The Emerging Practices of Good Governance in Indonesia: the NGOs' Perspective[1]

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Abstract

The idea of good governance has become increasingly important not only for the public sector, but also for the voluntary sector. The growing number of NGOs (non-governmental organisations), which led to a tougher competition for funding, has encouraged NGOs to develop a good governance. Moreover, donors' demand for more professionalism and accountability has prompted many NGOs to adopt a more or less professional management. However, working in the ambiguous zone between "bureaucracy" and "private" sectors, NGOs tend to face difficulties in implementing good governance. In Indonesia, the growing number of NGOs in the post-Suharto era has created a situation in which NGOs are demanded to increase their professionalism and accountability. However, different orientations, size, scope and capacity have obstructed NGOs' attempt to exercise good governance.

The Rise of NGOs as the "Third Sector"

Although NGO movement is not a new phenomenon in Indonesia, an enlightened version of it thrived from the late 1960s and early 1970s when students and intellectuals formed organisations which were dedicated to community development activities. This led to the rise of the number of NGOs operating in different areas of activity such as health care, small credits, training in micro-enterprises and income-generation. In the 1970s, it was believed that there were only a dozen of NGOs running charity and community development programmes

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in Indonesia. By 2000, it was estimated that the number of Indonesian NGOs had increased to no less than 70,000 organisations all over the country (BPS 2000: 34).

Commentators argue that the rise of NGOs is an indication of a substantial break from the conventional wisdom that social development is primarily the responsibility of the state and the market (Clark 1991: 43-5). Falling living standards in many parts of the developing world have raised attention on immediate survival and on the alternative possibilities which NGOs can offer when the state and the market are no longer able to deliver services efficiently (de Janvry, et.al. 1995: 1). Many NGOs are formed as a manifestation of people's dissatisfaction with the failure of both the state and the market to deliver welfare, public goods and jobs. Disenchanted with the state's limited capacity to provide public services, people begin to turn their attention to agencies outside the state which are expected to provide substitutes for the state's welfare programmes; to help the poor overcome the strains of daily economic activities; and to help them generate self-help initiatives (Hudson 1995: 292; Salamon and Anheier 1996: 2). NGOs also grow as a result of what Hansmann (1994: 21) termed a kind of "market failure", a situation in which consumers are in a poor position to judge the goods and services they are receiving. NGOs, in this context, are formed to ensure confidence that goods and services are supplied and distributed efficiently and to a high quality.

When one talks about the growing significance of NGOs, one should be able to locate where exactly NGOs settle themselves in the general context of social organisations. In modern societies, there are three clusters of organisations that carry distinct purposes. The first cluster belongs to the so-called "first sector" whose purpose is to protect, secure and regulate the lives and activities of citizens. The state agencies whose main duties are, among others, to ensure citizens exercise their rights and obligations; to provide services to the people; and to supply basic social securities, are examples of this sector. The "second sector" makes up the private realm whose major purpose is to make a livelihood, create and accumulate wealth. This sector includes private market-oriented agencies, namely, the business and industrial establishments. The "third sector" refers to the private realm whose main purpose is to pursue individual interests or tackle personal or social concerns (e.g. spiritual, social, recreational, cultural, etc.) collectively (Billis 1993: 158-9; Hudson 1995: 33-4; Fowler 1997: 22). NGOs belong to this sector. As "third sector" organisations, NGOs are not subject to direct political control from the political elite and are not meant to distribute profits to those who run them (Hudson 1995: 27-9). Operating outside both the state and the market, NGOs are supposed to have a certain degree of independence to determine their own policies and strategies.[3]

NGOs in Indonesia

For a long time, self-reliant activities have been practiced in Indonesia, particularly among the rural people, as a form of "collective action" that can be defined as the conditions in which people act together in pursuit of common ends (Kartodirdjo 1988: 97). They have been

[3]For a useful discussion about the relations between the "first", "second" and "third" sectors, see Billis (1993:159-65), Hudson (1995: 26-9) and Fowler (1997: 21-7).

rooted deeply in the tradition of *gotong royong* (mutual help) in which people carry out voluntary activities to help each other in building houses, digging wells or in a situation of emergency (death, illness, and so on). These activities were exercised through a number of self-help groups such as *arisan* (credit-and-saving rotation groups), *lumbung paceklik* (food security groups), *kelompok kematian* (burial associations), *selapanan* (weekly meeting groups), *beras perelek* (burial insurance groups), and the like whose activities continue to survive, especially in rural areas (Tjondronegoro 1984: 16).

