



# Unleashing The Philanthropy Fund's Potential for A Sustainable Tomorrow: A Comprehensive Overview

Anton Abdul Fatah\*, Novie Andriani\*\*, Guntur Nur Hidayat\*

\* IIGF Institute, PT Penjaminan Infrastruktur Indonesia (PERSERO)

\*\* The National Development Planning Agency (Bappenas), the Republic of Indonesia

\*\*\* The Ministry of Finance of the Republic of Indonesia

Corresponding author:

Anton Abdul Fatah | Email: anton.abdul@iigf.co.id

---

## ABSTRACT

---

Indonesia's dynamic philanthropic sector is pivotal for the nation's progress and global leadership in philanthropy. Yet, its diversity and intricate regulatory landscape present challenges in maximizing the efficiency of philanthropic funds. Our extensive review highlights the imperative to bolster regulatory frameworks, enhance tax incentives, and elevate philanthropic governance. Strengthening regulations, improving tax incentives, and refining governance structures will create a more conducive environment for impactful philanthropy, empowering governments and stakeholders to drive sustainable development. These strategic actions lay the foundation for philanthropy to assume a more influential role in steering Indonesia's path toward sustainable growth and societal well-being. By refining these essential elements, philanthropy can become a powerful catalyst in advancing Indonesia's journey towards sustained prosperity and societal advancement.

**Keywords:** Philanthropy; Sustainable Financing; Sustainable Development; Governance

---

## SARI PATI

---

*Sektor filantropi Indonesia telah berkembang pesat dalam beberapa tahun terakhir bahkan menjadi yang tertinggi pada tataran global. Namun demikian, sektor filantropi Indonesia juga menghadapi tantangan, antara lain kompleksitas regulasi yang dapat menghambat efisiensi dan efektivitas penggunaan dana filantropi. Tinjauan literatur yang kami lakukan menyoroti pentingnya upaya penguatan peraturan, pemberian insentif pajak, dan peningkatan tata kelola filantropis. Seluruh inisiatif tersebut akan menciptakan lingkungan yang lebih kondusif untuk filantropi yang semakin memberikan dampak yang lebih luas. Dengan menyempurnakan elemen-elemen penting ini, filantropi dapat menjadi katalis yang kuat dalam memajukan Indonesia menuju kemakmuran berkelanjutan dan kemajuan masyarakat.*

**Kata Kunci:** Filantropi; Pendanaan Berkelanjutan; Pembangunan Berkelanjutan; Pemerintah

## INTRODUCTION

Indonesia has set ambitious goals to achieve per capita income levels comparable to those of developed countries, with the primary objective of escaping the Middle-Income Trap (MIT). To turn this vision into a reality, the Indonesian government has introduced the National Long-Term Development Plan (RPJPN) for the period 2025-2045, driven by the “Golden Indonesia 2045” vision (Bappenas, 2023). This plan marks a fundamental shift in Indonesia’s approach to national development, from a reform-oriented focus to a transformative one. This transformation encompasses three key domains: economic, social, and governance (Ibid). Within this framework, sustainable economic growth is pivotal to achieving the defined targets, with a growth target ranging from 5.7% to 6% annually (Ibid, p. 70). Only through such robust economic growth can Indonesia hope to overcome the MIT in the next two decades.

Indonesia is well-positioned to realize this ambitious vision. With the world’s fourth-largest population, the country boasts a workforce of 139.2 million individuals (Sari et al., 2023). Additionally, Indonesia is currently experiencing the Peak Demographic Bonus phase (Ananta, 2021), marked by an exceptionally low population dependency ratio. This represents a unique and invaluable opportunity for Indonesia to maximize its potential and escape the MIT in the next two decades (Saputra and Hutajulu, 2020). Hence, it is imperative for Indonesia to capitalize on its current demographic advantage and implement the RPJPN effectively.

Despite Indonesia’s promising economic growth prospects, realizing its ambitious development vision is a complex challenge. Several significant hurdles must be addressed, including high levels of economic inequality, subpar infrastructure, environmental concerns, and disparities in access to education and healthcare. According to the 2020-2024 National Medium-Term Plan,

the realization of planned development projects necessitates an investment of IDR35,455.6 trillion, of which the government can only contribute approximately 8.4 to 10.1 percent (Bappenas, 2019). State-owned enterprises (BUMN) and regional-owned enterprises (BUMD) are expected to contribute an additional 8.5 to 8.8 percent, leaving more than 80 percent of the total investment funds to be secured from other sources (Ibid).

In response to these challenges, the government is exploring more optimal funding alternatives, and philanthropy has assumed a prominent role in this context (Ananta, 2021; Montgomery et al., 2008; Dabbas, 2021). Philanthropy extends beyond financial contributions to diverse development sectors; it also encompasses the stimulation of innovation, promotion of collaboration, and facilitation of positive social transformation (Chitwood, 2020).

The 2020-2024 RPJMN outlines non-government funding sources that can be harnessed for development, including Government and Business Entity Cooperation (KPBU), Business Entity Funding, Corporate Social Responsibility (CSR), Philanthropy, and Religious Funds (Presidential Decree 18/2020). The RPJMN narrative document defines philanthropy as “an activity conducted by individuals or foundations for the benefit of the public or society, driven by the common good, and financed through voluntary personal or group contributions” (p:IX.17). It further emphasizes that “Philanthropists’ activities may involve the development of social and environmental infrastructure, provision of essential aid, empowerment of communities, and advocacy” (p:IX.17).

