising events were usually organized as social events. The primary purpose of the resulting philanthropy was not really to provide significant assistance in some area of need, although that of course did happen to a modest extent, but instead to demonstrate and verify the capacity of the giver to "do good." In fact, the primary incentive to giving was the quest for the title of Kun Ying, which is bestowed by the King and Queen specifically for giving money to royally sanctioned charities, all of which were oriented toward welfare or educational issues. Neither unselfish public service nor development as such have been a sanctioned issue.

Only in recent years have independent efforts been initiated to wean philanthropy in Thailand away from its Kun Ying incentive system. The most prominent example has been the efforts of the Green Eyes Environmental Forum, which is employing environmental awareness issues to persuade Thai business people that they can acquire a good public-service image, and thereby increase their business, by publicly providing financial and other support.

This strategy has enjoyed limited but encouraging success, and is mentioned here primarily because of its close parallels with some of the work of WAHANA and WAHLI in Jakarta. Communication and possibly collaboration between these groups might prove fruitful.

A second interesting example from Thailand involves the Institute of Management Education for Thailand, Inc. (IMET) project, which received AID support. The objective of the project was to stimulate private-sector contributions through a matching-fund mechanism that required the equivalent of \$400,000 in counterpart private-sector matching funds for the \$1 million AID grant. The operative assumption was that if tax incentives could be assured then funds would be easily forthcoming. Thus, a tax-exempt foundation was created and registered in both Thailand and the United States specifically for the purpose of raising counterpart funds for IMET. This effort failed because too much reliance was placed on the tax incentive issue and because no mechanisms for identifying or nurturing possible donors was planned or introduced. In the absence of professionally managed fund-raising efforts, nothing happened. During the course of the project, IMET achieved only 5 percent of its endowment fund objective. U.S. private support did not materialize and potential Thai contributors had "prior commitments," they were locked in to existing philanthropic relationships (some, no doubt, defined by the Kun Ying system). Competition for tax-deductible funds (limited by Thai law to 1 percent of corporate profits and also restricted to donations to bona fide charitable organizations, which are determined by the Thai government on an ad hoc basis) also was a deterrent. This AID project concluded that any such effort requires careful planning within the country's socioeconomic context and that even with this planning any such effort would need a long time frame, a minimum of seven years in Thailand was suggested, to become self-sustaining.

Singapore

Although not included in the research for this report, Singapore provides some interesting comparisons with Indonesia regarding both the positive impact that supportive tax incentives can have on the extent of individual and corporate philanthropy in support of government-defined national development objectives and the spectrum of other ways in which public and corporate philanthropy might be encouraged and supported through government initiatives.

Sri Lanka

Similarly, the Sarvodaya Foundation (also apparently known as Sramadana, run by a Mr. Ariyaratnae) in Sri Lanka is reported to be an excellent group involved in supporting the development activities of other NGOs. It also is reported to have succeeded

in assuring for itself and its affiliates a highly diversified funding base. It would be useful to obtain more information about this foundation.

AFRICA

Kenya

Kenya's Rural Private Enterprise project is a promising AID-assisted attempt to support local NGOs in the development, upgrading, or expansion of programs to help the rural poor in enterprise development activities. An independent organization has been set up, to be managed initially on contract by an American private agency but using local staff as extensively as possible, to act as an intermediary between AID (and, ultimately, other donors) and local NGOs. This intermediary has two basic functions:

- To act as a private foundation in providing financial assistance to deserving NGO development activities, but doing so within the context of ...
- To provide technical assistance and training, often tied to the project financial support, to upgrade the operations and administration of the NGOs themselves.

Thus, the intent is to establish a holistic assistance relationship with beneficiary organizations, by seeking a complementary financial posture through co-financing projects while concurrently encouraging expansion of project and organizational resource bases through increased administrative and management capacities within those organizations.

This approach will be especially promising in helping local development organizations begin the transition from more socially oriented (welfare-type) programs to more business-oriented and self-sustaining programs such as small enterprise development. This transition will happen in large part because of the way in which technical assistance/training and grant funds are intermingled, so that the latter act as motivational tools, to extend administrative advice or organizational technical assistance. The intermediary organization also will be able to increase its capacity to provide relevant and desired assistance by serving as a centralized information resource.

Documentation on this project is on file with VHP/AID/Jakarta.

Senegal

The AID PVO support project in Senegal employs a similar model through its six-year, \$9-million grant to establish, on a competitively bid contract to an American group, an intermediary project management unit to manage development activities of local and foreign nonprofit development-oriented groups. Approximately 85 percent of the funds support technical assistance and project management activities, while the remaining 15 percent is for direct subproject support.