In the colonial era, voluntary activities were often associated with organisations such as *Budi Utomo*, *Taman Siswa*, *Sarekat Islam*, *Nahdlatul Ulama* and *Muhammadyah* (Sinaga 1994: 81). Two organisations (*Budi Utomo* and *Taman Siswa*) were devoted to the promotion of education among the indigenous people who had no access to the Dutch formal schools. *Sarekat Islam* was established by Muslim traders to challenge Indonesian Chinese domination in the production and distribution of batik (Shiraishi 1990: 41). Two other organisations (*Nahdlatul Ulama* and *Muhammadyah*) were active in the nurture of *pesantren*,[4] education and the provision of health care to the poor (Nakamura 1983: 3; Barton 1997: 327). In the post-colonial era, some of these organisations survived and continued to play a community development role. Some new groups were formed during the 1950s and 1960s to represent the interests of grassroots people. These groups can be associated with a number of PKI-affiliated organisations such as the BTI (Indonesian Peasants Group), *Pemuda Rakyat* (People's Youth), and *Gerwani* (Indonesian Women's Movement), which operated at the village level. Despite their success in mobilising grassroots support, these left-wing organisations were dissolved following the New Order government's policy to demolish the PKI and other left-wing mass organisations.

Although self-help grassroots organisations have been active in Indonesia for generations, development-oriented organisations became more visible only in the late 1960s and early 1970s. A new wave of self-help initiatives followed from a period of attrition at the aftermath of "the events of 1965" when a complicated conflict on the basis of ideological, political, and *aliran* (streams) differences devastated the social fabric of Indonesian society. The mutual hatred and killings among villagers had substantially increased fear among the state leaders that uncontrolled grassroots activities would generate violent conflicts. Under the New Order, villagers were precluded from political activity and no political party was permitted to form village level participatory groups amid the state's suspicion that organisational activities and cadre-forming at grassroots level would nurture the very "subversive" idea that prosperity did not depend on state guidance. As a result, grassroots organisational activities had become increasingly replaced by state-sponsored organisations such as KNPI (Indonesian National Youth Committee), SPSI (All Indonesia Workers' Union), HNSI (Indonesian Fishermen's Association), HKTI (Indonesian Farmers' Association), LMD (Village Consultative Assembly), LKMD (Village Defense Council), *Karang Taruna* (youth groups) and PKK (Family Welfare Guidance).

In the early 1970s, a number of organisations, such as *Bina Swadaya*, LP3ES (Institute for Social and Economic Research, Education and Information), LSP (Development Studies Institute), YLKI (Indonesian Foundation of Consumers' Organisations), P3M (Association

[4]Pesantren is a traditional Islamic boarding school led by traditional leaders (*kyai*) widely available in Java in which the students (*santri*), both male and female, learn about Islamic teaching.

for *Pesantren* and Community Development), YIS (Indonesian Welfare Foundation), *Sekretariat Bina Desa* (Village Development Secretariat), *Dian Desa* (a community development NGO based in Yogyakarta) and many others, were formed and dedicated entirely to community development and the promotion of self-management activities at village level. By concentrating on community development, these organisations were able to convince the New Order government that they would not engage in grassroots political activities as the banned left-wing organisations had done in the early 1960s. Most of these organisations were initiated by concerned middle-class (ex-student activists, lawyers, academics, researchers, and religious leaders) and various religiously inspired groups, notably Christian churches and Islamic groups, to develop a capacity for co-operation and organisation among community groups (Sinaga 1994: 54). Although they started their operation in Java, many of them extended their activities to include some parts of Sumatra, Kalimantan, Bali, Lombok and Nusa Tenggara Timur.