In the realm of philanthropy, individuals and organizations aspire to become proactive agents in addressing societal inequalities, encompassing issues like poverty, discrimination, and limited

access to essential resources (Chen, 2021). Philanthropy contributes to the establishment of a fair and equitable society by offering resources and support to specific communities or individuals (ibid). Moreover, philanthropic endeavours do not solely aim to alleviate the symptoms of socioeconomic issues or other societal challenges; they also seek to address the underlying causes of these issues in a sustainable manner (Parr, 2015).

One definition of philanthropy, articulated by Harvey (2019), characterizes it as the voluntary contribution made by individuals or corporate entities to support charitable objectives, projects, and organizations. Importantly, the donors or affiliated parties do not receive direct benefits or compensation from their contributions (Harvey, 2019). This definition underscores the altruistic nature of philanthropic actions, setting them apart from pursuits driven by personal gain. Philanthropists, whether individuals or institutions, invest their resources in causes they believe in, particularly those aimed at benefitting others or society (Chen, 2021). However, it is worth noting that philanthropy is a mutually beneficial endeavour. Both parties involved gain from philanthropic engagement: the recipients benefit from the resources provided by the philanthropist, and the donors experience satisfaction from contributing to a cause they support (Chitwood, 2020).

The allocation of philanthropic funds encompasses not only soft financing, such as scholarships and research grants, but also hard financing, including infrastructure development projects. A study conducted by Montgomery et al. (2008) revealed that community-led infrastructure development, supported by philanthropic funds, has a direct impact on local economic development, poverty reduction, social inequality mitigation, and environmental enhancement. Such initiatives demonstrate the commitment of philanthropic entities to invest

their resources in infrastructure development, thereby directly influencing the well-being of the communities they serve (Ibid).

In Indonesia, philanthropic funds have played a significant role in developing various types of infrastructure across different sectors, often initiated by local communities. This has been particularly vital in areas where public facilities are lacking, and government budgets are limited (Rochani et al., 2021). Community engagement, including philanthropy, can be a highly effective tool for bridging infrastructure gaps, promoting more efficient and inclusive development (Dabbas, 2021). According to data from the Indonesia Philanthropy Outlook for 2022, philanthropic funds disbursed in Indonesia in 2020 amounted to IDR15.4 trillion (Indonesian Philanthropy, 2022). The total cumulative value of philanthropic fund disbursements between 2018 and 2020 reached IDR39.6 trillion, benefiting 91.7 million people (Ibid). Philanthropy is a powerful force for good, and it can play a vital role in addressing the world's most pressing societal challenges. Supporting philanthropic initiatives contributes to the creation of a more just and equitable world for everyone.

## METHODS

This article presents an excerpt from an extensive edited volume titled "*Dana Filantropi untuk Pembangunan di Indonesia*" (English trans.: "Philanthropic Funds for Development in Indonesia") scheduled for publication by the end of 2023. The authors of this article serve as the editors of this comprehensive book, which encompasses ten main articles along with introductory and concluding chapters. The overarching objective of this book is to delve into strategies for leveraging philanthropic funds to drive sustainable development in Indonesia. Within this volume, diverse chapters predominantly employ literature reviews as their primary methodology. This particular

article aims to provide an overview of the main objectives and significant contributions encapsulated within this substantial work.

The edited volume book's primary contribution lies in its comprehensive and well-researched analysis of philanthropy in Indonesia. The majority of chapters employ a rigorous literature review methodology, providing readers with a solid foundation for understanding the philanthropic landscape, its challenges, and its opportunities. The book also offers valuable insights into the challenges and opportunities inherent in maximizing the potential of philanthropic funds for sustainable development. It delves into issues surrounding governance, transparency, and accountability in philanthropy, providing a comprehensive overview of the challenges that philanthropic organizations face in Indonesia. Furthermore, the edited volume book contributes significantly to the broader discourse on sustainable development by highlighting the critical role of philanthropic funds. It emphasizes that sustainable development is not merely the responsibility of governments and international organizations but is a shared commitment. The book showcases the philanthropic sector as a powerful ally in achieving the Sustainable Development Goals (SDGs) within the Indonesian context.

## RESULTS AND DISCUSSION

### 1. Philanthropy's Contribution to Expanding Development Funding

Philanthropy, at its core, is a form of charitable giving. In the narrative document of the 2020-2024 RPJMN (National Medium-Term Development Plan), philanthropy is defined as «an activity carried out by a group of people or foundations for the benefit of the public or society in the spirit of common good through personal or group funds collected voluntarily» (Presidential Decree 18/2020, p:IX.17).

Indonesia has consistently ranked highest in the World Giving Index for five consecutive years, demonstrating its unparalleled generosity. In 2022, Indonesia maintained its top spot with an index score of 68%, indicating that 68% of Indonesians actively engage in philanthropic activities. This is further evident in the country's remarkable donation rate of 84% and willingness to volunteer, standing at 63%—both of which are the highest in the world.

The culture of philanthropy in Indonesia, which encompasses charitable giving and volunteerism, is deeply rooted in its cultural heritage. Several factors contribute to Indonesia's global leadership in philanthropy, including:

- Religious teachings: Faith plays a pivotal role, emphasizing the significance of giving and helping others. This is often channelled through religious institutions and places of worship (Kasri and Ramli, 2019). Indonesia's abundance of places of worship further facilitates these faith-driven acts of charity. For example, data from the Ministry of Religion reveals an impressive 299,644 registered mosques across the nation (Simas.kemenag.go.id, 2023).
- "Gotong Royong": The deeply rooted culture of mutual cooperation, known as gotong royong, entails assisting neighbours and fellow community members without expecting any reciprocation (Hakim, 2021). Slikkerveer (2019) goes so far as to assert that gotong royong is an integral aspect of Indonesian village identity and a fundamental driver behind the success of the "bottom-up" approach to Integrated Community-Managed Development (ICMD) in the country (p. 307).

