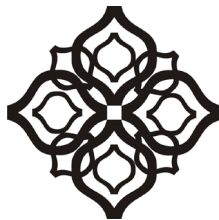


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External Influences and Supports to *Pesantren*'s Socio-Economic Activism in the Changing Context

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Abstract

This article aims to provide a context for discussions on *pesantren*'s socio-economic projects in contemporary Indonesia. It highlights current programs and engagements of agencies with *pesantren* in facilitating and supporting them to carry out socio-economic projects. In doing so, it will discuss the current programs of Nahdlatul Ulama (NU), particularly its organisational arms RMI (*Rabitah Ma'ahid al Islamiyah*, Association of Islamic *Pesantren*) and Lakpesdam (Lembaga Pengembangan Sumberdaya Manusia, Institute for Human Resource Development) which support the socio-economic role of *pesantren*. Then, the article will provide an overview of NGO's programs in partnership with *pesantren*. The following section discusses examples of technical and financial support to *pesantren* from organisations promoting Islamic microfinance. The last section assesses government's economic projects involving *pesantren* as to what extent they have affected *pesantren*'s community engagement. I argue that those external factors have not significantly strengthened *pesantren*'s capacity to carry out their socio-economic projects. This argument is built on my attempt to assess the extent to which these organisations have contributed to the strengthening of the capacity of *pesantren* to manage socio-economic projects for their communities.

Keywords: *pesantren*, socio-economic activism, external supports, NGOs, *Nahdlatul Ulama*

Introduction

Previous studies (eq. Horikoshi, 1976; Sakai and Marijan, 2008; Sakai, 2008; Isbah, 2012; 2019) have shown a concrete role of *kyai* with

his *pesantren* in improving the economic situation of the community. For example, Kyai Nawawi Abdul Jalil of Pesantren Sidogiri in Pasuruan, East Java has developed a growing Islamic microfinance business benefiting graduates and the neighbouring community. Through a remarkable growth of this business, the Pesantren now employes more than a thousand of its graduates. Initially, the Pesantren Sidogiri established a co-operative called *Kopontren* (Koperasi Pondok Pesantren, Cooperative of Pondok Pesantren) in 1961 for helping the welfare of the teachers and the students of the Pesantren itself through *shariah*-based capital loans and selling everyday goods, then it grew rapidly at the end of the 1990s. The existing Kopontren Sidogiri, which operated mostly in retail businesses, began to expand rapidly in the years between 1997 and 2000. The Pesantren initiated two other business hubs, the Cooperative of BMT MMU (*Baitul Mal wat Tamwil Masalah Mursalah lil Ummah*) and the Cooperative of BMT UGT (*Baitul Mal wat Tamwil Usaha Gabungan Terpadu*), both of which provided micro finance services (Sakai, 2008: 279). Sakai and Marijan (2008: 3) argue that the success of the cooperatives lies in the quality of the Pesantren Sidogiri leaders particularly their ability to mobilize networks of the Pesantren's graduates.

Unfortunately, it is hard to provide any precise data of how many *pesantren* are managing socio-economic projects, which benefit their communities. Existing publications from the Ministry of Religious Affairs are mostly reports on its own successful projects in some *pesantren* (see *Proyek Peningkatan Pondok Pesantren*, 2004; *Direktorat Pendidikan Keagamaan dan Pondok Pesantren*, 2004). Throughout my fieldwork, however, I found a growing interest among *pesantren* communities in playing an active role in addressing the socio-economic problems faced by their communities. The majority of them, however, are still searching for projects or activities that would be suitable with their demographic conditions and the precise means of how to start such projects.

This article focuses on the external context influencing a *pesantren's* socio-economic activism in contemporary Indonesia. It is organised into four sections. Following this introduction, the first section will discuss the current programs of Nahdlatul Ulama (NU), particularly its organisational arms RMI (*Rabitah Ma'ahid al Islamiyah*, Association of Islamic *Pesantren*) and Lakpesdam (Lembaga Pengembangan Sumberdaya Manusia, Institute for Human Resource Development) which support the socio-economic role of *pesantren*. The second section will provide an overview of NGO's programs in partnership with *pesantren*. The following section discusses examples of technical and financial support to *pesantren* from organisations promoting Islamic microfinance. The last section assesses government's economic projects involving *pesantren* as to what extent they have affected *pesantren's* community engagement.

Nahdlatul Ulama as a Cultural Umbrella of Most Indonesian *Pesantren*

The aim of this section is to show that NU is a cultural umbrella for most *pesantren* in Indonesia, and the extent of its influence on *pesantren's* community engagement. There is no available data providing a precise figure of how many *pesantren* are affiliated to NU. Of about 27 thousand *pesantren* throughout Indonesia, Muhammadiyah claimed to have only 122 *pesantren* at its 2015 Congress. There must be some independent *pesantren*, which have not identified themselves as having an affiliation with a particular Islamic organisation, but the majority, especially those in Java, self-identify as NU *pesantren*. However, it is important to understand that *pesantren's* affiliation to NU is not an organisational and financial affiliation, but a bonding sense of doctrine, school of thought, learning model, and cultural proximity.

The NU's concern with socio-economic issues can be traced back to its official decision in its 1984 congress in Situbondo, East Java

to withdraw from practical politics and to switch its focus back to the socio-religious affairs of its constituency. Following that congress, the NU promoted the *syu'un ijtimaiyah* (social concern) as its main platform in the following years (van Bruinessen, 1994: Chapter 8). To promote that platform, the NU then established an organisational arm called Lakpesdam (Lembaga Kajian dan Pengembangan Sumber Daya Manusia, Institute for Human Resources and Development). The Lakpesdam was expected to energise critical studies on Islamic doctrine to be in line with societal changes through discussions and publications, and conducting popular education, mainly on political literacy (<http://lakpesdam.org/sejarah-lakpesdam/>). The Lakpesdam was the most crucial organisation for intellectual development of NU youth and that many prominent figures had spent some years there before pursuing their present academic, political, or religious leadership careers. Former members include Ulil Abshar Abdalla who is currently a board member of Democrat Party, and M. Imdadur Rahmat who is currently a member of the National Human Rights Commission.

Although most studies have analysed the NU's political side (eq. Nurhasim and Ridwan, 2004; Karim, 2008; Ridwan, 2010), I focus my analysis on its effort to strengthen the capacity of *pesantren* to engage with their communities. Such efforts have been pursued through its organisational arms: RMI (*Rabitah Ma'ahid al Islamiyah*, federation of *pesantren*) and Lakpesdam (*Lembaga Pengembangan Sumberdaya Manusia*, Institute for Human Resource Development). I argue that these two organisations – RMI and Lakpesdam- have not enhanced *pesantren's* capacity to deliver positive socio-economic outcomes. This is partly because some *kyai* have not accepted the programs of RMI and Lakpesdam enthusiastically, and there has also been little or no strategy to sustain the programs' funding.

