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*Global Health Security:
COVID-19 & Its Impacts*

Indonesia's Islamic Charities: Plugging Gaps in Economic Relief

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SYNOPSIS

Although the Indonesian government has increased its budget deficit to accommodate a larger stimulus package, it is seen as insufficient to address the economic damage from the COVID-19 pandemic. Philanthropic organisations, in particular, Islamic charities, have stepped in to fill the gaps.

COMMENTARY

AS AN emerging economy, Indonesia has made significant progress alleviating poverty within the past four decades. The ongoing COVID-19 pandemic, however, has not only engendered a massive public health crisis in the country but also dealt a heavy blow to the economic well-being of millions of Indonesians who have lost their jobs and income. Surveys conducted showed that [half of Indonesian workers](#) had stopped working as a result of the pandemic.

The SMERU Research Institute, a Jakarta-based public policy think-tank, has estimated in a [working paper](#) that if the Indonesian economy contracted by 3.2 percent by the end of 2020, it would have resulted in a 9.7 percent increase in the poverty rate. In the worst-case scenario, the poverty rate would increase by 12.4 percent. In real numbers, this translates into 8.5 million more Indonesians becoming poor, virtually wiping out Indonesia's progress in reducing poverty achieved within the past decade.

Limitations of Government Aid

The Indonesian government has recently announced a new [stimulus package](#) worth 677 trillion Indonesian rupiahs (IDR) (US\$47.6 billion). Of this, IDR204 trillion (US\$14.3 billion) has been allocated to provide a social safety net for poor citizens affected by the ongoing pandemic.

However, observers were concerned that the data of poor Indonesian households who are eligible to receive the stimulus package was based on the last national survey on poverty, conducted [in 2014](#). This means that many affected households would have been bypassed in such an exercise as they are not categorised as poor.

The problem is especially chronic among the informal sector workers, who often do not possess a national identity card issued by the city in which they live and work, thus not properly recorded by the census. Bureaucratic red tape has also delayed distribution of the government's social assistance schemes, particularly in the outer island regions.

Filling the Gaps: Islamic Charities

Islamic charitable organisations have provided assistance to millions of poor Indonesians since the pandemic was declared as a national emergency in March 2020. These faith-based charities have lately benefitted from significant middle-class support. It is estimated that up to [IDR286 trillion](#) (US\$20 billion) is collected annually from zakat (obligatory religious alms) and other related contributions.

During the pandemic, several organisations have distinguished themselves by providing food, protective health equipment, and other forms of assistance to families in need. Fundraising efforts for COVID-19 and zakat were combined during the Ramadan month of fasting as the number of COVID-19 cases peaked during April and May.

Most charities reported a massive increase in donations — mostly collected online — as compared to 2019. Foremost amongst them are Lazismu (affiliated with Muhammadiyah, Indonesia's second largest Islamic organisation) and NU Care-Lazisnu (affiliated with Nahdlatul Ulama, Indonesia's largest Islamic organisation) with a 90 percent increase in donations.

COVID-19 disaster relief donations are classified as social funds for humanity (*dana sosial kemanusiaan*) according to Islamic principles, thus donations in-cash and kind can be distributed to all Indonesian citizens regardless of sectarian preferences.

Muhammadiyah and NU Charities

For Lazismu, Muhammadiyah's charity arm, philanthropic efforts are centralised under the newly established Muhammadiyah COVID-19 Command Centre (MCCC). By the first week of June 2020, Lazismu had raised a total of IDR154.8 billion (US\$10.9 million) in donations for its pandemic relief, and distributed aid to approximately 3.2 million Indonesians.

Muhammadiyah also relies on its 77 hospitals and approximately 300 health clinics located throughout Indonesia – now designated as referral centres for COVID-19 cases.

Due to the decentralised nature of NU, its charity wing Lazisnu (NU Care), depends largely upon its nearly 29,000 *pesantrens* (Islamic boarding schools) throughout Indonesia to raise charitable funds. A major source of proceeds for Lazisnu came from donations from the Javanese folk singer Didi Kempot's [live-streamed charity concert](#) in April, before his untimely death in May.

Lazisnu also raises funds from third-party donations – mainly funds donated by private companies and state-owned enterprises.

However, not all Islamic charities have achieved an uptick in donations due to the COVID-19 pandemic. With large-scale social restrictions (*Pembatasan Sosial Berskala Besar* or PSBB) in place, charities that do not have a significant online presence and still rely heavily on cash donations suffered a significant decline in donations, especially during the month of Ramadan when mosques were shut down due to the nation-wide restrictions.

Towards a “New Normal”

It remains to be seen whether the “New Normal” protocols announced by the Jokowi administration with effect 1 June, represent a boon or bane for Islamic charities in general. Both Lazismu and Lazisnu representatives state that the funds they raised so far only meet a small portion of the total needed by poor Indonesians and the state has a major role to play in alleviating poverty caused by the pandemic.

Faith-based philanthropic bodies have often been seen as a [band aid solution](#) to the economic problems faced by the Indonesian state. Realistically, however, Islamic charities also largely depend on the health of the economy and the financial capacity of their donors.

While they have contributed significantly to aid poor Indonesians during the ongoing crisis, they need to work together with the state to ensure their poverty alleviation efforts effectively reached those who need it the most.

Nonetheless, it is clear that the experience of the COVID-19 pandemic thus far has shown that charities perform a crucial role in plugging the gaps where the authorities may have overlooked or discounted. More importantly, it has forced charities to rethink how they can better source for donations and deliver services under lock-down conditions, either through greater digitalisation for the former and stronger synchronisation for the latter.

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