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**TOWARD WELFARE PLURALISM:
POLICY AND PRACTICE OF THE ISLAMIC WELFARE EFFORT
IN INDONESIA**

A Thesis Submitted to

**The School of Social Work
Faculty of Graduate Studies and Research**


In Partial Fulfillment of the Requirements

for

The Master's Degree in Social Work

By

Sirojudin Sirojudin

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Abstract

This study reviews the policy and practice of Islamic social welfare efforts in Indonesia. Findings from this study suggest that Indonesian Islamic welfare policies are ambivalent. The ambivalent character is due, in part, to the need of the government to maintain the status of Indonesia as a secular state, while at the same time, to accommodate Muslim aspirations to practice Islamic social welfare. Some Islamic welfare organizations have succeeded in combining Islamic social welfare programs with a modern social development perspective that is relevant to large national development programs. *Dompot Dhuafa Republika's* (DD) experience of collecting Islamic welfare funds and developing social welfare programs reveals significant potentials of Islamic welfare efforts to contribute to statutory social welfare services. These findings have shown that there is a promising prospect for Indonesia to further augment a pluralistic social welfare system.

Résumé

Cette étude revue la politique et la pratique des efforts islamiques d'assistance sociale en Indonésie. Les résultats de cette étude suggèrent que les politiques islamiques indonésiennes d'assistance sociale soient ambivalentes. Les caractères ambivalents est dû, en partie, de la nécessité du gouvernement de maintenir le statut de l'Indonésie comme état séculaire, alors qu'en même temps, pour adapter à des aspirations musulmanes pour pratiquer le bien-être social islamique. Quelques organismes islamiques d'assistance sociale ont réussi à combiner des programmes islamiques d'assistance sociale avec une perspective moderne de développement social qui est appropriée à de grands programmes de développement national. L'expérience de *Dompét Dhuafa Republika* (DD) de rassembler les fonds islamiques d'assistance sociale et de développer des programmes d'assistance sociale indique des potentiels significatifs des efforts islamiques d'assistance sociale de contribuer aux services statutaires d'assistance sociale. Ces résultats ont prouvé qu'il y a une perspective prometteuse pour que l'Indonésie augmente plus loin un système pluraliste d'assistance sociale.

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Chapter I

Introduction

1. Problem Statement and Objectives

Social welfare policies and provisions in developing countries require continuous improvement through more diverse social welfare efforts. In most developing countries, social welfare policies and practices have largely been adopted from the European and North American social welfare traditions (Midgley, 1981). However, existing social policies and services have not successfully served a large portion of the poor (Tang, 1996; van Ginneken, 1999; van Ginneken, 2003; Fuchs, 1988). On the other hand, there are many informal social welfare efforts in the form of self-help groups, and organized charities or philanthropies that can complement statutory social welfare services (Zacher, 1988).

Considering the potential contribution of informal social welfare efforts, some social policy analysts suggest the importance of developing linkages between informal and private welfare systems with statutory social welfare efforts as a strategic policy option to extend the coverage of social welfare provisions (Benda-Beckmann, Gsanger & Midgley, 1997). In European and North American welfare states, the idea of linking informal, private and voluntary welfare systems with the statutory social welfare system has just recently been acknowledged in the social policy debate (Midgley, 1997). The acknowledgement of the roles of the private, informal and voluntary social welfare efforts has stimulated the emergence of the concept of welfare pluralism or welfare mix. Welfare pluralism advocates the linkage among the four different social welfare sectors: the statutory, the voluntary, the

commercial and the informal (Johnson, 1987; Gilbert 2000). The concept is based on the principles of decentralization and participation in the provision of social welfare services.

In light of the need for developing a linkage between informal and voluntary welfare efforts with statutory social welfare efforts, particularly in countries in which the majority of the population is Muslim, the potential contribution of Islamic welfare efforts should be considered.¹ In some Muslim countries, the failure of the Western social welfare model has stimulated the emergence of aspirations to reinvent the spirit of an Islamic economy and of an Islamic social welfare system (Pfeifer, 1997).² This reaction is understandable, since Islam possesses a social welfare system that consists of different elements of gift-giving related to the concept of wealth redistribution, social security and to poverty alleviation. These elements include *zakat* (alms, religiously obligatory tax), *infaq* and *shadaqah* (voluntary giving, charity), *waqaf* (philanthropic endowment) and *qurban* (immolation).

This thesis examines the possibility of transforming current social welfare services and policies in Indonesia. This study argues that the transformation can be accomplished by developing linkages between Islamic and Western social welfare policies and practices. Indonesia's case is unique insofar as the overwhelming majority of Indonesian citizens are Muslim (about 85 to 88 percent), but the state system is secular and the statutory social welfare policies and practices have been adopted from the Western social welfare traditions. This thesis traces the struggle of Indonesian Muslims to include Islamic social

¹The early ideas of the Islamic economy were promoted since the end of the World War II. However, the aspirations to further develop Islamic economic system had been launched since the Conference of Islamic Leaders in Morocco (1969), Islamabad (1973) and Mecca (1981). These conferences also criticized the failure of the Western economic system in Muslim countries in achieving economic justice and the welfare of its citizens (Rahardjo, 1989).

welfare efforts as the main part of the Indonesian social welfare system. Indonesian Muslims have attempted to prove that Islamic welfare efforts can complement the statutory social welfare services both in extending their coverage and in enhancing the quality of those services. By examining the case of Islamic welfare efforts in Indonesia, this thesis will show that statutory social welfare policy in developing countries could strengthen their indigenous or religious-based informal social welfare efforts to establish a more pluralistic social welfare system.

In Indonesia, the forms of Islamic giving have been abbreviated into the term “ZISWA” (*zakat, infaq, shadaqah* and *wakaf*). This thesis uses the term “Islamic welfare funds” as a synonym for ZISWA. The institution that administers the collection, distribution and utilization of Islamic welfare funds in Indonesia is called the Governmental Islamic Welfare Committee (*Badan Amil Zakat, Infaq dan Shadaqah*, BAZIS). It’s non-governmental counterpart is Voluntary/Non-Governmental Islamic Welfare Committee (*Lembaga Amil Zakat, Infaq dan Shadaqah*, LAZIS). The term “Islamic welfare organizations” is used as synonym for both BAZIS and LAZIS. The term “Islamic welfare efforts” is used to signify both Islamic welfare funds and the Islamic welfare organizations.

Several studies have discussed the roles and contributions of Islamic social welfare efforts in Indonesia. Benda-Beckmann (1988), for instance, writes of how Islamic social security in the form of *zakat* has been managed, collected and distributed in a highly organized manner in Hila, Moluccas. Benda-Beckman has also shown that for a small community living in a rural area, this Islamic social welfare effort has provided services to

²Malaysia, Pakistan and Sudan are among Muslim countries that have attempted to develop Islamic

the community that the government could not. Other preliminary studies have also discussed the potential contribution of BAZIS for supporting community-economic development programs (Rahardjo, 1988; Idris, 1997). BAZIS, which is sponsored by the provincial government, has contributed to the protection and promotion of human well being, not only within the context of providing basic needs, but also in supporting economic development.

At the level of the theoretical and historical debate regarding *zakat*, tax, and social welfare policy, Masudi (1989) and Sadzali (Wiwoho, 1997) proposed the new interpretation of *zakat* being similar to the function of tax in terms of preventing poverty and promoting social welfare. They proposed the idea of collecting *zakat* from Muslims as being functionally similar to collecting tax from non-Muslims Indonesian citizens. Moreover, in the Indonesian context, *zakat* funds could also be used for financing national development (Permono, 1992b). These studies have documented the dynamic interpretations and efforts in promoting human wellbeing in Indonesia.

However, no study exists that explores more recent developments in the relationship between Indonesia's statutory welfare policy, and Islamic social welfare efforts. This work is in part an attempt to appreciate the efforts that have been made by Indonesian Muslims to preserve the existence of Islamic welfare efforts and to secure their contributions to social welfare services. This study will provide a piece of empirical information on the most recent developments in the Islamic welfare effort in Indonesia; their contributions; and their roles in fostering social welfare pluralism. This study is important because it illustrates the experience of Indonesia's pluralistic welfare policy,

which could then be used as a model in other Muslim nations to develop a successful overall welfare policy.

2. Research Questions

This thesis focuses on two central questions at the levels of policy and practice. At the policy level, this study addresses what the role of the Indonesian State is with respect to the Islamic welfare system. Addressing this question involves the examination of the extent to which the Indonesian State provides rules or legal procedures concerning the administration (collection and utilization) of Islamic welfare funds for social welfare programs. At the practical level, this study examines how Indonesian Muslims collect and utilize Islamic welfare funds for financing social welfare programs to address poverty. This issue invites discussion about how Islamic welfare efforts can be viewed as a kind of participation of Muslim communities in their provisions of social welfare.

3. Approach and Methodology

To address the questions above, I employ the following frameworks. First, understanding of the roles and contributions of Islamic welfare efforts in Indonesia needs to be placed within the larger context of the efforts of contemporary Muslim societies to reinvent the Islamic economic and social welfare systems. Therefore, a review of the general trend of the discourse of Islamic welfare efforts in some Muslim countries is necessary. This thesis will then draw upon the social and political relations between Islam and the state to elucidate the characteristics and orientations of the Indonesian Government's policies concerning Islamic welfare efforts. The policies, it is assumed, are determined by the pattern of social and political relations between Islam and the state over

certain periods of time. Finally, to explore the current roles and contributions of Islamic welfare efforts to social welfare provisions in Indonesia, this study will examine the practices of the largest Islamic welfare organization, called *Dompot Dhuafa Republika* (abbreviated as DD).

The above approaches entail that this study relies mostly on the information available in the literature and other documents. Literature research was conducted to reveal contemporary trends and discourses concerning Islamic welfare efforts in Muslim countries and the development of Islamic welfare policy in Indonesia. Furthermore, a case study of DD is conducted to provide a practical example of social welfare effort activities. Some writers indicated that DD is the most prominent Islamic welfare organization in Indonesia (Saidi, 2003; Tulus, 2003; Saidi et.al. 2003), according to following criteria: the amount of funds collected by this organization; variation of activities; leverage; management, and influence on other Islamic welfare organizations.

The preliminary data about Islamic welfare policy in Indonesia, and the DD profile, were gathered during visits to Jakarta in the summer (between June 27 to August 15, 2003) and fall (November 28 to December 15, 2003). During these visits I had the opportunity to be involved in several discussions with DD staff and volunteers, reading their reports, observing their daily activities and meeting some of their clients. DD also provided its report on activities, audited financial reports, and other documents relevant for this study.

Although I was involved in several discussions with people in DD, and in a few occasions interviewed them, I do not use this data as a source of information to be analyzed in this study. Instead, the information gathered from interviews and discussions is used to supplement my understanding of written documents related to the organizations and their

programs. To minimize the potential bias in interpreting these documents, I then visited these programs' activity sites to observe program implementation. These visits provided valuable information and verified the content of these reports. Other sources of information that are relevant for this study include newspaper clippings, and other studies provided by other agencies in Indonesia.

This study will reveal an overview of the current policy and practice of the Islamic welfare efforts in Indonesia and its contribution in shaping the structure of social welfare pluralism in Indonesia. However, it is important to acknowledge that this thesis contains several limitations. Among the limitations are that this thesis does not evaluate the extent of Islamic welfare contributions, their effectiveness, and their impacts on overall social welfare services both in Indonesia and other Muslim countries. This thesis also does not include the voices of both the Islamic welfare activists and the recipients (participants) of the services. Moreover, this thesis does not explore the impacts or effects of Islamic welfare programs on the welfare of its poor recipients, nor are these programs compared with statutory social welfare services. Finally, the findings from this case study could not be used as a generalization of the status of Islamic welfare efforts in Indonesia, as it does not represent the variation of cultures and geographic locations, social and economic contexts, of all Indonesian Muslims.

4. Chapter Outline

This thesis is organized as follows. The second chapter reviews the pluralistic characteristics of the policy and practices of Islamic welfare efforts. This chapter includes the clarification of the concept of Islamic welfare efforts, its relation to the ideals of Islamic

economic doctrine, and a review of three different approaches of policy and practice of Islamic welfare efforts in contemporary Muslim societies. This chapter will also provide a general overview for the discussion of the Islamic welfare system in Indonesia.

The third chapter discusses the Islamic welfare policy in Indonesia with a focus on the dynamic relations between Islam and the state. The discussion traces the ambivalent relationship between the state and Islamic welfare efforts; the government's attempts to maintain the status of Indonesia as a non-religious state, but at the same time, implementing policies accommodating Muslim aspirations to practice social welfare publicly as part of their religious doctrine. This chapter discusses the context of law number 38/1999 on *zakat* administration and assesses its impact on the relationship between Islamic and the statutory social welfare efforts.

The fourth chapter provides an example of how Islamic welfare efforts work in the provision of social welfare, with specific regard to poverty alleviation. This chapter draws on a case study of *Dompot Dhuafa Republika* (DD), highlighting its characteristics and services, including its methods of management and fundraising and programs aimed at alleviating poverty.

The last chapter summarizes these findings, and discusses their implications for social welfare policy development and practice in Indonesia. Certain topics suggested for further study will also be outlined.

Chapter II

Islamic Welfare Effort Pluralism: An Overview

This chapter reviews the efforts of Muslims in many countries to maintain the Islamic welfare system without attempting to implement an ideal Islamic State. Though many Muslim countries have implemented Islamic welfare practices according to their own distinct economic and social needs, Islam remains the common source of reference concerning the overall rules for what constitutes Islamic welfare. This chapter is divided into four sections. The first section discusses briefly the elements of Islamic welfare efforts. The ideal role of the Islamic State as a precondition for the implementation of the Islamic welfare system will be discussed in the second section. The third section draws on the pluralistic policy and practice of the Islamic welfare efforts in the contemporary reality of Muslim societies and their attempts to revive the Islamic welfare system in some Muslim communities. The fourth section summarizes the chapter.

1. The Elements of Islamic Welfare Efforts

Islamic social welfare efforts consist of different elements of gift-giving. These include *zakat* (alms, religiously obligatory tax); *infaq* and *shadaqah* (voluntary giving, charity); *waqaf* (philanthropic endowment); and *qurban* (immolation). *Zakat* is definitely the most important form of giving. In the Islamic legal system, *zakat* is categorized as

wajib (obligatory) while the other are *sunnah* (suggested). It is important to note that although all these forms are widely accepted and implemented by the Muslim community as part of Islamic teaching, *waqaf* does not have any reference in the two sources of Islamic teachings (*Qur'an* and *Hadith* [the sayings and behavior of the Prophet]); rather, it is grounded in pre-Islamic traditions. However, since the practice of *waqaf* was practiced culturally, it became a part of Islamic giving traditions. To clarify what we mean by the “Islamic welfare effort”, we will briefly review the position of each category of “gift-giving” in Islam.

The first element of Islamic giving is *zakat*. *Zakat* upholds the pre-Islamic traditions of tithing and alms-giving of the pagan, Jewish and Christian traditions; in fact, similar terms with similar meanings can be found in several ancient languages, such as the Aramaic's *zakutha*, which means “purity” (Kuran, 2003; p. 276). *Zakat* contains a moral imperative, and is therefore obligatory, because God in the *Qur'an* orders every Muslim to pay it (Kozlowski, 1998; 282). *Zakat* also contains the principle of social justice and wealth redistribution for eight kinds of righteous recipients. The recipients of *zakat* are the poor (*faqir*); the needy (*miskin*); *zakat* collector and distributor (*amil*); those who reconcile to Islam (*mualafah*); captives and slaves (*riqab*); debtors (*gharim*); jihad (*fi-sabilillah*); and wayfarers (*ibn-al-sabil*). Like two sides of a coin, on the one side *zakat* is required for every Muslim; but on the other side all the poor included in the eight categories of recipients are entitled to its welfare.

Zakat consists of two categories, namely *zakat al-mal* (*zakat* of wealth) and *zakat al-fitr* (*zakat* of individuals). *Zakat al-fitr* is paid once a year and is an obligation for every single individual Muslim, even a baby born from a Muslim couple. *Zakat al-fitr* is

to be paid by the end of *Ramadhan* (fasting month) to enable the poor to celebrate *Iedul Fitri*. *Zakat al-fitrah* can be given in the form of food or its monetary equivalent. *Zakat al-mal* (*zakat* on wealth) is paid at a certain time every year when a Muslim's wealth has reached the minimum exemption rate (*nishab*). The provision of *zakat* is a flat 2.5 percent on economic returns in general, except for the rate of farm output (Mannan, 1970, p 243-81). The flat rate includes *zakat* on horses (2.5 percent of their present value), while people who own up to 24 camels should pay one goat as *zakat*. Those who own a minimum of three ounces of gold, or 21 ounces of silver, should pay 2.5 percent of the metal's present value. *Zakat* on agricultural product depends on how the land is irrigated: 5 percent is paid if the land is irrigated by the owner, and 10 percent is paid if the land is irrigated using public irrigation or by rain/river water. The 5 percent different represents the equal appreciation to the efforts given by the owner. Contemporary Muslim scholars apply a 2.5 percent flat rate for other forms of economic activities which are not included in the form of economic activities that occurred during the time of the Prophet, such as investments, shares, professional remuneration, and any kind of industrial activities (Kahf, 2004b).

Regular payment of *zakat* is collected in the *bayt al-mal* (the house of assets). The *bayt al-mal* is a government institution, assigned by the state to collect and distribute Islamic welfare funds both from obligatory *zakat* and from voluntary donations. In early Islam, assets collected in the *bayt al-mal* were certainly necessary to finance the new Islamic State, and to provide social welfare provisions; this institution remains important for providing social security for the poor. *Zakat* revenue also promotes economic redistribution, supporting social justice and the financing of state administration (Ybarra, 2000).

The second element of gift-giving is *infaq*. *Infaq* is voluntary giving (usually in the form of financial giving) with the primary intention of promoting family and public wellbeing. It can be given directly to individuals or institutions. The disbursement of *infaq* is encouraged whenever Muslims receive any kind of income, either regular income or non-regular income, such as bonuses, gifts or other lawful non-regular income (Ali, 1988: 23). The amount of *infaq* is not determined by religious legislation and thus depends on individual decision. *Infaq* beneficiaries are both family members and society as a whole. Within the context of the family, husband and wife (or parents) are encouraged to pay *infaq* to fulfill the needs of family members, such as their need for food, clothing, housing, health, and education. This forms the first ring of social security protection for the family members. Other institutions, both state (either Islamic or secular) and private institutions, are also allowed to collect *infaq* when the government needs additional funds, other than taxes or *zakat*, to support the government's program for the sake of the public good (Djatnika, 2003; 32-33). The government cannot determine the amount of *infaq* that individuals should pay, and can utilize the funds both for Muslim and non-Muslim communities.

The third element of Islamic welfare efforts is *shadaqah*. *Shadaqah* is also voluntary giving primarily to the poor, the impaired, the orphans, and other needy people. *Shadaqah* touches all ranges of socio-economic and education classes, and includes the many different kinds of contributions individuals can make for the community. Muslims can give *shadaqah* at any time and can give anything; *shadaqah* is also not just limited to money. It can include donations of property, land, or cars, and can also include voluntary service. *Shadaqah* facilitates the opportunity for everybody to contribute to the public

good. Even a smile or helping to ease someone's feelings can be regarded as *shadaqah* (Ali, 1988; 23). Therefore, even the poor can also give *shadaqah* with their service for other people. Although *shadaqah* has been considered as part of Islamic teaching as *infaq*, its beneficiaries can include non-Muslims residing within or outside of the community.

