

**INDONESIAN BIODIVERSITY FOUNDATION
YAYASAN KEANEKARAGAMAN HAYATI INDONESIA**

REPORT OF THE DESIGN TEAM

**Jakarta, Indonesia
January, 1994**

Portions of the Design Team Report were written by **Ted Smith, Ismid Hadad, William McCalpin, Paul Carter, and James Taylor**. Important supplementary written contributions were made by **Wimar Witoelar, S. Juliani, Stephen Kelleher, and Frances Seymour**. **Agus Purnomo, Jerry Bisson and Ketut Djati** assisted the Team's work in important ways. The Team was funded by the Biodiversity Support Program under a grant from USAID.

CONTENTS

I.	Project Background	1
II.	Project Description	3
III.	Legal Basis for the Indonesian Biodiversity Foundation	6
IV.	Organization and Management Tasks	60
V.	Grantmaking Policy Options: An Introduction	67
VI.	Management of Financial Assets (Endowment)	71
VII.	Financial Management Systems	80
VIII.	Mobilizing Additional Financial Resources	84
IX.	In-Country Advisory Services to the foundation	88
X.	Technical Assistance Options	90
XI.	Monitoring and Evaluation	95
XII.	Budget Recommendations	98
XIII.	Timetable for Implementation	102

APPENDICES

- 1) Grantmaking Policies: Witoelar, Kelleher, Juliani, Seymour, McCalpin
- 2) Finance-Related Technical Assistance, Flow of Funds and Cash Management, Management of Financial Contributions from Sources Other than USAID: McCalpin

I. PROJECT BACKGROUND

1. The Indonesian Biodiversity Conservation Program

In the Tokyo Declaration, signed by President Bush and Prime Minister Miyazawa (January 1992), the United States and Japan mutually agreed to strengthen cooperation in preserving the environment through helping developing countries create national centers for the management and conservation of natural resources. In Indonesia, the first country selected, the two countries have proposed a coordinated program of assistance for the conservation of biological diversity. The collaborative bi-lateral effort -- the **Indonesian Biodiversity Conservation Program** -- is designed to support the implementation of Indonesia's national biodiversity strategy and action plans.

At the UN conference on Environment and Development (UNCED) at Rio de Janeiro in June 1992, the governments of Indonesia, Japan and the United States made a commitment, reflected in the signing of Agenda 21, to promote the conservation of biological diversity. In June 1993, the United States joined Japan and Indonesia as a signatory to the International Convention on Biological Diversity. The Convention obligates the three governments to undertake the conservation measures as outlined in Agenda 21. The U.S. and Japan, as signatories to the Convention, also made a commitment to provide financial and technical assistance to developing countries (e.g. Indonesia) to help them fulfill their conservation obligations. The proposed joint biodiversity conservation program in Indonesia provides all three governments with the opportunity to fulfill part of their international commitments.

Indonesia is recognized as one of the world's foremost centers of biological diversity, with rich plant and animal resources and a wide range of terrestrial and marine habitats. Although it covers only 1.3 percent of the earth's land surface, Indonesia holds 25 percent of the world's fish species, 17 percent of bird species, 16 percent of reptile and amphibian species, 12 percent of mammal species and 10 percent of flowering plant species. The country's tropical forests contain the most biologically rich ecosystems in the world. Approximately 114 million hectares of closed tropical forests remain in Indonesia today, representing more tropical forest than any country other than Brazil possesses, and comprising more than half of Asia's remaining tropical rain forests. Indonesia also contains the most extensive system of coral reefs in the Indo-Pacific Ocean and has more marine coastline than any tropical country.

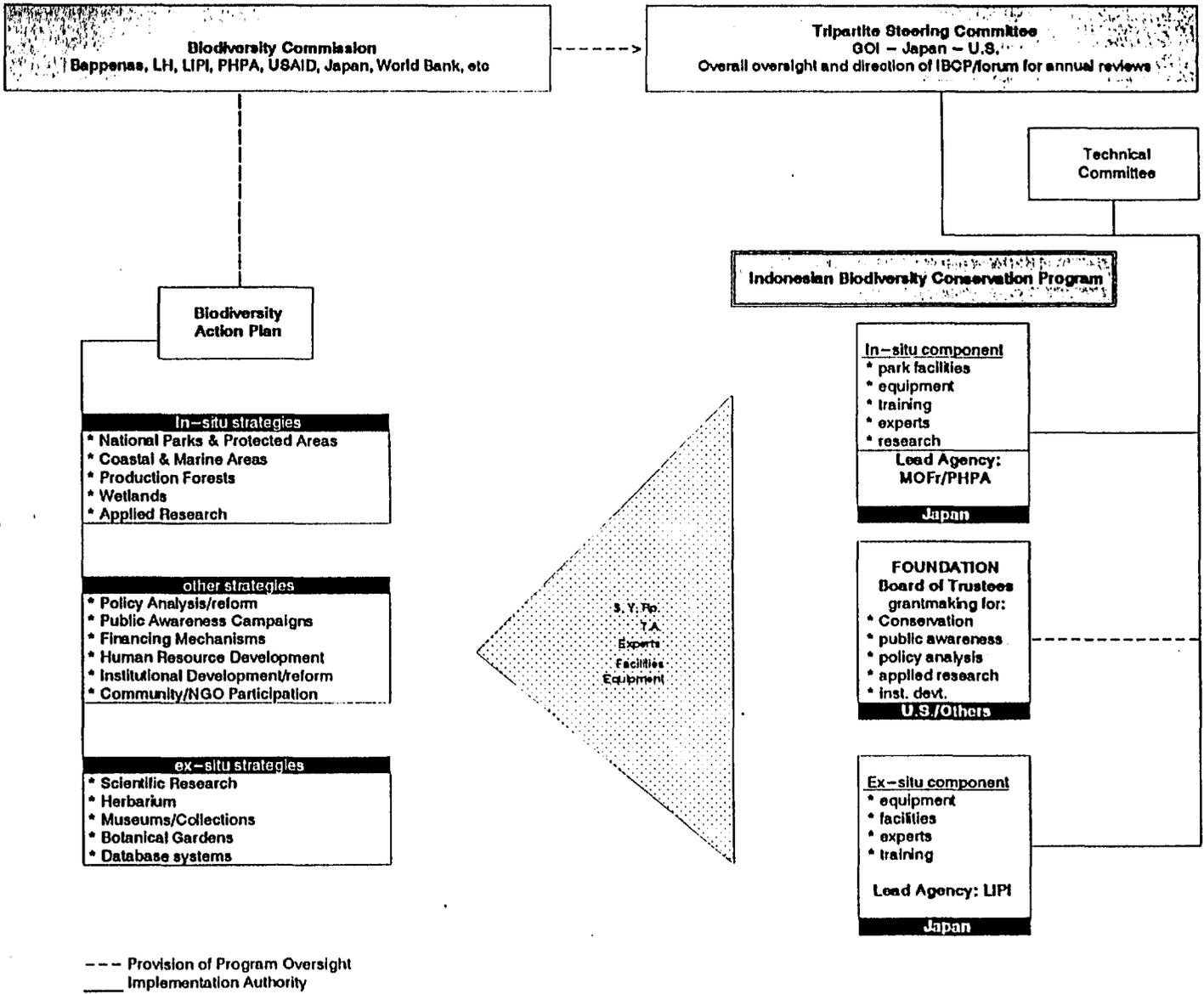
The *Biodiversity Action Plan for Indonesia* (1991), prepared by the Indonesian government in cooperation with scientific institutions and NGOs, provides a framework for domestic funding and international assistance to conserve Indonesia's tremendous biotic wealth. The *Action Plan* details a strategy for conserving biodiversity in national parks, protected areas, production forests and agricultural lands, and through scientific institutions, museums and botanical gardens. The national objectives include slowing the loss of critical habitats, expanding the information available on biodiversity and utilizing biological resources in a sustainable manner. Achieving these objectives requires policy and institutional reforms as well as the active participation and collaboration of government agencies, local communities and NGOs.