In order to control NGOs' activities, the New Order government issued a special decree No.81/1967 which authorised the Committee of Foreign Technical Assistance (whose members were appointed by President Suharto) to monitor and administer all organisations receiving foreign assistance (Sinaga 1994: 220). This decree was implemented in conjunction with the government's regulation on Overseas Technical Co-operation and Assistance, issued by the Ministry of Home Affairs on 7 September 1973, which required foreign agencies to sign agreements covering general objectives and operation procedures with relevant state departments before they would start their co-operation with local NGOs (Eldridge 1989: 6).

From the mid-1980s, however, Indonesian NGOs entered a new era in which the state sought to co-opt or in some ways neutralise NGO activities through some combination of "sticks" and "carrots" (Eldridge 1989: 5). The New Order government's stiffer approach towards NGOs was a manifestation of Suharto's attempt to impose the "de-ideologisation" and "de-politicisation" strategies in which no organisations were allowed to pursue any ideology other than *Pancasila*; they were not allowed to carry out any activity without the government's consent.

The most important and controversial regulation, was indeed the *UU Ormas* (an Indonesian acronym for the law controlling mass organisations) No.8/1985 which was originally designed to govern the activities of all mass organisations (political parties, interest groups, trade unions, professional associations and grassroots organisations), but was later extended to include NGOs. Under this law, all organisations already in existence were required to give written notice or re-register with the Ministry of Home Affairs. More importantly, the law contained the concept of *Azas Tunggal Pancasila* (*Pancasila* as the sole ideology) which all organisations were obliged to accept. Under these circumstances, there was no room for NGOs to nurture a strong ideological basis which would have been crucial in guiding their attempt to generate a movement. This situation persisted at least until May 1998 when the New Order government eventually collapsed.

In the post-Suharto era, the removal of all regulations controlling organisational activities has led to a substantial increase of the number of Indonesian NGOs to approximately 70,000 (in 2000). Many new organisations were formed to carry out income generating and empowerment activities. Some of them are formed to distribute loans and grants from various international development agencies – the World Bank, IMF, USAID, and so on – to the

urban and rural poor, especially those who are badly affected by the financial crisis (urban workers, farmers, and the like). Others are established to facilitate the democratic transition initiated since the beginning of Habibie's government. A few years after the fall of Suharto's regime, the presence of both development- and movement-oriented NGOs is still relevant for at least two reasons. First, the growing poverty in both urban and rural areas as a consequence of the implementation of the structural adjustment policies[5] which generate unemployment, the removal of government subsidies on basic items and the collapse of the social security system. Poverty has opened up new opportunities for development NGOs to expand their charity, self-help and micro-enterprise activities to help the underprivileged. Second, an indication of conflict and public disorder throughout Indonesia during the transition period, which generates disillusion toward democracy. At the end of Gus Dur's presidency, for example, there was a growing demand among the conservative middle-class people of a possible return of an authoritarian regime. Having enjoyed a relatively stable political situation during Suharto's authoritarian rule, this group of people is convinced that more thorough control of political activities of the society will engender order and stability. This development has alarmed NGO activists of a possible disruption in the democratisation process. In order to keep the democratic transition going NGO community feels it necessary to scale up and replicate their democratic education and training programmes.

Demand for Professionalism and Accountability

In the context of management, NGOs can be considered as part of the voluntary sector (Hudson 1995: 25). Handy (1988: 2-4) argued that the voluntary sector appears to contradict the principles of organisation because it tends to emphasise the "voluntary" aspect and play down the "organisational" principles. Most of the voluntary sector, according to Hudson (1995), considers management unnecessary because it is generated by commitment and good intentions rather than by rules or procedures. But at the same time, voluntary organisations exist to meet a need and provide assistance to those who require it; and some take pride in being professional, effective and low-cost. Consequently, they need management to ensure that services are delivered properly, professionally and efficiently. Some even argued that the voluntary sector should follow for-profit organisations in developing professional management because greater use of contracts requires skills that have been understood in the private sector for many years (Handy 1988: 3,14; Hudson 1995: 33). This is exactly what donors say about the importance of NGOs to increase their professionalism and accountability.