Indonesia is actively engaged in multifaceted development efforts, focusing on bolstering economic growth and promoting equitable

wealth distribution. These endeavours necessitate substantial investment. As per data from the 2020-2024 National Medium-Term Plan, the estimated total investment required amounts to IDR35,455.6 trillion. However, the fiscal capacity of both the government and state-owned enterprises (BUMN) can only cover 8.4-10.1% and 8.5-8.8% of these needs, respectively (Presidential Decree 18/2020). This underscores the importance of soliciting more than 80% of the investment requirements from public and private sources. To meet these critical investment needs, the government is actively exploring various avenues, with philanthropy emerging as a noteworthy alternative funding source.

The articles in our book highlight the immense potential of philanthropy to bolster development around the world, with a particular focus on its role in Indonesia. In Indonesia, as in many Southeast Asian nations and beyond, philanthropy is predominantly driven by individual giving, often rooted in personal beliefs and preferences (Kasri and Ramli, 2019). Between 2018 and 2020, the total cumulative value of philanthropic fund distribution reached IDR39.6 trillion, benefiting 91.7 million people (Filantropi Indonesia, 2022). The utilization of philanthropic funds is on the rise both globally and in Indonesia, encompassing an expanding range of fields and sectors.

For example, as of 2023, Indonesia is home to 39,220 Islamic boarding schools (*pesantren*), which serve as Islamic philanthropic entities dispersed throughout the country. This number increases significantly when considering the various educational infrastructure components associated with *pesantren*, from early childhood education (PAUD) and kindergartens to primary and secondary levels, along with tertiary institutions (Ma'had Aly). In addition to education, many *pesantren* also have health infrastructure, including clinics and hospitals,

such as the Assuyuthiyyah Hospital at the Raudhatul Ulum Islamic Boarding School in Pati, Central Java, and the Hasyim Asy'ari Hospital (RSHA) at the Tebuireng Islamic Boarding School in Jombang, East Java. Moreover, philanthropic institutions of various types, including those associated with conglomerates, corporations, and individual philanthropists, are numerous and have significant potential to support development endeavours in Indonesia.

Philanthropic funds are not simply distributed as charity; they are a powerful tool for addressing diverse social challenges. Several chapters in this book underscore the critical role of philanthropy in fostering social inclusion. This aligns with the fundamental premise that philanthropic activities represent concrete steps taken by individuals and entities to provide solutions to societal inequalities, such as poverty, discrimination, and limited access to essential resources (Chen, 2021). It is therefore not surprising that BAZNAS (National Alms Agency) and all zakat managers, Islamic philanthropic institutions in Indonesia, have succeeded in reducing national poverty by 1.76% (Zaenal et al., 2022). In 2022 alone, BAZNAS and Local Alms Agencies (LAZs) successfully lifted 463,154 *mustahik* (those entitled to receive zakat) out of poverty across Indonesia (Ibid).

Furthermore, the inclusive nature of philanthropic fund allocation aligns with the principles of «green» or environmentally friendly and sustainable development. Numerous philanthropic institutions, both in Indonesia and globally, focus their programs on addressing environmental issues, such as waste reduction, promoting a circular economy, and facilitating the adoption of renewable energy sources. These initiatives not only directly combat environmental challenges but also create numerous employment opportunities within the communities where these philanthropic organizations operate.

Additionally, there is a growing trend of philanthropists worldwide adopting the Sustainable Development Goals (SDGs) as a «universal language.» Many philanthropic entities find the SDGs framework highly valuable, especially when demonstrating the alignment of their initiatives and programs with those of other donors. The SDGs framework not only offers a platform for cross-sector collaboration but also encourages philanthropic actors to share their organizational or program goals, facilitating the establishment of partnerships with similar objectives (Longley, 2022).

## 2. Philanthropy's Global Footprint in Development

In an increasingly interconnected world, philanthropic funding has emerged as a major driver of development endeavours and initiatives aimed at enhancing people's quality of life across social, economic, health, and environmental domains (Chen, 2021). Philanthropic foundations wield significant influence in sustainable development by mobilizing financial resources and functioning as development stakeholders, including the facilitation of multi-stakeholder partnerships (OECD, 2023).

A comprehensive study has revealed that over 40 non-governmental philanthropic foundations contributed to a range of initiatives, amassing a total funding value of \$10 billion, equivalent to approximately IDR155.8 trillion, in 2020. This figure increased to \$11 billion or approximately IDR171.4 trillion in 2021. The OECD study further highlights West and East Africa, along with South Asia, as the regions that received the highest levels of philanthropic funding globally. The sectors that philanthropic institutions have predominantly targeted include health, poverty alleviation, and gender equality.

The landscape of global philanthropic activities and programs encompasses an

array of initiatives, spanning from multi-party partnership endeavours to disaster management and broad-impact development investments. A discernible trend over the past two decades indicates an increasing inclination among philanthropists to collaborate with a diverse range of stakeholders, including governments, corporations, civil society organizations, and academic institutions (Powel et al., 2021). This burgeoning trend broadens access to resources and yields a far more substantial impact compared to pursuing initiatives independently (Yawson et al., 2020).