The Governments of the United States and Japan are considering funding complementary and parallel components of the joint Indonesian Biodiversity Conservation Program at a projected level of up to \$20 million each over a period of five years. Proposed GOJ support for the joint program involves improving *ex-situ* (off-site) conservation facilities, supporting scientific research programs, managing selected protected areas *in-situ* (in natural state) and developing a national biodiversity information system. The U.S. component of the joint program is the establishment of an independent, self-sustained, grant making foundation whose grants would fund a variety of activities designed to catalyze and lead national, regional and local biodiversity programs

The management structure for the joint program will include the creation of a *Tripartite Steering Committee*. This *Steering Committee* will be composed of representatives from the Governments of Indonesia, Japan and the United States. The *Steering Committee* will be responsible for ensuring that the various program components are consistent with and support the implementation of the national *Biodiversity Action Plan*.

The relationship between the Biodiversity Action Plan, the Indonesian Biodiversity Conservation Program and the Indonesian Biodiversity Foundation is illustrated in the following figure.

PROPOSED INSTITUTIONAL STRUCTURE FOR INDOONESIAN BIODIVERSITY CONSERVATION PROGRAM



Note: The Biodiversity Commission has not yet been formed
Interim role is held by the Biodiversity Working Group

II. PROJECT DESCRIPTION

The goal of the Indonesia Biodiversity Foundation Project is to strengthen Indonesia's ability to protect and sustain its extraordinary biodiversity for generations to come. The purpose of the project is a) to create and strengthen the capability of institutions to conserve biodiversity, and b) to promote the wider adoption of proven policies and practices in biodiversity conservation. To achieve this goal, an independent foundation will be established, which can act as a flexible, catalytic funding mechanism to more aggressively identify innovative ways to manage and conserve Indonesia's biotic wealth.

I. Establishing a Foundation to Support Biodiversity Conservation.

The establishment of an independent foundation is primarily an institution-building project with several key requirements. Its legal basis must be soundly conceived, strong governance and leadership assembled, and its Executive Director and staff must be of exceptional caliber. International standards of financial (including asset) management will be put in place, grantmaking programs developed, and procedures for effectiveness and fairness in grantmaking devised. Personnel policies, general operating procedures, a public relations strategy and effective international linkages are also fundamental components of the institution-building process.

The foundation's impact on Indonesian society, will be as a "facilitating instrument," nurturing both institutional and individual leadership. It will not be a direct implementer of programs. It will be designed to provide leadership in the field of biodiversity by informed investments in activities with timely ideas and concepts. It will also be designed to proactively search out opportunities for innovation; engineer collaborative activities among government institutions, universities, NGOs and donors; and promote public awareness. The foundation will also bring key biodiversity conservation actors together in conferences thereby contributing directly to inter-institutional collaboration -- using its funding to orchestrate joint efforts where they do not presently exist.

Grant making activities of the foundation are likely to focus on five key areas:

A. ***Biodiversity Conservation Programs.*** The foundation will provide grants for innovative, direct action conservation programs at local levels throughout Indonesia, reaching into communities to launch community-based activities that would otherwise not be initiated. These pilot programs will prevent biodiversity loss through better management of national parks and protected areas and have potential for providing feedback on national, regional and local policies and impacting policy reforms.

B. *Scientific Institutions.* The capacity of Indonesia's natural science institutions will be strengthened by foundation grants to research projects, biological inventories and training to develop both governmental and private human resources.

Public Awareness. Without broad public understanding and support for biodiversity conservation, it is unlikely that the *Biodiversity Action Plan for Indonesia* will be successful. The foundation will support, through grants, public media programs which can demonstrate the importance of sustaining biodiversity among Indonesian leaders and citizens.

Monitoring the Status of Biodiversity. Monitoring the maintenance and the loss of biodiversity is an area where most governments (including the GOI) have only limited capacity. One of the strategic investments to be made by the foundation will be the creation of a monitoring system which reports on the status of biodiversity loss and conservation activities.

Policy Analysis. The project will stimulate policy analysis by supporting investments in key policy studies associated with economic choices, institutional arrangements, legislation and inter-sectoral coordination. These studies of national relevance will be carried out by capable Indonesian institutions.

2. The Endowment

The most significant USAID input expected in this project is the provision of an endowment of approximately US\$15 million. This endowment, established with appropriate provisions to preclude the erosion of capital, would ensure the sustainability of the foundation as a long-term force for biodiversity conservation. While the \$15 million endowment alone may be inadequate for providing significant amounts of program funds, it represents a pioneering breakthrough in the Indonesian context and will serve to leverage additional contributions from international donors and Indonesian private and public sources.

III. Legal Basis for the Indonesian Biodiversity Foundation: Articles of Association

This section contains two versions (in Bahasa Indonesia and English) of the Articles of Association for the Indonesian Biodiversity Foundation.

YAYASAN KEANEKARAGAMAN HAYATI INDONESIA

✓
Pasal 1.-----

NAMA DAN TEMPAT KEDUDUKAN-----

-Yayasan ini diberi nama: "YAYASAN KEANEKARAGAMAN --
HAYATI INDONESIA" disingkat "Yayasan KEHATI", -----
dalam bahasa Inggris disebut "THE INDONESIAN -----
BIODIVERSITY FOUNDATION", disingkat IBF, -----
selanjutnya disebut "Yayasan", berkedudukan di -----
Jakarta, ibukota Republik Indonesia, dan dapat -----
mendirikan cabang-cabang atau perwakilan -----
perwakilan di dalam maupun di luar negeri, yang -----
ditetapkan oleh Badan Pelaksana Dewan Penyantun, ---
selanjutnya disebut "Badan Pelaksana".-----

Pasal 2.-----

STATUS DAN WAKTU-----

- a. -Yayasan ini adalah suatu lembaga swadaya ---
masyarakat yang bersifat nirlaba, mandiri, --
dan tidak memajukan kepentingan sesuatu -----
kelompok atau aliran politik tertentu.-----
- b. -Yayasan ini mulai berdiri dan berjalan -----
pada hari dan tanggal penandatanganan akta --
ini, serta didirikan untuk waktu yang tidak -
ditentukan lamanya.-----

Pasal 3.-----

AZAS-----

-Yayasan ini berazaskan Pancasila.-----

Pasal 4.-----

MAKSUD DAN TUJUAN-----

-Maksud dan tujuan Yayasan adalah sebagai berikut:--

- a. -Mengusahakan pelestarian sumber-sumber -----
daya alam termasuk keanekaragaman hayatinya -
yang mencakup antara lain keanekaragaman ----
ekosistem, jenis dan genetika, baik secara --
nasional, regional dan internasional.-----
- b. -Mengusahakan terwujudnya kebijaksanaan, ----
program-program dan upaya-upaya untuk -----
pelestarian, pemanfaatan, pengelolaan, -----
pengkajian dan pengembangan sumber-sumber ---

daya hayati dan keanekaragamannya di -----
Indonesia.-----

c. -Merintis dan mengupayakan kerjasama -----
nasional, regional dan internasional di -----
kalangan lembaga-lembaga swadaya -----
masyarakat, lembaga-lembaga ilmiah, -----
penelitian dan pendidikan, dunia usaha dan --
lembaga-lembaga pemerintahan untuk -----
mewujudkan maksud dan tujuan Yayasan.-----

d. -Memberdayakan dan meningkatkan kemampuan ---
masyarakat serta kelembagaannya untuk -----
berperan serta dalam upaya pelestarian dan --
pemanfaatan keanekaragaman hayati secara ----
adil, merata dan berkelanjutan.-----

