

**NGO GOVERNANCE AND ACCOUNTABILITY IN
INDONESIA: CHALLENGES IN A NEWLY
DEMOCRATIZING COUNTRY**

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INTRODUCTION

The collapse of President Soeharto's authoritarian New Order regime in 1998 and the ensuing transition towards democracy has brought about many changes in Indonesia, including a tremendous growth in civil society. The number of civil society organizations (CSOs) throughout Indonesia has increased substantially. It is no exaggeration to describe the recent developments as the rising era of civil society in Indonesia. The global spread of democracy has opened up new opportunities for Indonesian civil society groups to participate in establishing rights, institutions and mechanism of accountability in a society where citizen involvement not very long ago was discouraged.

With the basic freedoms of expression and association upheld, the civil society sector has grown rapidly and intensely. Myriads of new and old organizations are trying to make their voices heard in the public sphere. Several trends exemplify this. It is almost impossible to capture the diversity of the nonprofit sector in Indonesia. There are tens-of-thousands of civil society organizations in Indonesia today, including religious organizations, mass-based membership organizations, unions, ethnic-based organizations, community organizations, nongovernmental organizations, professional associations and politically affiliated organizations.¹ Prior to 1998, there was only one labor organization and one farmer union acknowledged (and controlled) by the government; now there are no less than 40 national labor organizations, not less than 300 local labor unions and more than 10,000 labor associations at the corporate level, and hundreds of peasant organizations. Social-religious groups, research institutions, study groups and think tanks have also grown in numbers.

Despite the growth of the nongovernmental organizations (NGO) sector, now as a part of a broader civil society in Indonesia, it is important to realize that the impact of a prolonged experience of repression is still very significant. During more than three decades of authoritarian rule, civil society in Indonesia was seen as a part of the problem, not as the solution. Civil society was there to be controlled, not to be listened to or as a partner to work with. The implication is that while after 1998 civil society was expected to contribute to democracy and good governance, it actually had to rethink its strategies and reform and adjust itself as well, quite fundamentally and dramatically, in order to come up to the challenges and opportunities of a new situation. This process is still ongoing.

The uncertainty in the position and strategies of civil society in Indonesia is compounded by the increasing call for accountability. Right at the moment when there is a lack of confidence among civil actors about what they are actually able to achieve and how to achieve it, both the internal governance of CSOs as well as their external performance in the public domain are becoming subject of greater scrutiny. Yet, a number of initiatives to improve CSO governance and accountability have been taken and are beginning to solidify. This chapter will focus in particular on NGOs, as an important subsection of civil society, and their role in developing the governance of the nonprofit sector in Indonesia.

¹ It is impossible to estimate the exact number of NGOs in Indonesia, since only those NGOs that are legal entities (normally foundations or *yayasan*) need to report their existence to the authorities.

THE PERMITTED GROWTH OF THE NGO SECTOR AND ITS IMPACT

There is a long history of civic associations in Indonesia. A rich texture of social groups and movements has existed: religious societies, private schools, credit associations, mutual assistance self-help groups, neighborhood organizations, water-user associations, and many others. These were mainly ascriptive, and not voluntary. It was only with the rise of liberalism and modernity that such organizations in Indonesia developed into an emergent and self-sustaining public sphere, during the decade of political awakening, 1915-1925. Hundreds, if not thousands, of popular mass-based organizations were established, based on religion, ethnicity, political affiliation and other joint concerns.

NGOs² began to be recognized in Indonesia in the early 1970s in line with the development activities carried out by the Soeharto government³. Although the government was able to maintain high economic growth of 8% per year, widespread poverty and lack of community participation in development activities created room for NGOs to play a role in community-based social and economic activities. These NGOs (often indicated as “Development NGOs”) were involved in a wide variety of fields, either as a complementary provider or as an agent of government programs that could not reach the lowest strata of society. Their programs covered health services, nutrition, clean water and sanitation, family planning, non-formal education, applied technology, micro credit, small enterprises, informal sector joint ventures, cooperatives, etc.

The growth of the NGO sector in Indonesia in the 1980s was caused by both international and domestic concerns. Internationally, more and more donors were realizing that in order to achieve their social goals, they needed to cooperate closer with various non-governmental organizations. And as the Cold War came to an end, the democratization agenda became more important. Critical in this was the growth of a civil society and therefore the support of nongovernmental organizations became important, not only for programmatic concerns, but also in itself, as the actors to strengthen civil society.

By the early 1980s, even for Soeharto’s government it had become clear that the state alone could not bear the full costs of development and therefore needed the participation of communities. The state opened up to NGOs to become a player in development. But the approach of NGOs by the Indonesian authorities was predominantly instrumental and certainly not supported by the language of “democracy building” that the donors were using to support NGOs. As a matter of fact, the Indonesian regime increasingly orchestrated any other type of organization outside government, and limited their number.