What can be done by Indonesian NGOs in response to donor's demand for professional management and accountability? Harper (1996: 127) argued that in order to establish trust and image among donors, beneficiaries and public in general, NGOs increase their legitimacy and expand their links with the community and other relevant groups. Concern about establishing linkage and professionalism was raised by Indonesian NGO community in an NGO national conference on 18-22 October in Bogor, West Java. Organised by a national NGO network,

[5]Structural Adjustment Policies (SAPs) which include budget cuts, the liquidation of inefficient public or private corporations, tax increase, and higher interest rates are policies implemented by countries undertaking economic recovery programmes under IMF's supervision. Prior to the commencing of IMF's rescue plan, a particular state must indicate SAPs in its LoI (Letter of Intent).

INFID (the International NGO Forum on Indonesian Development), this conference attempted to consider a new role for Indonesian NGOs. This national gathering featured a workshop titled "Repositioning Indonesian NGOs in the Empowerment of Civil Society", in which NGO representatives from Java, Sumatra, Kalimantan, Sulawesi, Bali, and Lombok agreed to incorporate two important tasks: to facilitate the democratic transition and to develop a strong civil society (INFID 2000: 303). Furthermore, the national NGO conference encouraged NGOs all over Indonesia to expand their actions to include activities such as: (1) effecting changes in the public policy-making in order to accommodate voices from the grassroots; (2) developing collaborations with other elements of civil society (students, workers, peasants, the media, and so forth) in order to produce greater impact; (3) devising and implementing political education programmes in order to develop political awareness among the grassroots people; and (4) establishing a more steady NGO network in order to facilitate project replication and information sharing (INFID 2000: 304-5).

This conference clearly addressed a new demand from Indonesian NGOs to scale up their operations which includes lobbying, partnership, mobilisation and networking. In his inspiring article, Korten (1987: 154-5) argued that NGOs' scaling-up requires a combination of technical and strategic competence. By technical competence he means that NGO staff must have adequate social, political and managerial skills and should be grounded in the methods, approaches, and values of the new development professionalism; while strategic competence refers to NGOs' ability to position their resources to gain power in the larger system and to deal with strategic issues such as exploitation, oppression and racism. NGOs with high quality human resources and a good management system can certainly scale up their activities with ease. But those NGOs with limited human resources and modest management system will find this difficult. In Indonesia, notwithstanding the strong appeal for NGOs to scale up their activities in the post-Suharto era, many NGOs are not prepared to do this due to their lack of human resources with adequate social, political and managerial skills. For this group of NGOs the only choice is to continue with their previous activities; and a combination of welfare, development and empowerment activities is certainly out of question.

The growing number of NGOs in the post-Suharto era has also raised complication in NGO management. When NGOs grow in number, overnight operation and fraud also multiply. It is therefore not surprising if public trust suddenly begins to wane. Since then donors are becoming more precautious in selecting applications for funding. This seems to be the case in the post-Suharto Indonesia, especially after a US$2.4 billion government social safety-nets programme backed by multinational donors was widely accused of misuse by the time it ended in mid-1999. Many seasoned development workers are notorious for their expertise in "creative" accounting. Double book-keeping and data manipulation become a common practice among the overnight operators. H.S. Dillon, head of an anti-poverty task force at the Bappenas (the National Development Planning Board), for example, argued: "When (NGO) officials are accused of skimming, they say it is overhead for the institutional support they provide" (*Far Eastern Economic Review*, 20 September 2001).

In Garut, West Java, for example, the staff of a newly formed NGO called Hipalapa was arrested and charged with skimming two billion *rupiah* (US$220,000) from a nation-wide farmers' credit programme (*Far Eastern Economic Review*, 20 September 2001). Similar cases are still awaiting trial in other places in East Java, Central Java, and North Sumatra. These cases highlight the impasse confronting Indonesia's vast NGO community. Once the backbone of

Gerakan Reformasi (the reform movement) and a potential force for change, it now faces charges of corruption, incompetence and lack of discipline. Thus, although democratisation in the post-Suharto era has opened a new opportunity for NGOs, it also raises new challenges regarding NGOs' capacity to facilitate the democratisation and to maintain the trust once put in them by their beneficiaries, donors, and the public.