The fourth element is *waqaf*. *Waqaf* literally means holding a certain amount of money or means of production as an endowment to be used for charitable and religious purposes. Since *waqaf* is a form of individual or family contribution for the promotion of social welfare, it can only be given to communities or public institutions and not to individuals. This tradition is not rooted in the Qur'an, but was invented by an Islamic jurist in the eight century (Arjomand, 1998, p. 110). This institution, however, plays a more prominent role in the Islamic world than *shadaqah* or *infaq*. *Waqaf* is usually given in the form of land or investments to be used for mosques or educational institutions. Muslim communities or state institutions usually establish certain organization to maintain the sustainability of *waqaf*. The main rule of *waqaf* is that the money or materials should never be used as basic capital. *Waqaf* beneficiaries can only use the benefits produced by the function of the land (its uses for building or farming), for instance, and not for anything else. Therefore, the sustainability of *waqaf* is always guaranteed.

The fifth element of the Islamic gift-giving is *hibah*. *Hibah* is giving a certain amount of wealth either to an individual or social institution for the benefit of the society or individuals (Ali, 1988, p. 24). *Hibah* is different from *waqaf*, as *hibah* can also be given to family members. Materials to be given as *hibah* can include money, land, property, investments, or benefits of investments. In the Islamic tradition, *hibah* is usually given as a symbol of appreciation for someone's achievement or as a symbol of love to a certain

figure. Therefore the practice of *hibah* contains universal values and transcends “religious boundaries”, as Muslims can receive or give *hibah* to someone from non-Muslim communities. Another distinction between *hibah* and *waqaf* is that the recipients can use the item that is given as *hibah* as primary capital. For example, if someone is given a *hibah* in the form of land, the beneficiary can use the land itself as well as profit from the land.

The sixth element of the Islamic gift-giving is *qurban* (immolation). *Qurban* is *shadaqah* of meat to be given primarily for the poor. *Qurban* is given once every year at the month of *haj* (pilgrim) (Ali, 1988, p. 25). *Qurban* originally symbolized the sacrifice of a Muslim through his donation of some portion of his wealth for the social welfare of the poor. The term of “*qurban*” is rooted in the experience of Abraham who was ordered by God to sacrifice his son, Ismael, as a proof of his love of God. Muslims are encouraged to slaughter lawful animals at least once in their lives, and the meat should be given primarily to the poor.

The above practices are widely accepted by Muslims as core components of the Islamic welfare effort. It is important to mention that *zakat* is the most important means of social welfare in Islamic traditions, since it is required by the *Qur'an* for every single Muslim to contribute to the promotion of the common welfare. The existence of *zakat* requires the existence of a “coercive agency”, that is, the state, to make sure it is implemented. Literature on Islamic social welfare and on Islamic economies in particular refer to *zakat* as an instrument of the Islamic state to redistribute wealth, a means of fighting poverty and social injustice.

2. Islamic Welfare Efforts and the Ideal Islamic State

Modern Muslim social scientists have attempted to revive the social, political and economic agendas of Muslim societies. This trend is reflected particularly through the wave of Islamic resurgence in the early twentieth century. This development inspired the need to redevelop an economic doctrine based on Islamic ethics, values and traditions--this doctrine became known as "Islamic economics". Islamic economists developed their argument convincingly in the early 1940s, and this, in turn inspired the implementation of this new economic concept. This development was particularly motivated by the poor economic performance of many postcolonial Muslim states (Weiss, 2002b).

The idea of reviving Islamic economic and social welfare systems was advocated by Indian-Muslim scholar Abu al A'la al-Maududi (1903-1979); Sayyid Qutb, an Egyptian (1906-1966); and an Iraqi, Muhammad Baqir Sadr (1931-1980) (Kuran, 1993). The main argument of the "Islamic economists" is that the practice of *zakat* in the early period of Islam, particularly in the Medinan period, was a genuine example of the way in which *zakat* should be implemented in modern society. They maintain that the future of Muslim society is not in the Western capitalist system, but is in the Islamic social, political and economic systems of the past. They advocate the redevelopment of the Islamic economic and social welfare system as a method of regaining the strength of Muslim society. The source of this inspiration can be found in the early history of Islamic State, that is "the period 622-61 C.E. which spans the latter part of Prophet Muhammad's helmanship of the Muslim community and the tenure of the 'rightly guided' Caliphs'" (Kuran, 1993).

According to the scholar Mohammad Assad, the materialization of the Islamic economic and Islamic social welfare systems requires the existence of an Islamic State;

because only within an Islamic State can Islamic economic and social welfare systems gain appropriate political support and social significance. Assad (1985) maintains that an Islamic State is a political institution that completely applies the values of Islam as the basic tenets towards both the “life of the nation” and “in the constitution of the country” (p.1). In other words, an Islamic State should implement totally the mechanism of Islamic law in the whole life of the state, both political and social (Kahf, 1991). Based on this assumption, Islamic economists promote the agenda of Islamic economic and social welfare as part of the package of redeveloping an Islamic State.

Islamic economists argue that the short period of the Prophet in Medina was the best example of the Islamic State. This period contains a genuine example of how a state addressed economic inequality and poverty. S.A Siddiqi (1984) argues that if *zakat* was used to overcome economic inequality in the period of the Prophet and the rightly guided caliphs, *zakat* could also be implemented to address the poverty and inequalities of modern society. He asserts that because this idea has a historical precedent in the early Islamic State, contemporary society can learn from it (p. v-vi). Other economists, such as M.A. Mannan (1970), add that another example of the implementation of Islamic economics and social welfare can be found in the Abbasid period in Baghdad. This period, according to these economists, reflected the culmination of the applied Islamic economy.

However, other Islamic social scientists argue that the state-administered social welfare system, particularly through the implementation of the *zakat* system, had only materialized in the very short period of the Prophet’s life in Medina (Siddiqi, 1984). Unfortunately, although there had been attempts by the Islamic State (under the leadership of the Prophet) to implement *zakat*, there was no adequate evidence that *zakat* had

successfully eradicated poverty and guaranteed a just economic redistribution of wealth among members of the *ummah*. Even within the short period of the Prophet in Medina, *zakat* alone had never been effective enough to alleviate poverty. “Until the end of his life, the Prophet (pbuh)³ himself needed to borrow from his family food and similar needs, and he died under debt for such loans” (Kahf, 1999; p. 4). This fact reveals that even in the period of the Prophet, the existence of the *zakat* system was far from sufficient to alleviate poverty (Bonner, 2002).

The limited function of *zakat* is one of the reasons why the Prophet urged Muslims to supplement *zakat* with voluntary contribution such as *infaq*, *shadaqah* and *wakaf*. The importance of these voluntary contributions has also been repeatedly mentioned in the Qur’an and the *Sunnah* (prophetic tradition),⁴ particularly within the context of supporting the poor, and funding the activities of the government and the military (Kahf, 1999; p. 4). Other casual revenues such as war booties also supplemented *zakat*. Therefore, since the early period of Islam it had been realized that *zakat* revenue alone was not sufficient to eradicate poverty.

Moreover, the violent struggles over Islamic leadership two decades after the death of the Prophet weakened the state’s ability to administer *zakat*. The unclear roles of the state in Islamic social welfare administration continued until the period of the Umayyad and Abbasid caliphates. Disbursement of *zakat* in Islam’s early history, then, occurred in a decentralized manner, and relied mostly on individual discretion (Kuran, 2003; Mattson, 2003).

³Praise be upon him (writer).

⁴ Both are sources of Islamic law

The existence of an Islamic State as a condition for the implementation of an Islamic economy and welfare system therefore is more likely to be aspiring Islamic fundamentalism than historically justified economic theory (Kuran, 1997). Kuran (2003) maintains that the Islamic economists' argument concerning the historical exemplar of the Islamic economy is weak. There was no such clear example in early Islamic history that represented the ideal experiment of economic and social justice based on the Islamic economic and welfare system. Kuran (1993) concludes, "Islamic economics is as much a response to contemporary grievances as it is a nostalgic escape into the imagined simplicity, harmony, and prosperity of an ancient social order" (p. 305).

However, the absence of an ideal Islamic State does not necessarily prevent contemporary Muslim society from implementing Islamic welfare efforts. Muslims in many countries have attempted to rebuild the Islamic welfare system as a means for social welfare provision and poverty alleviation, despite the fact that they do not live in an ideal Islamic State. The efforts of reclaiming the Islamic welfare effort without political support from the Islamic State are not useless. Indeed, these efforts may prove to be helpful complements to limited statutory social welfare efforts.

3. The Pluralistic Performance of the Islamic Welfare Effort

The institution of *bayt al-mal* as an instrument of the Islamic welfare system is an important element of the Islamic State. With regard to contemporary Muslim societies, it is important to pose the following question: how do contemporary Muslim societies arrange Islamic welfare activities? This question is relevant since the ideal Islamic State is not in existence. Current studies carried out in Muslim societies have noted that the Islamic

welfare effort remains practiced in Muslim communities, both in the so-called “Islamic State”, and the non-Islamic State.

Holger Weiss (2002a) reveals in his observation on the development of the Islamic social welfare efforts in Muslim world:

Since the 1980s, two discourses within the Muslim world are clearly identifiable, one where the role of the state and one where the role of non-governmental organizations is underlined. Muslim countries such as Pakistan, Malaysia, Kuwait, Saudi Arabia and the Sudan have tried to introduce Islamic economics and to establish an Islamic social welfare system, whereas especially in non-Muslim countries, Muslim NGOs have taken over the role of the Islamic state. The collection and distribution of *zakat* is a cornerstone in both systems, it is through *zakat* the system and its operations are financed (p. 20).

This observation reveals that for many communities, the existence of an ideal Islamic State is no longer the primary requirement for the implementation of Islamic welfare effort. There are some states that are trying to implement the principles of an Islamic economic and social welfare system, but in other non-Islamic states, Muslims remain active in developing a form of an Islamic social welfare system without state involvement. Therefore, the performance of the Islamic welfare effort cannot be seen as monolithic phenomenon but pluralistic, insofar as it concerns both state-sponsored and non-governmental welfare efforts.

Weiss (2002a) classifies the types of Islamic welfare efforts according to the level of involvement of the state institution. From this perspective, there are two types of Islamic welfare efforts, namely those “governmental” and “non-governmental” Islamic welfare institutions. However, Kahf (1999) argues that within the “governmental” division there is also variation according to the principles of *zakat* payment. Some Muslim States impose obligatory principles for its citizens to pay Islamic welfare funds to state agencies

(institutions which function as *bait al mal*). Other states suggest voluntary payments to the government institution.

These two opinions suggest the existence of three types of Islamic welfare efforts in contemporary Muslim society. These are: (1) government-administered Islamic welfare organizations that require Muslims to pay *zakat* revenue to the government; (2) government-administered Islamic welfare organizations that do not require Muslims to pay *zakat* revenue to the government; and (3) Muslim non-governmental welfare efforts (Muslim NGOs). These three organizational structures are determined by the political orientation of the state and how Islamic welfare funds are paid to the government, whether obligatory or voluntary. The first structure, typically in an “Islamic State,” assumes responsibilities of collecting and distributing the funds. The second structure is supported by Muslims but less supported by the existence of an “Islamic State“. The state institution assumes responsibility for distribution of funds but does not impose an obligatory payment on its citizens. The third type is often a voluntary initiative of a Muslim society without any connection to the government. The following section discusses each of these three organizational structures of the Islamic welfare effort, highlighting their characteristics, differences and similarities.

3.1. Government -Administered Islamic Welfare Efforts with Obligatory Payments

This type of organization represents the formal involvement of the state in Islamic welfare funds’ collection and utilization. The government imposes on Muslims a requirement to pay *zakat* through the government organization and takes most responsibility for its redistribution. Only a few Muslim countries have chosen this type of

Islamic welfare organization; these countries include Yemen, Saudi Arabia, Libya, Pakistan, Sudan, and Malaysia.

Yemen remains the only place in which Islamic welfare has been consistently practiced since the early period of Islam. *Zakat* and other forms of Islamic voluntary giving have been collected and distributed by the government since the first governor, Mu'adh Ibn Jabbal, was sent there by the Prophet around the year 9 of Hijrah (625 AD) (Kahf, 1999; Kahf, 2004a). The Yemenese Government established the "Agency of Duties" as an agency responsible for collecting and distributing Islamic welfare. *Zakat* is levied on agricultural products, livestock, trade inventory and monetary income. The funds are distributed by the government as well as by non-governmental agencies to improve social welfare, health, and education.

The other five states, by contrast, established state-administered Islamic welfare systems after World War II. A governmental Islamic welfare institution has been in existence in Saudi Arabia since 1951; Libya since 1971; Pakistan since 1981; and Sudan since 1984 (Kahf, 1999; p. 26). On the other hand, in Malaysia, the government's role in the administration of Islamic welfare funds has been decentralized, left to the thirteen states, and no standardized procedure exists for *zakat* collection at the federal level.

The primary source of Islamic social welfare funds in Saudi Arabia is *zakat* that is levied on agricultural products, livestock, stock of trade and on other businesses. The "Agency of Zakah and Taxes" within the Ministry of Finance has also developed a list of other occupations required to pay *zakat*, including physicians, lawyers, engineers, real estate agents and self-owned business owners (Kahf, 1999). However, income based on wages or salaries is excluded from *zakat*. Salary earned by working for somebody else is

not considered as income that is obtained independently because employees do not own the company that produces profits. The funds collected are then distributed through the Ministry of Labor and Social Welfare to provide stipends for poor families, and for emergency subsidies in case of accident or calamities causing illnesses, deaths, or impairment.

The Islamic welfare effort was instituted in Libya by the *Zakah* act of 1971. Unlike Saudi Arabia, Libya levied *zakat* only on livestock and agricultural products, while monetary assets, professional occupations and business remained exempt from *zakat*. The Government of Libya divides the responsibility of collection and distribution between two institutions. The Directorate General of *Zakah* is responsible for collection, while the Ministry of Social Affairs is responsible for distribution (Kahf, 2004a, p, 10).

Pakistan established an autonomous body affiliated with the Ministry of Finance as an institution responsible for collecting and distributing *zakat*. The *Zakah and Ushr* ordinance instituted in 1981 is the legal basis for Pakistan to levy *zakat* on eleven items of *zakat*-able assets (Shirazi, N.S. 1996). These include agricultural products, savings and deposit accounts, insurance policies, and shares of common stock companies. Pakistan also levies *zakat* on other items such as livestock, trade assets, domestic deposits in foreign currencies, and overseas assets belonging to prosperous Pakistanis on a voluntary basis. Collection agencies were established within the government bureaucracy from the central government, down to the provincial levels and district levels. The collection of *ushr* or *zakat* on agricultural products is decentralized, relegated to committees at the local level. The funds collected are then distributed to the designated categories of *zakat* recipients (the needy and the poor) through local committees and distribution agencies. Recipients include

charitable organizations, schools and universities, hospitals, training centers, stipends and scholarships for poor students, orphanages, the elderly and the impaired (Kuran, 1993). The government serves as the supervisory body for these distribution agencies.

Sudan in 1984 established the *Zakah* Fund Act which underlies obligatory *zakat* payment from its citizens. The law facilitates the establishment of The Chamber of *Zakah* and Taxes as the only institution responsible for collecting and distributing Islamic welfare (Al-Sheikh, 1995). Sudan moves even further than other countries by abolishing tax on some items, since it is assumed that *zakat* revenue would compensate for this revenue loss. Sudan levies *zakat* on many sources of income, such as livestock, agricultural products, stocks, and mobile business assets, financial assets, wages, salaries and other professional income. This is quite different from Saudi Arabia, Libya and Pakistan. In Saudi Arabia wages and salaries are not subject to *zakat*. *Zakat* on livestock in Pakistan is not obligatory. Sudan's Chamber is even equipped with the authority to access documents and records of eligible *zakat* payers. However, according to Kahf, the Chamber's major sources of revenues are from agriculture (Kahf, 2004a, 2004b). Distribution of funds involves local committees and volunteers, although primary responsibility lies in the hands of the Chamber's local offices. It should also be mentioned that the Sudanese *Zakah* Act of 1990 established the *shari'a* board (the board of Islamic law) to provide Islamic legal opinion on the process of fund distribution (Al-Sheikh, 1995).

The five states mentioned above have all declared themselves Islamic States, though they differ with regard to the administration of Islamic welfare efforts. Malaysia has never constitutionally declared itself an Islamic State, but this country has developed an obligatory payment of *zakat* to the government. Malaysia's thirteen states have assumed

full responsibility for collecting and distributing *zakat* funds as a form of Islamic welfare (Ghazali, 1991). The Islamic Council at the federal level established an institution called “Pusat Pungutan Zakat” (center for zakat collection, PPZ). PPZ is responsible for coordinating collection and distribution of *zakat* funds (particularly *zakat* on wealth) at the federal level. However, there is no general arrangement concerning *zakat* management, such as method of payment, or an enumeration of items subject to *zakat*. The absence of a federal system entrusted with managing Islamic welfare allows state governments to collect and distribute *zakat* in a pluralistic manner. There are differences among Malaysian States with regard to *zakat* collection, particularly in the allocation of funds and the types of penalties incurred for those who violate the *zakat* obligation (Ghazali, 1991; p. 93; Scott, 1987). The obligatory payment of *zakat* covers *zakat al-fitr* (yearly individual *zakat*), agricultural products particularly paddy, stock of trade, savings and earned salaries. The religious council in each state is responsible for the distribution of the funds directly to each designated category of recipients.

The above six countries claim to have implemented the Islamic welfare system. The state institution is clearly involved in the process of collection and distribution of Islamic welfare funds. It is important to note that differences exist between *zakat* administration in the six countries. All six countries rely on *zakat* as the main source of revenue for all their Islamic welfare organizations, and collect other sources of revenue from voluntary areas of Islamic giving. However, each country collects *zakat* from different aspects of wealth. Saudi Arabia and Pakistan have extended the coverage of *zakat* payments to include revenue from professional occupations, investment, savings and deposits, and other modern economic activities. The main similarities between the six countries are *zakat* on

agricultural products, and *zakat* on the possession of gold and silver. Modes of fund distribution also differ between the six countries. It is evident from these examples that contemporary practice of Islamic welfare reflects diverse features, and thus no one country can claim to represent the true application of Islamic welfare in the “Ideal Islamic State”.

3.2. Government -Administered Islamic Welfare Effort with Voluntary Payment

This type of Islamic welfare represents the policy that state institutions support the establishment of a *bait al mal* within the government structure. However, the state does not require its Muslim citizens to pay *zakat* through this institution. Therefore, Muslims who contribute to the organization do so at their own discretion. This organization will then use most of the funds to finance social welfare activities in their own communities or overseas. This type of organization can be found in countries such as Kuwait, Bahrain, United Arab Emirates, Jordan and Singapore.