Towards the end of the 1980s, “civil society” in Indonesia consisted of a series of single-issue or single group-oriented umbrella’s or organizations, for farmers, workers, women, sailors, officials and many other groups, all effectively controlled by the government. The number of political parties was limited to three only. Indonesian civil society was there,

² During Soeharto’s rule, Indonesian NGOs began to use the name of *Lembaga Swadaya Masyarakat* (LSM) which means “self-reliant community development institution.” The English term NGO was often interpreted as “anti-government institution”. This was especially related to the Soeharto regime’s policy not to give room for any opposition. *LSM* is still commonly used, though some have changed to *Organisasi Non-Pemerintah* or *ORNOP* which is the literal translation of “NGO”.

³ There are a handful of good analytic studies of the NGO sector during the 1980s and 1990s. See for example: Eldridge (1995), Fakhri (1996), Uhlin (1997) and Hadiwinata (2005).

but it was purposely trimmed into a well managed miniature. This process has been aptly called the “bonsaification” of Indonesian civil society.⁴ Some room for a more politically oriented function in civil society was left only for a few large mass-based Islamic organizations and for NGOs. The Islamic organizations could maintain some space as they benefited from the clout granted by the sheer numbers of their membership, strong community roots and skillful leadership. Room for NGOs was left by the regime because of their contribution to delivering services to communities and because of international support, politically and financially.

It is important to understand how the growth of Indonesian NGOs for at least two decades took place in a context of a civil society that was deliberately dysfunctional in its political features. It made NGOs almost synonym for “civil society”, in the eyes of donors as well as in terms of self-perception, and it cloaked NGOs with the aspiration of a political opposition. Donors’ support for NGOs was similarly portrayed as support for civil society and democratization. In fact, the one-sided support of development NGOs rather than other associations within civil society did not contribute to a broad based civil society growth and is one of the causes for the present weaknesses of NGO elitism and a lack of effective grassroots participation. To the excuse of donors, the Soeharto government did not give donors much choice in supporting anything else.

Within this limited space, NGOs active in human rights and in environmental protection and preservation began to emerge, in line with global trends. These NGOs started to carry out advocacy activities in support of those whose rights were violated by the regime, such as indigenous communities, women or workers. Or they became active with regard to areas of environmental degradation, such as the pollution of air, sea and land; and the destruction of the forests and other natural resources due to development and industrialization, rapid population growth, and poorly planned transmigration programs.

During the 1990s, more NGOs started advocacy divisions, moving beyond the framework of community development. The impetus for these changes was the increasingly tense relations between the community development NGOs and the more politically oriented activists. This friction between NGOs culminated, first with a critical attack on the established NGOs by a group of smaller organizations in Central Java (Johnston 1990:86) and in December 1990, with the announcement of a “no-confidence motion” of the whole NGO sector in a larger advocacy meeting in Bali (Eldridge 1995: 39). NGOs in Indonesia, according to the advocacy oriented activists, had merely become the extended arm and implementing agencies of the authoritarian government and had lost its commitment towards change. They were criticized for hierarchy, bureaucracy, co-optation and lack of internal accountability.

It is fair to say that NGOs and the leadership that grew up in the NGO sector subsequently played a significant role in the transition to democracy. Had it not been for the voluntarism and commitment among NGOs and some of the remaining relatively autonomous organizations in Indonesian civil society, the transition towards democracy would have taken longer, and the road would have been bumpier. The advocacy groups established in the 1980s were a building block for the democracy movement. They formed an important element in the aggressive public pressure on the Soeharto government that emerged in the mid 1990s. Many of these groups had at the time only had limited, if any, political influence, but could

⁴ The term has been coined in informal discourse among Indonesian NGO activist in the late 1980s, but to the best of our knowledge never made it into academic literature.

nevertheless contribute to the loose pro-democracy movement that eventually forced Soeharto to resign. With the growth of a professional and more critical middle-class, with a reassured urban working class, and with sensitized political parties, the necessary pre-conditions and the right constellation of actors for a political transition was in place. The Asian economic crisis that started in 1997 provided the trigger.

The fall of the Soeharto regime and the ensuing democratization process in Indonesia led to the emergence of a discourse on good governance, accountability and transparency of public institutions. NGOs that were active in monitoring the activities of state and other political institutions emerged and became known as “watchdog” organizations. Starting with the heavy involvement of NGOs in the 1999 election, nowadays almost all aspects of state institutions are being watched by NGOs. The Indonesian public recognizes various organizations such as Indonesian Corruption Watch (ICW), Parliament/legislative watch (DRP-Watch), Government Watch (GOWA), Police Watch (PolWatch), and budget watch (FITRA).

