

Strengthening Indonesia's Health Systems Through Local Philanthropy Amidst the Decline of Official Development Assistance

Ghina Fadhilla, Center for Indonesia's Strategic Development Initiatives (CISDI)

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Sustainable financing solutions

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A. Problem

Globally, the Official Development Assistance (ODA) fell by 9% in 2024, and is expected to further drop in the upcoming years.¹ In Indonesia, the termination of USAID has led to limited medicine supplies, disrupted service delivery—especially in rural areas, mass layoffs of local staff, and halted knowledge sharing for the tuberculosis elimination program.² This is apparent during the transition phase, where the fiscal capacity and service delivery in the affected region is still trying to recover from the lack of funds and service that was previously carried out by foreign aid funded programs. Additionally, Indonesia also faces a growing population, with people aged 15–29 account to 23.47% of the total population,³ and this number will eventually lead to demographic shift towards an aging population.⁴ With the declining ODA and the rising needs for demographic specific healthcare, it needs a health financing system that can maintain a stable domestic financing base for health.

B. Local Philanthropy to Support System Resilience

In Indonesia, the health system is mainly funded by a health budget managed by the government,⁵ where in 2024 the health financing from the public scheme amounts to 58.5%.⁶ When ODA declines, governments need to allocate a larger share of the state budget to health, for example from increasing tax generation, or cutting other sectors'

¹ OECD, *Cuts in official development assistance: OECD projections for 2025 and the near term*, (Paris: OECD Publishing, 2025), page 1, accessed December 15, 2025, <https://doi.org/10.1787/8c530629-en>.

² In-depth interview with development worker, March 5, 2025.

³ Badan Pusat Statistik, "Jumlah Penduduk Menurut Kelompok Umur dan Jenis Kelamin," last modified May 9, 2025,

<https://www.bps.go.id/id/statistics-table/3/WVc0%20MGEyMXBkVFUxY25KeE9HdDZkbTQzWkVkb1p6MDkjMw=-/jumlah-penduduk-menurut-kelompok-umur-dan-jenis-kelamin--2023.html>.

⁴ Yurdhina Meilissa, *Invest Wisely, Execute Strategically, Achieve More: Indonesia's Pursuit of Universal Health Coverage*, (Jakarta: CISDI, 2024), page 36, accessed December 16, 2025,

<https://cdn.cisdi.org/whitepaper/White%20Paper%20on%20Health%20Financing.pdf>

⁵ Ibid, page 34.

⁶ Pusat Pembiayaan Kesehatan Kementerian Kesehatan, "Diseminasi National Health Accounts Tahun 2024," December 17, 2024, dissemination event, <https://www.youtube.com/watch?v=6es7cGSuwPo>.

budgets.⁷ However, without financing reform and coupled with the nation's competing priorities, declining ODA could mean increasing out-of-pocket spending from reduced service delivery previously carried out by NGOs.⁸

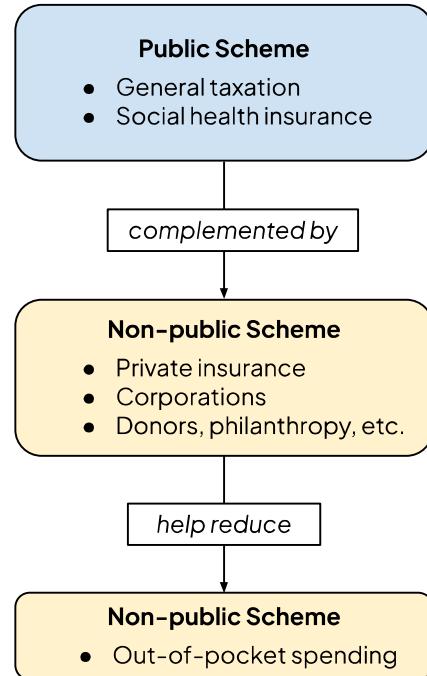


Figure 1. Health Financing Diagram
(Source: Author, elaborated from WHO⁹ and Center for High Impact Philanthropy¹⁰)