Kuwait established the “*Zakat House*” in 1982. The primary revenue of this organization is *zakat* and other contributions such as *infaq*, *shadaqah* and *wakaf* given voluntarily by individuals, groups, as well as by the government or corporations. This organization is affiliated with the “Ministry of *Awqaf*” which provides all the expenses needed to run the organization’s collection and distribution activities. The *Zakat House* actively mobilizes the Islamic welfare fund through extensive advertisement and public education. The House publishes a newspaper, books, and posters, and advertises through radio and TV. The funds collected by this organization are not only distributed to the poor within Kuwait, but also to the poor overseas. The funds provide food, clothing, allowance, and cash stipends for students. This money also aids funding development projects in

poorer countries, such as the building of health clinics, schools, mosques, clean water facilities, and the support of orphanages. Among countries that have received support from *Zakat* House are Sudan, Lebanon, Palestine, Burkina Faso, Philippines, Afghanistan, Pakistan, Bangladesh and Somalia (Khaf, 2004; a).

Bahrain and the United Arab Emirates developed Islamic welfare in the form of semi-governmental organizations. In Bahrain, the Islamic welfare organization is affiliated with the Ministry of Justice and Islamic Affairs. The Ministry also helps in the process of collecting and distributing Islamic funds. However, the funds are generated on a voluntary basis. The United Arab Emirates (UAE) Government also supports semi-governmental charitable and humanitarian organizations such as the Dubai Charity Organization (DCO). The Ministry of Labor supervises the activities of the organization and, every three years, audits their programs. *Zakat*, *infaq*, *shadaqah*, *hibah* and *wakaf* are the primary sources for both Islamic welfare efforts in Bahrain and the UAE; these funds are collected from the Muslim community voluntarily (Abdalla, 2004: www.Islamiq.com).

Another Middle-Eastern country that developed an Islamic welfare organization without assuming the obligatory payment of *zakat* is Jordan. In 1978 Jordan established the *Zakah* Act as a framework for the development of an Islamic welfare institution. The institution is affiliated with the Ministry of *Awqaf* (Khaf, 2004a). The payment of *zakat* remains voluntary; the Act does not give government authorities the power to impose *zakat* payments. However the Act provides incentives for who are willing to pay *zakat*, *infaq* or *shadaqah*; those who pay into the Islamic welfare system are given an income tax deduction of up to 25% of their total income. Since 1982, the government has even increased these deductions up to 100%. This means that people can choose to pay either

zakat or income tax, earning the same exemption rates for both. Funds collected are given to the poor, with a 10% provision for administrative expenses.

Among Southeast Asian countries, Singapore has one of the most modern voluntary Islamic welfare effort organizations. This organization is one of the main divisions of "Majlis Ugama Islam Singapore" (MUIS, The Islamic Religious Council of Singapore), which was established in 1968 (Tyabji, 1991). MUIS is affiliated with the Ministry of Community Development and Sport. MUIS is responsible for collecting and distributing *zakat*--both the *zakat al-fitrah* every *Ramadhan* (fasting month), and the *zakat* on wealth; it is also responsible for collecting other forms of Islamic voluntary contributions. Since the fund is voluntary, MUIS has also intensified the socialization of *zakat* through many media, such as through flyers, publishing books and profiles of their activities, as well as through radio and TV advertisements. The funds collected are mostly utilized for the welfare of Muslim communities of Singapore. This includes providing health provisions; financing religious activities; providing scholarships for Muslim students; and supporting the Muslim poor in general.

3.3. Non-Governmental Islamic Welfare Efforts with Voluntary Payment

The third type of Islamic welfare organization is the Muslim Non-Governmental Organization (NGO), which collects *zakat* and other charitable giving for the purpose of humanitarian and other social activities. This kind of organization is popular as a social program for mosques in many Western and North American countries, and other countries where Muslims form a minority population. Islamic NGOs in North America and Europe have similar functions to other Western humanitarian and charitable philanthropic

organizations, such as Oxfam and other humanitarian aid organizations (Weiss, 2002c; p. 24). Islamic NGOs serve not only Muslim communities in the countries where the organizations are located, but also develop humanitarian relief and social development programs in other countries. Some examples of Muslim NGOs include the “Islamic Circle of North America” (ICNA), which is based in the United States and Canada, “Islamic Relief” (IR), “The Muslim Parliament” in the United Kingdom, and the “*Zakat* Foundation of America”.

The Islamic Circle of North America (ICNA) is a Muslim organization that facilitates Muslims in the United States and Canada to strengthen their brotherhood. The primary activity of this organization is education, particularly with reference to teaching about Islam. This includes reading Qur’an, learning Islamic law (*fiqh*), as well as providing religious counseling (www.ICNA.org). ICNA has also social services coordinated by “ICNA Relief/Helping Hand” for both Muslims in the United States and Canada as well as in other countries. *Zakat*, *infaq*, *shadaqah* and *wakaf*--collected voluntarily from individuals, companies, and the government--are the primary sources of financing these programs. Besides helping poor people in the United States and Canada, ICNA relief also delivers services to the poor in Afghanistan, Bangladesh, Bosnia, Chechnya, India, Kashmir/Jammu, Kenya, Kosovo and Pakistan ([www.icna.org/icna relief/helping-hand](http://www.icna.org/icna%20relief/helping-hand)).

Another Muslim NGO in the United States is the *Zakat* Foundation of America. This organization was founded in 2001. The primary activities of this organization are providing emergency relief, education, social development, and orphan sponsorships. Main funding sources of this organization are *zakat*, *shadaqah*, *infaq*, *wakaf* and *qurban* that are obtained from voluntary contributions. To facilitate donation, this organization provides

zakat calculation online through its website (www.thezakat.org). For three years this organization has delivered social services to people in Afghanistan, Burma, Chechnya, Ghana, India, Iraq, Pakistan, Palestine, Iran and the USA.

Islamic Relief (IR), which was established in 1984, is one of the largest Muslim NGOs in Britain. This organization declares itself an international relief and development charity, which aims to alleviate poverty of the world's poorest people. IR collects funds for its program from *zakat*, *shadaqah*, *infaq*, *wakaf* and *Qurban*. Extensive advertisement over the internet and other publications enables IR to collect funds to finance their programs. The main programs of IR include sponsoring an orphan, education and training, emergency relief, water and sanitation, health and nutrition, and income generation. IR develops reciprocal and inclusive strategies to promote sustainable economic and social development by working with local communities regardless of race, religion and gender. IR has developed international programs in countries such as Albania, Bangladesh, Egypt, Pakistan, Mali, Sudan, Palestine, Bosnia, Kosovo, Chechnya, Indonesia, Afghanistan, India, Kenya, Somalia, Jordan, Iraq and Yemen. This organization receives support from large international humanitarian organizations, such as the UN economic and social council; the UK Government's charity commission; IRC (International Red Cross); Red Crescent movements; NGOs in disaster relief; and BOND (British overseas NGOs for development) (www.islamic-relief.com).

There is also an effort to revitalize Islamic welfare within the British welfare state system. In 1992 a British Muslim scholar, Kalim Siddiqui, and the Muslim Parliament addressed the situation of oppression experienced by British Muslims "who cannot look to the British welfare state for anything other than minimal assistance" (Dean and Khan,

1997; p. 205). Siddiqui wrote a manifesto, which was informed by the experience of British Jews, who since the early nineteenth century have been developing a parallel political organization and welfare system. He contends that a similar model could have been developed for British Muslim communities. The manifesto was followed up by the formation of the Muslim Parliament, a consultative body of Muslims throughout Britain, which urged all British Muslims to pay *zakat* and other voluntary charitable donations (*shadaqah*) to the *bait al-mal al-Islami*. The funds collected at the *bait al-mal al-Islami* are spent for charitable purposes, to support independent Islamic education, to promote health provisions, and to provide individual grants for the poor. The establishment of the *bait al-mal al-Islami* is an attempt of British Muslims to develop a parallel Islamic welfare system to supplement the British welfare system. According to Dean and Khan (1997), the *bait al-mal al-Islami* can be regarded as an effort of British Muslims “to update Muslim thinking on the principles of *zakat* as they might apply within a non Islamic late-capitalist society” (p. 206).

4. Summary

Early Islamic States developed the Islamic welfare system as a mechanism of social security and promotion of social justice. Collected by the *bayt al mal*, *zakat* was considered as the primary source of revenue for the state. However, *zakat* alone could never provide sufficient support for poverty alleviation, so additional sources of revenue from voluntary contributions such as *infaq*, *shadaqah*, and *wakaf* became essential. Nonetheless, *zakat* remains the most important source of revenue over others since it is obligatory and is strongly tied to Muslim identity.

Contemporary Islamic economists argue that the implementation of the Islamic welfare system in modern society requires the existence of an Islamic state. They picture the early period of Islam in Medina as the “golden age” where Islamic welfare efforts played a comprehensive role in promoting social justice and fighting poverty. However, the Islamic economists’ idealization of the existence of an ideal Islamic State as a prerequisite for the implementation of Islamic welfare efforts is problematic. There is no adequate evidence to support their assumption that an ideal Islamic economy or State ever existed. The idealization of Islamic State is also more problematic when attempts are made to apply it to the contemporary realities of Muslim society.

Contemporary Muslim societies practice Islamic welfare efforts differently. There are three categories of Islamic welfare efforts; namely, the governmental, which requires payment of *zakat*; the governmental without obligatory *zakat* payment, and non-governmental organizations. That all of these three mechanisms of Islamic social welfare exists is another proof that Muslim societies do not consider the existence of an Islamic state a necessary condition for the implementation of Islamic welfare efforts. Their activities seem to be accommodating and complementing the practices of contemporary Western relief and social development organizations. There is also an indication that Islamic welfare organizations facilitate the transfer of welfare funds from the “rich Muslim communities” in the Middle East, Western and North American countries to Muslim communities in poorer countries.

The following chapter discusses the extent to which the Indonesian State is involved in providing legislation and logistical support for Islamic welfare efforts.

Chapter III

Islamic Welfare Policy in Indonesia

Islamic welfare policies in Indonesia were constructed with particular concerns: to maintain distance between the state and religion (Islam), while also allowing the government to intervene extensively in Islamic welfare administration. I will approach the discussion in this chapter by locating the Indonesian Islamic welfare policy within the context of the social and political relationship between Islam and the state. The pattern of relations between the two determines the type of Islamic welfare policy that exists. A brief historical review is needed to understand the development of the relationship between Islam and the state over time. It is assumed that certain policies were related, and in fact generated, in response to particular social and historical contexts.

This chapter is comprised of six sections. The first section reviews the policy of colonial administrations regarding the Islamic welfare effort. To understand the Islamic welfare effort in the period of independence, a review of the ideological contestations between Islam and nationalist, Marxist, liberal democratic and populist-Indonesian ideologies will be presented in the second section. This review will frame the subsequent discussion on the Muslims' struggle to gain political recognition concerning Islamic welfare efforts during the "New Order" Regime. The fourth and the fifth sections discuss the birth and implementation of the law number 38/1999 on *zakat* administration. The chapter ends by summarizing this discussion.

1. Colonial Policies and Islamic Welfare Efforts

The practice of Islamic welfare in Indonesia prior to colonialism has not been sufficiently explored. Some writers state that the practice of *zakat*, *infaq* and *shadaqah* had been in existence in many Muslim communities prior to colonialism because *zakat*, in particular, is one of the conditions of being a Muslim (Fauzia and Hermawan, 2003). Nonetheless, in early historical documents recounting the Islamization of the archipelago, the practice of *zakat* was rarely mentioned. However, Fauzia and Hermawan (2003) and Hasanah (2003) noted two general patterns of Islamic welfare effort disbursement: namely, direct payment to the *mustahik* (people who are entitled to receive support from *zakat*) and payments through local religious leaders within the community. The direct Islamic welfare payment (*zakat*, *infaq* and *shadaqah*) was usually practiced among family or community members who already knew each other. The direct method of payment allows the *muzakki* to control the flow of funds to the appropriate recipients. This practice confirms the function of family and community as the immediate institution of social protection.

The second method of payment was through local religious or community leaders. The religious leaders themselves acted as *amil* (*zakat* administrators), responsible for receiving the *zakat*, *infaq*, *shadaqah* and *wakaf* funds that were paid voluntarily. The common functions of the Islamic welfare funds were to support Islamic education and the welfare of the community. In many places of Indonesia these funds were used to build mosques, *Pesantren* (traditional Islamic community education centers) and *madrasahs* (Islamic schools). These building were usually built on the land given by Muslims (individually or collectively) as *wakaf*. The funds for physical construction and

maintenance of these building were also collected from community Islamic welfare funds (Ali, 1988, p. 32; Fauzia, 2003, p. 162-165).

The two patterns of Islamic welfare collection and utilization remain in existence in the present day, with some modifications in the method of collection. An anthropological study in a village of Hila, Maluku, for example, conducted in the late 1980s reveals the two patterns of collection are still practiced by the Muslim community, particularly in the payment of *zakat al-fitr* (*zakat* paid at the end of *Ramadhan*) (Benda-Beckman, 1989). In urban Muslim communities, many urban-based religious institutions have taken progressive initiatives to actively encourage the payment of Islamic welfare funds through their institutions. They actively send blank money order forms to Muslims in the month of *Ramadhan* to encourage donations. This method has been successful in generating funds for modernizing religious schools (*madrasahs*, *pesantrens*) and for providing social welfare. Abdullah notes (Abdullah, 1991) that these urban-based religious organizations collected much more Islamic welfare funds than the Governmental Islamic Welfare Committee (BAZIS).

The central government's interests in Islamic welfare administration in Indonesia can be traced back to Dutch colonial policies on religious life. The Dutch colonial administration set a clear demarcation between public and private life. Religious practice resided in the domain of private, individual life and should not be entwined with issues in the public domain, such as politics and the economy. The domain of religion itself was limited to the practice of ritual, and religious ideology should be neutral with relation to issues related to public life (Suminto, 1985).

The Dutch colonial policy concerning Islam had been, in part, consistent with this idea of religion-state separation. The policies were intended to facilitate Muslims to practice their rituals as long as they were able to maintain a neutral position when involved in public life (Suminto, 1985). C.S. Hurgronje, a Dutch colonial special adviser for Islamic affairs, realized that Muslims could become a serious threat to the colonial administration if their ritual practices were tampered with. Hence, his advice to the colonial administration was to allow Muslims to practice rituals on the one hand, but to restrict them from bringing religion into the political and social arenas on the other (Benda, 1958, p. 22-24).

The policy concerning *zakat* is the most obvious example of separation of religion from wider social life. In 1893 the Dutch colonial administration issued a regulation to prevent the appointed religious officials (*penghulu*, *naib*) to engage in Islamic welfare collection and utilization. *Penghulu* and *naib* were hands of the colonial administration responsible for dealing with Islamic affairs, particularly in marriage, divorce, and mosque activities. The other reason behind the regulation was that there was a tendency for *penghulu* or *naib* to misuse the *zakat*, *infaq*, *shadaqah* and *wakaf* funds, and this regulation aimed to prevent this tendency (Fauzia, 2003). Based on the advice of Dr. Hurgronje, the colonial administration released a new regulation (Bijblad 6200) in 1905 that strengthened the previous regulation. This regulation forbade local authorities at the level of regency (*priyai*, traditional elite class) to intervene in *zakat* management.

To maintain rule and order, however, the Dutch colonial administration often intervened in religious practice. The main concern of the Dutch colonial administration was that there was a potential threat of power consolidation within the Muslim communities by collecting Islamic welfare funds in mosques. This concern is in part because Muslims

usually paid their *zakat*, *infaq*, *shadaqah* and *wakaf* through local religious leaders associated with the mosques' activities. The colonial administration set further guidelines concerning what kinds of activities could be financed by funds collected in mosques and what kinds of activities were forbidden to be financed by those funds. The mosques were also strictly forbidden to collect Islamic welfare funds from the community that exceeded the maximum amount sufficient to maintain subsistence activities. *Bupatis* (heads of regency) were given responsibility to oversee this policy (Suminto, 1985, p. 162).

In the short period of occupation (1942-1945), the Japanese administration did not make momentous changes in Islamic welfare administration. During Japanese occupation the efforts to include *zakat* administration into the government organization had been pursued by Muslim organizations. The effort was particularly advocated by the High Islamic Council of Indonesia (*Majelis Islam A'la Indonesia*, MIAI). MIAI was a pre-war federation of Islamic political parties and mass organizations supported by the Japanese administration. In 1943 MIAI took initiative to establish a Java-wide *bait al-mal*, with the primary intention of preparing a social foundation for the reconsolidation of Islamic political forces in anticipation of a post-Japanese administration. Although MIAI had initiated the establishment of several branches of the *bait al-mal* all over Java, this organization finally dissolved in late 1943 (Abdullah, 1991, p. 58). This signified the end of MIAI efforts to establish a government-administered Islamic welfare organization.

In the meantime, in Sumatra (an island north-west of Java) the Japanese administration instituted a policy that supported the establishment of *mahkamah syari'ah* (Islamic courts), which produced indirect impacts on Islamic welfare practice. The *mahkamah syari'ah* was part of the Japanese-sponsored Islamic Council for the Support of

Great East Asia (*Majlis Agama Islam untuk Bantuan Asia Timur Raya*) in 1943. The Council consisted of most the influential *ulama* in Aceh. The Islamic court was entrusted with governing over Islamic affairs, including the administration of *zakat*, *infaq*, *shadaqah* and *wakaf*. However, according to Abdullah, (Abdullah, 1991) “the main target of collection was *zakat al-fitrah*, which was also used for the renovations of mosques, *dayah* (religious boarding schools) and *madrasah*” (p. 58). Although the *mahkamah syari’ah* was dissolved after Indonesian independence, the all-Aceh *bait al-mal* had already existed, making Aceh the first province to manage *zakat* collection and distribution (Idris, 2002).

2. Islam and Ideological Contestation

In the early period of independence, there was no specific policy discussion concerning the management of Islamic welfare efforts. In this transitional period, Muslim political activists were involved in an intense ideological contestation concerning the fundamentals of the Indonesian State Constitution. The elite Muslim political activists struggled to insert a clause that urged the application of Islamic law (*syari’a*) into the Indonesian Constitution. Although this attempt failed, this debate paved the way for the further relations between Islam and the state. Here we will mention briefly the ideological contestation in the early period of independence, since this debate affects the state’s political attitude concerning Islamic welfare policy.

The ideological contestation began when the Japanese administration in March 1945 facilitated the formation of an Investigative Committee for the Preparation of Indonesian Independence (*Badan Penyelidik Usaha Persiapan Kemerdekaan*, BPUPKI). A draft of “*pancasila*” (five foundations) as a philosophical foundation for the Indonesian

Constitution that was proposed by Sukarno in June 1945 had generated ideological divisions between Muslims, liberal-nationalists, communists and Christians. *Pancasila*, however, was generated to help mend ideological differences between Indonesia's populations; it reflects a "unique synthesis of nationalist, Muslim, Marxist, liberal democratic and populist-Indonesian ideas" (Hefner, 2000, p. 41-42). *Pancasila* consists of five basic principles of the state; namely, belief in God; a just and civilized humanity; the unity of Indonesian; democracy guided by the inner wisdom of deliberations of representatives; and social justice for all the Indonesian people.

The first principle concerning "belief in God" raised heated controversy. Muslims factions particularly insisted on adding to the principle of "belief in God" a more specific attribution to Islam as the largest religion of the country. The committee, then, compromised by adding another phrase to "belief in God," which reads: "belief in God *with the obligation for adherents of Islam to carry out Islamic law*". The *pancasila* document with the additional phrase is known as the "Jakarta Charter". This additional clause encouraged the implementation of Islamic law among Indonesian Muslim citizens.