The allocation of philanthropic funds in Asia, Africa, and Europe assumes a pivotal role in instigating positive change and fostering development. Philanthropic institutions have demonstrated their capacity to address a multitude of social challenges, spanning education, healthcare, environmental sustainability, and economic empowerment. A prime illustration is the Azim Premji Foundation in India, which stands as one of the largest philanthropic organizations in the country. This foundation is dedicated to enhancing education in rural areas by providing financial support to government-owned schools, offering teacher training, and facilitating the development of educational facilities and infrastructure (Sidel, 2020). The Azim Premji Foundation's initiatives have left a resounding positive impact on millions of students and teachers across virtually all corners of India. They have not only expanded educational opportunities but also elevated the quality of education in the sector, particularly in rural areas.

China is home to the Alibaba Foundation, an organization established by the e-commerce giant Alibaba Group, which is dedicated to advancing environmental sustainability and providing aid during times of disaster (Chen, 2021). One of their key initiatives is the «Green Action Plan,» designed to promote eco-friendly

living and sustainable development. This plan encompasses awareness campaigns on the environmental impacts of food consumption, energy usage, water conservation, and more (Han and Wang, 2022).

In Africa, specifically Nigeria, the Tony Elumelu Foundation, founded by Nigerian entrepreneur Tony Elumelu, focuses on empowering local entrepreneurs, both men and women, and fostering economic growth across the continent (Adewoye et al., 2023). Their entrepreneurship program provides training, coaching, and funding to numerous African entrepreneurs, equipping them with the necessary skills and resources to establish sustainable businesses, thereby contributing to local economic development (Emeh et al., 2020).

Europe is home to notable philanthropic foundations, including the Siemens Foundation and the Wellcome Trust. The Siemens Foundation (Siemens Stiftung), established by Siemens AG, is committed to promoting sustainable development through projects in education, healthcare, and social entrepreneurship (Borde et al., 2022). On the other hand, the Wellcome Trust, a global charitable foundation, is renowned for its support of medical research and initiatives aimed at enhancing public health (Dogson and Gann, 2020). Its funding has led to significant breakthroughs in medical science, treatment development, and global health challenges like infectious diseases and antimicrobial resistance (Kupferschmidt, 2020).

In North America, philanthropic organizations have become integral to the democratic fabric of the region's countries. Data from the National Philanthropic Trust (2018) reveals that in 2022, the total contributions to philanthropic funds in the United States reached \$499.33 billion, with individual donations representing the largest share of charitable giving in the United States, accounting for 64%

of all donations. The top five sectors receiving philanthropic funding in the United States in 2022 were religious organizations (27%), social services (14%), education (13%), grant making (11%), and the healthcare sector (10%). Higher education institutions in the United States also actively contribute to preparing individuals who aspire to manage non-profit organizations. Over 340 programs across various universities offer curricula and learning opportunities related to non-profit institution management and philanthropic governance (Mirabella et al., 2019).

Philanthropic funding has the potential to play a transformative role in addressing the world's most pressing challenges, including poverty, inequality, climate change, and global health. From these brief examples, it becomes evident that philanthropic funds play a vital role in supporting development worldwide. These funds not only provide financial resources but also assume a leading role in development initiatives, actively contributing to addressing a multitude of social and environmental challenges.

### **3. Philanthropy in Indonesia: A Cultural Legacy and a Force for Development**

Indonesia is a global leader in philanthropy, consistently ranking at the top of the World Giving Index (WGI). In 2022, Indonesia maintained its lead with a generosity score of 68%, surpassing countries like Kenya (61%), the United States (59%), and Australia (55%). This generosity is evident in both monetary donations and volunteer engagement, with Indonesia scoring an impressive 84% and 63%, respectively.

Indonesia's philanthropic landscape is diverse, encompassing two main types of organizations: secular and values-based (including religious organizations). Secular philanthropies include corporations, media outlets, and family foundations, while values-based philanthropies

include religious organizations that manage and distribute funds like zakat.

Within the realm of secular philanthropy, Indonesia hosts several prominent institutions that have made substantial contributions to the nation's development. These institutions are typically associated with influential conglomerates. Notable examples include the Djarum Foundation, the Putera Sampoerna Foundation (PSF), and the Tanoto Foundation, all of which are linked to conglomerates engaged in diverse sectors such as tobacco, banking, agriculture, property, and e-commerce.

The Djarum Foundation, backed by the Djarum Group, operates in five main areas: education, social services, environmental initiatives, culture, and sports. The Putera Sampoerna Foundation focuses on four pillars: quality education for underprivileged students, entrepreneurship development for job creation, women's empowerment to enlighten the public, and disaster relief programs. The Tanoto Foundation, linked to the Royal Golden Eagle (RGE) Group, is committed to enhancing education quality, nurturing future leaders, and conducting research in the health sector.

From an institutional standpoint, organizations like the Djarum Foundation and the Putera Sampoerna Foundation operate as distinct legal entities, capable of receiving contributions from various local and foreign donors. These philanthropic foundations complement corporate social responsibility (CSR) initiatives funded directly from their parent companies' budgets.

Indonesia's vibrant philanthropic landscape is also evident in the realm of value-based philanthropy, particularly within the religious context. In recent years, there has been a remarkable surge in both the number of charitable organizations and the total funds amassed. Islamic philanthropy, deeply rooted

in the principles of zakat (obligatory alms) and voluntary contributions such as alms, infaq (voluntary donations), and waqf (endowment), has flourished through religious institutions, primarily mosques and Islamic boarding schools, with historical origins dating back to the 15<sup>th</sup> century.