From the diagram, it is clear that local philanthropy can not replace the core health system financing. Additionally, funding from non-public schemes such as from donors and philanthropy only accounts for a small proportion of the overall health budget, once again emphasizing that health system financing mostly comes from public schemes. On the other hand, local philanthropy could play a crucial role in filling the gaps to support system resilience, especially when government resources are inadequate and families are too poor to pay out-of-pocket.¹¹ In this situation, local philanthropy has the potential to support the health system, where health is among the most prioritized programs by Indonesian philanthropy organization, which ranked in the third position after economic

⁷ Hanna E Huffstetler, et. al, "The impacts of donor transitions on health systems in middle-income countries: a scoping review," *Health Policy and Planning* 37 no. 9 (November 2022), <https://doi.org/10.1093/heapol/czac063>.

⁸ Susan Ferriss, "Without USAID, 'I Feel Like I'm Just Waiting To Die', " Pulitzer Center, June 20, 2025, <https://pulitzercenter.org/blog/without-usaid-i-feel-im-just-waiting-die>.

⁹ World Health Organization, "Health Financing," accessed December 16, 2025, <https://www.who.int/health-topics/health-financing>.

¹⁰ Rebecca Hobble, Katherine M. Rosqueta, and Carol McLaughlin, *Community Based Approaches to Health*, (Pennsylvania: The Center for High Impact Philanthropy, 2018), page 5, accessed December 16, 2025, https://www.impact.upenn.edu/wp-content/uploads/2018/11/CHIP1118_CommunityBasedHealth_FINAL.pdf

¹¹ Ibid.

empowerment and education. Indonesian philanthropy support for SDGs #3 Good Health and Well-being is also the highest, which amounts to 124,6 billion rupiahs.¹²

1. Why Local Philanthropy Matters

As stated in the previous section, when ODA declines, governments need to make some fiscal adjustments. However, this would increase the risk of exclusion, especially for unemployed, informal workers, and marginalized groups. Some exclusions result from the unavailability of health services previously provided through aid-funded programs, coupled with lack of insurance coverage. Beside that, declining ODA could also be seen as an opportunity for countries to start reducing dependencies on international donors.

With its recognition as the world's most generous country, Indonesia stands as an inspiring example of how a developing nation can integrate social traditions with modernization to foster sustainable generosity, while also demonstrating the vital role of philanthropy in supporting social development amid economic challenges and dynamic social change.¹³ Additionally, local philanthropic organizations offer key advantages for development programs, including strong community ties, faster response times, and close alignment with domestic priorities.

2. Local Philanthropy Initiatives

In Indonesia, philanthropic actions are rooted in the country. With its *gotong royong*¹⁴ spirit, Indonesia was ranked as the world's most generous country in 2024 as well as the seven previous consecutive years.¹⁵ As many as nine in 10 Indonesians donated money to charity, and more than six in 10 volunteered their time.¹⁶ This is also reflected in recent large-scale donation initiatives by the civils nationwide responding to flooding, an ecological disaster that is exacerbated by climate crisis, in Aceh, North Sumatra, and West Sumatra.¹⁷

¹² Tim Ipsos Indonesia, *Indonesia Philanthropy Outlook 2024*, (Jakarta: Perhimpunan Filantropi Indonesia, 2024), page 14, accessed December 16, 2025,

https://filantropi.or.id/wp-content/uploads/2024/12/Indonesia-Philanthropy-Outlook-2024_INA_compressed.pdf.

¹³ Firdaus Baderi, "REGULASI FILANTROPI USANG TURUT ANDIL: Menurun, Peringkat Kedermawanan Indonesia," Neraca, August 5, 2025,

<https://www.neraca.co.id/article/222960/regulasi-filantropi-usang-turut-andil-menurun-peringkat-kedermawanan-indonesia>.

¹⁴ Indonesian term for community solidarity

¹⁵ In 2025, the World Giving Report adopted a more robust methodology that accounts for donations relative to income, resulting in Indonesia no longer sit as the world's most generous country.

¹⁶ Charities Aid Foundation, *World Giving Index 2024*, (n.d), page 6, accessed December 16, 2025,
https://www.cafonline.org/docs/default-source/inside-giving/wgi/wgi_2024_report.pdf.