To engage more effectively in promoting just public policies, Indonesian NGOs have also grouped themselves in a number of coalitions to carry out advocacy to change, influence and/or draft new laws. Examples of such coalitions are the NGO Coalition for the Foundation Law, the NGO Coalition for the Public Freedom to Information Law, the NGO Coalition for a New Constitution, and the NGO Coalition for the Participatory Law-Making Bill. However, alliance building among Indonesian NGOs has so far never reached the level of a nation-wide coalition, such as in many other countries. What is still missing is an organization that monitors the NGOs themselves, or at least a professional association of NGOs.

Seven years into what is known as *reformasi*, citizens in Indonesia are in a myriad of ways making their voices heard, fill spaces opened by democratization and decentralization, and are in the process of building a new relationship with the state. Since the fall of Soeharto, it has been truly possible for citizens to express their voices in public and speak out about what they feel important in life. In spite of continued state-sponsored corruption and power abuse, civil society grows and is strong. There remains today a flowering of new ideas and social actors, as people who had been denied participation for a long time sought to get involved. There is a momentum for negotiating and reformulating the balance of power between the state and its citizens. NGOs have an important role to play in this. This has been made possible by the continued freedom of assembly and the freedom of press. Newspapers are free to write what they want, and are often very brave in doing so. There are dozens of television talk shows, discussing in very open and inclusive manners the problems of government and society.⁵ We will now review the present situation and perceptions of Indonesian NGOs more in detail, starting with a brief overview of changes in the regulatory framework for NGOs.

CURRENT REGULATION OF NGOs

In Indonesia, there are two kinds of legal entities for non-profit organizations: foundations (*yayasan*) and associations (*perkumpulan*). *Yayasan* was first recognized as a legal entity during the Dutch colonial era (1870) as non-membership organizations. Most *yayasan* were established under the European legal system, while some adhered to other legal systems such as *wakaf* (donations or grants under Islamic law).

⁵ However, we also need to recognize in the ultimate lack of political impact of many civil society organizations. See the studies by Stanley et al (2003) and Hadiz (2003).

For many years, all forms of *yayasan* were based solely on societal norms and Supreme Court jurisprudence. This form of a *yayasan* is actually derived from the agreements and aspirations of the founders only and then developed into legal practice. The purpose and agreement for establishing a *yayasan* is then authenticated by a public notary act, registered in the district court and announced in the State Gazette.

Normally the objective of a *yayasan* is social, religious, educational or humanitarian in nature. Unfortunately however, there was no limitation to the activities that a *yayasan* could implement; so many *yayasans* were used as profit making entities or even money laundering purposes for the founders. Many of the major military business groups during the Soeharto era had a *yayasan* as their legal basis, and were consequently unregulated (Robison and Hadiz 2004:57). There were also *yayasans* founded by Soeharto to obtain donations from conglomerates; *yayasans* established by the military to shelter their businesses; and hospitals and universities that raise public funds for the benefit of their founders.

In line with the demand for good governance after the fall of President Soeharto and in response to pressure from the International Monetary Fund (IMF) to regulate military and state-based *yayasans*, the government of Indonesia submitted a draft *yayasan* law to the parliament in 2000, ratified as Law 16/2001.

The basic aim of the new Law 16/2001 is to promote transparency and accountability in *yayasan* governance. The preamble states that: “Facts indicate the tendency of some members of society to establish *yayasan* to take shelter behind the legal status of *yayasan* which are used not only to develop social, religious, humanitarian activities but also to accumulate wealth for the founders, board members and supervisors. Along with this tendency, a number of problems have emerged in relation to *yayasan* activities that are not in line with the purpose and objectives stipulated in its Articles of Association and the suspicion that *yayasans* have been used to accommodate illegally gotten wealth of founders or other parties.”

This law can be considered as an important breakthrough for good governance of the nonprofit sector in Indonesia, as it provided assurance and legal certainty, as well as restored the *yayasan*'s function as a non-profit institution with social, religious and humanitarian goals. On accountability mechanisms and transparency of a *yayasan*, the regulations are as follows:

- The *yayasan* is obliged to issue an annual program and financial reports, by at least placing an announcement in the notice board of the *yayasan*'s office (Article 52 Clause 1).
- A *yayasan* receiving funding from the state, overseas donors or other parties in the amount of Rp 500 million (approximately US\$55,000) or more or having assets of more than Rp 20 billion (approximately US\$2.2 million) is obligated to publish its financial report in an Indonesian language newspaper (Article 52 Clause 2).
- A *yayasan* receiving funding equal to or more than Rp 500 million or having assets amounting to Rp 20 billion must be audited by a public accountant (Article 52 Clause 3).
- Annual financial reports of a *yayasan* must be prepared based on the Indonesian Standard of Accountancy (Article 52 Clause 5).

The other form of legal entity used by NGOs is the *perkumpulan* (association), which is established by a number of people to serve the interests of its members or the public. Different from *yayasan*, which is a non-membership organization, *perkumpulan* is established on the basis of memberships or a group of people with a common social service objective and not for profit making purposes. The legal entity of association is obtained through approval from the Minister of Justice and is published in the appendix of the State Gazette.