Even during the Dutch colonial era, the government had established guidelines regarding mosque funds between 1901 and 1931, stipulating limits on their utilization. This included directives not to allocate mosque funds for purposes such as street lighting and renovations. Additionally, the Dutch colonial government issued *Bijblad* in 1893, which regulated the collection of zakat by local leaders and religious figures. This regulation was widely perceived as an attempt to undermine the economic empowerment of the population through zakat management.

In contemporary times, the Indonesian government has taken steps to fortify zakat institutions. This is exemplified by the enactment of Law No. 23 of 2011, which specifically addresses zakat management. Furthermore, various religious philanthropic entities are harnessing the capabilities of the Internet of Things (IoT) across the spectrum, from collection to management, distribution, and transparent reporting. Notably, the amount of zakat collected by the Zakat Management Institution (LPZ) in Indonesia exceeded IDR12 trillion in 2020, marking a 10% increase from the previous year. These funds have been disbursed to over 16.5 million beneficiaries.

Moreover, according to the 2022 Zakat and Poverty Alleviation report, BAZNAS, along with all zakat management bodies in Indonesia, has made significant contributions to reducing national poverty by 1.76%. This underscores the pivotal role of zakat in ameliorating poverty within Indonesia.

#### 4. Philanthropy Funds as Catalysts for Infrastructure Development: A Case Study of Indonesia's Islamic Institutions

The data from Indonesia Philanthropy Outlook 2022 reveals that the philanthropic funds disbursed in Indonesia surged to Rp15.4 trillion in 2020 (Filantropi Indonesia, 2022). From 2018 to 2020, the total aggregated value of philanthropic fund disbursements reached Rp39.6 trillion, benefitting a staggering 91.7 million individuals.

Philanthropy funds stand as a formidable force capable of catalysing infrastructure development. These substantial disbursements represent an opportunity to fuel progress by investing in various forms of infrastructure. Whether it's the establishment of educational facilities, healthcare institutions, or critical infrastructural improvements like roads and water access, leveraging philanthropic funds strategically can serve as a catalyst for comprehensive and sustainable development across Indonesia.

Islamic philanthropy, particularly through zakat, has garnered significant attention in Indonesia, with scholars advocating its optimal utilization to address national challenges. Notably, the issuance of MUI Fatwas reflects a concerted effort to harness zakat's potential as a pivotal contributor to societal development. The MUI Fatwa No. 001/MUNAS-IX/MUI/2015 stands as a testament to this vision, urging BAZNAS to channel zakat, infaq, sadaqah, and waqf funds towards crucial infrastructure needs. This Fatwa specifically advocates for the development of clean water and sanitation facilities across 21 locations, spanning West Nusa Tenggara, Gorontalo, to Bangka Belitung. Such initiatives not only alleviate immediate community needs but also lay the groundwork for sustainable development, enhancing public health and well-being.

Moreover, the 1982 MUI Fatwa on the Management of Zakat Funds underscores the breadth of zakat's applicability for public welfare. It authorizes the allocation of zakat funds for essential public interests, including hospitals, roads, and even railway lines for specific non-commercial purposes, emphasizing the broader societal impact beyond individual aid. These Fatwas signify a paradigm shift in how zakat, a religious obligation for Muslims, can transcend traditional charity and be strategically employed for long-term infrastructure development. By aligning philanthropic efforts with pressing societal needs, zakat becomes a catalyst for sustainable progress, fostering infrastructural growth in critical sectors like healthcare, transportation, and sanitation.

The strategic deployment of philanthropy funds, particularly zakat, serves as a potent catalyst for infrastructure development. Notably, investments in critical infrastructure, such as hospitals, roads, and clean water facilities, catalyse socio-economic growth by improving accessibility to essential services and fostering healthier, more connected communities. By leveraging zakat for infrastructure, it not only addresses immediate needs but also lays the groundwork for enduring societal advancement, creating a ripple effect of progress that extends far beyond initial investments.

Islamic philanthropy's potential is also deeply intertwined with the pivotal role of mosques, which transcend their identity as mere places of worship, emerging as vital agents in managing and fostering philanthropic endeavours within their communities. Mosques serve as dynamic hubs orchestrating various philanthropic sources, including zakat, infaq, shadaqah, wakaf, sponsorships, mosque-owned enterprises, and more. Their strategic role in channelling these resources towards community development is integral to Indonesia's societal progress.

The sheer scale of mosques across Indonesia, numbering 299,644 as of 2023, is emblematic of their extensive reach and influence. Among these, 242,520 congregational mosques, serving residential areas and managed collaboratively by local residents, constitute the majority. This multitude of congregational mosques directly correlates with the substantial accumulation of philanthropic funds managed, emphasizing their pivotal role as reservoirs for community-centric philanthropy. Mosques, operating as centres for collective action and social cohesion, leverage their communal management to efficiently collect and disburse philanthropic funds. They serve as catalysts for grassroots development, responding directly to the needs of their surrounding communities. Through strategic allocation of resources, mosques spearhead a range of initiatives addressing diverse societal challenges, from poverty alleviation and education to healthcare and infrastructure development.

The strategic deployment of philanthropy funds through mosques serves as a catalyst for holistic infrastructure development. These entities, by harnessing the collective generosity of their congregants, facilitate a bottom-up approach to infrastructure development. By directing funds towards critical needs such as building schools, healthcare facilities, sanitation systems, and communal infrastructure like roads and community centres, mosques play a pivotal role in fostering sustainable growth.