RMI (Rabitah Ma'ahid al Islamiyah)

The RMI is a division under the leadership of NU and exists at the central board level (PBNU), provincial board level (PWNU) and district board level (PCNU) of NU. Given its position as a division, the RMI's committee is appointed for a five-year period by the elected NU leaders. The role of the RMI is to manage NU's programs that target *pesantren*. So, it is not an association in the sense that *pesantren*'s people have authority in the organisation, rather it is an organisational arm of NU's leadership at every level that deals with *pesantren*.

During the mid-1990s, RMI collaborated with PINBUK, Inkopontren (Induk Koperasi Pondok *Pesantren*, the Federation of *Pesantren*'s Cooperatives), P3M (Pusat Pengkajian *Pesantren* dan Masyarakat, Centre for the Study of *Pesantren* and Society), and Bank Muamalat Indonesia (BMI), to manage P2KER project (*Proyek Peningkatan Kemandirian Rakyat*, the People's Economic Empowerment Project) that was funded by the Ministry of Cooperatives. It was started by channeling financial assistance to *pesantren* in 15 provinces to establish *Unit Simpan Pinjam* (USP, Islamic savings and lending unit) in *pesantren*. By 1999 they had distributed Rp. 16.68 billion working capital to 1,500 USPs in *pesantren*, that was accompanied by a monitoring and supervision program of their management and funds' distribution (Antonio, 2011: 326-7). Given that the RMI's committee changes every five years, however, the current committee has little or no knowledge regarding issues of continuity within this program.

The committee of RMI who held their positions from 2010 to 2015 managed their work on *pesantren* affairs in three main areas. First, they advocate a policy of equality for *pesantren* in the national education system and equal recognition of its graduates for purposes of university admission. A product of this advocacy work is the ability of graduates

of *pesantren salaf* to enrol in Islamic universities, and the provision of government special scholarships for high achieving *pesantren* graduates (PBSB, *program beasiswa santri berprestasi*) to continue their education in certain top Indonesian universities. Second, the RMI functions as a pressure group for the interests of *pesantren* on state budgeting. The RMI notes that the government has allocated less funds in the budget for *pesantren* compared to that for general schools. For this reason, they encourage the government to put more funding to improve *pesantren* facilities. Third, it acts to strengthen economic capacity of *pesantren* and their graduates. Such efforts have been pursued through promoting entrepreneurship in *pesantren* communities. In their view, *pesantren* in the past were mostly owned and led by wealthy *kyai* with extensive land and an abundant income. Today, with an excessive reduction of farming land especially in Java, the situation has changed significantly. The result of this change is that *pesantren* need to find alternate sources of income to maintain their economic self-reliance; that is through entrepreneurship. Moreover, most parents sending their children to *pesantren* are not necessarily expecting them becoming Islamic scholars or clerics, many of them expect their children to merely become good Muslims (*berakhlak*) and to have adequate knowledge and skill to face their future life challenges. For students of this sort, in RMI's view, *pesantren* need to furnish them with entrepreneurial skills (interview with Miftah Faqih, May 18th 2013).

In a broader sense, entrepreneurship has also become an official mantra promoted by the Indonesian government to respond to the often predicted 'demographic bonus' of a relatively young, productive population in the near future. The government of Susilo Bambang Yudoyono often suggested that Indonesia will soon have a half of its population (around 123 million) under thirty years old and with a good education (Azali, 2015). Nonetheless, the country had an unemployment rate of 7.14 % in

2011 and this decreased only slightly to 6.32 % in 2012. The government set a target to reduce the rate to less than 5 % by 2014 (Hasan, 2013: 182-3), but this failed as the rate remained at 6 % in 2015. The unemployment rate suggested by the government here does not truly illustrate the real poverty in the field as currently there are 28 million (15 %) of population who live below a very low poverty line of Rp. 292,951 (USD 24). And if we use the World Bank's USD 2 a day as minimum income, almost a half of the population can be counted as poor (World Bank April, 2015).

Anticipating the limited formal jobs in government and the private sector, the state has been seeing self-employment in “creative industries” and the informal sector as the best solution to the potential growth of educated labour force. There is no clear meaning of what “creative industries” means. However, Indonesian government officials often picked computer and information technology related jobs like software development as an example. The government has been promoting entrepreneurship that targets youth. The government has established creative industries and design departments or supported entrepreneurship workshops in universities and has opened numerous new vocational secondary schools. The government has also broadly supported various entrepreneurship development programs initiated by both government and non-government entities through the National Movement for Entrepreneurship or *Gerakan Kewirausahaan Nasional* which was launched in 2011 (Hasan, 2013: 185; Azali, 2015).

To promote entrepreneurship in *pesantren* communities, the committee of RMI (2010-2015) started with a small project in Pesantren Darul Falah in Serang, Banten in late 2010 (<http://rmi-nu.or.id/>). This project was funded by the Ministry of Religious Affairs. Initially, the project aimed to strengthen the institutional capacity and social influence of the Pesantren in the neighbouring community. Part of the project aimed

at improving the interaction between the Pesantren and the community. To do this, the project founded a community business group for garment manufacture as a prospective economic enterprise since many of the community members had formerly been workers in textile industry. While the Ministry of Religion provided sewing machines for the community, the RMI arranged training in business management and information technology for some senior students and teachers. Eventually the Pesantren Darul Falah became the manager of this community business, dealing with the supply of raw materials and product marketing. While the actual purpose of the project was to strengthen the influence of Pesantren Darul Falah and its ability to promote peaceful Islam in the community, its method was that of an economic empowerment project (interview with Miftah Faqih, May 18th 2013).

Later, RMI replicated this project in other *pesantren* in several provinces when it received CSR (corporate social responsibility) funding from the state-owned Bank Mandiri in 2011-2012. It named the project *Wiramuda Mandiri Goes to Pesantren* with a slogan *Tradisi Mandiri Solusi Negeri* (Self-Reliance Tradition as the Country's Solution). The project was conducted through training, internships, capital assistance, coaching and supervision and had an ultimate goal of cultivating a spirit of entrepreneurship among *pesantren* managers and graduates. Further development of this project was the popularisation of entrepreneurship in the *pesantren* world and its graduates. Recently a network of the project's alumni was formed the HIPSI, *Himpunan Pengusaha Santri* (association of *santri* entrepreneurs) (interview with Miftah Faqih, May 18th 2013).

In promoting entrepreneurship in the *pesantren* community, the RMI faced the following challenges (interview with Miftah Faqih, May 18th 2013). First, *kyai* as *pesantren* leaders were often reluctant to become directly involved in such programs. When the *kyai* were invited, they often

delegated attendance to their close aides or senior students. Consequently, the participants of the workshop were unable to put into practice the knowledge and skill they learned in the workshop since they did not have ultimate authority in their *pesantren*. For this reason, Miftah Faqih, the secretary of RMI, encouraged *kyai* from every *pesantren* participating in the RMI's project to attend at least the opening ceremony of the workshop in which Miftah could explain the main goal of the project. With a better understanding of the project, the *kyai* eagerly supported the realisation of the economic enterprises proposed by their aides. Second, many *kyai* consider that economic activities are not part of their role as *pesantren* and community leaders. For this problem Miftah Faqih persuaded the *kyai* that the future of *pesantren* depended on the quality of *kyai* and the reputation of their graduates. Miftah was of the opinion that *pesantren* graduates with entrepreneurship skills would become the leaders of the socio-economic activities in the community (*penggerak masyarakat*). As such, the reputation of *pesantren* in the community would be enhanced. With such a persuasive explanation, often given on a one-on-one basis, many *kyai* who were previously unenthusiastic about such projects became happy to be involved in them. Third, there was a popular perception that such a project was artificial, meaning it would end after all funds had been used. Such a perception, according to Miftah Faqih, was due to the widespread custom among governments and NGOs to distribute "social donations" (*bantuan sosial*) which were not directed at the funding of a clear project or activity.