Pasal 5.-----

USAHA-----

-Untuk mencapai Maksud dan Tujuan Yayasan -----
sebagaimana tercantum dalam Pasal 4 anggaran dasar -
ini, Yayasan melaksanakan atau turut serta dalam ---
usaha-usaha menghimpun dan mengelola dana-dana -----
yang diperoleh dari sumber-sumber di dalam dan di --
luar negeri, serta mengatur penyaluran dana-dana ---
tersebut untuk membiayai program-program dan -----
kegiatan-kegiatan yang dapat mewujudkan -----
tercapainya maksud dan tujuan Yayasan, termasuk ----
namun tidak terbatas pada:-----

a. -Penelitian dan pengkajian untuk -----
perlindungan, penyelamatan, pelestarian dan -
pemanfaatan sumber-sumber daya alam hayati --
dan keanekaragamannya.-----

- b. -Pengembangan berbagai ilmu pengetahuan dan teknologi yang berkaitan dengan keanekaragaman hayati, termasuk bioteknologi yang berwawasan lingkungan, dengan mengutamakan manfaat yang sebesar-besarnya bagi masyarakat Indonesia secara adil dan merata.
- c. -Pembinaan hubungan dan pengembangan jaringan kerjasama dengan pusat-pusat studi dan penelitian, perguruan tinggi, badan-badan penyanggah dana, lembaga-lembaga swadaya masyarakat, kalangan pengusaha dan lain-lain pihak yang terkait dalam kegiatan pelestarian, pengelolaan dan pemanfaatan keanekaragaman hayati baik pada tingkat daerah, nasional, maupun internasional.
- d. -Pelaksanaan program-program pendidikan dan latihan untuk peningkatan kesadaran, keahlian dan kemampuan sumber daya manusia serta kemampuan kelembagaan masyarakat dalam melestarikan, memanfaatkan, dan mengembangkan sumber-sumber daya alam hayati dan keanekaragamannya di Indonesia.
- e. -Pelaksanaan usaha-usaha pengumpulan dan pengolahan data, penataan dokumentasi, penerbitan dan penyebarluasan pengetahuan dan informasi tentang keanekaragaman hayati melalui berbagai sarana dan media.

f. -Upaya-upaya dan kegiatan lain yang -----
berkaitan atau mendukung maksud dan tujuan --
Yayasan dalam arti seluas-luasnya.-----

-Pelaksanaan usaha dan pengelolaan Yayasan akan ----
dilaksanakan atas dasar keterbukaan dan -----
kebersamaan.-----

Pasal 6.-----

KEKAYAAN-----

1. -Kekayaan Yayasan ini terdiri dari -----
kekayaan pangkal sebesar Rp.5.000.000,-----
(Rupiah lima juta) yang telah dipisahkan ----
sebagaimana tersebut di atas, dan dapat -----
diperbesar dengan:-----

a. -bantuan atau sokongan dari -----

Pemerintah Republik Indonesia atau ---
pemerintah Negara lain ataupun -----
lembaga internasional lainnya, -----
masyarakat dan badan-badan atau -----
pihak-pihak lain, baik di dalam -----
maupun di luar negeri, yang manaruh --
minat untuk mendukung tujuan Yayasan -
dengan ketentuan bahwa sifat bantuan -
atau sokongan yang dimaksud tidak ---
mengikat;-----

b. -hibah biasa, hibah wasiat dan -----
warisan;-----

c. -sumbangan tetap dari para hartawan --
dan dermawan;-----

d. -pendapatan lain yang sah dan halal --
dari usaha-usaha Yayasan.-----

2. -Uang yang tidak segera dibutuhkan untuk ----
keperluan sehari-hari Yayasan, disimpan di --
salah satu bank atas nama Yayasan atau -----
ditanam menurut cara yang ditentukan oleh ---
Badan Pelaksana, sesuai dengan garis besar --
yang ditetapkan Dewan Penyantun.-----

3. -Pendapatan dan kekayaan Yayasan dari -----
manapun juga harus dipakai hanya untuk -----
memajukan maksud dan tujuan Yayasan, dan ----
tiada bagian apapun yang dapat dibayar atau -
dipindahkan, baik langsung maupun tidak -----
langsung, dengan cara dividen, bonus atau ---
cara apapun juga sebagai keuntungan kepada --
para pendiri atau anggota Badan Pelaksana ---
atau Dewan Penyantun Yayasan dengan -----
ketentuan:-----

a. -bahwa syarat tersebut tidak -----
dimaksudkan untuk menghalangi -----
pembayaran, dengan itikad baik, -----
imbalan yang wajar dan tepat kepada --
setiap pengurus atau pengabdian -----
Yayasan, atau kepada setiap anggota --
Badan Pelaksana atau Dewan -----
Penyantun, atas jasa yang -----
benar-benar diberikan kepada -----
Yayasan, atau menghalangi pembayaran -
bunga yang tidak melebihi suku bunga -
bank atas deposito berjangka -----
pembayaran sewa yang wajar atas -----

tanah dan bangunan yang disewakan ----
kepada Yayasan.-----

- b. -bahwa tiada anggota Badan Pelaksana -
atau Dewan Penyantun yang ditunjuk ---
untuk jabatan yang menerima gaji ----
atau honorarium, dan tiada imbalan ---
atau keuntungan lainnya dalam uang ---
atau dengan nilai uang yang -----
diberikan oleh Yayasan kepada -----
anggota Badan Pelaksana atau Dewan ---
Penyantun, kecuali penggantian -----
ongkos-ongkos yang wajar dan bantuan -
untuk memungkinkan setiap anggota ----
Badan Pelaksana menyumbangkan waktu --
dan tenaga guna melaksanakan -----
pekerjaan kepengurusan.-----

Pasal 7.-----

DEWAN PENYANTUN-----

1. -Yayasan dibimbing, diawasi, dan dipimpin ---
oleh sebuah Dewan Penyantun yang terdiri ----
dari orang-orang yang menjiwai Maksud dan ---
Tujuan Yayasan tanpa mengadakan pembedaan ---
antara suku, golongan, ras, kelamin, bangsa -
atau kepercayaan, yaitu:-----
- a. -Mereka yang disebut dalam anggaran --
dasar ini sebagai anggota Dewan -----
Penyantun.-----
- b. -Seorang atau lebih dengan jiwa dan --
semangat yang sama dan memenuhi -----
persyaratan sebagai berikut:-----

-Mempunyai minat, pengetahuan atau ---
 pegalaman yang berkaitan dengan -----
 pelestarian sumber daya alam dan -----
 keanekaragaman hayati;-----
 -Mempunyai reputasi yang terpuji di --
 bidang kegiatannya atau bidang -----
 keahliannya;-----
 -Mempunyai tekad mengabdikan pada -----
 kepentingan umum dan pelayanan -----
 masyarakat;-----
 -Mempunyai wawasan yang luas dan -----
 pandangan yang menyeluruh terhadap ---
 permasalahan nasional serta -----
 lingkungan hidup;-----
 -yang atas pencalonan dari lima -----
 orang atau lebih anggota Dewan -----
 Penyantun telah ditunjuk oleh rapat --
 para anggota Dewan Penyantun untuk ---
 menggantikan anggota Dewan Penyantun -
 yang meninggal atau yang hendak -----
 mengundurkan diri.-----