Togo

In Togo a World Bank-funded project has established a resource management unit (RMU) to serve as an intermediary between Bank and other international donor funds and local NGOs. This RMU will have multiple functions. It is to be a reactive body, responding to proposals received from NGOs and local support groups, while concurrently exercising more activist functions in eliciting and encouraging grassroots organizations to become candidates for funding. The RMU also will provide conceptual and administrative direction for a series of outreach activities on behalf of the NGOs and will maintain a data bank and produce a biannual publication of NGO activities in the country. This unit's key role is its coordinative function, through which it is expected to convince Togo's heterogeneous NGO community that its programs will render important outreach services as well as expand the money available for their activities through organizing complementary funding for their microprojects.

South Africa

South Africa's READ program demonstrates the difficulties that can arise almost universally when voluntary organizations rely on private contributions. Because the program did not provide itself with adequate protections, it has experienced many problems with donor groups dictating policy directions and demanding different reporting systems or accountability requirements. Paul H. Butterfield's Read, Educate, and Develop -- The READ Project in South Africa (1982) provides a succinct 14-page account of the range of potential difficulties that might arise under such circumstances.

LATIN AMERICA/CARIBBEAN BASIN

The National Development Foundation Program of the Pan American Development Foundation (PADF)

PADF provides yet another model with potential relevance to the Indonesian situation. PADF was organized in 1962 as an Alliance for Progress offspring, founded by Organization for American States (OAS) officials plus prominent business people to mobilize U.S. and Latin American business interests to participate in social development work, especially development work among the poor. During its first three years, PADF concentrated most of its efforts on searching for an institutionalization process to stimulate private resource transfer in order to foster development activities, improve communications between rich and poor to ameliorate social tension, provide an independent source of funds for small development projects, and put philanthropy on a more businesslike basis. It ultimately settled on the mechanism of providing credit to low-income informal groups as an essential goal of the Latin American institutionalization process, in part because of the potential appeal of such work to local business people and in part because PADF believed this credit might facilitate the capitalization or endowing of local foundations, thus enabling them to become independent and self-sustaining.

The concept has worked reasonably well in practice, and between 1966 and 1973 a total of 17 national development foundations (NDFs) were formed in Latin America and the Caribbean. Where these NDFs were successful, they generally were considered to have played significant roles in linking low-income groups to the commercial banking systems by acting as their extension agents and by providing loan guarantees. But not all NDFs succeeded. Of the original 17, by the early 1980s six had failed, one seemed destined to fail, three were in serious trouble, and only the remaining seven were considered to be effective.

One common theme among all the NDFs has been their inability to mobilize sufficient local capital to break their dependency on international donors. A wide range of solutions have been attempted (ranging from forming a sales gallery for local artists to hiring a major U.S. fund-raising management consulting firm), and none have been able to address this issue successfully. In fact, one of the major project design errors of the entire effort may have been the forcing of unrealistic funding goals in order to satisfy the project's concerns for viability of the NDFs.

Although local fund raising has not attained its objective, PADF and its NDF offspring have acquired considerable experience in dealing with fund-raising issues. More conservative membership drives and corporate donations have proven to be among the

most effective methods, even though they do not provide the higher levels of support that had been hoped for. PADF also has designed and implemented a well-received fund-raising course.

The NDF concept is generally believed valid, notwithstanding its inability thus far to raise the amount of local funding that had been expected. PADF's comparative advantage as a PVO has been its capacity to act as a coalescing force to mobilize private business people to structure and manage a national development foundation. In this regard, PADF has effectively demonstrated its unique ability to coalesce committed business people and professionals to obtain local funds in support of unsecured credit programs. Thus, the larger goals of assisting the poor through activities originating in the private sector have been served.

Sal Pinzino's "Evaluation of the Pan American Development Foundation's National Development Foundation Program" (1982) is on file at VHP/AID/Jakarta.

Ecuador PVO Association

Having an outside group (The East Los Angeles Community Union) come in to institutionalize an in-country intermediary mechanism to help local PVOs undertake development activities was a badly conceived idea. The first phase of this work was intended to conduct an inventory of needs and opportunities and on that basis to design a project implementation plan. The outside group that was to have done this work did not have adequate experience in overseas development work and was unable to get itself properly organized to undertake the work. Evaluations of this aborted effort emphasize the need to proceed in such activities carefully and with a clear understanding of needs and constraints.