If the Jakarta Charter were maintained as part of the Indonesian Constitution, the administration of Islamic welfare efforts would automatically become part of the state's responsibility, as the obligation of Muslims to pay *zakat* is one of the fundamental principles in the Islamic law. However, the liberal-nationalists and non-Muslims demonstrated serious objections to including the Jakarta Charter in the constitution, since it favored only the Muslim majority, and could lead the country to become an Islamic State. The committee members, particularly Sukarno and Muhammad Hatta (co-declarers of Indonesian independence), yielded to opponents' appeals and eventually dropped the

Jakarta Charter from the preamble of the Indonesian Constitution on August 18th 1945, a day after Indonesia's declaration of independence. As a compromise to Muslims' objections, particularly from traditionalist Muslim leaders of Nahdlatul Ulama (NU), Sukarno and Muhammad Hatta changed the first principle from "belief in God" to "belief in the one and only God" (*ketuhanan yang maha Esa*) (Hefner, 2000, p. 42; Hefner 1998, p. 304-305). This wording was close to the principle of "radical monotheism" of Islam formulated in the term "*tauhid*" (the oneness of God).

However, this compromise did not satisfy Muslims activists. The political crisis in the first five years of independence, particularly with the return of the Dutch colonial military forces to reassume the authority over the archipelago, had created a further constitutional crisis. Since 1950 the new Indonesian State operated under a provisional constitution until the legitimate Constituent Assembly developed a new definitive constitution. The only hope remaining for Muslim political activists to insert the Jakarta Charter into the constitution was through the Constituent Assembly, known as "*Konstituante*". This would only happen if Muslims won the election and obtained the majority vote of members of the Constituent Assembly.

The Assembly was created as a result of the second round of the 1955 general election.⁵ Muslim political parties were expected to obtain a majority of the vote since they promoted the agenda of reinserting the Jakarta Charter back into the constitution. However, no party came out as the winner in the election; the votes were shared almost equally among four large parties. Two Muslim parties that promoted the Jakarta Charter's integration into the constitution were Masyumi (Indonesian Muslims' Consultative

Council), which won 21 percent of the vote; and NU (Awakening of the Traditional Teachers and Scholars) with 19 percent of the vote. The other two parties were the Indonesian National Party (PNI, founded by charismatic leader Sukarno in 1920) with 22 percent of the vote, and the Indonesian Communist Party (PKI) with 17 percent (Feith, 1957).

Therefore, although Muslims comprised about 90 percent of the Indonesian population, Muslim political parties obtained only 40 percent of the total votes. This meant that Muslim political parties failed to reach the majority of votes within the Constituent Assembly to endorse their agenda of reinserting the Jakarta Charter into the constitution. This situation sharpened the ideological divide because political forces among assembly members were almost balanced between Muslims, nationalists, and non-Muslim blocks (Feith, 1957). The main question remaining to be resolved by the assembly was whether or not Indonesia should become some sort of an Islamic State. Although the Assembly could make some progresses, the problem of Islam's position within the constitution had resulted in deadlock.

The constitutional uncertainty coupled with economic deterioration, and the challenges from Sukarno's military and Muslim rivals, made Sukarno determined to restore political stability.⁶ In 1957 he proposed the idea to return to the constitution of 1945 (Lev, 1966). The idea was put into practice two years later by releasing a presidential decree in 1959 that cancelled all the achievements of the assembly and attempted to overcome

⁵The 1955 general election was considered as the first free and democratic multi parties election in Indonesia since independent.

⁶Besides economic crisis due to political instability, armed conflict with the Dutch aggression, and regional conflict with Malaysia, several Muslim factions had also attempted to establish an Islamic State separated from the Republic of Indonesia. Among others were PRRI led by Mohammad Natsir (Masyumi

political divisions by incorporating them into one diffused ideological union. This decree put to an end the debate on state ideology (Nasution, 1997; Lev, 1966).

This political initiative had not only cancelled the hope of Indonesian Muslims to include Islamic law in the state constitution, but also forced them to be united with their ideological rivals, namely the communists and the nationalists under the banner of nationalist, religious and communist principles called "NASAKOM" (*nationalis, agama dan komunis*) (McVey, 1996, p. 96-117). But Sukarno's close relationship with the Indonesian Communist Party (*Partai Komunis Indonesia*, PKI) prevented the success of this forced ideological consolidation (Liddle, 1973). Masyumi, the largest and the most influential Muslim political party, was outlawed in 1960. The growing influence of PKI within the central power circle and the outlawing of Masyumi had closed the door for Muslim political activists to establish Islamic law within the constitutional framework of an Indonesian State.

3. Islamic Welfare Policy Under the New Order Regime

The significant leap toward direct state involvement in the administration of Islamic welfare after the failure of incorporating the Jakarta Charter into the State Constitution of 1945 occurred in the early period of the New Order (*orde baru*) Regime (1966-1998). The new regime was built upon the emotional and intellectual residue of the political crisis of the post-September 30th 1965 movement that led to the massacre of thousands of Indonesian Communist Party (*Partai Komunis Indonesia*, PKI) followers. PKI, which was

Leader) in Sumatera and Darul Islam (DI) in West Java, South Sulawesi and Aceh led by Kartosuwirjo, who was also close friend of Sukarno (see for example, van Dijk, 1981).

actually a powerful supporter of Sukarno, was accused of attempting a preemptive coup that had resulted in the death of six top military officials.

Military and Muslim reaction to PKI-associated followers created a tremendous crisis in 1965-1967. PKI members had since become the prime target of hatred, anger and blame for the economic deterioration during the first half of the 1960s (Cribb, 1990). Student activists demanded the government to reduce the price of basic commodities, to ban PKI, and to improve economic conditions. The most horrific situation was the killing of PKI members by the army together with Muslim and Christian militias. General Suharto, in his capacity as commander of Army Strategic Reserve Command (KOSTRAD), was appointed by Sukarno to restore law and order in March 1966. The "Letter of March 11" not only mandated that Suharto restore law and order, but also banned the PKI; this eventually led him to assume power as acting president, alienating the influence of Sukarno.

Right after his formal appointment by the Provisional People's Consultative Assembly (*Majlis Permusyawaratan Rakyat Sementara*, MPRS) in 1966, Suharto changed the orientation of the country to the opposite direction of the first regime's "Old Order" (*orde lama*). If the first regime of Sukarno attempted to be more accommodative to different ideologies, particularly Islam, socialism and liberalism, the new regime abandoned the entire effort of rapprochement. These ideologies were considered serious threats to the existence of the new regime. Suharto, who established his regime as the "new order" to distinguish his ideology from that of his predecessor, chose economic recovery, modernization and development supported by political stability as his new path. Although Suharto gained tremendous support from the traditionalist wing of Islam, *Nahdlatul Ulama*

(NU), in diminishing the influence of PKI, the relationships between them remained cautious and “ambivalent” (Hefner, 2000; Ramage, 1995). Until the end of his regime, Suharto consistently maintained distance from Islamic influences to establish Indonesia as a secular state.

In the meantime, Muslim activists perceived the political transition as an opportunity to revive their aspirations to include the Jakarta Charter back into the constitution; during this time, they proposed a draft on *zakat* legislation. On July 5th 1967, Saifudin Zuhri, Ministry of Religious Affairs with letter number MA/095/1967, proposed to the Mutual Help People’s House Representative (*Dewan Perwakilan Rakyat Gotong Royong*, DPRGR) a draft of a law on *zakat* administration. However, the DPRGR refused to include the draft on *zakat* law in its legislative agenda.

On July 14th 1967, he delivered the same draft to the Ministry of Social Affairs and the Ministry of Finance. In letter number MA/099/1967, the Ministry of Religious Affairs asked the two ministries to provide an opinion concerning the draft of a law on *zakat*, since *zakat* is a potential source of revenue for the Indonesian Government to finance social welfare programs. The Ministry of Social Affairs did not respond to this inquiry. However, the Ministry of Finance advised that *zakat* is the private business of Indonesian Muslims and not part of the state’s responsibility. Therefore, the regulation of *zakat* did not necessarily require the passage of formal legislation, but would be implemented only with the Minister’s decree. This initiative, however, would not go further. The DPRGR refused to file the draft of the law on *zakat* administration in the legislative agendas (Permono, 1992c).

The most critical moment in the effort to set up centralized *zakat* administration under the New Order Suharto regime occurred between 1968 and 1969. This period determined the basic structure of formal Islamic welfare organization until 1991. On June 29 1968, Ahmad Dahlan, the new Minister of Religious Affairs who represented the Islamic faction, delivered a speech in a forum commemorating the Jakarta Charter. The occasion was held in *Gedung Pola* in Jakarta and was also attended by the MPRS Speaker General Abdul Haris Nasution. He was a survivor of the preemptive action of September 30th 1965.

Dahlan argued that after the Presidential Decree of 1959, the Jakarta Charter, while not formally written into the preamble of the constitution, was in fact embedded in the spirit of the Indonesian Constitution of 1945. According to Dahlan, the charter was not only the core spirit of the constitution but also automatically the source of law. He asserted that the statement concerning the responsibility of the state to protect the freedom of religious life (Constitution 1945, chapter 29) and the first principle of *pancasila*, “belief in a singular God”, implied that Muslims were tied to the obligation to fulfill Islamic law (Salim, 2003; p. 151). The centralization of *zakat* administration was intended as “the first step to toward the application of the Jakarta Charter principles” (Salim, 2003, p. 154)

Two weeks after the speech Dahlan released Ministry of Religious Affairs’ Decree (*Peraturan Menteri Agama*, PMA) Number 4, on July 15th 1968. Dahlan did not propose the law but he set the legal basis of *zakat* administration under his own authority within the Ministry of Religious Affairs. This decree urged the government at the levels of province, regency and district to establish a *Zakat* Administration Committee (*Badan Amil Zakat* BAZ) as the government body responsible for collecting Islamic welfare funds.

Furthermore, on October 22nd 1968, the ministry released the second decree on *zakat* administration, Number 5/1968, regarding the regulation of the institutionalization of the House of Assets (*bait al-mal*), in all levels of government bureaucracy. The House would be responsible for the distribution and utilization of the funds to enhance the social welfare of Indonesia's citizens. This second decree outlined the more specific procedure of government and society's involvement in administering Islamic welfare efforts.

Apart from the Ministry of Religious Affairs' initiative, eleven influential *ulama* of Jakarta delivered some religious advice to President Suharto on September 28th 1968. One piece of advice was that it was important for Suharto, as the head of state and government, and in his capacity as an individual Muslim, to be an example to the whole nation that he would be willing to pay and organize *zakat* for social welfare enhancement. The *ulama* suggested that the *zakat* institution was relevant with regard to the country's development. When delivering his official speech at the Prophet's Ascension Celebration (*Isra Mi'raj*) at Merdeka Palace on October 26th 1968, he confirmed the advice of the *ulama* by suggesting that Muslims should fulfill the religious obligation. He also stressed the importance of organizing *zakat* administration nationally. In his capacity as a "Muslim private citizen", he would take the initiative to lead a massive national effort on *zakat* collection, and would submit an annual report on its collection and distribution. On October 31st 1968, three days after his speech, this idea had been placed into action. Three high military officers, namely major general Alamsyah Ratuprawiranegara; colonel Azwar Hamid; and colonel Ali Affandy, were appointed to take the necessary steps required for nation-wide collection (Abdullah, 1991).

Unfortunately, both the Ministry of Religious Affairs' Decrees and the Suharto initiative were poorly coordinated. Suharto delivered his initiative without regard to the Ministry of Religious Affairs' initiatives that had been in effect since July 15th 1968. In essence, the two initiatives were contradictory. The Ministerial decrees urged the formal involvement of the state authority, through the network of government bureaucracy, to establish a special committee to collect *zakat* funds and distribute them through a new *bait al maal*. Conversely, the presidential initiative urged the establishment of a purely private institution without any involvement of government organizations. Despite the fact that the president had delivered his ideas, on October 29, or two days after the speech, the Ministry of Religious Affairs released a Guide for the Implementation of the Ministerial Decree (*Pedoman Pelaksanaan Peraturan Menteri Agama*) Number 4, 1968. This guide specified the status of the *Zakat* Administration Committee (*Badan Amil Zakat*, BAZ) as a permanent semi-governmental organization. With this status, the permanent BAZ would be attached to governmental bureaucracy. However, it would not be managed totally by the government bureaucracy because it would also involve private citizens in its management.

It is hard to believe that a policy released by the Ministry of Religious Affairs lay outside of the president's knowledge. However, if this situation is placed within the context of political antagonisms between Islam and the state since the early 1960s, the two different policies concerning *zakat* administration would certainly be understandable. The Ministry of Religious Affairs regarded the president's policy as an integral part of the realization of the Jakarta Charter. On the other hand, the New Order regime of Suharto attempted to establish a secular state that strayed from any kinds of religious influences. Therefore, the two policies represented two contesting ideological orientations.

The contestation was finally ended by the postponement of the implementation of the Ministry of Religious Affairs' Decree Number 4. This decision was taken after the Ministry received a letter from the Cabinet Secretary on December 16th 1968, stating that the Minister of Religious Affairs should consider the president's initiative to become involved in *zakat* administration. The letter was quite influential upon the Ministry of Religious Affairs. Ministerial Decree Number 1/1969, which postponed the implementation of Ministerial Decree Number 4 for an undetermined time, stated that the letter from the Cabinet Secretary was one of the main considerations in postponing Decree Number 4 (Salim, 2003, p. 159).

The postponement of the implementation of the Ministerial Decrees can be interpreted as another failure for Muslims in their aspiration to implement the Jakarta Charter. Thus, it can also be understood as the success of the new government in setting a boundary between the state and religion. The accommodation of Islamic aspirations would be channeled through Suharto's personal initiative to orchestrate the nation-wide private *zakat* administration system. This initiative would not represent religious penetration into the state, but would facilitate the need of Muslims to establish a formal nation-wide Islamic welfare organization.

However, the spirit of the Ministerial Decrees' ideas was not totally diminished by their postponement. Instead the two streams of policy orientation were used as foundations for the establishment of a semi-governmental Islamic welfare organization. Jakarta's Special Province Governor, Ali Sadikin, initiated the establishment of the *Zakat* Administration Committee (*Badan Amil Zakat, BAZ*) on December 15th, 1968. The Governor's decision number Cb.14/8/18/68 includes both the Ministry of Religious

Affairs' Decree Number 4 1968, and the President's personal suggestion to support the administration of *zakat*. The Jakarta Governor's initiative, therefore, to some extent reconciled the Ministry's and President's ideological differences by making them a base for the establishment of a semi-government *Zakat* Administration Committee (BAZ).

In 1973 BAZ Jakarta was enlarged to include other forms of Islamic welfare funds, particularly *infaq* and *shadaqah*. The name of the organization was changed to become the *zakat, infaq* and *shadaqah* Administration Committee (*Badan Amil Zakat, Infaq and Shadaqah*, BAZIS). The organization's inclusion of other Islamic welfare funds effectively eliminated the tension between the Ministry of Religious Affairs' decree and the president's personal suggestion. The establishment of BAZIS by the Jakarta provincial government, in fact, motivated other provinces to establish similar organizations in their respective territories. East Kalimantan established BAZIS in 1972 followed by West Sumatera (1973); West Java (1974); South Kalimantan (1974); South Sumatera (1975); Lampung (1975); Irian Jaya (1978); North Sulawesi (1985) and South Sulawesi (1985). These organizations, however, are not entirely similar with BAZIS of Jakarta. While in some provinces BAZIS collect *zakat, infaq*, and *shadaqah*, others collect only *zakat* (Abdullah, 1991; Hasanah, 2003).

In the late 1980s, there was a Muslim initiative to establish a Non-Governmental Islamic Welfare Committee (*Lembaga Amil Zakat, Infaq dan Shadaqah*, LAZIS). LAZIS represents community participation in managing Islamic welfare funds by establishing a formal organization in the form of a community foundation (*yayasan*) (Tulus, 2003). LAZIS collects *zakat, infaq, shadaqah, hibah, waqaf*, and *qurban*. LAZIS is different from BAZIS and the traditional direct-payment tradition to local religious leaders. While BAZIS

is run by part-time civil servants working for the provincial governments, LAZIS is managed by full-time staff. Instead of developing their program in line with the government's social programs, LAZIS develop their own programs according to the needs of the communities they serve (Saidi, 2003). LAZIS also differs from local religious leaders' collection and distribution of *zakat*. Local religious leaders usually collect Islamic welfare funds incidentally and without transparent reports of their utilization. The funds are used mostly for the construction or maintenance of religious facilities. LAZIS is a professional organization dedicated to Islamic welfare collection and utilization. The funds are mostly used for promoting the welfare of the community, supporting the poor and providing scholarships for children from poor families.

Many Indonesian corporations have also established their own LAZIS or *bait al-mal* within their management. The initiative was started in 1986 when there was legal opinion from Indonesian *ulama* (religious scholars) that income based on salary was also subject to *zakat* (BAZIS DKI, 1986). Some corporations began to collect *zakat* from their employees and established special organizations within the corporation management responsible for collection and utilization. These corporations include the establishment of *bait al-mal* within the companies as part of "corporate social responsibility" to support social welfare programs, particularly poverty alleviation (Sudewo, 2003a).

In the meantime, the personal initiative of President Suharto to lead the nation-wide *zakat* administration effort did not materialize until 1982, or fourteen years after his speech at the Prophet's Ascension Celebration (*Isra Mi'raj*). On February 17, 1982 Suharto, in his capacity as a private citizen, established a foundation called the Foundation for the Dedication of *Pancasilaists* Muslim (*Yayasan Amal Bakti Muslim Pancasila*, YAMP).

YAMP carried the message that the involvement of President Suharto as its founder and chairman was not to serve Islamic interests but national interests as represented in the *Pancasila*.⁷

This foundation collected *zakat*, *infaq* and *shadaqah*, particularly from Muslim civil servants, military officials and from Muslim-owned corporations. However, this foundation distinctly lacked any connection with the existing BAZIS. According to Sjadzali (1990), YAMP efforts were dedicated primarily to building or renovating Muslims' mosques. Until July 1990, Sjadzali (1990) notes, YAMP had built 400 mosques throughout the country, having collected about 83 billion *rupiahs* in total funds. In the 1990s, YAMP also enlarged its programs. In cooperation with the Council of Indonesian Islamic Scholars (*Majlis Ulama Indonesia*), YAMP sponsored the spread of Islamic preachers to various settlements in many locations outside the Java islands. YAMP was responsible for providing salary and living cost for the preachers during certain times (Ismail, 1996).

Until 1991, BAZIS existed in almost all provinces without an adequate legal basis, because the Ministerial decrees that urged the establishment of BAZIS and the *bait al-mal* had been postponed for an undetermined time. Furthermore, the president's suggestion to establish a purely private Islamic welfare organization carried little legal consequence because he acted in the capacity of a private citizen.

The legal basis for the establishment of BAZIS was eventually provided in 1991 through the joint ministerial decree between the Ministry of Religious Affairs (number 41, 1991) and the Ministry of Home Affairs (number 29, 1991). The position of the Ministry of

⁷*Pancasila* is the five basic principles or ideology of the state; namely, belief in the one and only God; a just and civilized humanity; the unity of Indonesian; democracy guided by the inner wisdom of deliberations of representatives; and social justice for all the Indonesian people.

Home Affairs was strategic. The structure of government bureaucracy (Governor, Major and Head of District), to which the BAZIS organizations were attached, was under the coordination of the Ministry of Home Affairs.