2. -Pangkat dan pemberhentian anggota -----
 Dewan Penyantun dilakukan oleh Rapat Umum ---
 Anggota Dewan Penyantun.-----
 -Masa jabatan anggota Dewan Penyantun -----
 adalah enam (6) tahun dan dapat diangkat ----
 kembali untuk diperpanjang selama tiga (3) --
 tahun berikutnya; masa jabatan maksimum -----
 seorang anggota Dewan Penyantun adalah -----
 sembilan (9) tahun.-----

3. -Untuk pertama kalinya, Dewan Penyantun -----
terdiri dari:-----
- a. -Profesor Doktor Emil Salim, -----
Partikulir, sebagai Ketua merangkap --
anggota Dewan Penyantun.-----
 - b. -Profesor Doktor Syamsul Arifin, -----
Partikulir, sebagai anggota.-----
 - c. -Robby Djohan, Partikulir, sebagai ---
anggota.-----
 - d. -Ismid Hadad, Master of Public -----
Administration, Partikulir, sebagai --
anggota.-----
 - e. -Profesor Doktor Koesnadi -----
Hardjasoemantri, Sarjana Hukum, -----
Partikulir, sebagai anggota.-----
 - f. -Profesor Doktor Insinyur Ishemat ----
Soerjanegara, Partikulir, sebagai ----
anggota.-----
 - g. -M.S. Kismadi, Master of Arts, -----
Partikulir, sebagai anggota.-----
 - h. -Sardono W. Kusumo, Partikulir, -----
sebagai anggota.-----
 - i. -Doktor Nurcholish Madjid, -----
Partikulir, sebagai anggota.-----
 - j. -Doktor Nono Anwar Makarim, Sarjana --
Hukum, Partikulir, sebagai anggota.---
 - k. -Nyonya Gedong Bagus Oka, -----
Partikulir, sebagai anggota.-----
 - l. -Doktor Oei Ban Liang, Partikulir, ---
sebagai anggota.-----

- m. -Agus Purnomo, Master of Business ----
Administration, Partikulier, sebagai --
anggota.-----
- n. -A.R. Ramly, Partikulier, sebagai ----
anggota.-----
- o. -Profesor Doktor Setijati -----
Sastrapradja, Partikulier, sebagai ----
anggota.-----
- p. -Profesor Doktor Didin Sastrapradja, -
Partikulier, sebagai anggota.-----
- q. -Dokter B. Setiawan, Doctor of -----
Philosophy, Partikulier, sebagai ----
anggota.-----
- r. -Insinyur Anton Sudjarwo, -----
Partikulier, sebagai anggota.-----
- s. -Jaya Suprana, Partikulier, sebagai ---
anggota.-----
- t. -Profesor Doktor M. Suryani, -----
Partikulier, sebagai anggota.-----
- u. -Dokter Swaminathan, Partikulier, ----
sebagai anggota.-----
- v. -Insinyur Erna Witoelar, Master of ---
Arts, Partikulier, sebagai anggota.----

4. -Dalam hal terjadi pelanggaran, -----
penyimpangan atau penyelewengan terhadap ----
dan dari maksud dan tujuan Yayasan, maka ----
Ketua Dewan Penyantun berhak memberhentikan -
sementara Ketua, atau anggota atau Ketua ----
dan seluruh anggota Badan Pelaksana. Dalam -
hal jabatan Ketua Badan Pelaksana dirangkap -

oleh Ketua Dewan Penyantun, maka -----
pemberhentian sementara tersebut dilakukan --
oleh suatu Rapat Umum Luar Biasa Dewan -----
Penyantun. Didalam rapat tersebut Ketua, ---
atau anggota atau Ketua dan seluruh atau ----
sebagian dari jumlah anggota Badan -----
Pelaksana tidak boleh mempergunakan hak dan -
kewenangannya selaku anggota Dewan -----
Penyantun. Dalam waktu tiga (3) bulan -----
sejak tanggal pemberhentian sementara -----
tersebut, Ketua Dewan Penyantun wajib -----
mengadakan Rapat Umum Luar Biasa Anggota ----
Dewan Penyantun, pada rapat mana Ketua -----
dan/atau anggota Badan Pelaksana dapat -----
membela diri dan menjelaskan tentang -----
alasan-alasan terjadinya -----
peristiwa-peristiwa yang dianggap sebagai ---
pelanggaran, penyimpangan atau -----
penyelewengan terhadap dan dari maksud dan --
tujuan Yayasan oleh Ketua Dewan Penyantun. -
Selama berlangsungnya acara -----
pertanggungjawaban kebijaksanaan, pembelaan -
dan pengajuan alasan-alasan berlangsung ----
Ketua atau seorang anggota, atau Ketua dan --
seorang atau lebih atau semua anggota Badan -
Pelaksana tidak boleh menggunakan hak dan ---
kewenangan mereka selaku anggota Dewan -----
Penyantun, dan dalam acara pengambilan -----
keputusan oleh Dewan Penyantun tentang -----
pembelaan dan pengajuan alasan tersebut -----

Dewan Penyantun dapat berapat tanpa -----
 kehadiran mereka yang pertanggungjawabannya -
 serta pengajuan alasan-alasannya sedang -----
 dipertimbangkan. Apabila Dewan Penyantun ---
 dapat menerima alasan-alasan dan -----
 pembelaan-pembelaan tersebut maka -----
 pemberhentian sementara tersebut dibatalkan -
 oleh Ketua Dewan Penyantun dan yang -----
 diberhentikan sementara dipulihkan dalam ----
 jabatannya semula. Apabila alasan-alasan ---
 dan pembelaan-pembelaan tersebut tidak -----
 dapat diterima oleh Dewan Penyantun, maka ---
 pemberhentian sementara menjadi -----
 pemberhentian tetap, dan Dewan penyantun ----
 mengangkat ketua Badan Pelaksana yang baru --
 atau mengangkat seorang atau lebih dari -----
 seorang anggota Dewan Penyantun atas usul ---
 dan pencalonan Ketua Badan Pelaksana untuk --
 menggantikan anggota atau anggota-anggota ---
 Badan Pelaksana yang diberhentikan -----
 tersebut.-----

5. -Dewan Penyantun wajib mengadakan Rapat -----
 Umum Anggota sekurang-kurangnya sekali -----
 dalam setahun dan setiap kali jika dianggap -
 perlu oleh Ketua Dewan Penyantun atau atas --
 permintaan dari lima (5) atau lebih anggota -
 Dewan Penyantun atau atas permintaan Badan --
 Pelaksana, disertai keterangan singkat -----
 tentang hal-hal yang hendak dibicarakan.-----

6. -Rapat Umum Anggota Dewan Penyantun hanya ---
sah bila dihadiri oleh sekurang-kurangnya ---
lebih dari separuh dari jumlah anggota -----
Dewan Penyantun. Apabila dianggap perlu ----
oleh Ketua Dewan Penyantun dan disetujui ----
oleh Rapat Umum Anggota Dewan Penyantun, ----
pihak atau pihak-pihak yang bukan anggota ---
Dewan Penyantun dapat diijinkan hadir -----
sebagai pendengar dalam Rapat Umum Anggota --
Dewan Penyantun.-----

7. -Keputusan Dewan Penyantun diambil dalam ----
Rapat Umum Anggota dengan musyawarah dan ----
mufakat. Apabila keputusan tidak berhasil --
diambil dengan musyawarah dan mufakat, maka -
atas keputusan Ketua Dewan Penyantun -----
dilakukan pemungutan suara, dan keputusan ---
diambil dengan suara terbanyak. Tiap -----
anggota Dewan Penyantun berhak mengeluarkan -
satu suara. Apabila yang setuju dan yang ---
tidak setuju mengenai sesuatu hal yang -----
harus diputuskan sama jumlah suaranya, maka -
ketua Dewan Penyantun diberi satu suara ----
tambahan dan berhak menggunakan suara -----
tambahan tersebut dalam pemungutan suara ----
putaran selanjutnya mengenai hal yang harus -
diputuskan tersebut.-----