Islamic philanthropy in Indonesia also operates symbiotically with pesantren institutions, serving as pivotal vehicles for managing philanthropic funds and spearheading infrastructure development. The historical significance of pesantrens in shaping Muslim education in Indonesia, dating back to the 16th century, solidifies their role as essential agents in philanthropy and infrastructure enhancement. With a current count of 39,220

Islamic boarding schools dispersed throughout Indonesia, pesantrens function as epicenters for various philanthropy-driven initiatives. These institutions play a fundamental role in constructing diverse educational infrastructure, catering to students from early childhood education, such as PAUD and TK, up to universities like Ma'had Aly, accommodating tens of thousands of students. Beyond education, pesantren philanthropy funds are instrumental in fostering other crucial infrastructure projects.

Illustratively, in Koto Tangah, West Sumatra, collaborative efforts involving pesantrens, local government bodies, and state-owned enterprises led to the construction of roads in the Lori area. These roads connected Darul Ulum pesantren with neighboring pesantrens and the agricultural community, significantly improving accessibility and connectivity in the region. Moreover, Pesantren Hidayatullah and Pesantren Wihdatul Ummah in Poso Regency, Central Sulawesi Province, successfully undertook initiatives to establish clean water and sanitation infrastructure, elevating living standards in the area.

Healthcare facilities funded by pesantren philanthropy funds also contribute substantially to community welfare. Examples like RS Assuyuthiyyah in Pesantren Raudhatul Ulum, Pati, Central Java, and Rumah Sakit Hasyim Asy'ari (RSHA) in Pesantren Tebuireng, Jombang, East Java, certified as type D hospitals, stand as a testament to the impactful role of philanthropy funds from pesantren institutions in bolstering health infrastructure, benefiting both students and the broader community.

The integration of philanthropy funds within pesantren initiatives showcases a potent synergy, utilizing these funds not only for educational advancements but also for addressing crucial societal needs. This collaborative approach highlights how Islamic philanthropy, managed

through pesantrens, serves as a catalyst for comprehensive infrastructure development, positively impacting various facets of Indonesian society.

In the forthcoming section, this article will delve into several policy recommendations aimed at strengthening the role of philanthropy in Indonesia, fostering sustainable development, and harnessing the potential of philanthropic funds to further bolster infrastructure initiatives across the nation.

### **POLICY IMPLICATION**

Philanthropic funds play a vital role in supporting development initiatives around the world. By providing financial resources and expertise to organizations working in areas such as education, healthcare, and poverty alleviation, philanthropic actors can help to make a real difference in the lives of millions of people. However, ensuring that philanthropic funds are used in the most effective and efficient way possible is essential. This requires a strong regulatory framework, tax incentives, and effective governance mechanisms.

One way to strengthen the regulatory framework for philanthropic funds is to establish clear and transparent guidelines for the operation of philanthropic organizations (Wiepking et al., 2021). These guidelines should cover issues such as the registration process, financial management, and reporting requirements (Wible, 2021). By ensuring that philanthropic organizations are accountable to the public, regulators can help to build trust and confidence in the sector (Cordery dan Deguchi, 2018). In addition, tax incentives can also be used to encourage philanthropic giving. For example, governments can offer tax deductions or exemptions for charitable donations. This can make it more financially attractive for individuals and businesses to support philanthropic causes. Finally, it is important to

have effective governance mechanisms in place to ensure that philanthropic funds are used in a responsible and ethical manner. This includes having clear policies and procedures in place for the allocation of funds, as well as mechanisms for monitoring and evaluation. By having strong governance in place, philanthropic organizations can help ensure their funds are used to achieve their desired impact.

The following are some specific recommendations for strengthening the regulatory framework, tax incentives, and increasing governance of philanthropy:

- *Strengthening the regulatory framework:* this could involve establishing clear and transparent guidelines for the operation of philanthropic organizations, covering issues such as the registration process, financial management, and reporting requirements (see: Cordery dan Deguchi, 2018)).
- *Providing tax incentives:* this could involve offering tax breaks for charitable donations, reducing tax burdens on philanthropic organizations, and simplifying the tax filing process for donors.
- *Increasing governance of philanthropy:* this could involve establishing guidelines for good governance practices, promoting the adoption of self-regulatory mechanisms, and strengthening the capacity of philanthropic organizations to manage their funds effectively.

By implementing these recommendations, governments and other stakeholders can help to ensure that philanthropic funds are used in the most effective and efficient way possible to support development initiatives.

### **CONCLUSION**

Indonesia's aspirations to elevate its per capita income to levels akin to developed nations are underscored by its efforts to evade the Middle Income Trap. To this end, the government has

outlined the National Long-Term Development Plan (RPJPN) spanning 2025-2045, focusing on comprehensive economic, social, and governance transformations. Central to escaping this trap is sustaining economic growth, with a target range of 5.7% to 6% annually. Leveraging its sizable population and favorable demographic advantage remains a key opportunity. Nevertheless, the nation faces challenges encompassing economic disparity, infrastructure limitations, environmental issues, and educational and healthcare disparities.

In response, philanthropy has emerged as a significant funding avenue, contributing to social and environmental infrastructure development and addressing societal disparities. It's a mutually beneficial endeavor benefiting both recipients and donors. Philanthropic endeavors have notably bolstered infrastructure development, particularly in regions with constrained government budgets, exemplifying their impactful role in societal progress.