The joint decree reiterated the relationship of BAZIS with the government. It mentioned that BAZIS is a "private self-help organization" that is established by Muslims according to the needs of their communities (Joint Decree, 1991, Chapter I: article 1; Chapter 3, Article 3). The decree mentions nothing about the previous Ministry of Religious Affairs' Decrees Numbers 4 and 6, 1968. However, this policy clarified the ambivalent position of BAZIS. Although it was stated that BAZIS was truly a private Muslim organization, the governor and major maintained a central position in decision-making. While the BAZIS organization accommodated private citizens, its executive management responsible for overseeing the daily program consisted of civil servants appointed by local government authority. This joint decree was provided only to justify the existence of BAZIS and did not cover the status of LAZIS.

Some observers viewed that the joint decree signified changes of the New Order Regime toward Islam (Effendy, 1993; Anwar, 1994). The joint decree showed that the regime became more accommodative toward Islamic aspirations. However, I disagree with this conclusion. Instead, I believe that the joint decree was made possible, in part, by the success of the regime in overcoming political and ideological challenges impeding an Indonesian State based on *Pancasila* ideology.

Since the early 1970s the New Order Regime attempted to minimize political threats from both Islamic and Nationalist parties. Between 1973 and 1975 the New Order Regime imposed the policy of restructuring political parties; Indonesia could only have a

maximum of three political parties (Law No. 3/1975). Muslim-based political parties⁸ were forced to fuse into one party, the United Development Party (*Partai Persatuan Pembangunan*, PPP); the nationalist and Christian parties⁹ became the Indonesian Democratic Party (*Partai Demokrasi Indonesia*, PDI). The government and the military sponsored the establishment of the Functional Group Party (*Golongan Karya*, Golkar). This party was the main political vehicle for the regime.

Law No. 3/1975 had been successful in minimizing potential political threats to the government. This minimization of threats to the regime was evidenced by results of the first two general elections after 1975. The Golkar party won the absolute majority of the vote (above 60 percent) and assumed a majority of members in the People's Consultative Assembly (*Dewan Perwakilan Rakyat*, DPR). PPP and PDI support declined significantly.¹⁰ This trend remained consistent in the subsequent elections of 1987, 1992 and 1997. Golkar domination was commensurate with the strong domination of the New Order Regime.

The New Order Regime also overcame the ideological threat by establishing *Pancasila* as the sole ideological basis for every political party and social organization in 1985. Until 1985, PPP and PDI and other organizations were based on specific ideologies, such as Islam, liberalism and socialism. But Law No. 3/1985, that amended the Law No. 3/1975, required political parties (PPP and PDI) and Golkar to adopt *Pancasila* as their sole

⁸ Such as Indonesian Muslim Party (*Partai Muslimin Indonesia*, Parmusi); the Awakening of Islamic Scholars party (*Nahdlatul Ulama*, NU); the Indonesian Islamic United party (*Partai Syarikat Islam Indonesia*, PSII); and the United Islamic Education party (*Persatuan Tarbiyah Islamiyah Indonesia*, Perti).

⁹ Such as Indonesian Nationalist Party (*Partai Nasionalis Indonesia*, PNI), *Indonesian Catholic Party* (*Partai Katolik Indonesia*, Parkindo)

¹⁰ In 1982 election Golkar obtained 62.3 percent; PPP 27.8 percent and PDI 7.9 percent. In the people consultative assembly, the Golkar members increase from 232 in 1977 to 246 seats in 1982. While PPP

ideological basis (*asas tunggal*). On June 17 1985, the House of Representatives once again approved the law requiring all Indonesian mass organizations to adopt *Pancasila* as their fundamental ideology (Law No. 8/1985). "Any rejection of *Pancasila* by any political parties or mass organization would result in their dissolution by the government" (Ismail, 1986, p. 17). Tremendous objections and critiques from Muslim factions both before and after the enactment of the two laws did not prevent the New Order Government from enacting these laws a year later.

These laws generated tremendous political change with regard to the relationship between Islam and the state. Both PPP and other Muslim mass organizations lost sufficient basis to stand politically and ideologically against the government in their efforts to pursue Islamic aspirations. Therefore, the commencement of the two laws marked the end of the ideological contestation between Islam and secularism that had been persistently embedded in the Indonesian social and political domain since independence. Ideological threats of Indonesia becoming an Islamic State thus ceased.

The joint decree between the two ministries in 1991 that provided for the first time a formal basis for the establishment of BAZIS was not a political victory for Muslims. The establishment of BAZIS did not represent the generous accommodation of the regime to Islamic aspirations; rather, it was the logical consequence of the disappearance of the Islamic ideological threat. The practice of BAZIS was not based on Islamic ideology, but *Pancasila*, an amalgam of ideologies purported to represent the ideology of Indonesia.

members drop from 99 seats in 1977 to 94 in 1982. PDI experience similar situation with PPP by obtaining 24 seats in 1982, or lose 5 seats from 1977.

4. The Rise of Muslims' Bargaining and the Birth of Law No. 38/1999

Although the joint ministerial decrees provided legal justification for the existence of BAZIS, Muslims wished for a stronger legal basis for BAZIS and LAZIS in the form of a law. A law would have a greater social and political impact than a ministerial decree. The law would formally include Islamic welfare efforts into statutory social welfare legislation. Therefore, although the law would not be motivated by Islamic ideological interests, Muslims still considered the inclusion of the Islamic welfare effort into statutory regulation as a strategic step that guarantees Islamic welfare's existence and practice.

Muslims' aspirations concerning the legal basis for the implementation of Islamic welfare efforts was eventually achieved in 1999. Law No. 38/1999 on *zakat* administration signifies a new phase of Indonesian Islamic welfare policy. This is the first formal legal basis in the form of legislation through which Islamic welfare organizations were recognized and their existence strengthened. This law was made possible, in part, through the collapse of the New Order Regime in 1998. Furthermore, the implementation of this law cannot be separated from the influence of President Habibie, who replaced Suharto in 1998. President Habibie campaigned on behalf of Islamic aspirations. While he was President, he was also the chairman of the influential Association of Indonesian Muslim Intellectuals (*Ikatan Cendekiawan Muslim Indonesia*, ICMI). In the last years of the New Order Regime of Suharto, particularly between 1992 and 1997, ICMI was one of the most powerful social groups whose aspirations were usually listened to by Suharto (Anwar, 1995). In early August 1999 the Minister of Religious Affairs Malik Fadjar submitted a draft of a law on *zakat* administration to the House of Representatives (*Dewan Perwakilan*

Rakyat, DPR). The draft needed only a month to gain approval from DPR before finally being signed by President Habibie, on September 23rd 1999.

The birth of the law on *zakat* administration was related to the emergence of a new group of Muslim intellectuals and a new middle class during the New Order Regime. These two groups were the young Muslim generations who possessed different social strategies than previous Muslim political activists. They firmly refused the idea of “political Islam” to pursue an Islamic State, and pushed for the adoption of the Jakarta Charter as was advocated by senior Muslim activists, particularly by members of the *ex-Masyumi* (Muslim political party banned by Sukarno in 1960) such as Muhammad Natsir. The New Order Regime had banned any kind of ideological discussions except those concerning economic development. Most Muslim political activists experienced an almost similar situation to that of ex-Indonesian Communist Party elites: both of them spent their lives either in jail or in voluntary organizations under tight supervision by military officials. The New Order Regime perceived this action as a necessary condition to ensuring political stability, in turn allowing the acceleration of economic development and modernization.

Instead of challenging the new regime, the young Muslim generation had chosen to participate with the regime. Many young educated Muslims cast off their political identities and joined both government organizations and non-government organizations. This strategy allowed them to participate in the process of governing the country. Until the early 1980s there was a significant increase in the number of newly educated middle-class Muslims. They gained a better education and were ready to hold important positions in politics, business and government. Some researchers noted this development as an

indication of increasing Muslims resurgence that gave Muslims political bargaining power against the New Order Regime (Hefner, 1993).

In the early 1990's, the new Muslim intellectuals and the middle class formed the Association of Indonesian Muslims Intellectuals (*Ikatan Cendekiawan Muslim Indonesia*, ICMI), an organization that united the new Muslim' social forces. The association selected Habibie, an influential figure within the government and known to have a very close relationship with Suharto, as its chairman. Many observers perceived the period between 1990 and 1997 as the honeymoon period between Islam and the state (Hefner, 1993, Anwar, 1995). During this period, ICMI had launched many social, economic and political programs that directly and indirectly benefited Indonesian Muslims. Among these programs was the establishment of an Islamic banking system; the publishing of an Islamic newspaper (*Republika*); and the establishment of a center for micro-economic development.

With regard to the Islamic welfare effort, one of the most important contributions of the new Muslim middle class associated with ICMI was the birth of "*Dompot Dhuafa Republika*" (DD) in July 1993. Although DD was not initiated formally by ICMI, it was born in the *Republika* Newspaper, which was an instrument for voicing ICMI interests.¹¹ DD initially collected *zakat*, *infaq* and *shadaqah* from *Republika* employees for the purpose of supporting community development programs in the poorest districts of the Yogyakarta province.

¹¹Parni Hadi (editor-in-chief), Sinansari Ecip (senior editor), Haidar Bagir (chief executive officer, CEO) and Eri Sudewo (redaction secretary) who sponsored this initiative were among the important elites of ICMI.

DD's attachment with the *Republika* newspaper allowed DD to break ground in methods and approaches to the collection and utilization of Islamic welfare funds. This allowed DD to reach a larger group of *muzakki* (Muslims whose wealth exceeds the *zakat* exemption rate) from more diverse social and economic groups. *Republika* facilitated a special column for DD to publish *zakat* advertisements to encourage Muslims to pay *zakat*, *infaq* and *shadaqah*. Regular publication of program reports, audited financial reports and the profiles of beneficiaries through public advertisement increased public confidence in DD activities. DD initiatives made the practice of Islamic welfare efforts that used to operate almost entirely underground become openly accessible for the public. The existence of both BAZIS and LAZIS used to be unknown. A few years later, innovations in the methods and approaches of DD's collection, utilization and public accountability placed it as a leading organization among BAZIS and LAZIS (Sudewo, 1997).

DD has also played strategic leadership roles among BAZIS and LAZIS. This can be seen, for instance, in its initiative to facilitate a seminar on *zakat* among corporations in 1997. The participants of the seminar mostly came from LAZIS that were a part of private and state-owned corporations. Only a few participants represented BAZIS and the Ministry of Religious Affairs. At the end of the seminar, participants recommended establishing a forum to enhance their quality of service and to solve various problems related to Islamic welfare efforts. This recommendation was followed up by the institutionalization of the *Zakat* Forum (Forum *zakat*, FOZ) on September 19th 1997. FOZ would facilitate consultation, coordination, information exchange and cooperation among LAZIS and/or

BAZIS. Initially FOZ was supported by eleven LAZIS and BAZIS¹², but it now gains more support from other LAZIS and BAZIS. DDR played a direct role in the institutionalization of FOZ, a reflection of DDR's leadership role among BAZIS/LAZIS.

Soon after its establishment, FOZ became an important civil society force that assisted the promotion of Islamic welfare efforts. One of the most important contributions of FOZ in its first year was its initiative to resubmit a draft of a law on *zakat* that had been previously proposed by the Ministry of Religious Affairs in the early 1990s. This aspiration was apparently congruent with the social and political stream initiated by ICMI and Habibie. It was FOZ that consistently approached the House of Representative (DPR) and ICMI to materialize the hope of Muslims since the early 1950's to have a legal basis for the inclusion of Islamic welfare efforts into the Indonesian State administration. FOZ aspirations gained adequate support from Malik Fadjar, the Minister of Religious Affairs, who was also an elite member of Muhammadiyah, the modernist-associated Muslim organization, and ICMI. The political relationship between Islam and the state in the post-Suharto regime was conducive for Muslims to re-confirm their aspirations concerning the law on *zakat*. It is logical, therefore, that the draft law on *zakat* administration obtained tremendous support from the House of Representatives and the President (FOZ, 2001).

5. The impacts of the law on Islamic welfare organizations

Law number 38/1999 provides the legal basis for the existence of Islamic welfare organizations. The law automatically canceled the joint ministerial decree between the

¹²The eleven organizations are Dompot Dhuafa-Republika; BAZIS-Jakarta Province; Bait al mal PT. Pupuk Kujang; Bait al Mal PT. Pupuk Kaltim; Bait al Mal Pertamina; Bait al Mal Telkom Jakarta; bait al Mal

Ministry of Religious Affairs and the Ministry of Home Affairs that had provided the legal basis for the existence of BAZIS since 1991. The law clearly defined the position and the extent of the Indonesian State's involvement in *zakat* administration. Article 3 of the law states that the Indonesian Government is obligated to provide protection, guidance, and service to *muzakki* (people who pay *zakat*), *mustahik* (people who are entitled to receive support from *zakat*) and *amil* (administrators). The law reiterates the obligatory principle for every single Indonesian Muslim--and every institution owned by Muslims--to fulfill the obligation of paying *zakat* (article 2). Chapter II article 5 states that *zakat* administration is aimed to enhance administrative services for Muslims to pay *zakat* as a fulfillment of religious obligations; to enhance the functions and roles of religious institutions for the promotion of social welfare and social justice; and to enhance the outcomes of *zakat* administration.

Direct state involvement can also be seen in the role of *zakat* administration. Chapter III article 6 mentions that only the government has the authority to establish institutions of *zakat* administration. Although this chapter acknowledges the existence of two kinds of *zakat* administration (government and non-governmental), these administrative systems still need government authorization. The government's *zakat* organization is called the *Zakat Administration Committee (Badan Amil Zakat, BAZ)*. The non-government *zakat* organization is called the *Zakat Administration Institution (Lembaga Amil Zakat, LAZ)*. The name of BAZ for the government's *zakat* administration is similar to the name of the *zakat* institution proposed by the Ministry of Religious Affairs Decree Number 4, July 15th 1968 that had been postponed since 1969 for an undetermined time.

There was no official explanation as to why the law prefers the abbreviation of BAZ/LAZ to the already widely used abbreviation of BAZIS and LAZIS. However, the roles and functions of BAZ/LAZ are exactly the same as BAZIS/LAZIS.

BAZ is formed and established by the government with respect to the proposal from the Ministry of Religious Affairs. The central BAZ is authorized by the president; BAZ-*Daerah* (province) is authorized by the governor; BAZ at the regency level is authorized by the mayor (*Bupati/walikota*); and BAZ at the district level is authorized by the head of the district or borough (*Camat*). This organizational structure reveals the dominant position of the government in *zakat* administration. BAZ at all levels of government bureaucracy is responsible to a head of government that authorizes its establishment. The establishment of LAZ does not require approval from the local government but from the Ministry of Religious Affairs.

Both BAZ and LAZ collect *zakat* and other forms of Islamic welfare funds. These include *infaq*, *shadaqah*, *hibah*, *wasiat* (promise to give certain goods after the subject dies) and *kafarat* (obligatory payment as a fine for Muslims who violate religious obligations) (article 13). In the Islamic legal system these types of funds can be used for financing social welfare activities. Both BAZ and LAZ are allowed to collect *zakat* from several items of *zakat*-able wealth (article 11). These are gold; silver; and other forms of currency; wealth from corporations; agricultural products; livestock; mining; income-based on wages and services; and deposited wealth (money or other valuable goods). However, the law does not enforce Muslims to pay *zakat*; there is no sanction for those who do not fulfill their obligations (article 14).

The law has also increased the position and contribution of Islamic welfare efforts as one of Indonesia's social welfare institutions. The Ministry of Religious Affairs' Decree Number 8/2001 stated that Islamic welfare funds could be utilized for social development and poverty alleviation programs. According to the decree, the priority for *zakat* fund utilization is to provide for the basic consumption needs of the poor. If there are funds remaining, they could be used for other activities. The utilization of other Islamic welfare funds should be prioritized for community development programs.

This regulation facilitated the joint effort of the Ministry of Religious Affairs and the Ministry of Social Affairs to pursue community economic development activities for poverty alleviation. The joint effort was institutionalized through joint decree number 293/2002 and 40/PEGHUK/2002 concerning empowerment of the poor and needy through *zakat* funds. This decree allows direct cooperation between BAZ/LAZ and the Ministry of Social Affairs to pursue productive social development programs. The decree stipulates that BAZ/LAZ could deliver their social welfare programs within the framework of the Ministry of Social Affairs' programs so that Islamic welfare efforts could directly contribute and be in accordance with statutory social welfare provisions. This cooperation signifies formal recognition of *zakat* and other Islamic welfare funds and the Islamic welfare organizations (BAZ/LAZ) as social welfare actors.

Another important breakthrough facilitated by the establishment of law number 38/1999 is the inclusion of *zakat* as an item of deduction from wealth subject to tax. In 2000 the government passed law number 17/2000 concerning the amendment of law number 7/1983 regarding income taxes. The new law recognizes that *zakat* has a similar function to tax insofar as it is a means of wealth redistribution. The law states that tax can

only be withdrawn from the total wealth subject to tax after it is deducted by the amount paid for *zakat* (article 9). However this regulation pertains only to earned-income tax, not to tax on property, luxury goods or profits resulted from economic activities of a corporation. The law also mentions that funds collected by BAZ/LAZ from *zakat*, *infaq*, *shadaqah* and other sources of Islamic welfare funds are not objects of tax (article 4). This law avoids the problem of double fiscals that have to be paid by Muslims. The problem of double fiscals has been deemed as one of the structural burdens for Muslim in fulfilling-the *zakat* obligation (Permono, 1992c). This law, therefore, has not only overcome the problem of double fiscals, but also provides incentives for people who are willing to pay *zakat*.

The law on *zakat* also permits the central government to establish the National *Zakat* Administration (*Badan Amil Zakat Nasional*, BAZNAS) at the national level. According to law No. 38/1999, the establishment of BAZNAS, as an umbrella for BAZ institutions at the lower government levels, should be based on presidential decree. BAZNAS has existed since 2002 and has been involved in both collection and utilization of Islamic welfare funds (Subianto, 2002).

BAZ institutions now exist along government bureaucratic lines from the central government level to village levels. The Ministry of Religious Affairs (MORA), which is responsible for coordinating, regulating and monitoring Islamic welfare activities, reports that there exists one BAZIS at the national level; 24 BAZIS at the provincial level; and 9 LAZIS that have been certified (Tulus, 2003). Other reports also describe about 277 BAZIS at the Regency level; 3160 BAZIS at the District level and 38.117 BAZIS at the village level (Saidi, 2003). However, in actuality, existing LAZIS outnumbers the number of

LAZIS described in the government's report. Forum *Zakat* (FOZ, 2001) reports that there are at least 28 LAZIS that are members of the forum (Forum Zakat, 2001).

6. Summary

Muslim Indonesia has gone through the long process of struggle to obtain proper recognition of the existence and roles of Islamic welfare efforts for the enhancement of Indonesian society. In the colonial period, Islamic welfare efforts were subject to restriction and surveillance. This was because the colonial administration attempted to establish a secular political system that was clearly distinguished and separated from religious life. Although statistically Muslims were the overwhelming majority, they failed to insert Islamic ideology into the constitution. The effort to establish an Islamic welfare system with formal state regulation failed. Consequently, the practice of Islamic welfare efforts through BAZIS and LAZIS until 1990s occurred without formal legal basis. Legal basis was finally provided through the joint decree between the Ministry of Religious Affairs and the Ministry of Home Affairs in 1991.