8. -Untuk keputusan-keputusan yang menyangkut --
pengangkatan atau pemberhentian perorangan --
pemungutan suara dilakukan secara bebas dan -
rahasia, sedangkan mengenai hal-hal yang ----

- lain pemungutan suara dilakukan secara -----
 bebas dan terbuka.-----
9. -Keputusan Dewan Penyantun dapat pula -----
 diambil dengan sah di luar rapat, asal saja -
 empat perlima dari seluruh anggota Dewan ----
 Penyantun telah menyetujui dan -----
 menandatangani usul yang bersangkutan.-----
10. -Hak dan kewajiban serta hal-hal lain -----
 mengenai dewan Penyantun yang belum diatur --
 dalam anggaran dasar ini, akan diatur dan ---
 ditetapkan dalam anggaran rumah tangga -----
 Yayasan.-----

Pasal 8.-----

BADAN PELAKSANA-----

1. -Dewan Penyantun mengangkat dari dan -----
 diantara anggota Dewan Penyantun seorang ----
 anggota untuk menyusun dan mengetuai suatu --
 Badan Pelaksana Dewan Penyantun Yayasan, ----
 dalam anggaran dasar ini disebut "Badan -----
 Pelaksana", yang melaksanakan kepemimpinan --
 Yayasan berdasarkan garis besar -----
 kebijaksanaan yang ditetapkan oleh Dewan ----
 penyantun. Badan Pelaksana terdiri dari ----
 paling banyak tujuh (7) orang anggota, yang -
 kesemuanya adalah anggota Dewan Penyantun.---
2. -Ketua Badan Pelaksana mengusulkan dan -----
 mencalonkan anggota-anggota Badan Pelaksana -
 untuk diangkat atau diangkat kembali oleh ---
 Ketua Dewan Penyantun dan menunjuk siapa ----
 diantara anggota-anggota tersebut menjabat --

sebagai Wakil Ketua, Sekretaris dan -----
Bendahara Badan Pelaksana. Pelimpahan dan --
pembagian kewenangan dan tanggung jawab -----
Ketua, Wakil Ketua, Sekretaris dan -----
Bendahara Badan Pelaksana kepada Direktur ---
Eksekutif dan karyawan-karyawan Yayasan -----
yang lain akan diatur dan diperinci lebih ---
lanjut dalam anggaran rumah tangga Yayasan.--
-Ketua Dewan Penyantun segera mengangkat ----
anggota-anggota Badan Pelaksana apabila -----
diusulkan dan dicalonkan oleh Ketua Badan ---
Pelaksana.-----
-Untuk pertama kalinya Badan Pelaksana -----
terdiri dari:-----

1. -Profesor Doktor Emil Salim, -----
Partikulir, sebagai Ketua merangkap --
anggota.-----
2. -Ismid Hadad, Master of Public -----
Administration, Partikulir, sebagai --
anggota.-----
3. -Profesor Doktor Koesnadi -----
Hardjasoemantri, Sarjana Hukum, -----
Partikulir, sebagai anggota.-----
4. -M.S. Kismadi, Master of Arts, -----
Partikulir, sebagai anggota.-----
5. -Doktor Nono Anwar Makarim, Sarjana --
Hukum, Partikulir, sebagai anggota.---
6. -Agus Purnomo, Master of Business ----
Administration, Partikulir, sebagai --
anggota.-----

7. -Profesor Doktor Setiati -----
 Sastrapradja, Partikulir, sebagai ----
 anggota.-----

2. -Setiap anggota Badan Pelaksana diangkat ----
 untuk jangka waktu empat (4) tahun dan -----
 dapat diangkat kembali untuk masa jabatan ---
 tambahan selama dua (2) tahun. Untuk -----
 pertama kalinya, jangka waktu jabatan -----
 anggota tertentu dapat atas rekomendasi -----
 Dewan Penyantun ditentukan kurang dari 4 ----
 (empat) tahun, supaya keanggotaan Badan ----
 Pelaksana dapat bergilir dari waktu ke -----
 waktu.-----

3. -Jika terjadi lowongan dalam Badan -----
 Pelaksana, baik karena berakhirnya jangka ---
 waktu jabatan maupun oleh karena -----
 sebab-sebab yang lain seperti wafatnya, ----
 kepailitannya atau penunjukan perwaliannya, -
 atau atas pengunduran diri sebagai Badan ----
 Pelaksana, maka seorang anggota pengganti ---
 diangkat oleh Dewan Penyantun. Dewan -----
 Penyantun mengangkat anggota Badan -----
 Pelaksana atas usul dan pencalonan oleh ----
 Ketua Badan Pelaksana.-----

Pasal 9.-----

KEWAJIBAN DAN WEWENANG BADAN PELAKSANA-----

1. -Badan Pelaksana bertanggung jawab atas ----
 kepentingan Yayasan dalam arti kata -----
 seluas-luasnya, mewakili Yayasan baik di ----
 dalam maupun di luar pengadilan dalam -----

segala hal dan berwenang bertindak untuk ----
dan atas nama Yayasan serta berhak -----
melaksanakan perikatan dengan pihak ketiga, -
baik mengenai pengurusan maupun mengenai ----
pemilikan harta dan barang kepunyaan -----
Yayasan.-----

2. -Badan Pelaksana berkewajiban menentukan ----
kebijaksanaan serta anggaran rumah tangga ---
Yayasan, mengesahkan prosedur pengangkatan --
pegawai, mengesahkan anggaran belanja dan ---
permodalan, serta menjamin bahwa kegiatan ---
Yayasan diurus dengan baik dan bahwa harta --
dan barang kepunyaan Yayasan dimanfaatkan ---
dengan baik.-----

3. -Badan Pelaksana, dengan tidak mengurangi ---
wewenang serta tanggung jawabnya, berhak ----
menyerahkan sebagian atau seluruh -----
wewenangnya melalui surat kuasa tertulis ----
kepada anggota Badan Pelaksana tertentu ----
atau panitia khusus atau pihak ketiga yang --
dianggap baik oleh Badan Pelaksana dari ----
waktu ke waktu.-----

4. -Badan Pelaksana harus mengangkat seorang ---
Direktur Eksekutif yang bertanggung jawab ---
atas penyusunan dan pemeliharaan catatan ----
yang akurat dan berita acara tentang -----
kegiatan Badan Pelaksana, atas -----
pemberitahuan kepada orang dan kelompok ----
yang berkepentingan tentang rapat Badan ----
Pelaksana, rapat luar biasa dan kegiatan ----

lainnya, serta atas pelaksanaan tugas-tugas -
 lain sebagaimana dari waktu ke waktu -----
 diberikan kepada Direktur Eksekutif oleh ----
 Badan Pelaksana. Jabatan Direktur -----
 Eksekutif dan karyawan-karyawan Yayasan -----
 yang lain tidak boleh dirangkap dengan -----
 keanggotaan dalam Dewan penyantun.-----

5. -Direktur Eksekutif bertanggung jawab atas --
 keselamatan dan pemeliharaan dana dan -----
 keuangan Yayasan, dengan wewenang -----
 memanfaatkannya demi kepentingan Yayasan ----
 dan harus memelihara catatan yang akurat ----
 tentang semua transaksi keuangan, akan -----
 tetapi dengan pembatasan bahwa Direktur -----
 Eksekutif memerlukan persetujuan tertulis ---
 terlebih dahulu dari Badan Pelaksana untuk --
 melakukan tindakan-tindakan sebagai -----
 berikut:-----