In general, however, the activities of RMI have been constrained by funding issues. From 2010 to 2013, it solely relied on a grant valued at Rp 3 billion from Bank Mandiri that was part of its corporate social responsibility (CSR) fund ((interview with Miftah Faqih, May 18th 2013). As a result, the implementation of any ideas or programs depended on the

ability to obtain further funding. A further consequence of this funding issue was that RMI could not deliver more systematic and long term programs.

Lakpesdam

Unlike the RMI which relied on domestic funding, the Lakpesdam was like a regular NGO. Most of its funding was from foreign donors as many of its programs were closely linked to issues of democracy and human rights, but in this case particularly Islamic perspectives were applied. However, its staff often refused to label Lakpesdam as an NGO, and insisted instead that it was an official organisational arm of NU. It recently claimed to have 114 subsidiaries at provincial and regency level (interview with Lilis Nurul Husna, May 20th 2013).

Lakpesdam only rarely involves *pesantren* in its programs. During the course of my fieldwork, it managed three programs: the promotion of conflict resolution, the training for *ulama* cadres, and a program called PNPM Peduli (Program Nasional Pemberdayaan Masyarakat, National Program of Community Empowerment) (<http://lakpesdam.or.id/category/program/>). This is a government program funded by the World Bank and sub-contracted to a number of NGOs (<http://www.worldbank.org/>). Starting in 2011, Lakpesdam became one of its sub-contractors. The program consists of three types of project: economic empowerment, social justice promotion, and facilitating access to basic public services for marginalised groups. It manages the program in 28 districts located in 11 provinces. However, none of its partners have been *pesantren* because Lakpesdam has prioritised its subsidiaries at the district level (<http://lakpesdam.or.id/pnpm-peduli-phase-ii/>).

NGOs' Partnerships with *Pesantren*

In addition to the previously-mentioned partnerships, it is important to understand that Indonesian non-government organisations (NGOs) began to build partnerships with *pesantren* for socio-economic development projects in the early 1970s. Their initial tendency was a concern with socio-economic empowerment of communities. Later, beginning in early 1990s, their concern switched to raising political awareness through the dissemination of civic education, gender, human rights, and democracy themes.

The Jakarta-based LP3ES (Institute for Social and Economic Research, Education and Information) was the first NGO to create a project attracting *pesantren* as its partner. Dawam Rahardjo, the leader of LP3ES and proponent of the project in 1970s and 1980s noted that the initiative was inspired by Dawam and his colleagues' concern over the poor situation and backwardness of *pesantren* in contrast to the accelerating modernisation in non-Islamic educational institutions. Meanwhile, *pesantren* demonstrated a tremendous independence and self-reliance in the face of intervention from outside. Such aims attracted university graduates with *pesantren* background like Dawam and his colleagues at LP3ES with a view to improving living standards and establishing progressive worldviews through an 'enlightenment and empowerment' mission. The enlightenment approach manifested in the discussion of Islamic teachings in relation to social problems, supporting library and discussion clubs, while the empowerment approach was in the form of technical assistance in establishing business units, management training, and facility improvement (interview with Dawam Rahardjo, August 28th 2013).

The LP3ES's project on *pesantren* was started by conducting research that was followed by an experiment in eight *pesantren* located near

Bogor, West Java, starting in 1971 (Prasodjo, 1975). The main purpose of this initial project was to identify potential economic enterprises that could be developed. As a result, it assisted the *pesantren* to establish fish farming and small scale industries. The second stage was a research project in other *pesantren* located in other provinces of Indonesia. At this stage, the research found that there were diverse perceptions and aspirations among *pesantren* regarding what they called 'progress' (Indonesian: *kemajuan*). Some *pesantren* saw a greater need of facility improvement and better libraries, while others saw the economic welfare of teachers and life skill training for students as being more pressing. Consequently, LP3ES could not establish the same follow up project in each *pesantren*. For instance, it supported the establishment of a good library in Pesantren Tebuireng, Jombang; an application of appropriate technology (*teknologi tepat guna*) in agriculture for Pesantren Guluk Guluk in Sumenep, Madura; and a revolving credit fund for micro enterprises in Pesantren Kajen, Pati. Such diverse aspirations on the part of the *pesantren* were due to different societal problems that each faced as well as different ways the *pesantren* interacted with their neighbouring community (interview with Dawam Rahardjo, August 28th 2013).

The initial pioneer of such community engagement projects was Pesantren Pabelan in Magelang, Central Java. From its establishment in 1965, its leader Kyai Hamam Ja'far, a Gontor graduate, designed his *pesantren* to be an integral part of the local community. Symbolically, he did not build a fence between the Pesantren's complex and the neighbourhood. Following Kyai Hamam's interaction with LP3ES, Pesantren Pabelan started to carry out a more systematic approach in its community engagement. In 1974, it established three Student Working Groups (Kelompok Kerja Santri). The first group worked on health issues of the community (Penyuluh Kesehatan Lingkungan), the second group

worked on social welfare issues (Penyuluh Kesejahteraan Sosial), and the final group worked on adult education and literacy (Pendidikan Masyarakat Desa). In 1978, the Pesantren established a special body focusing on community development activities, Balai Pengkajian dan Pengembangan Masyarakat (Bureau for the Community Study and Development). With the existence of this organisation, the Pesantren was able to conduct more varied projects in the community, that made use of its strengthened capacity and management (Anwar, 1986). Based on these achievements, Pesantren Pabelan became well-known both locally and nationally as a pioneer in *pesantren*-based community development works. After this, many social and NGO activists organised training and discussions in Pabelan, that even attracted attendees from overseas. Between the mid of 1970s and 1980s, Pesantren Pabelan became an important part of a network of *pesantren* with the same concerns and vision, like for instance, Pesantren Maslakul Huda in Pati, Pesantren Cipasung in Tasikmalaya and Pesantren An Nuqoyah in Sumenep. With LP3ES, and later through P3M, leaders and activists from these *pesantren* often met at training sessions and other knowledge sharing forums (see Rosidi, 2008).