¹⁷ Tim Redaksi Kompas, "Bagaimana Seharusnya Pengumpulan Dana Publik untuk Donasi Korban Bencana?," Kompas, December 11, 2025,

Institutionally, the Law No. 16 of 2001 on Foundations¹⁸, drove the development of philanthropic organizations to be more innovative, diverse, and well-structured.¹⁹ Additionally, corporates are now mandatory to allocate funds for corporate social responsibility (CSR).²⁰ Some of the major philanthropy organizations are faith-based organizations and company foundations, where they have a strong grassroots connection, making it beneficial to design well-targeted programs. This shows a promising outlook for local philanthropy as a complementary and catalytic approach for health programs amid ongoing financial challenges.

Some of the documented initiatives in this study are:

a. Covering the Gaps in Medical Coverage

Kitabisa, an online crowdfunding platform leverages its grassroots connections and knowledge management to support people in several major cities in Indonesia who are not yet covered by the national health insurance, helping them access health services without relying on out-of-pocket payments. The support includes a logistic fee to access bigger hospitals, medication, and death benefit. Another example comes from Visi Maha Karya, where they help disabled person in procuring prosthetics that are not covered by the government due to administrative constraints, such as zone-based aid distribution.²¹

b. Disaster Relief

Individuals and organizations are very quick to respond to disasters, technological advancement also blurs the geographical barrier to gather aid. Recently, donation campaigns to help flood victims in Aceh, North Sumatra, and West Sumatra are pooled through various online donation platforms, including Dompet Dhuafa, where the donations are distributed as basic food packages, hygiene products, maternal and child products, clean water and sanitation facilities, and health care.²² To further illustrate the scale of individual support for disaster relief, a social media influencer launched a fundraising campaign for the flood victims through a crowdfunding platform and raised more than 10 billion rupiah within a single day.²³

<https://www.kompas.id/artikel/bagaimana-seharusnya-pengumpulan-dana-publik-dilakukan-untuk-didonasikan-bagi-korban-bencana>.

¹⁸ Amended by Law No. 28 of 2004

¹⁹ Caroline Hartnell, *Philanthropy in Indonesia*, (Philanthropy for Social Justice and Peace, 2020), page 2, accessed December 16, 2025,

https://filantropi.or.id/wp-content/uploads/2024/12/Translated-Philanthropy-in-Indonesia-summary2_INA-FINAL_SS.pdf.

²⁰ Government Regulation (GR) No. 47 of 2012 on the Social and Environmental Responsibility of Limited Liability Companies (CSR)

²¹ FGD with various philanthropy stakeholders, February 20, 2025

²² Dompet Dhuafa, "Pray for Sumatera," accessed December 16, 2025,

<https://digital.dompetdhuafa.org/donasi/prayforsumatera>.

²³ Kitabisa, "Bantu Sumatra Kita," accessed December 16, 2025,

<https://kitabisa.com/campaign/bantusumatrakita>.

c. Primary Health Care Strengthening

A CSR program supports the Ministry of Health on primary health care strengthening efforts, specifically in areas where the company operates. Some of the initiatives include procurement of medical devices, organizing free health checkups, renovating the community health center, and providing certified training for the community health workers. In defining its CSR activities, the company aligned it with the Ministry of Health's priorities through annual coordination, positioning its role as a catalyst.²⁴

d. Coordination with Local Government to Support Local Health Needs

There are some philanthropy organizations and NGO that work together with local governments to utilize their data in providing health support. In Gresik, East Java a philanthropic organization and NGO work together and leverages data from the local government to provide psychosocial support for low-income tuberculosis patients and their families.²⁵ Another organization works alongside with the local government to identify areas with high stunting prevalence.²⁶ Lastly, a company's CSR initiative collaborates with the local health office to implement the program.²⁷

C. Local Philanthropy Needs to be Integrated to the Public System

To effectively leverage local philanthropy as a catalyst within the health system, it must be integrated into the public system. Without such integration, philanthropic contributions risk reproducing common challenges in public financial governance. However, integrating philanthropy to the public system is not without its existing challenges.