- a. -meminjam atau meminjamkan uang atas -
 nama Yayasan (kecuali pengambilan ----
 uang dari fasilitas kredit yang -----
 telah dibuka);-----
- b. -mengikat Yayasan sebagai penjamin;---
- c. -membeli, menjual, menghipotikkan ----
 atau dengan cara lain memperoleh -----
 atau melepaskan hak atas barang tak --
 bergerak;-----
- d. menggadaikan atau dengan cara lain ---
 memberatkan harta atau barang -----
 kepunyaan Yayasan.-----

e. mendirikan atau ikut serta dalam -----
usaha lain.-----

-Persetujuan tersebut diberikan dengan -----
keputusan Rapat Badan Pelaksana ataupun -----
dengan dokumen yang turut ditandatangani -----
oleh semua anggota Badan Pelaksana.-----

6. -Direktur Eksekutif harus menyusun laporan --
keuangan pada waktu dan dalam bentuk yang ---
ditentukan oleh Badan Pelaksana. Anggaran --
Rumah Tangga Yayasan akan mengatur dan -----
memerinci lebih lanjut tugas, kewenangan ----
dan tanggungjawab Direktur Eksekutif dan ----
para karyawan Yayasan.-----

7. -Badan Pelaksana berhak menunjuk seorang ----
atau lebih sebagai Penasehat Yayasan. -----
Badan Pelaksana dapat memilih Penasehat -----
atas prakarsa sendiri atau dari calon yang --
diajukan oleh Dewan Penyantun. Penasehat ---
Yayasan diambil dari kalangan ilmuwan, -----
profesi, dunia usaha dan lingkungan hidup ---
serta dari instansi pemerintah, lembaga -----
internasional dan lembaga swadaya -----
masyarakat. Penasehat Yayasan diharapkan ---
memberi nasehat kepada Yayasan baik -----
sendiri-sendiri maupun secara bersama dalam -
panel atau panitia yang dibentuk oleh Badan -
Pelaksana.-----

Pasal 10.**RAPAT BADAN PELAKSANA**

1. -Badan Pelaksana harus mengadakan rapat sekurang-kurangnya tiga (3) kali setahun atau bila dianggap perlu oleh Ketua atau atas permintaan Dewan Penyantun atau atas permintaan tertulis dari dua (2) atau lebih anggota Badan Pelaksana yang diserahkan kepada Ketua. Panggilan tertulis untuk rapat harus diserahkan langsung atau dikirim dengan pos tercatat kepada semua anggota selambat-lambatnya empatbelas (14) hari sebelum tanggal rapat. Jika semua anggota Badan Pelaksana hadir, panggilan terlebih dahulu tidak diperlukan dan rapat dapat mengambil keputusan sah mengenai segala hal yang diajukan dalam rapat.
2. -Rapat hanya dapat mengambil keputusan yang sah jika kuorum tercapai yang terdiri dari sekurang-kurangnya empat (4) anggota Badan Pelaksana hadir atau diwakili dalam rapat tersebut.
3. -Rapat dipimpin oleh Ketua; bila Ketua tidak ada, rapat dapat memilih seorang ketua rapat dari para anggota yang hadir.
4. -Seorang anggota Badan Pelaksana hanya dapat diwakili dalam suatu rapat oleh seorang anggota Badan Pelaksana lain dengan kuasa tertulis.

5. -Keputusan Rapat Badan Pelaksana diambil ----
berdasarkan musyawarah dan mufakat, yang ----
kalau tidak tercapai, dengan suara -----
terbanyak seperti biasa, kecuali bila -----
anggaran dasar ini menetapkan lain. Tiap ---
anggota Badan Pelaksana berhak mengeluarkan -
satu suara dalam rapat.-----
6. -Dalam hal suara yang setuju dan tidak -----
setuju sama banyaknya, maka suara ketua -----
rapat akan menentukan.-----
7. -Dalam hal Rapat Badan Pelaksana -----
memperbincangkan, mempertimbangkan dan -----
memutuskan sesuatu hal yang dalam anggapan --
Ketua Badan Pelaksana atau para anggota -----
Badan Pelaksana merupakan atau dapat -----
merupakan perbenturan kepentingan dengan ----
kepentingan langsung atau tidak langsung ----
seorang atau lebih dari seorang anggota -----
atau Ketua Badan Pelaksana, maka anggota ----
atau anggota-anggota dan/atau Ketua Badan ---
Pelaksana tersebut tidak akan turut serta ---
dalam perbincangan, pertimbangan dan -----
pengambilan keputusan tentang hal tersebut.--
8. -Sekretaris harus membuat Berita Acara -----
Rapat Badan Pelaksana, yang akan disetujui --
oleh keputusan Rapat Badan Pelaksana dalam --
rapat berikutnya. Apabila Sekretaris -----
berhalangan, salah seorang anggota Badan ----
Pelaksana yang hadir dalam rapat dapat -----
ditunjuk untuk membuat Berita Acara.-----

Pasal 11.-----

ANGGARAN RUMAH TANGGA-----

- 1. -Badan Pelaksana diwajibkan melaksanakan ----
ketentuan-ketentuan anggaran dasar ini dan --
keputusan-keputusan yang diambil dengan sah -
oleh Rapat Badan Pelaksana atau Rapat Umum --
Anggota Dewan Penyantun.-----
- 2. -Badan Pelaksana wajib membuat anggaran -----
rumah tangga dan mengajukannya untuk -----
disahkan kepada Rapat Umum Anggota Dewan ----
Penyantun. Badan Pelaksana juga wajib -----
membuat peraturan lainnya mengenai hal-hal --
yang dianggap perlu demi kepentingan -----
Yayasan dan yang belum cukup diatur dalam ---
anggaran dasar ini, dengan ketentuan bahwa --
anggaran rumah tangga atau peraturan -----
lainnya tidak boleh bertentangan dengan ----
ketentuan Undang-Undang atau anggaran dasar -
ini.-----

Pasal 12.-----

TAHUN BUKU-----

- 1. -Tahun buku Yayasan berjalan dari tanggal ---
satu Januari sampai dengan tanggal -----
tigapuluh satu Desember dalam setiap tahun.
Untuk pertama kali, tahun buku berlangsung --
sejak tanggal pendirian sampai dengan -----
tanggal tigapuluh satu Desember tahun 1994 --
(seribu sembilanratus sembilanpuluh empat).--
- 2. -Pada akhir bulan Desember, buku Yayasan ----
harus ditutup, dan selambat-lambatnya dalam -

waktu tiga (3) bulan sesudah penutupan buku -
tersebut Badan Pelaksana, dengan dibantu ----
oleh Direktur Eksekutif, diwajibkan membuat -
laporan tahunan tentang kegiatan Yayasan ----
termasuk laporan keuangan dan neraca -----
mengenai keadaan keuangan Yayasan selama ----
tahun buku yang lampau.-----

3. -Laporan keuangan dan neraca tersebut harus -
ditandatangani oleh para auditor yang -----
memeriksa keadaan keuangan Yayasan. -----
Laporan Tahunan tersebut, termasuk laporan --
keuangan dan neraca, harus ditandatangani ---
oleh Ketua Badan Pelaksana dan harus -----
disampaikan kepada Dewan Penyantun pada ----
rapatnya yang berikut untuk dimintakan -----
persetujuan dan pengesahannya. Dewan -----
Penyantun berhak untuk setiap saat yang ----
wajar meminta kepada Badan Pelaksana untuk --
menunjukkan kepada Dewan Penyantun -----
pembukuan dan catatan-catatan keuangan -----
Yayasan, memeriksa pembukuan dan -----
catatan-catatan tersebut serta mengajukan ---
pertanyaan-pertanyaan tentang pengelolaan ---
Yayasan, dan Badan Pelaksana wajib memenuhi -
permintaan Dewan Penyantun tersebut serta ---
menjawab dan memberi penjelasan atas -----
pertanyaan-pertanyaan yang diajukan oleh ----
Dewan Penyantun.-----