With the promulgation of Law No. 16/2001, a number of NGOs – particularly organizations active in social movements and dependent on a broad membership base – have begun to reconsider their legal status, i.e., whether to remain a *yayasan* or become a *perkumpulan*. This has been the case with NGOs involved in the women’s movement, consumer protection, the environment, and human rights. The reason is that membership-based organizations are seen as more accountable and less prone to authoritarian governance tendencies, different from *yayasan* where the founders control everything. We will return to this issue below.

PERCEPTIONS AND WEAKNESSES OF NGOs IN THE REFORM ERA⁶

Government Perceptions

In line with the ongoing democratization process in Indonesia, perceptions of the government, the private sector and donors about the existence and role of civil society in general and NGOs in particular have also changed. Except for some vocal NGOs working on human rights and environmental issues, the government seldom intervenes anymore directly in NGO activities.⁷ There are indications of increasing appreciation of the role of NGOs, for example in the post-tsunami disaster and relief operations in Aceh. The government begins to see the need to create a new division of roles among stakeholders (government, private sector and NGOs) by giving opportunities to independent community initiatives, as well as encouraging them to actively participate in government programs. According to government statements, it is hoped that a stronger, more democratic and more dynamic community will emerge through improved community capacity to solve their own problems.⁸

However, the government still has difficulties in developing effective partnerships with NGOs. This is particularly due to the fact that the rapid growth of NGOs has not been accompanied by the creation of an umbrella organization to represent NGO interests in dealing with the government. For the government, therefore, it is difficult to obtain inputs or to develop accords widely supported by the NGO community in a more formal sense.

There is also among state actors a lingering hesitation towards the limitation on state power as advocated by some NGOs. We can see this for instance in the statement of then president

⁶ This section is based on opinions as expressed in a series of seminars on “Developing Strong, Healthy, Democratic, Transparent and Accountable NGOs” held in eight provincial capitals in Indonesia from May to July 2002. Speakers from the government, private sector and donor agencies were invited to present their views on NGO roles. The seminars were organized by LP3ES, a national NGO based in Jakarta.

⁷ The disturbing exception has been the killing of Munir, Indonesia’s foremost human rights activist, in September 2004. There are strong suspicions but as yet no proof of structured government involvement in ordering the assassination.

⁸ Freddy H. Tulung (Director of Politics, Communications and Information, National Planning Board-BAPPENAS), paper presented at the seminar on “Developing Strong, Healthy, Democratic, Transparent and Accountable NGOs”, Jakarta, 17 July 2002

Megawati Soekarnoputri in 2002 warning of the “ultra democracy” of NGOs, media and political parties that only were thinking of their own advantages (Jakarta Post, 26 November 2002). This is connected to a nostalgia and romanticism of the stability and efficiencies of the Soeharto regime, in which political stability and national unity were prime characteristics.

Many people within the government believe that in the present transition to democracy, the NGO community should consolidate internally to strengthen its own capacity, because both the government and NGOs have equal potential to be corrupt and lose focus in the absence of a code of ethics, accountability mechanisms and transparent control. That is why the government appreciates NGO efforts in promoting good nonprofit governance, and in improving professionalism, transparency and accountability. The government also sees the need for a forum of NGOs to create NGO accountability in carrying out their functions.⁹

Private Sector Perceptions

The private sector primarily views NGOs as institutions with a capacity to influence corporate missions and motivate corporations to develop and improve their performance in corporate social responsibility. NGOs can motivate changes in corporations’ approach towards its social function from a charity-based to a community-empowerment approach. NGOs are also viewed as being closer to the grass-roots community and therefore as having the potential to collaborate with corporations in developing better community development programs.

In the past, relations between the private sector and civil society were often full of conflicts, but due to the change in political climate and NGO pressures, the private sector’s perception towards NGOs has been undergoing some change. Companies are more willing to collaborate with civil society organizations in community development projects. A number of multinational corporations, directly or indirectly through their community relations department or corporate foundations have begun to provide assistance for communities surrounding the locations of their business, through programs in community health, clean water and sanitation, agriculture, and the development of small scale enterprises, all in collaboration with NGOs. These kinds of relationships were almost unheard of in the past.

There is also an emerging constituency in Indonesia for corporate social responsibility (CRS) and philanthropy. Several networks have been established, including Indonesia Business Link (for CSR) and the KEHATI-led Initiative on Strengthening Philanthropy (for Philanthropy). There is an emerging convergence between the “supply” and “demand” side of civil society, between the philanthropic sector providing funds for charitable activities, and the nonprofit organizations that work with end-users in providing actual development programs. Recent collaborations in the tsunami-hit province of Aceh point towards further improvements in the relationship between these two sectors, in which trust is beginning to be built.