After running for 10 years, and because of the donor's own rules which limited the period over which projects with a particular organisation could be funded, the German donor Frederich Neumann Stiftung (FNS) was unable to continue funding for this LP3ES's project. Finally activists of LP3ES, including Dawam Rahardjo, formed another NGO, P3M (Centre for *Pesantren* and Society Development) in 1983 with a purpose of continuing the project and were able to receive further funding from FNS (interview with Dawam Rahardjo, August 28th 2013). The P3M then became a pioneer of the broader promotion of development-oriented projects among *pesantren* (Rahardjo, 1985), up until it concluded this project in early 1990s (interview with Masdar Farid Mas'udi, June 20th

2013). We can find a number of publications on the theme of *pesantren* and community development produced in relation to this project, mainly in Indonesian and published by LP3ES and P3M, such as Rahardjo, ed. (1985; 1988) and Oepen and Karcher, eds. (1988).

In a broader sense, both LP3ES and P3M represented the emerging activism of Muslim intellectuals who shared a concern with the negative impact of modernisation during the New Order era: in particular, economic inequality and the undemocratic nature of state management by the New Order from 1970s to 1998. They suggested that any development should be based on Islamic principles and values. Otherwise, they argued, a Western-style modernisation would erode the morals and culture of the Muslim community. Another criticism arose from their concern with economic injustice. Many perceived that the Indonesian state's ongoing development projects were of benefit mainly to the elites and the (non-Muslim) Chinese magnates and exacerbated wider economic inequality. This concern had been discussed among urban educated Muslim middle class from the early 1970s and led a number of Muslims intellectuals and activists such as M. Dawam Rahardjo (b. 19410, Adi Sasono (b. 1943), Mansour Fakhri (d. 2004), Sahal Machfudz (d. 2014), and Masdar Farid Mas'udi (b. 1954) to develop a discourse that linked Islam with welfare and social justice. They tried to link Islamic doctrines and discourse to the contemporary global problems faced by the Muslim community by promoting anthropocentric Islamic terms such as 'social piety', 'social *fiqh*', 'transformative Islam', and 'justice religion' (Latief, 2012: 85).

One of the successful partners of LP3ES and P3M throughout the 1980s and 1990s was Pesantren Maslakul Huda in Kajen, Pati, Central Java. According to my fieldwork survey in 2013, it still manages eight branches of a rural credit loan bank (Bank Perkreditan Rakyat, BPR), while other programs or business units had been closed due to mismanagement.

According to Zubaedi (2009), the socio-economic activity of this *pesantren* relies in part on the vision of its leader, Kyai Haji Sahal Mahfudz, and his ability to contextualize Islamic teachings within a particular social context. Given the poor living standards of the surrounding community, Mahfudz coined the idea of *fiqh sosial* (social fiqh), an intellectual effort to drive the discourses of Islamic law from an overemphasis on ritual devotion to social concerns. In so doing, he promoted the concept of public good (*maslaha*) as the most important consideration in answering contemporary community problems. Inspired by Al Ghazali, a classic Islamic scholar, Mahfudz cites in his paper, “an Islamic scholar should have a social sensitivity and be able to comprehend ‘the spirit of the era’ for the sake of the *umma*’s interests in the world. As *maslaha* changes over time, our interpretation of Islamic text should be temporal and flexible” (quoted from Zubaedi 2009: 73).

Budiwiranto, who conducted fieldwork in the Pesantren in 2005, has argued that what Pesantren Maslakul Huda did was an alternative to the ‘top-down’ approach of the New Order’s development policies and practices. Given the fact that Indonesian *pesantren* are mostly managed through a living patron-client culture where the authority of *kyai* is unquestioned, the author examined whether the Pesantren was able to carry out a ‘participatory development’ approach in practice. The ‘participatory development’ projects that were introduced and promoted by some NGOs to the *pesantren* worlds from early 1970s to early 1990s were susceptible to collapse when the funding from foreign donors was terminated. Most *pesantren* were unable to mobilise the available natural and human resources to develop community-based economic enterprises, instead they created new dependency of the communities surrounding them. Therefore, there are no remaining outcomes of this project except for a small number of business units, such as microfinance cooperatives and grocery cooperative that belong to *pesantren*, rather than the community (Budiwiranto, 2007; 2009).

An Indonesian social activist Mansour Fakih who was involved in that project has expressed a deep concern over the internal paradoxes and ambiguities between the values advocated by the project and the culture of *pesantren* world. For example, some *pesantren* people felt that ideas such as ‘participatory development’, ‘social empowerment’, and ‘economic equality’ were often contradictory to the absolute leadership of *kyai* and ‘feudal’, deferential culture within *pesantren* (Fakih, 1988).

Meanwhile, the continuation of several projects in Pesantren Pabelan can still be followed up until 2015. For instance, in 1978, the Pesantren organised training in basic health care for its students and local youth. They were then grouped into several task forces to raise awareness of healthy lifestyles such as house design, water and waste management for the local people. This program transformed the Pabelan village into a healthy and environmentally sustainable village, and the Pesantren received an award from the Indonesian government in 1978 for its community healthcare program and in 1982 for its environment conservation project (*Kalpataru*). As a proof of the sustainability of this project, it received the same two awards again in 2007. Besides, the local artisans producing household equipment made from bamboo and stone still exist in the village although there is no longer business coaching by the Pesantren. According to Habib Chirzin – an activist who has been involved in managing various community project in Pabelan from late 1970s - the performance of the project fluctuates, but it is fine as long as the community’s activities which were derived from the project can be sustained (phone interview with Habib Chirzin, December 4th 2015).

The P3M was committed to socio-economic issues in the *pesantren* world up until the early 1990s. Later, when Masdar Mas’udi became its director in 1994, the direction and priority of the organisation switched to discourse programs (interview with Suraji, May 30th 2013). Why

did P3M shift from community development-oriented projects toward political education and contextualisation of Islamic teaching (*penyegaran pemahaman Islam*) projects? There are some possible explanations for this shift. First, there was a new understanding that poverty is a broader political and structural problem. To address these problems P3M needed to focus on democratisation and contextualisation of Islam towards material issues.

There is a popular anecdote among NGO activists in Indonesia, “if the fish pond is fully occupied by the powerful, how can people fish even if they are given a hook? [give the Indonesian in a footnote?].” Therefore, they saw the work needed at that time was to raise people’s consciousness as to their state of oppression (interview with Ahmad Suaedy, May 22nd 2013). A part of these efforts were projects on human rights, gender, civic education, and a theology of land (*teologi tanah*) (interview with Suraji, May 30th 2013). This last topic was a response to the increasing hostility between government and people regarding land occupation for the purpose of development projects in early 1990s, such as Kedungombo Dam construction project in Central Java which forced thousands of inhabitants from their homes without adequate compensation.

Second, this shifting concern might be shaped partly as a result of a growing dissatisfaction among development NGOs over their twenty years of work in development projects. They saw there was no significant political and economic progress in rural neighbourhood (Fakih, 1996: 105-6). Fakih’s study (1996) reveals that in the early 1990s NGO activists realised that their development projects were trapped within the same logic of developmentalism as that of the government’s projects. As a result of this, they came to a conclusion that the reformative approach had to be replaced with a more transformative approach. The latter approach put emphasis more on political consciousness through popular education and counter-discourse production. A part of these efforts was

the dissemination of Islamic liberal theology through a P3M-published magazine *Pesantren* (not to be confused, this is a magazine title) whose aim was the contextualisation of Islamic teachings in accordance with the current changes in worldly affairs.