4. -Pada rapat di mana Laporan Tahunan -----
disampaikan, Badan Pelaksana harus menunjuk -

para auditor Yayasan. Tiada anggota Dewan --
 Penyantun maupun Badan Pelaksana atau -----
 pegawai Yayasan yang dapat menjabat sebagai -
 auditor Yayasan.-----

Pasal 13.-----

PERUBAHAN, TAMBAHAN, DAN PEMBUBARAN-----

1. -Keputusan untuk mengubah dan/atau menambah -
 peraturan dalam anggaran dasar Yayasan ini, -
 atau membubarkan Yayasan ini, hanya sah -----
 jikalau diambil dalam suatu Rapat Umum -----
 Anggota Dewan Penyantun yang diadakan -----
 khusus untuk maksud itu atas dasar -----
 pemberitahuan tertulis sekurang-kurangnya ---
 satu (1) bulan sebelumnya, dalam rapat mana -
 sekurang- kurangnya empat per lima (4/5) ----
 dari jumlah anggota Dewan Penyantun harus ---
 hadir.-----
2. -Rapat yang dimaksud pada ayat 1 di atas ----
 dipimpin oleh salah seorang yang dipilih ----
 oleh dan dari antara para anggota Dewan ----
 Penyantun yang hadir.-----
3. -Setiap usul perubahan, penambahan atau ----
 pembubaran harus diajukan secara tertulis ---
 dengan ditandatangani oleh sekurang- -----
 kurangnya separuh anggota Dewan Penyantun ---
 dan disampaikan kepada Ketua Badan -----
 Pelaksana.-----
4. -Semua keputusan termaksud diambil dengan ---
 persetujuan dari tidak kurang dari tiga ----

perempat (3/4) dari suara yang diberikan ----
secara sah.-----

Pasal 14.-----

AKIBAT PEMBUBARAN-----

1. -Apabila Yayasan ini dibubarkan, maka ----
pelaksanaan pembubaran tersebut akan ----
dilakukan oleh Badan Pelaksana yang ----
bertindak sebagai para eksekutor, kecuali ---
Rapat Umum Anggota Dewan Penyantun telah ----
mengambil keputusan lain dan menunjuk para --
eksekutor yang independen.-----
2. -Para eksekutor harus menyelesaikan hutang --
piutang Yayasan.-----
3. -Badan Pelaksana, dengan persetujuan Rapat --
Umum Anggota Dewan Penyantun, harus ----
menentukan bagaimana sisa kekayaan Yayasan --
dalam pembubaran wajib dibagikan, dengan ----
ketentuan bahwa tiada sisa kekayaan Yayasan -
yang boleh dibagikan kepada para anggota ----
Dewan Penyantun, para anggota Badan -----
Pelaksana, Direktur Eksekutif Yayasan -----
ataupun karyawan Yayasan yang lain, dan ----
hanya dapat dipergunakan untuk sumbangan ----
kepada kegiatan-kegiatan atau usaha-usaha ---
sosial yang bertujuan sesuai dengan maksud --
dan tujuan Yayasan ini.-----

Pasal 15.-----

KETENTUAN PENUTUP-----

-Ketua dan setiap anggota Dewan Penyantun, Badan ---
Pelaksana dan Direktur Eksekutif serta segenap ----

karyawan Yayasan terikat pada dan wajib mentaati ---
ketentuan Undang-Undang yang berlaku, ketentuan- ---
ketentuan dalam anggaran dasar ini, serta -----
keputusan-keputusan yang diambil secara sah dalam --
Rapat Umum Anggota Dewan Penyantun.-----
-Segala hal yang belum diatur dalam anggaran dasar -
ini akan diatur dalam anggaran rumah tangga atau ---
dengan keputusan Badan Pelaksana.-----

ARTICLES OF ASSOCIATION OF 'YAYASAN KEANEKARAGAMAN HAYATI
INDONESIA' (THE INDONESIAN BIODIVERSITY FOUNDATION)

Article 1.

NAME AND DOMICILE

-The Foundation shall bear the name "YAYASAN KEANEKARAGAMAN HAYATI INDONESIA" abbreviated "Yayasan KEHATI" or in the English language be referred to as "THE INDONESIAN BIODIVERSITY FOUNDATION", abbreviated IBF, hereinafter referred to as the "Foundation", and shall be domiciled in Jakarta, capital of the Republic of Indonesia, and shall be able to establish branches or representations at other places, both in Indonesia and abroad, as determined by the Executive Board of the Board of Trustees, hereinafter referred to as the "Executive Board".

Article 2.

STATUS AND DURATION

- a. -The Foundation shall be a non-governmental organization which is non-profit, independent, and does not promote

the interests of any particular political cause or group.

- b. -The Foundation shall commence at the time this Deed is signed and shall be established for an unlimited period of time.

Article 3.

GUIDING PRINCIPLE

-The Foundation shall have the Pancasila as its guiding principle.

Article 4.

PURPOSES AND OBJECTIVES

-The purposes and objectives of the Foundation are as follow:

- a. -To strive for the conservation of natural resources including the biodiversity thereof comprising among others the diversity of ecosystems, species and genetics, whether nationally, regionally and internationally.

the initial asset, do hereby establish a Foundation governed by the following Articles of Association:

Article 1.

NAME AND DOMICILE

-The Foundation shall bear the name "YAYASAN KEANEKARAGAMAN HAYATI INDONESIA" abbreviated "Yayasan KEHATI" or in the English language be referred to as "THE INDONESIAN BIODIVERSITY FOUNDATION", abbreviated IBF, hereinafter referred to as the "Foundation", and shall be domiciled in Jakarta, capital of the Republic of Indonesia, and shall be able to establish branches or representations at other places, both in Indonesia and abroad, as determined by the Executive Board of the Board of Trustees, hereinafter referred to as the "Executive Board".

Article 2.

STATUS AND DURATION

- a. -The Foundation shall be a non-governmental organization which is non-profit, independent, and does not promote

the interests of any particular political cause or group.

- b. -The Foundation shall commence at the time this Deed is signed and shall be established for an unlimited period of time.

Article 3.

GUIDING PRINCIPLE

-The Foundation shall have the Pancasila as its guiding principle.

Article 4.

PURPOSES AND OBJECTIVES

-The purposes and objectives of the Foundation are as follow:

- a. -To strive for the conservation of natural resources including the biodiversity thereof comprising among others the diversity of ecosystems, species and genetics, whether nationally, regionally and internationally.

- b. -To strive for the emergence of policies, programs and efforts for the conservation, utilization, management, study and development of biological resources and the diversity thereof in Indonesia.
- c. -To initiate and promote national, regional and international cooperation among non-governmental organizations, scientific, research and educational institutions, the business community and governmental agencies to achieve the purposes and objectives of the Foundation.
- d. -To foster and improve the capabilities of society and its institutions to play an active role in efforts for the conservation and utilization of biodiversity in a fair, equitable and sustainable manner.

Article 5.