The rise of the new-middle class Muslim with close relation to the late New-Order Regime facilitated the birth of the law on *zakat*, law number 38/1999. However, this law is ambivalent. The ambivalent position can be seen, for example, in article 2 in which it is stated that *zakat* administration is obligatory for every Muslim. However, the law does not provide a mechanism to punish those who violate this obligation. It is clear that this ambiguous article is related to the effort to maintain the "neutrality" of Indonesia as a non-religious state.

The following chapter reveals the practice of Islamic welfare effort by exploring a case example of *Dompot Dhuafa Republika* (DD), one of the most prominent LAZIS, in collecting and utilizing Islamic welfare funds for poverty alleviation.

Chapter IV

Islamic Welfare Effort in Practice:

An Account of the *Dompét Dhuafa-Republika* Experience

In the previous chapter, it was mentioned that *Dompét Dhuafa-Republika* (DD) played a major role among BAZIS/LAZIS, particularly in supporting the birth of Law number 38/1999. This chapter explores DD program innovations in the provision of social welfare services, particularly in the area of poverty alleviation. The case study of DD will provide an example of Indonesian Muslims' participation in poverty alleviation through the utilization of Islamic welfare funds.

DD has been considered the leader of *zakat* organizations in Indonesia. This is not only because DD is the largest Islamic welfare organization; DD also initiated innovation among BAZIS/LAZIS by formulating Islamic welfare programs within the framework of social development. Social development emphasizes productive social investment approaches in social welfare (Midgley, 1996). DD not only addresses the issue of "distributing" Islamic welfare funds for consumptive programs (social assistance and food supply for the poor), but places a primary emphasis on utilizing the funds for productive economic activities. As an Islamic NGO, DD moves toward a modern and professional organization. It shows high levels of responsibility to the public by helping a wide range of poor people, and it provides alternative social services as well. This type of Islamic welfare

organization suggests the possibility for developing alternative social welfare services based on Islamic and modern social welfare approaches.

This chapter consists of six sections. The historical overview of the inception and development of DD--and its relation with the *Republika* newspaper and the Indonesian Muslim Intellectual Associations (ICMI)--will be presented in the first section. This will contextualize the sociological circumstances of DD. The organizational and managerial aspects of DD will be presented in the second part. The third section explores the question of how DD mobilizes Islamic welfare funds, and what methods they have developed to generate funds. This section specifically addresses DD's fundraising methods, with a particular focus on how DD uses media (newspaper, magazine, radio and TV) for public campaigns, awareness raising, and building the image of the organization. The fourth section describes how DD uses Islamic welfare funds for poverty alleviation. This section focuses on DD's attempts to develop a social welfare program that incorporates Islamic values and social development to fulfill the principles of Islamic welfare. Here our discussion includes the efforts of DD to establish networks with other LAZIS; to provide social services through the mechanism of social investment; to promote asset reform for the poor; and to generate Islamic welfare funds through business activities. The fifth section examines the dilemma of DD in initiating an alternative approach to Islamic welfare effort. The last section presents a summary and the impact of DD in relation to the development of other BAZIS and LAZIS.

1. ICMI, *Republika* and the Birth of DD

It is important to reiterate that DD was born within the context of the emergence of a new, urban-based Muslim middle class in the early 1990s. The emergence of a Muslim middle class culminated in the formation of the Association of Indonesian Muslim Intellectuals (*Ikatan Cendekiawan Muslim Indonesia*, ICMI). ICMI attempted to unite Muslim technocrats from the governmental bureaucracy, universities and research institutions, non-government organizations (NGOs) and political activists who were known as pro-modernist and were supportive of the project of modernization orchestrated by the New Order Regime of Suharto. The association signified a new, unprecedented form of Muslim social movement in Indonesia (Effendy, 1998). ICMI offered technocratic support for modernization projects and did not openly pursue Islamic political agendas through ideological and political party competition, as was the case in the 1950s and early 1960s. Although ICMI attempted to voice Islamic aspirations, its goal was clear: to support the existing secular state based on *pancasila* (five principles) and the constitution of 1945.

One of the main aspirations of ICMI was economic justice for Muslims. There was a common perception among Muslims that the success of economic development during the New Order Regime was not sufficiently accompanied by social justice. Most Indonesian Muslims “do not enjoy the economic pie” (Heffner, 1998, p. 228). Indonesian capitalism had been disproportionately dominated by Sino-Indonesians who comprise just under 4 percent of the Indonesian population. Yet the Sino-Indonesians dominated about 70 to 75 percent of major private capital in local Indonesian businesses in the mid 1980s (Robison, 1986). Muslims, who constitute almost 88 percent of the population, and other ethnic and religious communities shared only between 25 to 30 percent of business capital.

This situation created a deep concern among Muslims. The economic domination of Sino-Indonesians was not only because of their own capacity to develop their businesses but, most importantly, because of their close personal ties with Suharto and other members of Indonesia's political elite (Booth, 1992; Hill 1992). Therefore, one of the main agendas of ICMI was to generate support for Muslims to obtain their social and economic rights.

ICMI developed four strategic plans to promote Muslims' social and political agendas. The four plans were compiled in a book called the Medium Convergence Plans (*Rencana Kerja Konvergensi Jangka Menengah*, Rensi Jannah) for 1992 to 1997. The two volumes of *Rensi Jannah* were developed by a team under the coordination of Dr. Amien Aziz, a senior NGO activist. The four strategic plans include: 1) coordinating an information center and engaging in development studies. This program consists of developing the ICMI network, and publishing journals of Islamic social and political issues (*MIZAN*) and of Islamic thought (*Ulumul Qur'an*). 2) Developing Muslims' social and economic resources, including publishing "*Republika*", a daily newspaper; engaging in Islamic education, and community economic development programs for poor Muslims; and developing Islamic banks. 3) Human resource and Islamic culture development through developing an Islamic Center (center for Islamic cultural activities), and a *Masika*, a forum for young Muslims intellectuals to share ideas. 4) Institutional development through strengthening the ICMI organization and its networking (Aziz et. al., 1992).

Under the auspices of the second strategic plan, ICMI delivered massive community-economic development programs. The cooperative micro-credit and micro-economic institution (*baitul maal wa al-tamwil*, BMT) was considered as ICMI's program priority. BMT, which was based on Islamic economic principles (*muamalah*), collects

zakat, *infaq*, *shadaqah*, *wakaf* and other sources of Islamic welfare from Muslims and utilizes the funds for supporting productive micro-economic activities for the poor. The Islamic welfare funds collected by BMT then become community funds that will be used mostly for productive economic activities. The credits provided by BMT are interest-free and the relationships between BMT institutions and the recipients are based on the principles of the profit and loss-sharing system. It is hoped that the recipients, in the long term, would change their economic and social position from “*mustahik*” (people living in poverty as *zakat* recipients) to “*muzakki*” (prosperous people who are obligated to pay *zakat*). BMT, in this context, was an ICMI experiment to generate a new approach to Islamic social welfare programs.

However, DD was not officially planned as an ICMI program. DDR was an unintended result of the establishment of the *Republika* daily newspaper, the publication established under ICMI strategic plan number 2. Established in January 1993, it was hoped that this newspaper would voice the aspirations of the ICMI and the Muslim population. In the first year of its establishment, *Republika* actively promoted its brand image, missions, and its concerns of Muslims’ social conditions. The idea of establishing an early form of DD emerged in the process of a *Republika* promotional event in Yogyakarta, central Java in June 1993. This event included a popular Muslim preacher, Zainudin MZ, and Muslim musician Rhoma Irama. In this event these individuals were asked by Jogjakarta Gadjahmada University student activists to raise funds to support their community development programs in the poorest villages of Gunung Kidul, in the Jogjakarta Province (Sudewo, 1997. p. 45-47). This program used to rely mostly on the funds collected from the students at the university. On this occasion, Parni Hadi, the editor-in-chief of *Republika*,

had an opportunity to accompany the activists--known as the Rural Islamic Community Development Corps (*Corps Dakwah Pedesaan*, CDP)--to administer their program. This opportunity inspired Parni Hadi to further his commitment to support CDP through *Republika*.

DD was founded on July 2nd 1993. DD inauguration was marked by the publication of Parni's article in a special column called "*Dompot Dhuafa*" (pocket or assets of the poor/powerless) on the back page of the newspaper. The first article by Parni was entitled: "*nyenyakkah tidur kita semalam, sementara tetangga sebelah kelaparan?*" ("did we sleep well last night, while our next-door neighbor was starving?"). In this article, Parni paints the picture of poverty as the black side of "economic development", and tells rich and middle-class Muslims that they have a religious and social obligation to help the poor. This article also mentioned that *Republika* could facilitate the collection and utilization of their contributions to the *mustahik* (*zakat* recipients) in proper and responsible ways. This article was the first important endeavor of DD to openly encourage people to contribute to the effort of alleviating poverty, and at the same time, connecting this poverty alleviation to being a good Muslim by fulfilling the religious obligation of paying *zakat*. This was also a pioneering method in *zakat* collection. The publication of the "*Dompot Dhuafa*" column included a map pointing to the places institutions could give their *zakat*, facilitating their direct connection with the *mustahik* (the poor) (Pergumulan 10 tahun, 2003, p. 3).

Prior to the publication of this column, Parni had appointed Eri Sudewo (the *Republika*'s redaction secretary) to coordinate collection of *zakat* (2.5 percent) from all *Republika* reporters, editors and staff. The first step taken by Eri was to entrust the collection of *zakat*, *infaq* and *shadaqah* activities to a committee called the *Republika*

Partnerships Association (*Ikatan Silaturahmi Republika*, ISR). On August 4th 1993, for the first time, ISR revenue supported the CDP (Community Development Corps) program with about 5 million *rupiahs*, collected from *Republika* staff and readers. The fund was used for financing CDP's income-generating program (*Pengembangan Pendapatan Ekonomi*, PPE) in Gunung Kidul (Sudewo, 1997).

The strong support from *Republika* enabled DD to grow rapidly. Within a year DD was able to set basic principles for its development. The foundational principles include, first of all, the main mission of the institution. DD decided to focus on collection and utilization of Islamic welfare funds to help the poor through developing economic activities with at least 50 percent of its budget. Other program categories were human resource development and scholarships (25 percent), and social assistance and humanitarian aid for the victims of calamities (25 percent) (Ecip, 2003, p. 6). The most noticeable services of DD was the pilot project of supporting rice farmers in East Java in 1994, and the provision of emergency relief for the victims of the earthquake in Liwa, West Lampung, also in 1994. Parni Hadi believed that these two activities were the most important moments that generated public trust in DD. DD in the same year also published an audited financial report of its activities in the *Republika*. This was the first time in the history of an Islamic welfare organization in Indonesia that an organization that collected Islamic welfare funds disclosed publicly a financial report audited by a professional public accountant. All three of these events served to bolster the credibility of DD.

The first year under *Republika* management could be considered the probationary period for DD. Although institutionally it had not been formally established, and also lacked formal organization, DD had already become familiar to the public and had outlined

its foundational principles for further development. The trial period ended on September 14th, 1994. This date indicates the moment that DD formally separated from *Republika* by establishing its own organization in the form of foundation. The foundation was named “*Yayasan Dompot Dhuafa Republika*” with four founding fathers: Parni Hadi (CEO and editor-in-chief of *Republika*, Haidar Bagir (director), Sinansari Ecip (vice editor-in-chief) and Eri Sudewo (secretary to the editors) (Ecip, 2003). The separation had been considered a good and strategic decision since DD had grown considerably well and had successfully received the public’s confidence.

The separation from *Republika* facilitated DD’s independent growth. The brand image of DD as a transparent Islamic welfare organization had been established since the first year within *Republika* management. Today, DD is the largest Islamic welfare organization in terms of the amount of funds collected annually, the variety of programs offered, and the size of its management. In 1993 DD gained only 87.8 million *rupiahs*, but within ten years this organization has collected more than 76 billion *rupiahs*. DD currently runs a free hospital for the poor; it supports about 2000 students through its scholarship program; it is developing a sheep farm; it supports micro-economic activities; and runs training centers for *zakat* administration and management. Furthermore, the DD humanitarian division participated in supporting relief programs in Palestine, Afghanistan, Pakistan and Iraq; it also provided humanitarian aid in many locations in Indonesia. This development has further placed DD as the benchmark for other LAZIS and BAZIS in Indonesia.

2. Organization and Management of DD

DD organization has changed over time. The evolutionary process from a simple to a complex organization reveals consistent growth and expansion of the institution. Between 1993 and 1994, it was Eri Sudewo alone who handled the administration of Islamic welfare funds, in terms of collection, accounting and utilization. The organization grew, his workload increased, and DD was established formally as a foundation in 1994. In this period the organization was called “*organisasi pentol korek*” (match-stick organization) to symbolize Eri’s multiple roles in the organization. In this period, Eri had little opportunity to learn from existing BAZIS or LAZIS or other conventional NGOs (NGOs that do not collect Islamic welfare funds). However he learned principles of the Islamic economic system, including *zakat* principles, from his friend who had initiated the *syari’ah*-based banking system in Indonesia (*Bank Perkreditan Rakyat Syari’ah*, BPRS) (Ecip, 2003, p.7).

Since DDR was established as an independent institution, the base-line policy for its organization was that DDR should be run as a professional organization and managed as a corporation. This policy was almost totally different than BAZIS management. BAZIS is run by the part-time activities of civil servants working for the provincial government. The management of BAZIS is designed as part of the bureaucratic government structure. Most BAZIS staffs are at the end of their careers, so innovation is not a key feature of BAZIS.

DD, by contrast, is run by young, full-time staff recruited through merit-based selection. They work for DD not as volunteers but as paid employees. In 2001, there were 53 full-time employees, with educational qualification as follows: PhD (1); Master’s (12); Bachelor’s (37) and senior secondary-school diploma (3). Their expertise includes Islamic

studies; agriculture; economics; management; agribusiness; communication; engineering; science and math; archeology and education.

Since 1997, the DD organization has consisted of three levels of management. These are: 1) the *Syari'ah* board; 2) the advisory board; and 3) executive management. The *Syari'ah board* is responsible for providing guidance concerning the status and position of the program within the context of Islamic law (*Syari'ah*). The *advisory board* is a consulting body for the organizational management aspects of the organization, including its financial management and program development. *Executive management* consists of the chief executive officer (CEO); directors (funds collection; administration; and utilization); a manager; an internal auditor; and a corporate secretary. In 1999, DD's organizational structure emphasizing these different components (collection, finance and administration and utilization) was adopted by Indonesia's Law number 38/1999 as the ideal structure for BAZIS and LAZIS organizations (Perguluman 10 tahun, 2003, p. 5-7).

Despite the fact that the previous DD organizational structure had been formally endorsed by the law on *zakat*, internal DD management had changed since early 2003. DD decided to restructure its organization and management by applying a more decentralized structure called the Multi-Corridor Network (*Jejaring Multi Corridor*, JMK) (*Dompel Dhuafa Newsletter*, March, 2003). In the new structure of JMK, DD organization was decentralized according to different core activities. DD organization functions as a holding institution that coordinates four different autonomous institutions (Juwaini, et.al. 2003). They are: 1) LAZIS; 2) Asset reform (*Lembaga Assets Reform*, LAR); 3) Social Investment (*Lembaga Asset Sosial*, LAS); and 4) Business Development (BD). The four core activities used to be directly responsible to the core management of DD. However, within the JMK

system, each institution is decentralized and can more autonomously set its policies. This system allows DD to grow and to become a more complex Islamic welfare organization.

The head office of DD is currently in Ciputat, South of Jakarta. However, the management of DD can also be reached at the address of *Republika* Newspaper.¹³

3. Fundraising Strategies

DD developed strategic fundraising approaches to enable this institution to collect Islamic welfare funds from diverse sources. DD's attachment to *Republika* gives it a significant fundraising advantage over other BAZIS and LAZIS. The newspaper voices the mission and programs of DD and it consistently build its image as well. The close attachment with the media has enabled DD to reach wider sources of Islamic welfare funds without territorial and political limits. Moreover, DD also develops active marketing strategies. These strategies include changing the traditional method of collection that was passive (waiting for the voluntary donors to come and pay their *zakat*), to active (visiting potential donors and helping them to understand the DD program and calculating the amount of *zakat* they are obliged to pay out of their net income).

DD fundraising strategies are clearly different from existing BAZIS fundraising strategies. BAZIS collects Islamic welfare funds through the government's bureaucratic network, in which civil servants were primary targets. Some BAZIS collected only annual *zakat al-fitrah* (personal *zakat* in the form of food) at the end of *Ramadhan*. BAZIS of the

¹³Head Office of Dompot Dhuafa Republika: Jl. Ir. H. Juanda No. 50, Ciputat Indah Permai C 28-29, Ciputat, 15419, Jakarta Selatan, Jakarta, Indonesia. PO BOX 1996 Jakarta 12000. Telephone: 62-21 7416050 (hunting); Fax: 62-21 7416070 Website <http://www.dompetdhuafa.or.id> and Email : dhuafa@cabi.net.id. DD can also be reached through the office of Republika Newspaper: Jl. Warung Buncit Raya No. 37 Jakarta Selatan, Jakarta 12510, Indonesia. Telephone: 62-21 7803747 (ext. 138). Fax: 62-21 7800649

Jakarta Province, for example, since 1978 has collected funds from *zakat*, *infaq* and *shadaqah* from institutions attached to, or that have special relationships with, the government. BAZIS at the provincial level collects funds from institutions (corporations or government bureaucracy) that are on Jakarta territory (Dasril, 2000, p. 195-196). BAZIS at the lower levels of bureaucracy collect funds from institutions at these lower levels. This organizational structure has limited the BAZIS of Jakarta to access the potential *muzaki* outside of their territory. Other existing LAZIS usually collect funds from internal employees of certain companies. Therefore, the existing BAZIS and LAZIS were barely able to collect funds from the wider public.

3.1. Source of Funds

Islamic welfare funds collected by DD are comprised of five items. These are *zakat*; *infaq*; *shadaqah*; humanitarian contribution; facilitation of *qurban* (annual immolation) distribution; and *wakaf*. *Zakat* is collected from individuals or corporations; this includes up to 2.5 percent of an individual's total monthly income and deposited wealth. DD does not collect *zakat* on livestock and agricultural products. *Infaq*, *shadaqah* and humanitarian solidarity funds are not limited, and the amount given depends on individual discretion. Humanitarian solidarity funds, in particular, are collected incidentally to respond to the calamities that call for emergency responses. DD also facilitates administration and distribution of *qurban* (immolation) to certain groups of the poor designated as malnourished communities. Muslims can transfer certain amounts of money equivalent to the value of a goat or cow, and DD is responsible for purchasing the animals and distributing them directly to the target recipients. The last source of funds is "cash *wakaf*"

(*wakaf tunai*). “Cash *wakaf*” is a DD program innovation of the common understanding among Indonesian Muslims that *wakaf* is usually in the form of land and physical buildings. DD offer two kinds of *wakaf* certificates: a 1 million *rupiahs* value certificate and a 5 million *rupiahs* value certificate (*Proceeding 1, 2 and 3: Penghimpunan*).