Concurrent with the P3M's intense promotion of community-development projects among *pesantren* in early 1980s was an internal dynamic within Nahdlatul Ulama (NU) that aspired to move the focus of this organisation from politics to the socio-economic conditions of its followers. Part of this shift of focus occurred when NU, as the socio-political organisation to which most Indonesian *pesantren* were affiliated, declared its withdrawal from the political arena at its 1984 National Congress. Van Bruinessen and Wajidi (2006) have argued that the branding of 'social concerns' within NU was a result of the interplay between the influence of NGO activists affiliated to NU, mainly those who were active in LP3ES and P3M, and the widespread political dissatisfaction among the younger generation within NU with the 'stagnant and unprogressive' nature of the organisation due to its elites' involvement in political parties. 'Social concerns' meant the withdrawal of NU from the political arena and the prioritising of the religious and social concerns of its constituency (see van Bruinessen, 1991).

Nevertheless, I argue that the formal withdrawal from politics actually did not reduce the involvement of NU activists in politics. According to Robin Bush (2009: 80), the withdrawal declaration meant a disaffiliation of NU from the United Development Party (PPP), and a broadening of new political opportunities with the ruling party Golkar. As a result, the focus on socio-economic concerns as had been discussed in early 1980s was not articulated adequately in the organisation's works. A notable example of this was the failed realisation of an ambitious plan in early 1990s to establish People Credit Bank (Bank Perkreditan Rakyat,

BPR) named NUSUMMA with 2000 branches/units within twenty years (Rumadi, 2008: 98).

After the downfall of Soeharto, a greater proportion of NU youth became NGO activists. This was in line with growth of tertiary educated graduates from *pesantren* or NU background in 1990s (van Bruinessen, 2013b: 47-8). Most of them worked in NGOs whose programs were overwhelmingly concerned with the promotion of the progressive and contextualised Islamic discourses. Indonesian NGO activists commonly distinguish three types of NGO: development NGOs, advocacy NGOs, and discourse NGOs (Interview with Lilis Nurul Chusna, May 20th 2013). Most NGOs linked to *pesantren* are discourse NGOs. The most prominent among them are LKiS (Institute for Islamic and Social Studies) in Yogyakarta, Wahid Institute and ICIP (International Centre for Islam and Pluralism) in Jakarta, and Elsad (Institute for the Study of Religion and Democracy) in Surabaya. Such NGOs were initiated by a generation of *pesantren*-educated activists who had gained their tertiary education in big cities such as Jakarta, Yogyakarta and Surabaya. In addition, P3M remains active, but no longer with community development project (see <http://www.p3m.or.id/>). It has now become a discourse NGO, and its gender program has in turn inspired the establishment of other NGOs, Rahima and Fahmina, which focus on gender issues using Islamic perspectives (van Bruinessen, 2013b: 45-47; see also Rumadi, 2008). It seems that there are no longer any significant NGOs which are involved in partnering *pesantren* on issues of economic development.

The dominant discourse of community development within *pesantren* community and among NU activists disappeared from the early 1990s. I do not have a precise explanation to this change. Van Bruinessen and Wajidi (2006: 225-32) have suggested two reasons for its disappearance: changing trends in issues of concern to NGOs, from

community development to civil society empowerment in the early 1990s, and political liberalisation after the fall of Suharto's authoritarian regime in 1998. The initial NGO trend was concerned more with socio-economic empowerment of society, while the latter was more concerned with raising political awareness through the dissemination of civic education, gender, human rights, and democracy. This argument is in line with Hadiwinata's (2003: 104) contention on the shifting trend within Indonesian NGOs world from being so-called 'development' NGOs to becoming 'Movement' NGOs. In the late 1980s, activists of Indonesian NGOs had begun to realise that their welfare and economic projects at the grass roots would not be successful unless they could change the political and economic structure in which the oppressed were trapped. The factors fuelling this discontent derived from the tightened authoritarian policy of the Suharto regime and the slow progress of those NGOs' own economic projects. Hadiwinata (2003: 109) paraphrased the growing discontents as follows:

that too heavy concentration on economic aspects will reduce NGOs' role to become simply *pengrajin masyarakat* (social artisans) which means that their works demands a high degree of commitment or attention, but has no meaningful, long-term impact on society because structural problems that have caused poverty and destitution (social injustice, economic exploitation, political domination and marginalisation) remain untouched (see Dhakidae, 2003: Chapter 4; Ganie-Rochman and Achwan, 2005; Heryanto, 2005).

The discontent led most NGOs to reposition themselves from being development oriented programs to political empowerment programs. On 19 December 1990, there was a meeting attended by leaders of NGOs in Baturaden, Purwokerto, Central Java which resulted the so-called Baturaden Declaration. One part of the declaration stated: "put more emphasis on advocacy, information sharing and the provision of political

education based on the principles of *anti-kekerasan* (non-violence) and *solidaritas* (solidarity) with the oppressed”. Subsequent meetings further radicalised the political views of the NGOs activists against the government (Hadiwinata, 2003: 110; see also Fakhri, 1996: 102-105).

A further shift, which brought NU and *pesantren* further away from social concerns, was the political liberalisation following the fall of Suharto’s regime. Many young NU cadres, including former NGO activists, joined the new NU-affiliated political party, Partai Kebangkitan Bangsa (National Awakening Party, PKB). The political liberalisation also brought *kyai* back into the political arena, from which most had withdrawn in 1984. Many *kyai* played active roles in PKB. The party was established by Abdurrahman Wahid as the vehicle for the political ambitions of the NU constituency. It had the effect of redirecting many human and economic resources away from educational and community-oriented activities to the struggle for political positions at the national and local levels (van Bruinessen and Wajidi, 2006: 225-32). The more recent leadership of Hasyim Muzadi (1999-2010) had brought NU into deeper involvement in electoral politics at both national and regional level. Under the current chairman, Said Aqil Siradj (2010-2015), stricter rules have been applied for leaders at all levels with regard to contesting elections. Given a huge following and general perception that politics is a way to attract fund, the organisation is unable to be free itself from the temptations of politics (see Nurhasim and Ridwan, 2004; Karim, 2008; Ridwan, 2010; Fealy and Bush, 2014).

In addition to the explanation mentioned above, the policies of funding agencies were also believed to be contributing factors to the disappearance of community development project in late 1990s. Among the most important donors partnering with NU/*pesantren* associated NGOs above was The Asia Foundation (TAF). Many *pesantren* had been

recipients of TAF funds under its program of “Islam and Civil Society” from 1997 to 2007. This was the longest program with the largest budget that TAF has ever managed and distributed.