This article is an excerpt from a comprehensive edited volume exploring the potential of philanthropic funds in fostering sustainable development in Indonesia. The book examines diverse dimensions of philanthropy in the country, elucidating its various actors and their roles, while highlighting the intrinsic connection between philanthropy and sustainable development outcomes.

Philanthropy, defined as voluntary contributions for societal benefit, thrives in Indonesia, with the nation consistently ranking high in the World Giving Index. Motivated by religious teachings and the ingrained cultural ethos of mutual cooperation ("gotong royong"), 68% of Indonesians actively engage in philanthropic activities. Recognizing this generosity, the government is exploring philanthropy as an alternative funding source. Philanthropic funds in Indonesia address social challenges, prioritize

poverty reduction, and align with Sustainable Development Goals (SDGs), emphasizing environmental concerns.

Globally, philanthropic foundations drive development, mobilizing resources and fostering partnerships for sustainable initiatives. A study revealed that in 2021, over 40 non-governmental philanthropic foundations contributed \$11 billion, predominantly focusing on health, poverty, and gender equality in regions like West and East Africa and South Asia. Numerous institutions, from the Azim Premji Foundation in India to the Wellcome Trust in Europe, have made substantial contributions to education, entrepreneurship, and public health. In North America, individual donations fuel charitable giving across sectors like religious organizations, social services, education, grantmaking, and healthcare.

Indonesia stands out globally in philanthropy, embracing both secular and value-based institutions. Islamic philanthropy, rooted in zakat, has thrived through religious and government entities, significantly impacting poverty reduction. Regulation and effective governance are vital to maximize the impact of philanthropic funds. Clear guidelines, tax incentives, and improved governance mechanisms can ensure these funds contribute optimally to societal advancement and environmental sustainability.

## REFERENCES

- Adewoye, D., Mendy, J., Oruh, E. S., Mordi, C., Egwuonwu, A., & Otubanjo, O. (2023). Africapitalism: The marketisation of philanthrocapitalism and neoliberalism in African entrepreneurial philanthropy. *Marketing Theory*. <https://doi.org/10.1177/14705931231190954>
- Ananta, A. (2021). Prospek mega-demografi menuju Indonesia emas 2045. *Jurnal Kependudukan Indonesia*, 15(2), 119-132. <https://doi.org/10.14203/jki.v15i2.604>
- BAPPENAS. (2019). Rencana Pembangunan Jangka Menengah Nasional IV 2020-2024: Indonesia Berpenghasilan Menengah-Tinggi yang Sejahtera, Adil, dan Berkesinambungan. [https://perpustakaan.bappenas.go.id/e-library/file\\_upload/koleksi/migrasi-data-publikasi/file/RP\\_RKP/Narasi%20RPJMN%20IV%202020-2024\\_Revisi%2014%20Agustus%202019.pdf](https://perpustakaan.bappenas.go.id/e-library/file_upload/koleksi/migrasi-data-publikasi/file/RP_RKP/Narasi%20RPJMN%20IV%202020-2024_Revisi%2014%20Agustus%202019.pdf) (diakses pada tanggal 3 Oktober 2023, pukul 11:45)
- BAPPENAS. (2023). Rancangan Akhir RPJPN 2025-2045. Kementerian PPN/Bappenas. <https://indonesia2045.go.id/aspirasi> (diakses pada tanggal 3 Oktober 2023, pukul 11:45)
- Badan Amil Zakat Nasional Republik Indonesia (Baznas). (2021). Rencana Strategis Badan Amil Zakat Nasional 2020 - 2025. Badan Amil Zakat Nasional Republik Indonesia. <https://www.puskasbaznas.com/publications/books/1607-renstra-baznas>
- Badan Amil Zakat Nasional Republik Indonesia. (2023). Hasil Pengukuran Indeks Keyakinan Muzaki 2023. Diakses pada tanggal 25 September 2023 dari [https://drive.google.com/file/d/10TcWEH14FByDqWjzh6euHhwU\\_2Xt3GW2/view](https://drive.google.com/file/d/10TcWEH14FByDqWjzh6euHhwU_2Xt3GW2/view)
- Borde, B., Léna, P., & Lescarmontier, L. (2022). Education as a strategy for climate change mitigation and adaptation. In *Handbook of Climate Change Mitigation and Adaptation* (pp. 3089-3113). Cham: Springer International Publishing. [https://doi.org/10.1007/978-3-030-72579-2\\_149](https://doi.org/10.1007/978-3-030-72579-2_149)
- Chen, Y. (2021). Definition of Philanthropy. In: Internet Philanthropy in China. Palgrave Macmillan, Singapore. [https://doi.org/10.1007/978-981-16-2566-4\\_9](https://doi.org/10.1007/978-981-16-2566-4_9)
- Chitwood, Z., & Möller, E. (2020). Foundations and the Power of Giving: Christian, Jewish and Muslim Perspectives. *Endowment Studies*, 4(1-2), 1-9. <https://doi.org/10.1163/24685968-04010006>
- Dabbas, A. (2021). Community Ownership and the Infrastructure Investment Gap. *Blockchain and the Digital Twin*. [https://www.semanticscholar.org/paper/Community-Ownership-and-the-Infrastructure-Gap-Dabbas/e50ac68fe487295369eb9d6638511337ba7367d4?utm\\_source=direct\\_link](https://www.semanticscholar.org/paper/Community-Ownership-and-the-Infrastructure-Gap-Dabbas/e50ac68fe487295369eb9d6638511337ba7367d4?utm_source=direct_link)
- Emeh, I. E., Olise, C. N., Isah, A., & Atabo, S. I. Africapitalism and Sustainable Development in Nigeria: A Focus on Tony Elumelu Foundation. *SSRG International Journal of Economics and Management Studies*, vol. 7, no. 10, pp. 97-104, 2020. *Crossref*, <http://www.internationaljournalsrrg.org/IJEMS/paper-details?id=729>
- Filantropi Indonesia. (2022). Indonesia Philanthropy Outlook: Perkembangan dan Proyeksi Filantropi di Indonesia Tahun 2022. [https://kedaikopi.co/wp-content/uploads/2022/05/filantropi-indo-file-digital-purpose-30062022\\_compressed.pdf](https://kedaikopi.co/wp-content/uploads/2022/05/filantropi-indo-file-digital-purpose-30062022_compressed.pdf) (accessed on 4 Oktober 2023).
- Han, H., & Wang, B. (2022). Economic Research on Green Transformation in Digital Field. *Economics and Management Science*, 4(3), 6-10. <http://encyclopab.com/ems/article/view/8344/8167>
- Kupferschmidt, K. (2020). In New Strategy, Wellcome Trust Takes on Global Health Concerns. *Science* 370, 392-392. <https://doi.org/10.1126/science.370.6515.392>
- Mirabella, R., Hoffman, T., Teo, T. K., & McDonald, M. (2019). The evolution of nonprofit management and philanthropic studies in the United States: Are we now a disciplinary field?. *The Journal of Nonprofit Education and Leadership*, 9(1). <https://doi.org/10.18666/JNEL-2019-V9-I1-9598>
- Montgomery, R. H., Palma, A., & Hoagland-Grey, H. (2008). Community investment programs in developing country infrastructure projects. *Journal of infrastructure systems*, 14(3), 241-252. [https://doi.org/10.1061/\(ASCE\)1076-0342\(2008\)14:3\(241\)](https://doi.org/10.1061/(ASCE)1076-0342(2008)14:3(241))
- National Philanthropic Trust. (2018). Charitable Giving Statistics | NPTrust. NPTrust. <https://www.nptrust.org/philanthropic-resources/charitable-giving-statistics/> (diakses tanggal 5 Oktober 2023)
- OECD (2023), Private philanthropy for sustainable development, 2018-20: Data and analysis, OECD Publishing, Paris. <https://www.oecd.org/dac/private-philanthropy-sustainable-development.pdf>