²⁴ In-depth interview with a company CSR unit representation, March 27, 2025

²⁵ Online questionnaire response from a think-tank, February 25, 2025

²⁶ FGD with various philanthropy stakeholders, op. cit.

²⁷ In-depth interview with a company CSR unit representation, loc. cit.

1. Challenges

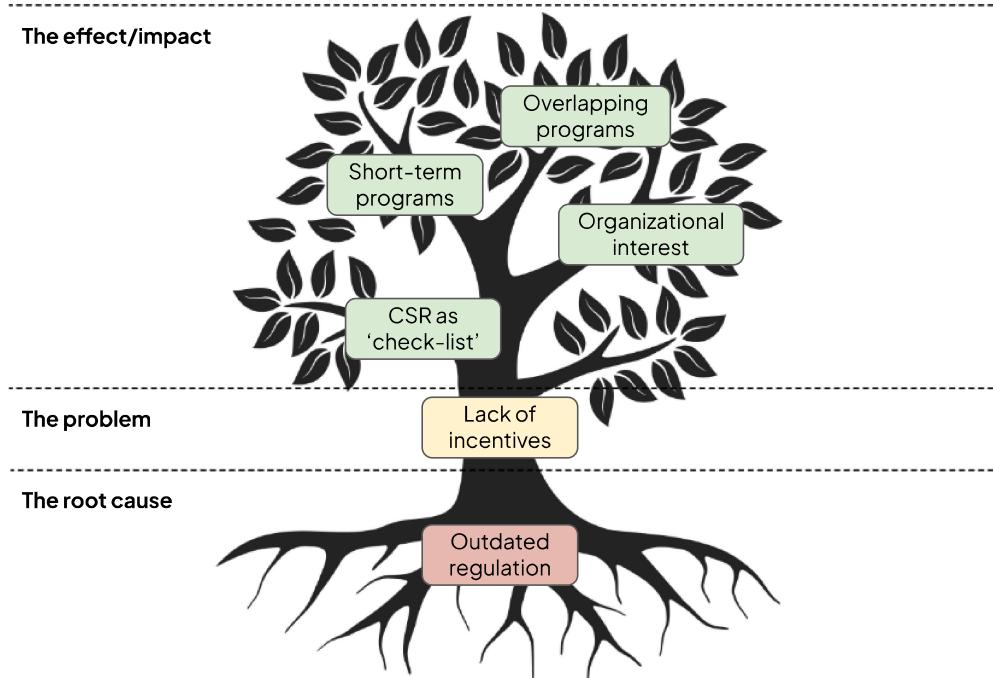


Figure 2. Systemic Philanthropy Challenges
(Source: Author, elaborated from primary data)

Challenges surrounding efforts made by the philanthropy organizations to support the health systems are systemically interrelated, and are rooted to one cause. Some of the most apparent issues with local philanthropy include: (1) **Programs are designed for short-term periods**, usually driven by the sudden nature of the cause such as logistics aid for disaster relief. In contrast, donations for long-term health system strengthening such as capacity building for health workers are still overlooked; (2) **Similar programs** are created by several organizations, such as stunting prevention programs that are not designed through cross-sector organization. This is resulting in overlapping, underutilization of greater resources, and funding rivalry between implementing partners; (3) **Organizational interests** stem in philanthropy organizations that are established by companies or families. For instance, CSR organizations tend to design programs around areas where their companies operate. As a result, health programs may not always align with national priorities, especially if CSR efforts are only seen to **check-off the mandatory obligations**.

Those challenges are the effect of the **lack of incentives** for philanthropy organizations, especially the tax reduction. Tax incentive policies for funders in the health sector have the potential to increase donor interest while also generating reciprocal benefits for the state through enhanced financial support for health programs. For example, in Singapore, every dollar donated to government-affiliated charitable foundations is

eligible for a tax deduction of up to SGD 2.50.²⁸ So far, Indonesia does not have tax incentives specifically targeted at the health sector, and the sector is not perceived as a priority to receive tax incentives by the government.²⁹ The current income tax incentives for philanthropy include: (1) Limited Tax Deduction amounting to 5% of the previous tax year's net taxable income for donations to social infrastructure; (2) Full Tax Deduction for disaster relief, research and development, educational facilities, and sports development facilities, each channeled through the relevant authorized bodies; and (3) Super Tax Deduction of up to 200% for human resource development activities intended for work-based learning, apprenticeships, and educational programs aimed at fostering and developing human resources based on specific competency standards.^{30 31}