Donor Perceptions

Meanwhile, donor agencies mainly have continued to view NGOs as alternative institutions with the ability to provide public services and at the same time exercise some control over government power. In view of the changes in the political regime, many of the obstacles for NGOs to contribute to democratization and policy change have been removed. Having said that, while during the previous authoritarian regime NGO were often seen as the *anak mas* (“favorite child”) of donors, today there is more criticism, also among donors. Three donor reports, funded by USAID (Holloway and Anggoro 2000), UNSFIR (Feulner 2001) and the

⁹ *Ibid.*

World Bank (McCarthy 2002)), plus a study by the international NGO Mercy Corps (2002)¹⁰ and two MA thesis (Sudarbo 2002 and Hidayat 2003) provide a good picture of the complexity of donor-NGO relations in Indonesia.

Donors see that there are at least four important areas for improvement among Indonesian NGOs. First and foremost is internal governance. This includes decision-making processes, division of roles between the board and executives, establishment of accountability mechanisms to constituents, as well as issues related to the establishment of a clear vision, mission and objectives. The second area to be addressed is accountability, both to the government and to the public. So far, NGOs mainly attempt to be accountable to donor agencies in the form of narrative and financial reports on projects. Third, NGOs need to improve external relations with other NGOs and with the public or its beneficiaries. If an NGO is working directly with the underprivileged then it needs to understand how it can really empower them so that they are stronger and more critical. For advocacy NGOs, networking and alliance building with other NGOs are important tools so that activities at the community level can be promoted to the national level. The fourth area needing improvement among NGOs is management, including strategic planning, program development and financial and human resources management.

Donors will eventually evaluate NGOs based on the four factors above, i.e., technical capability, legitimacy, accountability and transparency. Furthermore, a majority of NGOs do not have any criteria or parameters to track program achievements. Outcomes become the indicator for success (an indicator of success for a training session is thus often that “30 persons were trained”), without any real substantive way of measuring the medium and long term impact of the activities.

Summary of NGO weaknesses

A recent series of academic studies of the civil society sector, NGOs and the pro-democracy-movement in Indonesia complements the picture.¹¹ Below is a summary of some key characteristics of NGOs today. They are by necessity brief and to some extent caricaturized. But the issues and problems these groups have encountered, we believe, are real, although not to the same extent for all NGOs individually.

- *Centralistic and urban*: Most NGO are based in larges cities in Java, and in Jakarta, even though they might be working in the outer islands. Many of the larger development NGOs have regional branches with limited autonomy, but this is slowly changing.
- *Elitist and middle-class*: The foundation (*yayasan*) form of NGOs often encourages a powerful role for the director of the institution, who usually is the founder. This may lead to a situation in which most decisions are taken by the top layer of the organization’s leadership without involving field-staff. The leadership is often (aspiring) middle-class with a university degrees but has little knowledge of grassroots mobilization (Sidel 2004). There have been cases of great distance between NGOs and the communities they were working for, geographically, culturally, socially and economically.

¹⁰ Rolly Aruna Damayanti, Program Officer with Mercy Corps in Indonesia, in a paper presented to represent donor perspectives in the seminar for “Developing Strong and Healthy, Democratic, Transparent and Accountable NGOs”, Palembang, 9 July 2002.

¹¹ See Stanley (2003), WACANA (1999), LP3ES , Pirac, UTS/Trisakti, Sidel (2004) and Hadiwinata (2005).

- *Free-floating*: Recent research by DEMOS on the pro-democracy movements has shown the detachment of many NGOs from the everyday reality of common people. Very few NGOs are mass-based or based in the countryside. Neither do they have political impact upwards. They are thus floating in-between the state and the community (Stanley et. al. 2003).
- *Sectoral and fragmented*: Many NGOs are focused on sectoral programs. There has been a lack of coordination between NGOs.
- *Lack of managerial and advocacy skills*: Since NGOs are micro-oriented and elitist, they often have weak organizational skills.
- *Lacking focus and ideology*: NGOs have often diffused into being involved in a variety of activities without necessarily having any skills in that field. Environmental groups are election monitors; research institutions manage development programs; anti-corruption groups deliver emergency assistance, and so on. Many groups go where the problem or the money is, the “flavor of the month”.
- *Lacking accountability*: There are few mechanisms through which NGOs can be held accountable to communities, further reinforcing the social distance and lack of impact. The general public, the media as well as state actors, are increasingly complaining about the lack of accountability of NGOs and other civil society organizations.

The above list of weaknesses and problems is framed in a remaining reliance on assistance from foreign donors. This does not help either to generate public trust towards NGOs in developing legitimacy, accountability and transparency. These challenges are probably best illustrated through the case related to the Indonesian Legal Aid Foundation (YLBHI). YLBHI has been one of the outstanding NGO in the fields of law, democracy and human rights for the past thirty years. However, this organization is now in the middle of a severe financial crisis, after two major donors stopped their assistance. The decision has had a huge impact on YLBHI and they have decided to reduce their activities and to rationalize the number of staff. The reasons for the cessation of aid to YLBHI are related to management quality and internal governance issues, particularly the conflicts between the board of trustees and the executive office during the last couple of years.