Although Indonesian NGO activists realise that corruption will engender a bad reputation and a possible loss of trust, they cannot do much to discipline their community members. Binny Buchori, chief of INFID (the International NGO Forum on Indonesian Development), for example, argued that NGO community cannot do more than imposing social sanctions, that is, shutting out NGOs with bad reputations from the national coalition (*Far Eastern Economic Review*, 20 September 2001). The effectiveness of such an exclusion is questionable since disreputable organisations always find it easy to relocate by switching causes and run other projects. This is possible, given the fact that the supply of funding provided by foreign donors is currently abundant and that the supervision appears to be lax. Maryanto, an NGO activist of Hipalapa charged with corruption, for example, recounts how his colleagues stacked *rupiah* notes worth hundreds of thousands of dollars at his organisation's Bandung head office with little supervision (*Far Eastern Economic Review*, 20 September 2001). Donors, however, have taken more aggressive measures against corruption. In April 2001, the World Bank cancelled the second round of a US$600 million social safety-nets for the poor after it found poor performance in the previous year. Moreover, the World Bank's fraud unit is currently investigating 30 cases all over Indonesia, aiming to blacklist suspected contractors. Many advisers to the KDP (the Sub-district Development Projects) – a nation-wide development project sponsored by the World Bank – have been fired; and without them costs dropped 20 per cent (*Far Eastern Economic Review*, 20 September 2001).

Thus, in order to maintain their reputation and the public trust put in them, NGOs should work harder in fighting internal corruption and fraud. The incidents of fraud in many places in Java discussed earlier also reflected the concern expressed by many observers in the early 1990s that most NGOs in developing societies tend to be lacking seriousness in developing transparency and accountability. For this reason, Indonesian NGOs have to make more serious efforts in improving their accountability system and in providing transparent information to their target groups, donors, government and the general public. As Andreas Subiyono, the new director of CD-Bethesda – an NGO based in Yogyakarta – put it: "With the growth of overnight operators in the NGO sector in the post-Suharto era, we must be more accountable and transparent in carrying out projects funded by external donors" (Subiyono, interview, 06/07/2001).

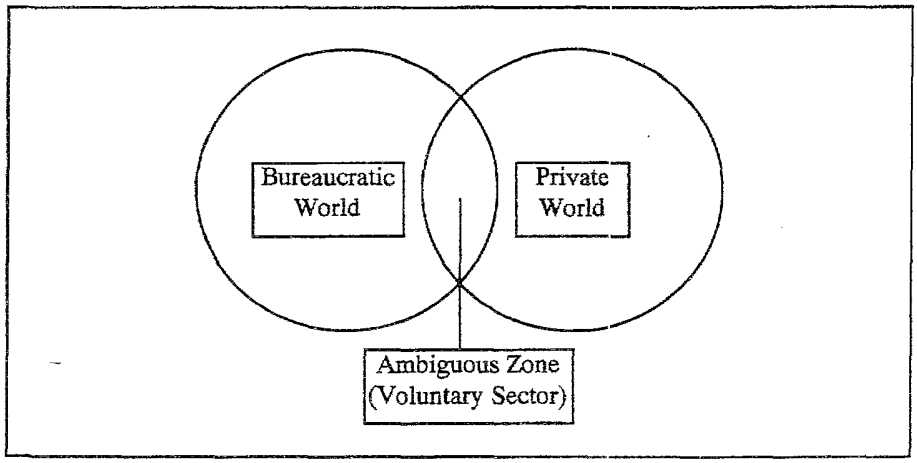
The Management Challenge

Some commentators consider that as part of the voluntary sector, NGOs cannot be classed as either a "private" or a "bureaucratic" entity. Using Leach's model which differentiates the public/bureaucratic world from the private world (Leach 1976) in the field of social policy, Billis (1993: 134) holds that voluntary organisations occupy an "ambiguous zone", i.e. an overlapping area between the two other spheres (see Figure 1). While bureaucracy draws its strength from concepts such as hierarchy, accountability, formality, legality and rationality, the private or associational world is bound together by informality, equality and flexibility (Billis