3.2. Media Campaign

DD is aware of the media’s power as a medium for image creation and as a message itself. This awareness has been built upon since DD began in 1993. Back then, DD created a “*Dompét Dhuafa*” column in *Republika*. The column at the back page of the newspaper has since been filled with various touching stories about “The Stories of the Poor” (*Kisah-Kisah Dhuafa*) on a weekly basis (every Friday). The stories were presented in a dramatic image to generate public awareness and participation of Muslims (readers) to help them. The stories created the image of DD and *Republika* as organizations that care for the poor. DD has been fully aware of the potentials of the media to convey its message to Muslims to pay *zakat* as the fulfillment of their religious obligations. Therefore, the column “*Dompét Dhuafa*” has since been established as the formal name of this LAZIS institution replacing ISR (*Ikatan Silaturahmi Republika*).

Besides maintaining cooperation with other media, DD has also developed its own media. Among media published by DD is “*PENDAR*” monthly magazine (published since 1998) and a newsletter (published since 2002). DD also posts flyers, banners and billboards in certain social gatherings and public spaces; it also publishes books. DD services became available over the internet in the year 2000 at: <http://www.dompetdhuafa.or.id>

Private media that have been working with DD include radio,¹⁴ television,¹⁵ printed media¹⁶ and electronic media.¹⁷ These medias are used to publicize its activities, including program advertisements; reports of donors; activities and audited financial reports. Cooperation with these media includes special programs during *Ramadhan*; the weekly program of "*Zakat Vision*" with RCTI; the weekly program "*Contact Zakat*" with ANTV; and an incidental program with Trans TV and TVRI. *Zakat Vision* contains academic analysis of the issues related to *zakat* and Islamic welfare efforts by presenting Muslim intellectuals as program guests. *Contact Zakat* is designed as interactive forum for *zakat* consultation, concerning what are *zakat*-able objects, how *zakat* should be calculated from wealth; and to which organization it could be paid.

The cooperation and support of the local media is the most important condition for DD to develop branches in other provinces. Currently DD has established 6 branches and all of them are attached to the media.¹⁸ DD has recognized that successful development is correlated to creating a successful image of itself in the media.

3.3. Active Marketing

Until 1997, DD acted passively in terms of fund collections. Fund collection relied more on the function of Public Relations (PR) as the ambassador of the institution. Just like

¹⁴ Among of them are Radio Trijaya FM; Radio One; Muslim FM (three of them are in Jakarta); and KLCBS (bandung).

¹⁵ Among TV stations are RCTI; ANTV; Trans TV and TVRI.

¹⁶ Printed media (newspaper and magazine) includes *Republika*; *Adil* Tabloid; *Tekad* Tabloid; and *Lampung Post* are among others.

¹⁷ Such as Detikcom (<http://www.detik.com>).

¹⁸ Among of them are *Harian Umum SOLO POS*, Solo; *Harian Umum JATENG POS*, Semarang; *Harian Umum FAJAR*, Makassar; *Harian Umum WASPADA*, Medan; *Mingguan ACEH EXPRESS*; *Harian Umum LAMPUNG POST*, in Lampung.

the performance of BAZIS and LAZIS organizations, DD management awaited for people to come to the office handing out their *zakat*, *infaq* and *shadaqah* in cash, money orders or through bank account transfers. Although between 1994 and 1997 the average collection consistently increased by about 30 percent a year, DD management perceived that the potential of donors had not been maximized. In 1994 the funds collected totaled only 1.1 billion *rupiahs*; in 1997 it reached about 2.19 billion *rupiahs*.

To maximize the potential for generating a higher amount of funds, DD made the collection division become more active. Between January and July 1997, DD renamed the division of collection the Funds Mobilization Division (*Divisi Penggalangan Dana*), investing it with the primary responsibility of generating new sources of donations. In this period DD had successfully established institutional cooperation with *Muammalat Bank* (Islamic Bank) to reach regular donors through *Kartukhuwah*, a donor membership card for bank clients who are willing to be regular donors.

In late 1997, the Fund Mobilization Division was changed to become the Marketing Division. This new division was responsible for intensively promoting DDR programs to individuals, organizations and corporations. The promotion included public campaigns to heighten understanding of *zakat*, *infaq*, *shadaqah*, and *wakaf* and its functions for establishing social justice and helping the poor. Active marketing was implemented through various forms of activities, including: 1) direct mail; 2) presentation and program socialization; 3) a discount program (with restaurants, boutique, bookstore, publishers, supermarket, retailers, a cell-phone company, and a cinema; 4) program financing; 5) donor membership cards (*Kartu Ukhuwah*) and other marketing tools (Saidi, et.al. 2003).

DD also provides services to maintain and to serve the various needs of donors. These services includes *zakat* consultation in the form of personal counseling concerning the problems of *zakat*; services for complaints; maintaining communication and program reports through the PENDAR magazine or newsletter; sending letters of appreciation; providing services for paying donations through accessible banking systems; and social traveling to DD sites of program activities. These activities facilitate regular and continual interaction between DD and its donors.

Marketing strategy has helped DD to facilitate a large number of donors. In 2002 for instance, there have been 79.575 donors recorded in its database. Since DD mostly operates in the Jakarta area, most of the donors are members of the urban community who reside in Jakarta areas (about 62 percent of donors). Most of them choose the bank system to pay their donations (78 percent), through account transfers, automatic teller machines (ATM) and internet-banking. Only 13.9 percent of donors pay directly (in cash). Juwaini (2003), the former marketing manager of DD, concludes that majority of donors are between 25 to 65 years of age; they have a good understanding of Islamic teachings; they have stable incomes and professions; they are well educated; and they are not involved in any political or mass organizations.

3.4. Funds Collected

The active marketing approach has proven successful. This can be seen particularly from the significant increase of the funds collected from the five sources (*zakat*, *infaq* and *shadah*, *qurban*, *wakaf* and the humanitarian emergency fund). In 1998, the total funds collected was 4.6 billion *rupiahs* and increased by 58 percent to become 7.3 billion *rupiahs*

in 1999. The significant leap was also achieved in the next two years; about 13.59 billion *rupiahs* was collected in 2000, and 17.64 billion in 2001. In the year 2002 the total funds raised by DD was 20.8 billion *rupiahs*. Since 2000, DD has annually collected more than all other BAZIS of Jakarta (Sudewo, 2003b; *Proceeding* 1, 2 and 3: Finance and Administration). This achievement has placed DD as the leading LAZIS in Indonesia.

4. Alleviating Poverty Through Social Development Strategy

4.1. Empowering Mustahik through Asset Building

The most challenging agenda for Islamic welfare organizations, both BAZIS and LAZIS, is how to utilize their funds for the purpose of helping the poor leave poverty. The basic Islamic teachings concerning the functions of *zakat*, *infaq* and *shadaqah*, and the tradition of *wakaf*, say that the community should not maintain the vicious cycle of poverty by providing the poor with an unlimited basic income for survival. Indeed these teachings are intended to empower people to emerge from their condition as *mustahik* (people who are entitled to receive support from *zakat*), to move forward and change their position to become “*muzakki*” (people who are obligated to pay *zakat* because they have met the basic rate of income to pay it). The idea of transforming *mustahik* into *muzakki* also includes the principles of poverty alleviation. Therefore, in the context of Islamic welfare efforts, it would be more appropriate to talk about “*mustahik* alleviation” rather than “poverty alleviation”, since those who are entitled to Islamic welfare funds include not only the poor and the needy, but eight different categories of recipients as well.

The eight categories of recipients entitled to *zakat*, included in the concept of *mustahik*, are: 1) the poor (*faqir*); 2) the needy (*miskin*); 3) the *zakat* administrator (*amil*);

4) those who are reconciled to Islam (*mu'allafah*); 5) captives and slaves (*riqab*); 6) debtors (*gharim*); 7) jihad (*fi sabilillah*); and 8) wayfarers (*ibn-al-sabil*). The poor are people who are not able to earn a daily livelihood, either because of their physical and mental disabilities or because of the absence of social supports--for example orphans and widows who do not have sufficient assets to support themselves. The needy are those who have a source of income, but one that is not sufficient to cover all of their expenses. *Zakat* administrators are those who are responsible for managing and administering Islamic welfare funds, in terms of both collection and distribution. Those who convert or reconcile to Islam are those who need support because of the separation from their previous means of social support. Captives and slaves can be freed by using *zakat* funds to pay their masters. Debtors are also entitled to *zakat* funds both to repay their debts and to temporarily provide for their needs. *Jihads* are those who are struggling to support Islam in the path of Allah. Wayfarers are those who are traveling for good purposes and in the path of Allah (Permono, 1992c).

The eight categories of *mustahik* can be classified into permanent and temporary entitlements. Permanent entitlement means that certain recipients could receive social assistance from *zakat* funds for an unlimited time. It is assumed that these recipients have no ability to support themselves independently because of their impairment (mental and physical). If they were able to earn their living, they would certainly lose their entitlement. Other permanent recipients are those who have devoted their lives to being *amil*, responsible for managing *zakat* and other Islamic welfare funds, so that they are unable to earn funds from other sources to cover their expenses. If they were to stop being *amil* their entitlement would automatically be cancelled.

Temporary entitlement means that certain recipients would only be entitled to receive support from Islamic welfare funds for a certain period of time, until they are able to support themselves and cover their own expenses. Among the eight categories of recipients, those who are entitled to temporary support are the needy (*miskin*); the newly reconciled or converted to Islam; the captives and slaves; debtors; *jihads*; and wayfarers. Their entitlement is temporary because their conditions for entitlement are also temporary.¹⁹ If they are no longer entitled to receive support (*mustahik*), their status is automatically changed to one who is obligated to pay *zakat* (*muzakki*).

The *mustahik*, who are entitled to Islamic welfare funds either permanently or temporarily, share a similar situation: they are powerlessness. The situation of powerlessness is similar to the term "*dhuafa*". *Dhuafa*, rooted in the word *dhaif* (weak), refers to the common characteristics of *zakat* recipients who are powerless. It is the condition of being weak, lacking power, that makes people become *mustahik*.

To address the condition of powerlessness, DD offers two approaches to empowerment, namely external and internal empowerment. External empowerment is pursued through supporting the *mustahik* by giving them a "fishhook" rather than a "fish" (*berilah kail daripada ikannya*). With the "fishhook" (capital, market, tools, skills and networks) the *mustahik* are expected to catch the "fish" by themselves (Ecip, 2003, p. 6-7). This means that a certain category of recipients should be empowered by equipping them with the appropriate tools so that they can earn what they need, rather than receive temporary assistance passively. Internal empowerment is pursued through education and

¹⁹The needy will eventually be able to fulfill their needs independently; the new converts will obtain sufficient social and psychological stability; the slaves will become free; debtors will be able to repay their debt; the jihad will accomplish their mission; and the wayfarers will arrive to their destination.

training to prepare them with an appropriate mindset, knowledge, and skills. This approach is also designed to help people in a desperate situation who need immediate assistance, such as in a time of conflict or calamity. For this type of recipient, the two empowerment approaches are applied after immediate relief action had been taken. Therefore, in developing the program for utilizing Islamic welfare funds, DD does not address the *mustahik's* problems case-by-case, but through addressing their common problem of disempowerment.

Within the framework of empowerment, DD delivers four categories of strategic programs to address the situation of powerlessness that is equated with being “*mustahik*”. These are: social capital building through networking with other LAZIS; building individual and community assets through asset reform; building social assets through social investment; and business development to strengthen asset building of both individuals and the community. The four program categories reflect the fact that DD is concerned not only with providing social provisions, but also with enhancing the capacity of the “*mustahik*” to participate productively in the economy within the framework of social development (Juwaini, et.al., 2003). DD perceives that the paramount cause of powerlessness is the absence of sufficient assets owned by both individuals and the community. Therefore, DD’s empowerment strategy is anchored in the idea of asset building. The following section will describe each of the four program categories.

4.2. LAZIS Networking: Social Capital Building

Poverty alleviation in Indonesia requires orchestrated efforts that include participation of a large number of individuals from various social and economic classes.

DD, though based in Jakarta, has limitations in its efforts to reach numerous pockets of poverty. To enhance its mission, DD attempts to deliver its services by encouraging the participation of people from other provinces as its allies. DD facilitates the building of community foundations in local communities by providing management and basic financial support to initiate these activities. Similar to DD, these new institutions are developed in the form of LAZIS since their organization and activities are funded by *zakat*, *infaq* and *shadaqah* funds. Besides obtaining management assistance from DD, each LAZIS is encouraged to develop strategic partnerships with the local media.

There are several conditions for LAZIS or community foundations to be eligible to receive assistance from, and to be admitted as an ally of, DD. One of the principal conditions is that the LAZIS institution has been successfully able to collect Islamic welfare funds from its community. This is the basic requirement, since the LAZIS institution has to be able to run its programs independently using local resources. In addition, LAZIS should also have program priorities and utilization programs that fit the needs of the community. These programs might be modeled by DD, or the institution might develop their own programs according to the needs and priorities of the community. The LAZIS should also have an Islamic Legal Board (*Dewan Syari'ah*) that is responsible for guiding the organization according to Islamic legal principles. Other conditions include outreach and working at least at the level of regency. If these requirements are fulfilled, the LAZIS could become an ally of DD through the inclusion of DD as one of its founders or through a memorandum of understanding that agrees to mutual cooperation. With this cooperation, the LAZIS would have the right to obtain management assistance from DD

and would obtain institutional legitimacy and credibility by being a partner or part of a network with DD.

Currently, about 11 LAZIS are partners and members of the DD network.²⁰ These LAZIS are strategic allies for DD to strengthen its program by generating larger Islamic welfare contributions within the location of each LAZIS to finance social empowerment or poverty alleviation in the respective regions. Therefore, the network established between DD and other LAZIS can also be understood as a method of empowerment of local resources. The networking program with other LAZIS is coordinated within the LAZIS network of DD (*Jejaring LAZIS*).

4.3. Social Asset Building and Social Investment

This program category reflects the effort of DD to utilize Islamic welfare funds for social investment in human development. Human development is an effort to enlarge people's choice with an emphasis on three central issues: health, human resource development, and the provision of access to resources needed to obtain a decent standard of living (Midgley, 1999). In the short term, social investment activities will not generate direct financial benefits. However, in the long term, social investment lays a fertile ground for the enhancement of the welfare of human beings and the strengthening of community assets. Therefore, this program category could be understood as social investment for

²⁰ They are: 1) *Nadzir Wakaf Dompot Dhuafa*. This organization is responsible for mobilizing and managing wakaf funds. 2) Dompot Dhuafa Bandung, Bandung; 3) Lampung Peduli, Bandar Lampung; 4) Waspada Peduli Ummat, Medan; 5) Manuntung Peduli, Balikpapan; 6) Solo Peduli, Solo; 7) Masyarakat Peduli, Solo; 8) Aceh Peduli, Aceh; 9) Dompot Ummat Kalbar, Balikpapan; 10) Bamuis BNI, Jakarta; and 11) LAZ al-Islam.

building social assets, rather than social costs. The social asset building programs of DD are funded from *zakat*, *infaq*, *shadaqah* and *wakaf*.

In developing activities related to social asset building, DD refers to five basic considerations. The first consideration is that the activities should be socially strategic. Socially strategic means that the activities developed meet the actual demands of the targeted communities (Juwaini, et.al., 2003, p. 12-13). Furthermore, the activities should be able to generate multiplier effects; they should potentially benefit a wide range of the community; they should be desperately needed; and should be able to involve a large number of participants. These considerations are guidelines for DD to develop social activities that genuinely fit with the demands and needs of the target recipients.

Social asset building currently offers six different activities (Proceeding 1 and 2: Utilization). These are 1) Free Health Services (*Layanan Kesehatan Cuma-Cuma*, LKC);²¹ 2) Mustahik Services or Rapid and Responsive Action (*Aksi Cepat Tanggap*, ACT);²² 3)

²¹Operated since 2001, LKC is a free health service including services and medications for the *mustahik*. LKC is currently supported by 15 specialist physicians, 10 general physicians and 73 nurses and other professionals. They work in LKC hospital as volunteers. The hospital is equipped with surgery facilities, inpatient and outpatient clinics, and ambulances. LKC applies a membership system to ensure that the users are indeed the needy and the poor. To become a member people have to complete an application stating that they are eligible for free services, and based on this information, DD verifies their condition. LKC currently counts 22,260 people as its members, and LKC serves between 60 and 70 patients daily. The services provided by LKC include community health education, outreach, and emergency services. Community health education is intended to provide education for the community concerning issues related to health, maintaining a healthy environment, a healthy house, nutrition and the basic techniques of emergency aid. Outreach is particularly intended to provide in-house services for poor families in their residences, particularly in the slum communities of Jakarta. This service is conducted regularly. Emergency services are provided within the context of ACT (rapid and responsive action). This service is aimed at providing emergency relief for the victims of man-made and/or natural disasters.

²²ACT is provided to respond to emergency situations arising due to conflicts, accidents and natural calamities. This activity provides emergency services in the form of food and water, clothing, medicine and medical services. ACT has delivered its services in many places in Indonesia. ACT has also provided emergency relief support overseas, including in Palestine, Pakistan, Afghanistan and Iraq.

Human Resource Development (*Pengembangan Insani*, PI);²³ 4) Migrant Workers Advocacy (*Lembaga Advokasi Tenaga Kerja Indonesia*);²⁴ 5) Applied Technology Research (*Kajian Teknologi Tepat-Guna*);²⁵ and 6) Clean is Healthy (*Bersih itu Sehat*, BIS)²⁶ and Youth Social Awareness (*Peduli Sosial Remaja*, PSR).²⁷ These activities are expected to become assets for the community. Within the management of DD, these types of activities are under the auspices of the Social Asset Network (Jejaring Asset Social, JAS).

4.4. Individual Asset Building

Building individual assets is the core program representing the vision of DD in *mustahik* alleviation. Assets can be defined as valuable wealth, be it in the form of money, production facilities, property, jewelry, vehicles, land, or shares (Sherraden, 1991). What distinguishes the *mustahik* and the *muzakki* is their possession of assets. The core problem of the *mustahik*, particularly the poor and the needy, is their lack of asset possession. The

²³Human resources development emphasizes scholarships and social support for students who are not able to pay for their tuition and living expenses. The scholarship recipients include students in both high school and universities. Scholarships are also provided as special grants for students with outstanding academic performance. Within the framework of human investment, DD has also initiated the establishment of a free vocational high school in West Sumatera, and a free school for talented children of poor families.

²⁴Migrant Worker Advocacy is intended to empower and advocate for the rights of migrant workers. This program provides legal support, information and prospects concerning the rights and obligations of migrant workers. DD has established formal cooperation with the governments of Saudi Arabia, Malaysia and Hong Kong.

²⁵Applied technology research is intended to look for innovative approaches to community development. This activity conducts research and development related to agricultural technology. The research focuses on applied technology since the results will be applied to the partners of DD within the program of business and community development.

²⁶*Bersih itu Sehat* (BIS) was created both as an attempt to provide jobs for those who are unemployed and as an education process. The participants are recruited from *mustahik* through a formal selection process. Those who are admitted will obtain training related to the environment, health, and cleaning service techniques. Some of them will be employed by DD to clean the neighborhood of the DD head office; others from this cleaning service will be hired by other employers.

welfare of the people is determined by the possession of sufficient assets to support decent living conditions. The exemption rate for *zakat* indicates the boundary between *mustahik* and the *muzakki*.