The above illustration provides an example of the financial reality of Indonesian NGOs. When donor support is stopped it affects programs and even the NGO’s own existence. This suggests the need for Indonesian NGOs to raise their funds from domestic sources, from the public, the government or the private sector. In order to gain public trust, however, Indonesian NGOs need to improve their governance first, especially in relation to the issues of legitimacy and accountability. It is important for NGOs to prove their capacity to deliver intended services to the community so that their existence can be socially recognized and supported.

RESPONSES AND INNOVATIONS FROM NGOS

The rapid growth of civil society and the increasing discourse on good governance have caused anxiety among the NGO community in Indonesia and critiquing NGOs has increasingly entered the media and public discourse. Although it has had positive impacts on the democratization process, it is now more generally understood that the explosive growth of new NGOs during the last five years has also created problems of quantity versus quality. Some even question the growth as “too much, too fast” (McCarthy 2002).

Many organizations that were established after the fall of Soeharto and call themselves NGOs have questionable objectives, and some of them have been involved in malpractice, and have thus affected the reputation of NGOs in general (Ganie-Rochman 2000). These include NGOs that sold subsidized rice destined for the poor; NGOs established just for the purpose of gaining access to development projects; NGOs established by political party activists to mobilize funds and support to gain political power; as well as NGOs acting as debt collectors or specializing in mobilizing mobs for hire. There have been newspaper articles about the “Billion rupiah business of NGO” (*Bisnin Milyaran LSM*) and allegations of corruption and misuse.

Some activists in Indonesia have started to reconsider the basic principles of NGO existence. People are asking questions such as, “What is an NGO? Why does it exist and what are the bases for its legitimacy? How can NGOs be accountable to their constituents and stakeholders and how can this accountability mechanism be established?” Discussions surrounding these questions were first attempted to be answered through a number of workshops and seminars conducted in 2002-2003¹². These workshops, which also included foreign resource persons, covered issues of NGO legitimacy and accountability in a comprehensive way. The workshops covered mapping of all sources of NGO legitimacy and existence, NGO constituents and stakeholders, various accountability mechanisms, applications of principles of NGO internal governance; and developed an action plan to improve NGO integrity and credibility.

As already mentioned, there is no umbrella organization for NGOs in Indonesia yet. In other countries, such umbrellas can function as a representative in promoting the existence and the interests of NGOs to outside parties and serve internal capacity building purposes for its members. The absence of such an organization may be related to the traumatic history of Indonesian NGOs, who always tried to avoid unity to avoid being co-opted by the Soeharto authoritarian regime or used as a political vehicle by opportunistic NGO leaders. During the last few years, however, a number of influential NGOs have begun to take new and sometimes quite innovative steps to address the issue of NGO governance. We will briefly present some of these efforts.

Preparation of an NGO Code of Ethics

Since 2002, LP3ES (the Agency for Research, Education, Economic and Social Development) a national NGO, has taken the initiative to prepare and implement a code of ethics and to establish an NGO association or umbrella organization, particularly for NGOs that are working in community-based social and economic development. The preparation of the code of ethics and the establishment of the NGO association has been carried out through a number of meetings, seminars and workshops with the NGO community and involving stakeholders such as the government and private sector. The program has been organized in provincial capitals, involving at least 500 local NGOs.

The program eventually managed to formulate a written code of ethics. The code, signed by 252 NGOs from eight provinces, contains matters related to integrity, accountability and transparency, independence, anti-violence, gender equality, and financial management, including accountability to external parties such as beneficiaries, government, donors, other NGOs and the public at large. There are a number of points in the code of ethics that may be

¹² Donor agencies interested in the issues of rights and obligations, transparency and accountability of NGOs include the Ford Foundation, the Partnership for Governance Reform and Tifa Foundation.

considered important to improve NGOs' accountability and transparency as nonprofit organizations, including: a) an NGO is not established for the purpose of profit making for its founders; b) an NGO is not established in the interests of its founders but is intended to serve the people and humanity; c) all information related to its mission, membership, activities and financing are basically of public nature and is therefore available to the public; d) an NGO utilizes bookkeeping and financial systems that are in accordance with acceptable accounting standards.

The NGOs participating in formulating the code of ethics also agreed to establish regional associations of NGOs, which are responsible for the implementation of the code, and to help NGOs in their capacity building. Future challenges for the NGOs that have accepted the code of ethics is how to apply it consistently in each organization and sanction those in violation, so it will not become merely an on-paper agreement.

NGO Certification Program

Satunama, a Yogyakarta-based NGO that is active in education, training and management consultancy, has launched a program called "Certification of Indonesian NGOs". The program is intended to improve NGO public accountability and management performance in order to strengthen partners' trust in NGOs and to make NGOs capable of serving their advocated groups well.