1993: 160-1). It follows that the voluntary sector operates under the "management of ambiguity" which requires an understanding of the ground rules of both the bureaucratic and associational worlds. Elected leaders and paid staff must appreciate that bureaucratic organisation means paying attention to issues of managerial authority and accountability, levels of decision-making, career progression, staff development, conditions of service, explicit policy-making, and all other essential components of modern bureaucracies. At the same time, they must uphold the essential concepts of association: membership, mission, informality, and democracy (Billis 1993: 169).

Operating in this ambiguous zone, the voluntary sector faces complex challenges in its management. Hudson identifies seven management challenges of voluntary organisations: (1) a tendency to develop vague objectives; (2) a difficulty in monitoring performance; (3) a difficulty in accounting due to the plurality of stakeholders: members, funding bodies, individual donors, staff, volunteers, governments and beneficiaries; (4) a problem in developing management structures that balance the interests of different stakeholders; (5) a great dependence on voluntarism since they must provide services for small or even no financial reward; (6) values must be cherished from one time to another to ensure that all who are involved share the organisations' purpose and style of operation; and (7) a lack of financial "bottom line" or framework that would guide future priorities and investments because they rely on negotiations rather than rules (Hudson 1995: 35-7). Meanwhile, Billis focuses on three aspects: (1) unclear goals that may lead to a contradiction between strategy and mission; (2) rapid and unplanned organisational growth due to a flexibility in responding to new challenges; and (3) poor governance because trustees, management committees, staff members, and the like are all too often unclear about their roles (Billis 1993: 131-2).

Figure 1 The "Ambiguous Zone" of the Voluntary Sector



Source: Adapted from David Billis. 1993. *Organising Public and Voluntary Agencies.* London: Routledge, p.134.

It is therefore important for NGOs, as part of the voluntary sector, to balance the bureaucratic and associational countenance in their organisations in order to be successful in

their attempt to adopt a proper management system and to produce a greater impact. Korten (1987: 155) noted that to ensure a better performance NGOs need to be guided by more than good intentions; they must have a certain degree of technical competence, that is, the technical capacity to obtain the respect of those who control the relevant technologies or resources – whether they be doctors, engineers, lawyers, politicians, administrators or village leaders. Consequently, NGOs need staff with some degree of competence (the capacity to combine individual behaviour, personality, knowledge and skills in order to achieve particular tasks or goals), which is often critical to the success of any organisations in achieving their targets and in overcoming their problems (Berman 1998: 235). Thus, if NGOs are to succeed in their community development activities, they must be able to develop their own personnel, create sufficient career paths and establish appropriate organisational structures.

Amid this ambiguous environment, some NGOs have nevertheless attempted to impress donors by adopting a more or less professional management. In the case of Indonesian NGOs, professional management is perceived as an improvement in five sectors: (1) budgetting; (2) staff development; (3) strategic management; (4) leadership; and (5) accountability system (Hadiwinata 2003: 155). By referring to the experience of two NGOs in Yogyakarta – *Bina Swadaya Yogyakarta* (BSY) and CD-Bethesda (CD) – in what follows I will discuss briefly how NGOs attempt to develop a professional management and accountability.

Like many other NGOs, both BSY and CD wanted people to believe that they are productive at a minimum cost. One way to measure NGOs' efficiency is by looking at the ratio of administrative costs to total income (Fowler 1997: 155). The absence of a standard accounting procedure has made it difficult to determine the extent to which an NGO is efficient. Moreover, NGOs may apportion their overhead costs to projects so that they may look highly efficient. Some NGO observers, however, argued that an efficient NGO should have a ratio of administrative costs to the total revenue of around 5-20 per cent (Smillie 1995: 152; Fowler 1997: 156). This means that in order to be considered efficient, an NGO should not spend more than 20 per cent of its total income on administrative costs (salaries, rent, electricity, and so on). In 2000, BSY paid administrative costs of Rp 101 million (6.9 per cent) of its total revenue of Rp 1.4 billion (BSY 2001: appendix 1), indicating an efficiency rate far below the 20 per cent limit set above. Meanwhile, CD allocated Rp 1.1 billion (12.8 per cent) of its total revenue of Rp 8.6 (CD-Bethesda 1997: 59), indicating its status as an efficient NGO (Hadiwinata 2003: 160).