TAF’s initial interest in partnership with Muslim intellectuals and NGOs was based on an evaluation over its programs for women in early 1990s. They saw the women-oriented programs such as those concerning reproductive health and anti-domestic violence that were carried out by Muslim organisations or intellectuals were more effective and gained greater public acceptance compared to the same programs conducted by secular NGOs. TAF then came to the conclusion that promoting democracy and human rights in Muslim dominated society like Indonesia had to involve Muslim intellectuals or Islamic organisations. At the same time, the increasing popularity of Abdurrahman Wahid who had both mastered classic Islamic sciences and was able to blend them with modern ideas encouraged TAF figures to establish a more intense partnership with young intellectuals from a *pesantren* background. As a result of this, there was unprecedented NGO activism among NU/*pesantren* youth in that period, which extended down even to small cities. The program was terminated in 2007 after a fierce allegation by conservative Muslim groups that TAF was destroying Islam by spreading religious pluralism and such like (interview with Budhy Munawar Rahman, May 24th 2013; see also Gillespie, 2007; Harvey, 2009; van Bruinessen, 2011; Nasir, 2014).

It is instructive to note here that the backlash against progressive discourse in Indonesian Islam has been indicated by the widespread negative reaction, including among those from the *pesantren* world, over anything associated with efforts to promote religious pluralism, democracy, and human rights using Islamic perspectives (van Bruinessen 2013a: 16). This atmosphere also delegitimises activities of discourse NGOs with funding from Western donors (see Harvey, 2009; van Bruinessen, 2011).

As a consequence of the termination of consciousness raising programmes, the situation has inspired the idea of using community development projects as a means of promoting civil values which is part of 'discourse program' (interview with Budhy Munawar Rahman, May 24th 2013). In 2008-2009, the PPIM (Pusat Pengkajian Islam dan Masyarakat, Centre for the Study of Islam and Society) of State Islamic University (UIN) in Jakarta and Puskadiapuma (*Pusat Kajian Dinamika Agama, Budaya dan Masyarakat*, the Centre for the Study of the Dynamics of Religion, Culture and Society) from UIN Yogyakarta tried to implement community development programs in some *pesantren* in Java with a hidden agenda of disseminating civic values (interview with Ahmad Muqowim, July 22nd 2013). In this project, the initial focus was on creating income generating business for the *pesantren* and strengthening their socio-economic role in the neighbouring community. In the process, facilitators from PPIM and Puskadiapuma inserted the civic values. This approach was relatively acceptable. A different reaction from *pesantren* world might have occurred if the delivery was started by discussing human rights or religious pluralism (Jahar, Saepudin et al., 2009). This was the experience of the Jakarta-based ICIP (International Centre for Islam and Pluralism), when it suffered refusals from some *pesantren* that were invited to participate in its program as there had been a massive negative campaign against it. ICIP, together with Islamic Liberal Network (JIL), have been the major targets of such negative campaigns by conservative groups, alleging that they function as Western agents and wish to destroy Islam (Interview with Budhy Munawar Rahman, May 24th 2013; and with Farinia, May 29th 2013).

I contend that there is currently no significant influence and support from NGOs and donors for *pesantren* in strengthening their socio-economic role. In contrast, the programs and funds for strengthening their capacity in education have increased tremendously in post-Soeharto era.

For example, AusAID (the Australian government's overseas development aid) has funded a capacity building program for English teachers of Islamic junior secondary schools (*madrasah tsanawiyah*), many of whom are affiliated to *pesantren*, in East Java, West Nusa Tenggara, and South Sulawesi. On economic development programs, AusAID has made budget allocations more on a government-to-government basis, rather than through direct engagement with micro economic development at grass roots level (<http://aid.dfat.gov.au/>). Similarly, USAID of United States of America has been involved with Islamic schools in education programs, rather than economic development programs (<http://www.usaid.gov/indonesia/education>).

Proponents of Islamic Microfinance

In addition to technical support from organisational arms of NU, government, and NGOs, there have also been influence and support from proponents of Islamic microfinance for *pesantren's* socio-economic community engagement. Although their coverage is limited to a few *pesantren*, their support has provided concrete outcomes in the form of Islamic microfinance business in some *pesantren*. The existence of organisations promoting Islamic microfinance is a further development of Islamic banking in Indonesia (Hefner, 2003; Antonio, 2008; Choiruzzad, 2013). In addition to large Islamic banking sector, part of this trend has been the emerging Islamic microfinance enterprises or what are locally called BMT (*Baitul Maal wat Tamwil*, Islamic credit and saving cooperative) providing small and medium enterprises with more accessible loans (Sakai, 2008) and a more effective way of propagating Islam to achieve social justice (Sakai, 2014). Despite the growing interest in establishing such financial institution, only a few people know how to start and manage such microfinance businesses. Within this context, there have appeared

organisations or associations that provide management training and other technical assistances as well as channelling funds from banks for the start-up of BMTs. The first organisation delivering such assistance was PINBUK (*Pusat Inkubasi Bisnis Usaha Kecil*, Centre for Small Business Incubation), which was subsequently followed by some others.

In this section, I discuss PINBUK considering its nature as a pioneer in promoting Islamic microfinance in Indonesia, and the fact that many of participants in its workshops were *pesantren*. Another organisation in the field of Islamic microfinance is ICA (*Investa Cendekia Amanah*). ICA is the first and only microfinance institution that I could find that was born from NU and *pesantren* circles.

PINBUK's first experience in promoting BMT movement among *pesantren* was through P2KER (*Proyek Peningkatan Kemandirian Rakyat*, the People's Economic Empowerment Project) funded by the Ministry of Cooperative in the mid-1990s. The project was conducted through a series of campaigns and workshops in *pesantren* in several regions (Antonio, 2011: 326-7). Aslihan was the PINBUK officer in East Java who delivered the project. He obtained diverse responses from *pesantren* people who are mostly affiliated to NU: some were very excited and some others were indifferent. Some *pesantren* leaders had a negative view of PINBUK as they saw it being linked to ICMI which is strongly associated with Muslim modernist camp especially Muhammadiyah (see Dhofier, 2011). As a result, they considered the BMT concept was part of a Muhammadiyah agenda. There were, however, some who accepted PINBUK enthusiastically. For instance, PINBUK's workshop in Pesantren Genggong, Probolinggo in 1996 successfully inspired Pesantren Sidogiri to initiate what is currently the largest *pesantren* BMT (see Isbah, 2011; 2012; interview with Aslihan, May 5th 2013). Apart from obstruction that was the result of political rivalries, Aslihan also found a degree of

inconsistency and poor management practices among *pesantren* in dealing with economic projects. When they were invited to a workshop which was to discuss BMT formation, *pesantren* often sent their teachers or students. Ironically, when PINBUK came to distribute funds to start up the BMT, the *pesantren's kyai* were often the recipients. Consequently, what they learned and planned in the workshop was often not in line with the *kyai's* plans regarding the funds (interview with Aslihan, May 5th 2013). Along with the political change in Indonesia, PINBUK is currently not as strong as in the New Order era when it had access to numerous government projects and funds.