These lack of incentives are rooted in **outdated regulation** for collection of money and goods in Indonesia. Donation activity in Indonesia is regulated under the Law No. 9 of 1961 on the Collection of Money and Goods. This regulation is not adapted for today's philanthropy developments, such as risk management for streamlined online donations that could impose cyber crime, a longer reporting system for long-term programs, and simplifying bureaucratic procedures for emergency situations such as natural disaster. Besides hindering the effective collection and distribution of aid, this outdated regulation also creates opportunities for misuse due to regulatory loopholes.³² There have been discourses on revising the regulation, where it was included in the 2020–2024 National Legislative Program, however, the draft bill has remained stalled to date.³³

²⁸ Inland Revenue Authority of Singapore, "Do good deeds and pay less tax," accessed December 17, 2025, <https://www.iras.gov.sg/who-we-are/what-we-do/annual-reports-and-publications/taxbytes-iras/individuals/do-good-deeds-and-pay-less-tax>.

²⁹ OECD, *Taxation and Philanthropy*, (Paris: OECD Publishing, 2020), page 45, accessed December 17 2025, https://www.oecd.org/content/dam/oecd/en/publications/reports/2020/11/taxation-and-philanthropy_76508539/df434a77-en.pdf.

³⁰ Ning Rahayu, Titi Muswati Putranti, and Abrar Bilisanimar, *Kebijakan dan Administrasi Insentif Pajak atas Kegiatan Filantropi: Mendukung Pencapaian Tujuan Pembangunan Berkelanjutan di Indonesia*, (Jakarta: Perhimpunan Filantropi Indonesia, 2025), page 4, accessed December 17, 2025, <https://filantropi.or.id/wp-content/uploads/2025/08/Policy-Brief-Perhimpunan-Filantropi-Indonesia-Insentif-Pajak.pdf>.

³¹ Ministry of Finance Regulation (PMK) No. 128/PMK.010/2019 on Tax Deductions for the Organization of Work-Based Learning Activities, Apprenticeships, and/or Training Programs as Part of the Development of Competency-Based Human Resources

³² Ahmad Arif, "Regulasi tentang Pengumpulan dan Penyaluran Dana Publik Tidak Memadai," *Kompas*, July 7, 2022, <https://www.kompas.id/artikel/regulasi-tentang-pengumpulan-dan-penyaluran-dana-publik-tidak-memadai>

³³ Ady Thea DA, "Alasan Aliansi Filantropi Usul RUU Penyelenggaraan Sumbangan Masuk Prolegnas 2025–2029," *Hukum Online*, November 7, 2024, <https://www.hukumonline.com/berita/a/alasan-aliansi-filantropi-usul-ruu-penyelenggaraan-sumbangan-masuk-prolegnas-2025-2029-1t672c3cac33e55/>.

2. Recommendations

From the challenges above, this paper highlights the importance of cross-sectoral collaboration as the overarching recommendation.