Staff development and career progression is another challenge for Indonesian NGOs. Working on a small scale (employing only 20 staff members), BSY is unable to create a hierarchy of structure to allow some sort of career promotion among its staff members. As a result, BSY suffers from a high level of employment turn-over. Working on a larger scale, CD is able to create a hierarchy of power which allows some kind of career paths. Consequently, CD has more capacity to develop relatively strong human resources and create a stable organisation (Hadiwinata 2003: 160-1).

For the NGO sector, through which people with different aspirations need to be integrated to share common missions, objectives and values, the adoption of strategic management[6] is

[6]Strategic management is an attempt to create a clear view throughout the organisation of its mission and objectives and the development of strategies and plans that lead to their achievement. It

important in order to avoid contradiction between action and mission (Billis 1993: 132). A strategic management can also help organisations respond to new challenges and make all staff members and stakeholders clear about their roles (Hudson 1995: 89; Fowler 1997: 45). One most important component of strategic management is strategic planning whose objective is to make long-term choices in terms of concrete goals and resource allocations, which are likely to maximise impact without compromising identity, autonomy and viability (Hudson 1995: 133). Some NGO commentators argued that when NGOs grow in size, the pressure to adopt strategic planning is greater because the separation of tasks, hierarchy of authority and less intensive interpersonal relations among staff would lead to a great deal of confusion over vision, mission and objectives (Smillie 1995: 147; Fowler 1997: 46; Berman 1998: 119). Operating on a small-scale basis, in which workers had a great deal of opportunity to establish interpersonal relations, BSY had no intention to develop a strategic plan. This has caused a problem for the organisation in formulating vision, mission, target and assessment of strengths and weaknesses. CD, on the other hand, regards srategic planning as the only way to internalise "core values" to staff members and to focus its skills and energies on what it could do best. This has enabled staff members to develop a clear picture of the NGO's core values and main objectives which guide their action (Hadiwinata 2003: 162-3).

Judging from the way in which authority is exercised, BSY seems to follow Handy's category of "power culture" where the fate of the organisation depends entirely on the presence of Aleks Wiyarto, its long-term director and co-founder, who controls almost all of the organisation's decision-making and operation (programme planning, proposal writing and fund-raising). His long association with the organisation and long experience in community development activities (longer than anyone else in the organisation) have made staff members hold him in such high esteem that they grant him the privilege of determining BSY's strategy and action. Moreover, its small size and family-like management style have prevented BSY from developing procedures of operation. Rather than functioning as a bureaucracy, BSY operates instead on the basis of guidance from its director. As one of its staff members puts it: "We cannot imagine BSY's sustainability without the presence of Pak Aleks (Wiyarto), who knows every detail of community development activities better than anyone else (in the organisation)" (Sudarman, interview, 03/07/2001). Although as a "power culture" organisation BSY can move quickly between localities or programmes, it suffers from a low morale because workers are frustrated by the absence of a career path and because of the domination of the top leader. This seems to have disturbed BSY's organisational stability as illustrated by the high employment turn over discussed earlier. Meanwhile, CD tends to follow Handy's category of "role culture" where it relies on rules and procedures which distribute jobs and authority among staff members. A "role culture" seems to offer more security and predictability both to the organisation and the staff members. While the organisation benefits from a relatively stable environment, staff members enjoy relative security and are less confused in carrying out their duties (Hadiwinata 2003: 164-5).

Drucker (1990: 113-4) argued that attempts to measure impact of the voluntary sector must be contextually determined and interpreted by various constituencies the organisation serves.