Meanwhile, ICA (Investa Cendekia Amanah) is a foundation established in 2012 by Cholil Nafis, a lecturer on Islamic Economics at the University of Indonesia in Jakarta, Lukman Masyhuri, a former banker who switched to the BMT business over the last 13 years, and Kyai Mu'tasim Billah, the leader of Pesantren Sunan Pandanaran in Yogyakarta. All three were educated in *pesantren* and share the same vision of the economic potential of *pesantren*. The foundation claimed to be committed to equal emphasis on business and empowerment. Cholil Nafis claimed that ICA tries to combine the good aspects of both NGOs and corporations. The good aspect of NGOs is their devotion to deliver empowerment, while their weakness is their dependence on donor funding. Meanwhile, the strength of a corporation is its persistence in maintaining sustainability of its business, yet their weakness is that they display little concern over the public good. So, combining the good aspects of these two will be a solution to issue of sustainability in social empowerment works.

Why did they choose Islamic microfinance as the form of business for their empowerment project? ICA considers BMT is the most feasible, as well as strategic, form of business for *pesantren* for the following reasons. First, with many students and teachers, the initial customers of BMT were

already present in *pesantren*. Therefore, the first stage can be achieved by depositing the school fees into the BMT, providing credits to the teachers and financing the *pesantren*'s projects. Second, the good reputation of *pesantren* and their leaders (*kyai*) is priceless capital in gaining the trust of the community. With such social capital, marketing expansion to neighbouring community is not too difficult. Third, BMT can be a trigger for subsequent *pesantren* or community-owned economic projects. Thus, BMT is part of ICA's broader mission to initiate community-owned business projects. In addition, regarding the propagation mission, BMT can be a medium for educating the community on how to conduct *shariah*-based economic practices in practical forms, and not being limited to theoretical and discursive forms only (see Sakai, 2014; interview with Cholil Nafis, May 19th 2013).

Unlike PINBUK and some intermediary funding organisations, ICA is a franchise through which it becomes directly involved in the business process as a shareholder of every BMT unit in many *pesantren*. New BMTs do not need to register as legal entities, instead they use ICA's legal entity. So we find the brand of ICA accompanying the local brand such as BMT Sunan Pandanaran ICA in Yogyakarta or BMT Al Mas'udiyah ICA in Sukabumi. ICA put different amounts of capital funding into each of its subsidiary BMTs, depending on the funding capacity of the *pesantren*. However, ICA claims share ownership as compensation as an agreed percentage for the training, computerised system and supervision it provides (interview with Cholil Nafis, May 19th 2013).

The technical stages ICA employs to establish such BMTs begin with the invitation of at least three people from a *pesantren*. These three people are seen as the projected operators of the projected BMT. Then, they are trained and sent on internships for considerable time, until they are confident in their knowledge and skills. When they are ready, they are

sent back to their *pesantren* to start up a BMT. In the first three months, Cholil Nafis and Lukman Masyhuri supervise them intensively. Both of them often stay for a week in, and make frequent visits to, the BMT to make sure that its operation is running well. In fact, ICA has operated from 2010 but only in 2012 did it successfully established 5 BMTs in partnership with 3 *pesantren* in Yogyakarta, Sukabumi, and Lampung. In 2013, it planned to establish 7 more BMTs in a number of *pesantren*. In its experience, some *pesantrens'* BMTs can achieve profitability in less than six months (interview with Cholil Nafis, May 19th 2013). Having demonstrated such concrete outcomes, organisations like PINBUK and ICA discussed here, are, nevertheless, constrained by their limited reach.

In its attempt to persuade *pesantren* to become involved in this business scheme, ICA has had to face some obstacles. The first obstacle was that many *pesantren* people are found to be not confident in their abilities to start a profitable business using their *pesantren* brand. If they collect investment funds from their community and eventually their business fails, they are worried that their religious authority in the community will be diminished. The second obstacle was that in general *pesantren* people are now spending a greater proportion of their time dealing with educational affairs of their *pesantren* since most *pesantren* now operate schools with a tied schedule and are tightly governed by government regulations. Therefore, *pesantren* leadership feel that they no longer have spare time to take on other jobs. The last obstacle is the poor management practices inside *pesantren* in term of authority delegation. When a *kyai* was offered a partnership project, some of them then asked that one of his sons or a family member be put in charge in the project without considering their capability. Such problems have occurred mainly in small-size *pesantren* which do not have adequate quality staff and rely on support from the inner family members of the *kyai* (interview with Cholil Nafis, May 19th 2013).

Government's Economic Projects Involving *Pesantren*

The Indonesian government has viewed *pesantren* as strategic agents in the mobilisation of grass roots level socio-economic development projects. Such a view was first revealed in the middle of the New Order era when Mukti Ali became the country's Minister of Religion (1973-1978). At that time, Mukti Ali tried to convince *pesantren* to be supportive of the regime's national economic development agenda. Mukti Ali's attempt was manifested in the Ministry's programs to introduce life skills in *pesantren's* curricula and to encourage *pesantren* to establish income generating businesses such as livestock and farming (van Bruinessen, 1994: 243). Most *pesantren*, however, responded badly to this government initiative. During the New Order era, there were political constraints on building good relations and partnerships between the government and *pesantren*. Most Indonesian *pesantren* were led and managed by traditionalist *ulama* affiliated to Nahdlatul Ulama (NU), while the Ministry of Religion which funded most programs dealing with *pesantren* was always led by ministers from modernist backgrounds. As a political block, moreover, Nahdlatul Ulama mostly held a position that was not supportive of the regime. This broad political context meant that any initiative by the government was not accepted warmly, and often with suspicion, by the *pesantren* community (van Bruinessen, 1994: 243). This is contrary to political configuration during Soekarno's administration (1945-1966) in which the Minister of Religion was mostly occupied by figures from Nahdlatul Ulama or *pesantren* community (Fealy (2003: 359-61).

The demise of the New Order regime in 1998 created a new political landscape in which people from NU or *pesantren* background have been able to take various positions in government, especially at the Ministry of Religion which have been continuously held by ministers from NU. This political change has created a new period of warm relations

between government and *pesantren* communities as they see that those who govern their affairs are their own people.

There are currently three ministries which have economic development programs that facilitate partnerships with *pesantren*. These programs are located in the Ministry of Religion (Kementerian Agama), the Ministry of Agriculture (Kementerian Pertanian) and the Ministry of Cooperatives and Small-Medium Enterprises (Kementerian Koperasi dan UKM). The Ministry of Religion has two bodies to deal with *pesantren*, the Directorate of Pondok *Pesantren* and Madrasah Diniyah and the Division of Religious Education in its Research and Development Agency (Balitbang). The first manages more applied programs such as institutional and teacher capacity development, while the latter conducts researches on *pesantren*. To strengthen *pesantren* as agents of community empowerment, the Directorate's programs are more facilitative in nature. For example, the Directorate has collaborated with the Ministry of Cooperatives in delivering programs related to microfinance. In addition, their planned activities are mostly short term and without long term strategic planning (interview with Ruchman Basori, May 18th 2013). Therefore, it cannot claim a program as a success or as a failure as its position is merely that of a facilitator for the involvement of other government institutions and it has no capacity to engage further in such socio-economic programs. In addition, the Directorate does not engage in clear long-term strategic planning for such programs.