The program began with a national seminar and workshop in Yogyakarta in November 2002, attended by 50 NGOs, all with five or more years of experience and from various provinces in Indonesia. The workshop produced a task force consisting of 12 NGO leaders to formulate future work programs and preparation of instruments required for a certification program. During preparation of the instruments, the program received valuable inputs from the Philippine Council for NGO Certification (PCNC-see chapter in this volume).

The task force has formulated a program vision ("the establishment of democratic, responsible, transparent, sustainable, trustworthy NGOs supported by the society") and a mission statement ("to help NGOs to be more ethical and responsible, to achieve good performance levels, gain better access to resources and be widely accepted by the society"). The task force is presently (2005) conducting a series of activities, that include the establishment of solid instruments, procedures and certification standards; a public campaign for NGO certification; the establishment of an NGO Certification Agency; advocacy campaigns for tax law reform and laws for the nonprofit sector; and a program designed for NGO capacity building and implementation of various types of necessary technical assistance. It is recognized that the future central issue of the program will be NGO accountability and transparency, with certification being one of the instruments that will be developed.

Civil Society Index

YAPPIKA, a national NGO alliance for civil society and democracy, implemented a program starting in 2000 to assess the health of Indonesian civil society using the CIVICUS Index on Civil Society. The objectives of the assessment included increasing the knowledge and understanding of the status of civil society in Indonesia, empowering civil society stakeholders through dialog and networking, and providing civil society with tools to analyze sector-wide strengths and weaknesses, as well as to develop strategies to foster positive social change.

YAPPIKA organized participatory dialogues involving a wide spectrum of civil society organizations, as well as a number of key stakeholders, such as government officials, local parliament members, and representatives from the private sector. The dialogue was conducted through a number of workshops in several provinces and involved more than 400 CSOs from all over Indonesia. The definition of civil society was debated, the CIVICUS analytical tools were reviewed, and a number of indicators were formulated and analyzed by participants to assess the level of CSO health. There were five dimensions analyzed: 1) the political, social-economic context as the external environment in which civil society operates; 2) the scope of CSOs, including the breadth and depth of citizen participation within civil society, its inter-relations and resources; 3) values, norms and behaviors being promoted by CSOs; 4) the relations of CSOs with the state and the market; and 5) CSO contributions to the solutions of social, political and economic issues confronted by the nation. The result of the provincial Civil Society Index exercises were then discussed in a national seminar, resulting in a report on the status of Indonesian civil society and common strategies to increase CSO performance over the next five to ten years (Abidin 2004).

HAPSARI Women's Association: From Foundation to Association

In 1990, four women from Sukasari Village, Kabupaten Deli Serdang, 60 kilometers from Medan (North Sumatra) established a working group called "Village Women Working Group". Each individual in the group began to interact with individuals and groups of women in their village and with groups from other villages to jointly develop a women's organization to strive for gender justice and equality. The method of work was through "critical education" in the form of discussions to break the silence and to build awareness. Ideas about gender justice were disseminated to village communities through agriculture programs managed by women or through the community radio station.

In 1997, in order to obtain legal-formal legitimacy, especially in relation to the government and to enable them to gain access to donor assistance, this working group transformed itself into a *yayasan*, a foundation. They invited a number of outsiders (men and women) who were concerned about gender equality to sit on the Board of Trustees.

In 1998 the HAPSARI Foundation carried out strategic planning to formulate the vision, mission and goals of the organization. 15 persons attended from the Board of Trustees, Executive Board, representatives from its beneficiaries, and a number of NGOs that had working relations with HAPSARI. With its status as a foundation, HAPSARI obtained its formal-legal legitimacy to move more freely within village communities and began to receive assistance from donor agencies.

But the leadership was nevertheless concerned about the top-driven character of the *yayasan* and the lack of a membership based constituency. As many other foundations in Indonesia after 1998, HAPSARI began to explore the possibility of establishing a mass-based organization. In due course, the women's groups nurtured by HAPSARI established an independent women's organization. In 1999 a Free Women's Association (*Serikan Perempuan Independen or SPI*) was founded in North Sumatra with 721 individual women members from the lower strata of the community, such as farm workers, plantation workers, fisherwomen and small vendors. SPI was then divided into five districts/*Kabupaten* based working areas in North Sumatra (Deli Serdang, Labuhan Batu, Simalungun and Langkat). The function of the HAPSARI Foundation changed into providing funds, technical and moral support to these local SPIs, to function effectively.

In September 2001, SPI organized its first congress. The congress is the highest institution that formulates vision and mission for the organization, as well as acts as an accountability and reflection mechanism for its members. It was agreed in this congress that each *Kabupaten* level organization was allowed to have its own structure and management, relatively independent of one another.