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normally deals with some critical questions: what specifically does the organisation want to achieve in the next few years? How should it allocate resources between different objectives? What quality standards should it aim to achieve? What has it learned from past experiences? What improvements are required to enable it to make better use of resources? (Hudson 1995: 89-90).

In the context of development NGOs, Fowler (1997: 173) maintained that impact should be judged on the basis of "the effective satisfaction of the rights and interests of legitimate stakeholders[7] in keeping with its mission". Thus, a high-performing NGO must have the capacity to satisfy or influence its stakeholders, while a low-performing NGO lacks this capacity (Hashemi 1995). Using this definition, it appears that both BSY and CD are low performing NGOs because their accountability is usually directed "upward"[8] towards the executive body (directors or vice-directors) and sometimes donors. Public accountability in terms of formal notification of activities and expenditures has never been pursued. Meanwhile, the government receives a full version of project reports only occasionally.

There are several reasons for this lack of "downward" accountability. First, the funding structures of both BSY and CD, which indicate a heavy reliance on commercial activities, have limited the scope of accountability only to directors and senior managers. Uphoff (1995) noted that there is little difference between service-oriented NGOs and the for-profit sector in their relations with beneficiaries or customers because neither NGOs nor the for-profit sector are accountable to those who receive the goods and services provided. Although beneficiaries of an NGO may receive more benign treatment than do customers of a business, they have no right to make decisions about the goods and services provided. Thus, just like the for-profit sector, in which customers are in a "take-it-or-leave-it" relationship, neither BSY nor CD feel obliged to provide detailed reports or project evaluation to their target groups.[9] Second, in order to avoid regulation under the Law of Mass Organisations No.8/1985 many NGOs set themselves up as foundations (*yayasan*) which required only a very general statement of objectives to be granted legal status by a local notary office. The *yayasan* arrangement has generally proved successful in evading potential take-over or co-optation by the state agencies because the state, as stated in Supreme Court Decision No.124/1973, is not allowed to intervene in the management of a *yayasan*. Moreover, as a *yayasan* NGOs can be exempted from payment of taxes as stipulated in the Tax Law of 1984. However, a *yayasan* is a highly undemocratic institution because control over the organisation's strategic matters is in the hands of an executive body (*badan pelaksana*) whose members are appointed rather than elected from among top managers and founders. Operating as *yayasan*, both BSY and CD tend to be held back from gaining experience of legal democratic processes, and their structure of accountability to the target groups and the general public does not exist. The two organisations, however, conduct regular project evaluations – every three months (for BSY) and two months (for CD) – in which area managers, section heads and fieldworkers are held accountable to the executive body. Reports are made of every project and distributed to top leaders and donors, but not to

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[7]Stakeholders are all those parties who either affect or are affected by an organisation's behaviour, actions and policies. In the context of development NGOs, stakeholders include: (1) those to whom the organisation has a formal obligation: board members, staff and target groups; (2) other parties whom the NGO is obliged to satisfy: donors and governments; and (3) groups or individuals who have an "imperative interest" to influence the NGO for whatever personal or ideological reason: elite groups who may be threatened by empowerment, the military, religious leaders, etc. (Fowler 1997: 174).

[8]Edwards and Hulme (1995a) made a useful distinction between NGOs' "upwards" accountability – directed towards their executive body, trustees, donors and host governments – and "downwards" accountability – directed toward target groups, partners, fieldworkers and supporters.

[9]My interviews with the directors of the two NGOs indicate that neither BSY nor CD regard those who receive their goods or services as members or constituencies with any associated rights or duties to get involved in the decision-making process or project evaluation.

representatives of target groups. Third, because most villagers are accustomed to the state's top-down approach whereby development agencies (both NGOs and the state) serve as patrons in initiating people's development, demands for NGOs' accountability from villagers are low, if not non-existent. This may support Fowler's contention that there is not much NGOs can do to enhance their external accountability if the general public are indifferent, if the media are not concerned with voluntary activities, and if the government (which serves as a key actor of development) is part of the problem (Hadiwinata 2003: 166-7).

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