DD addresses the problem of lack of assets among *mustahik* by developing asset reform programs. Reform, according to DD, contains the principles of change, renewal, innovation and revolution (Juwaini, et.al., 2003, p. 17-18). Furthermore, reform possesses the power to enhance the *mustahik* to obtain production/business facilities, productivity, knowledge, and marketing skills (Juwaini, et.al., 2003, p. 17) Asset reform therefore can be understood as the process of transferring the assets collected by DD from *muzakki* and other donors, to *mustahik*, directly or indirectly, in the form of productive assets.

The asset-building program is pursued through five core activities (Proceeding 1, 2 and 3: Community Development). These are: 1) self-reliance cluster (*gugus mandiri*, GM);²⁸ 2) healthy sheep farming (*ternak domba sehat*, TDS);²⁹ 3) street vendors' depot (*depo pengasong*, DP);³⁰ 4) Community Development Circle (CDC);³¹ and 5)

²⁷*Peduli Sosial Remaja* (PSR), meanwhile, facilitates popular education for youth concerning the teaching and the benefits of Islamic welfare funds for empowering the poor.

²⁸*Gugus mandiri* (self-reliance cluster) is a social and economic empowerment effort for the poor and needy. Each cluster consists of cooperative groups, which are organized to develop certain productive activities. The groups were prepared systematically with skills in administration, basic accounting, marketing, technical skills (depending on the kind of business they are about to develop) and leadership. DD facilitates training, and provides development assistance and basic capital in the form of a revolving fund. The fund is a loan that should be repaid to DD, for further use by other groups, without interest. Currently this program covers 186 groups in 19 villages in Java, Sumatera and Sulawesi.

²⁹*Ternak Domba Sehat* (middle-size sheep farming) was initiated to empower the community by involving them in farming. This program has three main objectives: to preserve the species of Domba Garut (*ovis aries*) as a local commodity; to breed the species; and to market the sheep's products. The farm is run in cooperation with poor families. Ownership status is gradually being transferred from DD to the community.

³⁰The street vendors' depot is a special program for street vendors in Jakarta to cut their vicious cycle of dependency on big retailers. This program empowers the street vendors to cooperatively own their own depot. The street vendors can purchase retail goods from their cooperative depot at a better price. DD provides an interest-free loan for basic capital. The cooperation between DD and the street vendors' cooperative is based on the principle of a profit and loss sharing system. Ownership will soon be taken over fully by the cooperative, as they will soon be able to fully repay the loan.

Agribusiness.³² The basic capital to run these activities is provided by DDR from *zakat*, *infaq*, *shadaqah* and *wakaf* funds.

4.5. Business Development

Business development is part of asset development. This program emphasizes asset development within the management of DD and not within *mustahik*. DD as an organization runs a profitable business as a way of generating other sources of funds, but remains connected, to a certain extent, to *mustahik* empowerment programs. Ownership of business assets is divided into two categories. The first category is major ownership of the business units, meaning that DD as an institution possesses 100 percent. Therefore DD could control all business activities. The second category is minor ownership. This means that DD possesses about 50 percent or less of business units. Therefore, DD would develop partnerships with other stakeholders. The basic capital for financing this program is from *infaq*, *shadaqah* and *wakaf* funds.

The business to be developed should be based on two basic policy considerations. The first policy consideration is that the business activities should respond to the changes and the demands of society. It should be able to accommodate various opportunities to support the growth of the business. Moreover, the business should be run according to the principles of Islamic economics, it should be interest-free, and should apply the profit and

³¹Community Development Circle (CDC) provides technical assistance for *gugus mandiri* (self-reliance clusters) in developing their productive programs. Technical assistance includes production, administration, marketing, and organizing. CDC also facilitates exchange and network among cooperatives group from different locations. CDC also provides community development training for other LAZIS outside the DDR.

³²Agribusiness was the earliest program developed by the DDR. It started in 1994 in Lamongan, East Java. The DD approach to agribusiness refers to *gugus mandiri*, that is, developing cooperative groups among

loss sharing systems (Proceeding 1, 2 and 3: Utilization, sub section Economic Development). Presently, there are five business activities run by DD: 1) *Qurban* distribution (*tebar hewan kurban*, THK);³³ 2) *Raudha Rahmah Abadi* (RRA) tours and travels;³⁴ 3) *Zakat Institute of Management* (*Institute Manajemen Zakat*, IMZ)³⁵; 4) communication consultant organization (*subkanal citra selaras*);³⁶ and 5) a *syari'ah* economic management organization.³⁷

5. Between Compassion and Capitalism

The above description presents a general overview of the practices of DD, as the largest LAZIS in Indonesia, in collecting and utilizing Islamic welfare funds for social and economic development programs. We will now examine DD approaches and programs to empower *mustahik* or the powerless to be able to initiate changes to become *muzakki* or the empowered. In initiating the change DD refer to the basic assumption concerning the causes of poverty that will further be addressed through several programs.

In analyzing causes of poverty, DD follows the predominant assumption in the community development approach that looks at inward factors of the community and its

the poor farmers. DD provides technical assistance, an interest-free loan, and a production facility to help the farmers.

³³Kurban distribution is the business of facilitating Muslims in obtaining animals for *qurban* (immolation). This is another kind of fundraising that serves Muslims who are willing to distribute healthy meats to the poor. DD, in this instance, is responsible for purchasing and distributing the animal.

³⁴*Raudha Rahma Abadi* (RRA) is a travel agent for spiritual activities. This business unit particularly serves Muslims who are going to Mecca on a pilgrimage (*haj*). The services provided for clients include preparation training, administrative documents, and assistance during their time in Mecca and Medina.

³⁵*Zakat Institute of Management* (IMZ) has been established to provide professional education for assuming the functions of *amil* (*zakat* administrator). The training includes management and *zakat* accounting, fundraising and utilization. In addition, the training participants would also obtain knowledge pertinent to Islamic legal aspects of Islamic welfare funds. The other two business units are involved in consultation services.

³⁶*Subkanal Citra Selaras* is a communication and multimedia service, while *syari'ah* economic management focuses on training and consultancy concerning the Islamic economic system.

natural/environmental circumstances rather than outward factors of the wider social, economic and political structure (Shragge, 2003, p.109). In the individual asset development programs, for instance, DD employs the participatory rural appraisal (PRA) as the first procedure in the process of community development. PRA is used to map out the sources of the problems and the potentials for economic development by looking at the internal conditions of the poor and their natural/environmental resources. PRA is conducted by obtaining information involving the selected members of the community (Saharti, 2002a). However, PRA tends to depict the poverty as the result of the individuals' and community's lack of discipline; lack of modernization particularly in terms of technical production skills, financial management and discipline, and business cooperation; and the under-productivity of natural resources. This kind of depiction locates the problem of poverty merely as the problem of the poor's inability to maximize the use of natural resources.

External and internal empowerment approaches focus on addressing presumed interior problems of the poor community. DD's external empowerment approach--providing "fishhooks" in the form of micro loan, micro business assistance, and organizing cooperatives activities among the poor—is intended to enhance the capacity of the poor to generate economic activities based on the existing potentials in their environment (Ecip, 2003, p. 7). However, the predominant means of external empowerment in DD's individual asset building programs are micro loans by which the poor are encouraged to borrow a certain amount of money from DD to be used as basic capital for production. Technical assistance provided by DD is to secure the sustainability of the micro business, to ensure

³⁷This unit provides professional consultants in Islamic economic system.

sustainability of peer support within the cooperative groups and to secure the punctuality of credit installments. By providing the “fishhook” DD expects that the poor can maximize the existing economic potentials available in their local natural environment with some values added to generate better income to support their living.

DD’s internal empowerment approach by providing education and training, exercising discipline, and skills, is provided for the poor to be able to assume the process of external empowerment. Disciplining the poor is one of the most important measures to sustain the poor to follow the program planning that reflects the linear process of income growth toward a self-reliant community. The procedures include attending regular weekly group meetings with other group members and the community development workers assigned by DD; reciting the vow of responsibility stating that they are responsible for the betterment of their life; their willingness to save money; and their availability to be controlled by DD systems (Saharti, 2002b). Only by following these procedures with discipline can the poor assume success as self-reliant individuals and emerge from poverty. By empowering the poor and supporting them with appropriate external capital and assistance, the poor can change their behavior; they can change their methods of earning income. Therefore, it is assumed that the poor will eventually improve their income so that they can emerge from poverty.

The two empowerment approaches identify the poor as the cause of their own poverty rather than as victims of unjust social, economic and power structures. Therefore, the community development approach is geared toward changing the poor themselves and not external structural circumstances. At this point, DD’s community development approach neglects the exterior factors that affect poverty, blaming the poor as the source of

their poverty. The most neglected outward factors are the political and economic relations within the community and between the community and outside forces. Isolating the problem of poverty from its structural circumstances ensures that solutions are found within boundaries shaped by power relations already in place. The process of working toward these changes is through consensus building across interests of the poor, DD, governments, and local political structures rather than promoting specific interest of the poor. The emphasis is on meeting needs and finding pragmatic ways to improve the income of the poor that do not challenge those in power.

Another example of how DD carries out its philosophy regarding the causes of poverty can be found in its provision of health care. In delivering free health care (*Layanan Kesehatan Cuma-cuma*, LKC) DD uses a “poor identity card” (*kartu dhuafa*) as an indication to distinguish the deserving and undeserving poor from receiving provisions. The poor card will only be obtained if the poor meet the basic eligibility criteria. To be eligible as beneficiaries of LKC the poor should declare their economic and social conditions to the DD team. The team will further verify the poor’s real conditions by examining their income, their needs, and their household conditions. Since there has not been national standard concerning the basic *mustahik* line, particularly in terms of asset owned by the poor, their income and their consumption, the DD team has the only authority to take any decision regarding the inclusion or exclusion of the application.³⁸

Those who are successful in the verification process will then obtain the “poor identity card” that signifies that the poor individuals and their families are eligible for

³⁸The law number 8/1999 on *zakat* administrations does not specifically mentioned the criteria of inclusion and exclusion or the boundary between *mustahik* and *muzakki*.

receiving provisions from LKC. Those who do not have the “poor card” could certainly receive emergency treatment but later on will not be allowed to use the facility. Only beneficiaries with the “poor card” are legitimately eligible for these provisions. Unfortunately, contrary to the idea of transforming *mustahik* to *muzakki*, the “poor card” could leave the poor in their initial situation. The card can function not only to signify memberships, but also as an identification of “poor identity”. Holding the “poor card” can perpetuate poverty since poverty can then be internalized as their true identity.

DD efforts of changing the conditions of *mustahik* to *muzakki* are therefore problematic. It is true that in the context of Indonesia, DD has successfully initiated a new stream of Islamic welfare approaches. However, DD seems to be struggling with an internal tension between, what Aminur Rahman (1999) quotes from Greeley, “compassion and capitalism” (p. 145). On the one hand, DD attempts to incorporate the social development approach to delivery of the Islamic social welfare efforts as an alternative vision to helping the poor and other categories of *mustahik*. On the other hand, DD emphasizes individual asset building by providing micro-loans and exercising discipline over the poor. Although DD has been experimenting with some Islamic economic concepts of “non-interests loans” based on the principles of the “profit and loss sharing system”, the practice of disciplining the poor to maintain their punctuality of credit installments represents the efforts of DD to secure its financial sustainability.

Despite the tension, DD prefers more conservative methods of community economic development by delivering programs that focus on economic growth, capital accumulation, and exploring natural resources for economic benefits of the poor. These programs accept the existing social, economic and political structure without question.

Therefore, the DD vision to change the condition of *mustahik* to *muzakki* is the effort of enhancing the capacity of the poor to adjust to the mainstreams of the economic capitalist system. This is reinforced by the programs using existing power relations and social values rather than challenging them.

6. Summary

Dompot Dhuafa Republika (DD) has outlined a new form of Islamic welfare services in Indonesia, particularly in *mustahik* (including poverty) alleviation. It has initiated an innovative approach to fundraising (Islamic welfare funds collection) and utilization of those funds. The innovation in fundraising can be attributed in part to DD's utilization of the media for public campaigns, for image building, and to generate participation in its activities. DD innovation in utilization of the funds stems from DD viewing Islamic welfare funds as a tool of empowerment by strengthening both individual and community assets. DD perceives that the situation of disempowerment, or the condition of being *mustahik*, is the result of the lack of the individual's and communities' asset possession.

These innovations are possible since DD is primarily supported by the new Muslim middle-class. They have appropriate skills in journalism, marketing, management, economics and community development. The close relationship between DD and the media is another influential factor that has enabled DD to grow better than any other BAZIS and LAZIS. This basic social capital has further enabled DD to construct an Islamic welfare approach that incorporates social development principles.

Chapter V:

Discussion and Conclusion

It is true that the predominant social welfare policies in developing countries, including Indonesia, did not spring from their own social and cultural roots. Instead, these were adopted from exogenous influences, particularly through the long process of Western social welfare system diffusion during colonialism, and during the formation of social, political and economic systems in early independence (MacPherson, & Midgley, 1987). Some observers argue that the phenomenon of underdevelopment of social welfare policies in developing countries was due, in part, to an inappropriate adoption of the exogenous system provided by Western European and American experts (Midgley, 1981; Midgley, 1984). The exogenous social welfare system was integral part of the larger external support particularly within the context of economic development and modernization.

However, since the end of the World War II, in many Muslim countries there had been efforts to reinvent the Islamic economic and social welfare system. This was a strong reaction to the domination of the Western economic and social welfare system on Islamic countries. Some of these countries even attempted to establish an Islamic State, since they regarded an Islamic State as the primary condition for achieving a just economic and social welfare system. Although there is no adequate theoretical, historical, or empirical evidence for the fact that an Islamic economic system can be developed, some Muslim countries have preserved Islamic welfare efforts. Contemporary Muslim societies have implemented Islamic welfare in three ways. These are: a state-administered system with obligatory *zakat*

payment; a state-administered system without an obligatory *zakat* payment; and a non-governmental administrative system without an obligatory *zakat* payment.³⁹

This study reveals information about the contemporary development of policy and practice of Islamic welfare efforts in Indonesia. Indonesian Muslims have been involved in a long political and ideological struggle to gain proper recognition of the existence and contribution of the Islamic welfare. Muslim aspirations concerning Islamic welfare efforts occurred within the context of the implementation of the Jakarta Charter urging Muslims to practice their religious obligation of charitable giving. The Islamic welfare efforts took shape during the New Order Regime (1966-1998). The New Order Regime was the regime with high loyalty to the prescribed strategy of modernization and economic development. The regime put high emphasis on political stability by controlling political parties, mass organization, and limiting ideological debates in order for the regime to provide a secure environment for the inflow of foreign capital to enhance national economic development.

Although there was no sufficient legal basis for Islamic welfare efforts, the Government Islamic Welfare Administration (*Badan Amil Zakat, Infaq dan shadaqah*, BAZIS) was established in most Indonesian provincial governments in the early 1970s. The legal basis for the existence of BAZIS developed later in 1991 by the joint decree between the Ministry of Religious Affairs and the Ministry of Home Affairs; it was strengthened by law number 38/1999 on *zakat* administration. The joint ministerial decree and the law signified formal recognition and inclusion of the Islamic welfare effort into Indonesia's statutory welfare policy. The two policies put to a close arguments concerning the extent to

³⁹ These diverse approaches of Islamic welfare efforts administration is not surprising since there has never existed single source of authoritative interpretation of how should Islamic welfare funds be collected

which Indonesia should become an Islamic state, as the New Order Regime had successfully finalized the ideological position of state in 1985 by establishing *Pancasila* (the five principles of the state) as the sole basis for all political parties and mass organizations.

Unlike in other Muslim countries, Indonesian Islamic welfare policies facilitate the existence of both the Government Islamic Welfare Administration (BAZIS) and Non-Government Islamic Welfare Administration (LAZIS). The law maintains that *zakat* should be paid voluntarily on the basis of individual discretion. Despite the fact that the law facilitates further recognition of *zakat* pertinent to poverty alleviation programs and tax incentives, the law places an extensive authority on government bureaucracy in collection, utilization and controlling voluntary/non-governmental Islamic welfare organizations (LAZIS). Instead of being responsible to society, BAZIS is responsible to the government. This feature generates an impression that the law on *zakat* administration serves the interests of the government to intervene in Islamic welfare systems--more than the law serving the interests of the Muslim community to implement Islamic ideology.

The end of ideological contestation has allowed Indonesian Islamic welfare efforts to develop a new approach to Islamic welfare fund utilization. Islamic teaching mentions eight categories of *mustahik*. *Dompot Dhuafa Republika* (DD) provides an example of how Islamic welfare funds are used to transform *mustahik* to become *muzakki* (people who are obligated to pay *zakat*). A *muzakki* can be considered a people who are "empowered".

DD empowers *mustahik* through social development. Social development strategies emphasize the efforts of social and human capital investment by providing scholarships and

and distributed. The system of Islamic welfare administration "has never been applied consistently over either

educational programs; health services; job creation and retraining; strengthening and building community and individual assets; and initiating business development to support the growth of the micro-business of the participants. DD's approach of utilizing Islamic welfare funds, particularly in its emphasize on the social development strategies, has been replicated by many BAZIS and LAZIS institutions.

The experience of Islamic welfare policy and practice in Indonesia reveals a progression of welfare policy toward that of welfare pluralism. The Indonesian experience suggests that Muslim communities are not passive recipients of the European and North American social welfare policies imposed through the programs of economic development and modernization. Instead, the Indonesian experience shows that the establishment of Western social policy resulted in strong challenges from Islamic welfare efforts. Through the long process of contestation, Islamic welfare efforts gained recognition and became included in the statutory social welfare system.

This study uncovers the potential contribution that Indonesian Muslims can make for enhancing society's welfare through utilizing Islamic welfare efforts. This study suggests the need for Indonesia to further develop a social welfare system that facilitates co-existence and interdependence of various welfare effort institutions to continuously provide high quality of social welfare services. The future of Indonesian social welfare policy should be directed to the effort of facilitating the linkage between the Western (European and North American) systems of welfare with the Islamic systems.

The initiative of the State Islamic University (*Universitas Islam Negeri*, UIN) of Jakarta and Yogyakarta, Indonesia to begin a pioneering work of starting a school of social

time or space" (Kuran, 2003, p. 275).

work should be placed within this trend. The school, from my perspective, should never be devoted to a narrow view of advocating an exclusive Islamic ideology, but must enhance the emergence of open, inclusive and moderate Muslim generations. This is one of the possible ways for Indonesian Muslims to be part of an interdependent world. While Muslims can still maintain their cultural values, they can also be sensitive to the differences of other values. In this way, they can work together toward achieving the same goals: promoting the rights of individuals and enhancing the welfare of the world's citizens. Therefore, the school of social work at the UIN should be a fertile breeding soil for future generations, of both Muslims and non-Muslims, who are tolerant, inclusive and well-equipped with diverse social work and social welfare perspectives, approaches, ideologies, skills and values to address the diverse problems of humanity peacefully.

Indeed, this study is limited to revealing the overall picture of the policy and practice of Islamic welfare efforts in Indonesia. Further studies to delve deeper into the more specific issues of this topic is needed. Among intriguing issues for further study are, first of all, the pattern of collection and utilization of the Islamic welfare funds involving a larger sample of Islamic welfare organizations, both BAZIS and LAZIS. An evaluative study is also needed to reveal the extent of contributions, the effectiveness and the impacts of the Islamic welfare efforts on the welfare of its beneficiaries. Furthermore, since Islamic welfare organizations possibly have links with other, similar organizations in Indonesia and overseas, it is important to conduct a study exploring the characteristics of these programs and the impact of their activities.

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