In November 2002, the HAPSARI Foundation produced a new organizational design and structure in response to the continuing changes in its working relationships with SPI. All the local SPI organizations came together and decided that HAPSARI should dissolve itself and become the secretariat for a Federation of Independent Women of North Sumatra. This federation functions as an umbrella organization of the local women's organizations mentioned before. The HAPSARI experience may become an example of how a non-membership NGO in the form of a *yayasan* can dissolve itself to become a broad-based membership organization and obtain better social legitimacy.

The Consortium for the Development of Civil Society (KPMM)

When Indonesian's first democratic elections were held in 1999, the country was literally flooded by funds and organizations supporting voters' education and election monitoring. With lots of energy and enthusiasm, thousands of NGOs entered into this field. While the majority did a good job making sure that the elections were free and fair, there were unfortunately also organizations that misused funds or were created only for the purpose of accessing donor funding.

Things were no different in the province of West Sumatra, where an estimated fifty nongovernmental organizations were created simply to be able to get a share of the funds. A year after the elections, a dozen of established regional NGOs came together in the provincial capital of Padang to try to address the lack of accountability among civil society organizations in the province. They created the "Consortium for the Development of Civil Society" (*Konsorsium Pengembangan Masyarakat Madani* or *KPMM*). During the past years, KPMM has developed a code of ethics and standard operational procedures for its membership organizations. But the struggle of KPMM is also a good measure of how difficult it is to promote issues of internal good governance among NGOs. Of the 12 organizations who founded KPMM in the year 2000, 3 have left the consortium since they felt that the code of ethics was too strict (such as a proposed ban on polygamy for NGO activists). And few new organizations have joined.

CHALLENGES FOR INDONESIAN NGOs

Indonesian NGOs are coming from a politically marginalized position, burdened with overblown expectations. While the number of NGOs has grown significantly since 1998, as part of a broader development in which Indonesian civil society is so to say 'coming out of the closet', most NGOs have little experience in positively engaging with government, the corporate sector or other stakeholders. The *reformasi* period has established a new strategic environment for NGOs, considerably more complex and difficult to navigate than the simple pro- or contra Soeharto dichotomy that set the framework during the previous decades. Moreover, even though the new environment for civil society and NGOs is certainly more open in terms of access to information and possibilities to organize civil life, such is no guarantee for a welcome reception of NGO contributions to public and political discourse.

Several challenges remain that must be confronted by Indonesian NGOs for them to be an effective part of civil society. On top of the list is a reformulation of NGO positions vis-à-vis the state (government) and various other sectors in the society. With the emergence of democracy, power is no longer centralized but distributed among new power centers such as parliament, political parties, and judicial institutions. The critical stance taken by some NGOs, who consider themselves watchdog organizations, towards all state institutions has a tendency to disregard the real progress in decentralization of power and democratization that has taken place. New local governments and local parliaments also need time to learn how to do their job. By the same token, NGOs are in a process of learning how their “watchdog” function is part of an equation in a process of creating checks and balances, and no longer suggests a self-standing political agenda. In addition, the role of public watchdog is no longer monopolized by NGOs, but is shared – and has to be shared – with other actors, foremost the media but also academia and other civil society organizations.

Accusations against the political aspect in the NGOs role remain, but are now made by political parties instead of the government. NGOs are still branded as agents of foreign interests and traders of poverty, especially due to the fact that there have been corrupt practices among NGOs themselves. Politicians have started to ask questions regarding NGO legitimacy and how much they really represent the interest of their constituents.

The situation seems to be unfavorable for the immediate future of the NGOs without a breakthrough on relations and interactions with government and other sectors in the society. There is a need for a genuine two-way dialogue with the government and private sector to develop trust, as well as a common cause. This change from protest politics to developing strategies of engagement means bringing changes towards a better Indonesia through the process of lobbying and negotiations.

It is still early in the day, but there are indications that the positive role of NGOs in delivering emergency assistance in Aceh after the tsunami of December 2004, is opening some of these avenues for a more productive relationship between Indonesian NGOs and other actors. The necessary focus on quality of management and speed of delivery, yet in a difficult political context calling for close consultation and participation of local communities, is shared by NGOs and government in post tsunami Aceh.

However, even if advocacy and watchdog functions are better balanced with effective service delivery, building a healthy NGO sector is not an easy task in a country with a strong predatory state and a weak and unaccountable civil society. Some of the lessons from the Indonesia case are the dangers of project- and donor-driven NGO development. Since donors have a tendency to work with articulate, efficient, groups in the center, rural mass-based movements are often out of the picture. There are very few alternative sources of income for the civil society sector today.

In order for the accountability and responsibility of NGOs to take root in Indonesia, there are a couple of pre-conditions. One is that funding agencies begin to realize that accountability is not only accounting: donors need to hold grantees to high standards of public accountability. It is also important that the philanthropic sector expands in Indonesia, so that civil society organizations in Indonesia become less dependent on foreign funds, and in that process start to relate increasingly directly to Indonesian stakeholders, being more responsive to local developments.

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