The Research and Development Agency (Balitbang) of the Ministry of Religion has previously carried out participatory action research on *pesantren*. The research was started by a participatory assessment that aimed at identifying the needs and potentials of every participating *pesantren*, and was followed by a workshop whose final outcome was a business plan for participating *pesantren*. This was then followed by internships in other

pesantren that demonstrated successful performance in relevant businesses. The final stage was the execution of the business plan with funding assistance from the Agency. After a year of operation, the Agency found three different patterns: those who tried to replicate the same business they learned in other *pesantren*, those who tried to create different business as an adjustment to their specific situations, and those who failed totally to execute their own plans (interview with Husain Hasan Basri and Târif, May 23rd 2013). In general, *pesantren* which performed well were those that had an initial business unit, which meant that the project was like an injection to develop their existing business. In contrast, the project had little effect on *pesantren* that did not have a business unit. For economic activities among *pesantren* to be successful, it seems that the initiative has to be coming from within, rather than be externally imposed. External encouragement and support are unlikely to affect outcomes in a substantial way.

The Ministry of Agriculture collaborates with *pesantren* in its program of LM3 (Lembaga Mandiri yang Mengakar di Masyarakat, Institutions with strong social roots). This program covers not only *pesantren* but also other religiously-based institutions such as Christian seminaries and Balinese-Hindu *Subak* (see Dante 1992: 89-95). Given Muslims represent a majority within the Indonesian population, most institutions involved in this project were Islamic *pesantren*. The program was actually a continuation of the government's long term engagement with *pesantren* on economic issues. There had previously been a joint decree by the Minister of Agriculture and Minister of Religious Affairs number 346/1991 and several subsequent regulations that proposed the government's engagement through LM3. The reason to involve such institutions is that they are considered as having capability in disseminating 'development messages' to community through their moral and social education programs in

the community. As such, they are regarded as having great potential to become grassroots agents of development (the Regulation of the Minister of Agriculture number 47/2007, p. 9-10). An official from the Ministry of Agriculture has claimed that 30 % of recipients of this program could be categorised as successful, while another 30 % are less successful, and the remaining 40 percent are failures (interview with Supriyadi, June 5th 2013).

In addition, the growing popularity of ‘agribusiness’ in the post-New Order has given particular relevance to the LM3 program. As stated in its legal basis, the title of the Regulation of the Minister of Agriculture number 47/2007 is “A Guidance for the Empowerment and Development of Agribusiness by Institutions with Strong Social Root”. By using the term ‘agribusiness’, this program advocates an entrepreneurial ethic in the agricultural sector. The government believes that agricultural development using agribusiness approach will be able to improve community welfare. In 2007, the Ministry of Agriculture allocated Rp. 250 billion to be distributed to about 1000 LM3 institutions in 33 provinces (Regulation of the Minister of Agriculture number 47/2007, p.10). According to a directory published by the Ministry in 2012, there have been 7.409 LM3 institutions which have received a grant (Badan Penyuluhan dan Pengembangan Sumber Daya Manusia Pertanian, 2012). The Ministry published *Directory LM3 Model* containing a list of some selected recipients who are considered successful from which other LM3 institutions could learn. The current budget for the program unfortunately could not be obtained.

There are two critical issues regarding this project: grant distribution and fund usage. To obtain this grant, an LM3 institution theoretically should send its proposal accompanied by a letter of recommendation from local government to the Ministry. In practice, however, the proposal seems to be endorsed by politically influential figures or well-networked lobbyists.

A *kyai* in Central Java who had obtained the grant twice confessed that he asked for help from a local politician with a good network in Jakarta to “escort” (*mengawal*) his proposal (interview with a *pesantren* leader in Kudus, July 17th 2013). I am unable to generalise as to whether grants that are channeled through such complex political channels and interests represent a majority of grants. Recent studies by Aspinall (2013) and Hamayotsu (2015), however, have implied that access to government funding sources has become an important form of “cement” for political affiliation and patronage that involves the state structure and political parties. Government projects (Indonesian: *proyek*) are widely used by those who have authority and access to decision makers as a way of obtaining political support from potential mass brokers and leaders, such as *pesantren kyai*. Consequently, many government grants are not distributed to appropriate recipients.

Related to the issue of use of funds, some *pesantrens* I visited could not properly account for or even demonstrate the existence of the agribusiness projects that were supported by these grants. This was the case with Pesantren Paculgowang in Jombang and Pesantren Sunan Drajat in Lamongan. Surprisingly, the LM3 projects for those *pesantren* were categorised as successful *LM3 Model* and listed in the Directory in 2011. The Directory describes Pesantren Paculgowang having three community groups in agriculture, livestock and small industry comprising 60 people. My observation did not find any continuation of such activities. Similarly, the Directory has reported that Pesantren Sunan Drajat was managing an agribusiness project, but in reality the soil in the Pesantren’s area was totally unsuitable for agriculture.

Likewise, researchers from the Ministry of Religion who were involved in *pesantren* projects I had interviewed criticised the LM3 project as not achieving any concrete benefit for the *pesantren* (interview with

Husain Hasan Basri dan Ta'rif, May 23rd 2013). In their research, they did not see significant economic benefits for those *pesantren*. They concluded that if such grants were given to a *pesantren* which lacked the capability to carry out a project, then the funds would have been misused. Conversely, if the funds are granted to *pesantren* with growing economic activities, the fund must have been beneficial to them. So LM3 project looks like an artificial program that does not pay serious attention on how *pesantren* create relevant income generating activities, rather it provides money for any purpose for which they wish to use it.

During my fieldwork I found the Ministry of Cooperatives delivered its programs dealing with *pesantren* cooperatives and other economic projects through a sub-contractor company called LPDB-KUMKM (*Lembaga Pengelola Dana Bergulir Koperasi, Usaha Kecil dan Menengah*, Managing Institution for Revolving Funds for Cooperative and Small-Medium Enterprises). The company could not provide any data due to business confidentiality. I acknowledge the limitation of my data that I observed only four of the 20 *pesantren* listed in the LM3 Directory. Complemented by additional information I collected during my fieldwork and discussed above, I would say that the government's programs have not significantly assisted *pesantren* in improving their capacity to conduct socio-economic projects.

Conclusion

This article has examined external factors to *pesantren's* socio-economic activism, such as partnerships and technical-financial support offered by NU, NGOs, government, and organisations promoting Islamic microfinance. These external factors, in my view, have not enhanced much the capacity of *pesantren* to address the socio-economic problems of their community. The poor performance of programs within these

organisations was sometimes the result of ambivalent responses from *kyai* or poor internal management practices of *pesantren* themselves. Only organisations that promote Islamic microfinance, such as PINBUK and ICA presented here, have demonstrated more concrete and successful outcome in their partnerships with *pesantren*. As private and independent entities, however, those organisations do not have the capacity to form partnerships with many more *pesantren* due to their limited resources. A *kyai's* vision, managerial skills, and their inclination regarding what they should provide for the local community are always measured against the local community's expectation. Despite the limits of external support, some *pesantren* show that they are undertaking dynamic engagement with the local community and are significantly improving the welfare of the local community.

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