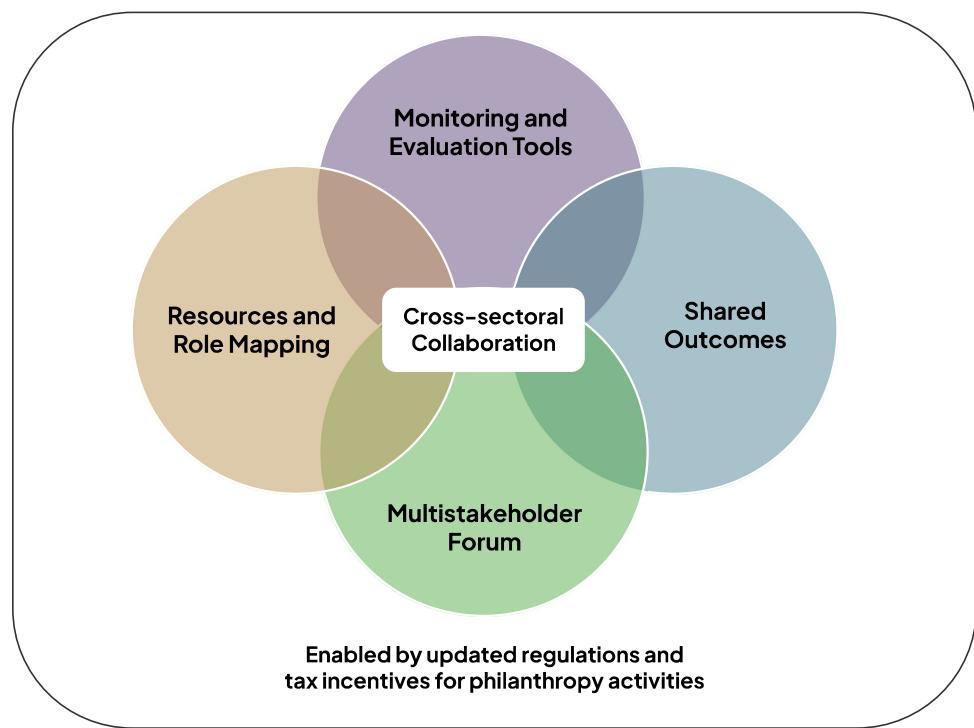


Figure 3. Interconnected Recommendations to Integrate Philanthropy to Public System
(Source: Author, elaborated from primary data)

The collaboration comprises of interconnected and mutually dependent approaches to ensure that philanthropy is properly integrated to national health priorities. It includes: (1) **Resource and role mapping** to document key actors across the funding ecosystem such as, who holds financial resources, who requires funding, which actors have implemented similar programs, who are the beneficiaries, who serves as implementing partners, where funding is most needed. This approach helps ensure a well-targeted funding, encourage more comprehensive interventions, reducing program fragmentation and short-termism, and can be used to identify gaps for future or related programs; (2) **A unified, integrated, and accessible monitoring and evaluation tools** is needed to capture and document the impact of philanthropic funding. Such tools can serve as learning instruments to support program scalability and sustainability, help attract future funding, and provide multi-stakeholders with evidence on health outcomes supported by philanthropy; (3) **Shared outcomes**, particularly those aligned with national and regional priorities, should serve as a key reference for philanthropy organizations when designing their programs. Local philanthropy organizations could also benefit from referring to documents such as

National Health Account, Basic Health Research/Riskesdas, Indonesia Health Survey/SKI, and National Health Master Plan/RIBK. This is pivotal to ensuring that local philanthropic efforts contribute meaningfully to national health priorities; and (4) **A transparent, conflict-of-interest-free multistakeholder forum** is needed to regularly discuss domestic resource mobilization for health financing in alignment with national priorities. Such a forum would also help prevent fragmentation and support the broader goal of strengthening cross-sectoral collaboration. Together, these efforts should be supported by the revision of the law for collection of money and goods, and comprehensive tax incentives for local philanthropy.

D. Conclusion

Declining ODA could risk an increase in out-of-pocket spending, and fiscal adjustments by the government that would create exclusions to unemployed, informal workers, and marginalized groups. Indonesia can leverage its local philanthropy potentials to complement the public scheme of health financing, positioning its role as catalyst. To date, local philanthropy initiatives have provided substantial support, such as covering medical coverage outside the social health insurance, disaster relief, primary health care strengthening, and collaborating with local governments to address local health problems. However, the challenges to ensure that philanthropy support are aligned with national priorities is systemic, it is rooted in outdated regulation, coupled with lack of tax incentives, that eventually create common problems such as overlapping programs, short-term programs, organizational conflict of interest, and seeing it merely to check-off the mandatory CSR obligation. Recommendations to these challenges are also interconnected, it stems in cross-sectoral collaboration, which include (1) Resource and role mapping; (2) Monitoring and evaluation tools; (3) Shared outcomes; and (4) Multistakeholder forum. It is also imperative that support from local philanthropy, a non-public funding scheme needs regulation and incentives that are beneficial for both parties.