- Parr, T. (2015). From philanthropy to philanthropists. In *New Philanthropy and Social Justice* (pp. 65-78). Policy Press. <https://doi.org/10.2307/j.ctt1t89dwz.9>
- Peraturan Presiden (PERPRES) Nomor 18 Tahun 2020. Rencana Pembangunan Jangka Menengah Nasional Tahun 2020-2024. <https://peraturan.bpk.go.id/Details/131386/perpres-no-18-tahun-2020> (diakses tanggal 4 Oktober 2023).
- Rochani, A., Yuliasuti, N., & Sudarwanto, B. (2021, July). Philanthropy in Settlement Infrastructure Development. In *IOP Conference Series: Earth and Environmental Science* (Vol. 832, No. 1, p. 012010). IOP Publishing. <https://doi.org/10.1088/1755-1315/832/1/012010>
- Saputra, N., & Hutajulu, G. E. (2020). Engaging the millennials at office: tracking the antecedents of holistic work engagement. *Polish Journal of Management Studies*, 21(1), 342-354. <https://pjms.zim.pcz.pl/resources/html/article/details?id=206248&language=en>
- Sari, Y., Winarni, E., & Amali, M. (2023). Analisis Hubungan Pertumbuhan Ekonomi, Angkatan Kerja dan Inflasi di Indonesia: Pendekatan Vector Error Correction Model (VECM). *Ekonomis: Journal of Economics and Business*, 7(1), 627-635. <http://dx.doi.org/10.33087/ekonomis.v7i1.821>
- Sidel, M. (2020). Philanthropy in India's High Technology Communities and the Complex Search for Social Innovation. *Univ. of Wisconsin Legal Studies Research Paper*, (1651), 5. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3720861](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3720861)
- Slikkerveer, L.J. (2019). *Gotong Royong: An Indigenous Institution of Communitarity and Mutual Assistance in Indonesia*. In: Slikkerveer, L., Baourakis, G., Saefullah, K. (eds) *Integrated Community-Managed Development. Cooperative Management*. Springer, Cham. [https://doi.org/10.1007/978-3-030-05423-6\\_14](https://doi.org/10.1007/978-3-030-05423-6_14)
- Yawson, R. M., Peterson, G., & Johnson-Kanda, I. (2020). Collective impact: Dialogue at the interface of the colliding systems of philanthropy. *World Review of Entrepreneurship, Management and Sustainable Development*, 16(1), 1-21. <https://doi.org/10.1504/WREMSD.2020.105528>
- Zaenal, M. H., Choirin, M., Angraini, D., Farchatunnisa, H., Arbi, D. S., Tsabita, K., Burhanudin, S. M., Mufida, R., Hartono, N., (2023). Laporan Zakat dan Pengentasan Kemiskinan 2022. Puskas BAZNAS. Jakarta. <https://www.puskasbaznas.com/publications/published/officialnews/1763-laporan-zakat-dan-pengentasan-kemiskinan-2022>