ENDEAVORS

-In order to achieve the Purposes and Objectives of the Foundation as set forth in Article 4 of these articles of association, the Foundation shall conduct or take part in endeavors to raise and manage funds derived from domestic and foreign sources, as well as to regulate the flow of such funds to finance programs and activities which could give

rise to the achievement of the purposes and objectives of the Foundation, including but not limited to:

- a. -Research and studies on the protection, reclamation, conservation and utilization of biological resources and the diversity thereof.
- b. -Development of various sciences and technologies connected with biodiversity, including environmentally minded biotechnology with priority on the greatest possible benefit to Indonesian society in a just and equitable manner.
- c. -Fostering relationships and development of cooperative networks among research and study centers, universities, donor agencies, non-governmental organizations, business persons and other parties concerned with the management and utilization of biodiversity resources, whether at the local, national or international level.
- d. -Undertaking training and educational programs to raise the consciousness, expertise and capabilities of human resources as well as capabilities of societal institutions in the conservation, utilization, and development of natural biological resources and the diversity thereof in Indonesia.
- e. -Undertaking efforts for data collection and management, documentation, publication and dissemination of knowledge and information about biodiversity through various means and media.

f. -Other activities or endeavors related to or supportive of the purposes and objectives of the Foundation in the broadest sense of the words.

-The management and implementation of the endeavors of the Foundation shall be carried out openly and inclusively.

Article 6.

ASSETS

1. -The assets of the Foundation shall consist of the initial assets in the amount of Rp.5.000.000,- (five million Rupiah) set aside as stated above, and which may be augmented by:

- a. -aid or assistance from the Government of the Republic of Indonesia or the governments of other Countries or other international agencies, the public and other entities or persons, both at home and abroad, which show an interest in supporting the objectives of the Foundation provided that such aid or assistance is not binding in nature;
- b. -ordinary donations, bequests and inheritances;
- c. -fixed contributions from philanthropists and benefactors;
- d. other lawful and proper income from the endeavors of the Foundation.

2. -Money not immediately required for the routine activities of the Foundation, shall be deposited in a bank in the name of the Foundation or invested in a manner determined by the Executive Board, in accordance with guidelines stipulated by the Board of Trustees.
3. The income and assets of the Foundation wheresoever derived shall be applied solely towards the promotion of the purposes and objectives of the Foundation, and no portion thereof shall be paid or transferred directly or indirectly, by way of dividend, bonus or in any other way whatsoever as profit to the founders or members of the Executive Board or the Board of Trustees of the Foundation provided:
 - a. -that nothing herein shall prevent the payment, in good faith, of reasonable and proper remuneration to any officer or servant of the Foundation, or to any member of the Executive Board or the Board of Trustees, in return for any services actually rendered to the Foundation, nor prevent the payment of interest at a rate not exceeding the current bank rate on fixed deposits on money lent to the Foundation or reasonable or payment of reasonable rent for premises lent to the Foundation.
 - b. -that no member of the Executive Board or the Board of Trustees shall be appointed to any office paid by salary or fees, and that no remuneration or other benefit in money or monetary value shall

be given by the Foundation to any member of the Executive Board or the Board of Trustees, except reimbursement of reasonable expenses and assistance to enable a member of the Executive Board to devote time and effort to carrying out management work.

Article 7.

THE BOARD OF TRUSTEES

1. -The Foundation shall be guided, supervised and led by a Board of Trustees consisting of persons committed to the Purposes and Objectives of the Foundation without discrimination on the basis of tribe, group, race, gender, nationality or faith, namely:
 - a. -Those persons named in these articles of association as members of the Board of Trustees.
 - b. -A person or persons of like mind and commitment who fulfills the following qualifications:
 - Has interests, knowledge and experience related to conservation of natural resources and biodiversity;
 - Has a good reputation in his or her field of activities or field of expertise;

-Is willing to be devoted to the public interest and social service;

-Has a broad perspective and an overall understanding of national and environmental problems;

-Who upon the nomination of five or more members of the Board of Trustees has been appointed by a meeting of the members of the Board of Trustees to replace a member of the Board of Trustees who has died or who desires to resign.

2. -The appointment and dismissal of members of the Board of Trustees shall be made by a General Meeting of Members of the Board of Trustees.

-The term of office of a member of the Board of Trustees shall be six (6) years with the possibility of reappointment for an extension of the following three (3) years; the maximum term of office of a member of the Board of Trustees shall be nine 9. years.

3. In the first instance, the Board of Trustees shall consist of:

a. -Professor Doctor Emil Salim, Private Person, as Chairperson and a member of the Board of Trustees.

b. -Professor Doctor Syamsul Arifin, Private Person, as a member.

c. -Robby Djohan, Private Person, as a member.

d. -Ismid Hadad, Master of Public Administration, Private Person, as a member.

- e. -Professor Doctor Koesnadi Hardjasoemantri, Sarjana Hukum, Private Person, as a member.
- f. -Professor Doctor Insinyur Ismehat Soerjanegara, Private Person, as a member.
- g. -M.S. Kismadi, Master of Arts, Private Person, as a member.
- h. -Sardono W. Kusumo, Private Person, as a member.
- i. -Doctor Nurcholish Madjid, Private Person, as a member.
- j. -Doctor Nono Anwar Makarim, Sarjana Hukum, Private Person, as a member.
- k. -Missus Gedong Bagus Oka, Private Person, as a member.
- l. -Doctor Oei Ban Liang, Private Person, as a member.
- m. -Agus Purnomo, Master of Business Administration, Private Person, as a member.
- n. -A. R. Ramly, Private Person, as a member.
- o. -Professor Doctor Setijati Sastrapradja, Private Person, as a member.
- p. -Professor Doctor Didin Sastrapradja, Private Person, as a member.
- q. -Doctor B. Setiawan, Doctor of Philosophy, Private Person, as a member.
- r. -Insinyur Anton Sudjarwo, Private Person, as a member.
- s. -Jaya Suprana, Private Person, as a member.

- t. -Professor Doctor M. Suryani, Private Person, as a member.
 - u. -Doctor Swaminathan, Private Person, as a member.
 - v. -Insinyur Erna Witoelar, Master of Arts, Private Person, as a member.
4. -In the event of a violation, deviation or abuse of or from the purposes and objectives of the Foundation, the Chairperson of the Board of Trustees shall be entitled to temporarily dismiss the Chairperson, or a member or the Chairperson and all members of the Executive Board. In the event the position of Chairperson of the Executive Board is held concurrently by the Chairperson of the Board of Trustees, said temporary dismissal shall be made by an Extraordinary General Meeting of the Board of Trustees. In such a meeting, the Chairperson, or the member or the Chairperson and all or part of the membership of the Executive Board shall not be entitled to use their rights and authorities as members of the Board of Trustees. Within a period of three (3) months from the date of said temporary dismissal, the Chairperson of the Board of Trustees shall be obligated to call an Extraordinary General Meeting of Members of Board of Trustees, at which meeting the Chairperson and/or the members of the Executive Board may defend themselves and explain the reasons for the occurrence of the events deemed to be a

violation, deviation or abuse of or from the purposes and objectives of the Foundation by the Chairperson of the Board of Trustees. During the continuance of the proceedings to account for policies, defense, and submission of reasons, the Chairperson and a member, or the Chairperson and one or more or all of the members of the Executive Board shall not be entitled to use their rights and authorities as members of the Board of Trustees, and in the proceedings of the Board of Trustees to make a decision regarding said defenses and submission of reasons, the Board of Trustees may meet without the presence of those persons whose accounting and submission of reasons is being considered. Where the Board of Trustees can accept said reasons and defense, then said temporary dismissal shall be revoked by the Chairperson of the Board of Trustees and those persons temporarily dismissed restored to their original office. Where said reasons and defenses cannot be accepted by the Board of Trustees, then the temporary dismissal shall become a permanent dismissal, and the Board of Trustees shall appoint a new chairperson of the Executive Board or shall appoint one or more of the members of the Board of Trustees upon the recommendation and nomination of the Chairperson of the Executive Board to replace the member or members of the Executive Board so dismissed.

5. -The Board of Trustees shall be obligated to hold a General Meeting of Members at least once a year and whenever considered necessary by the Chairperson of the Board of Trustees or upon the request of five (5) or more of the members of the Board of Trustees or upon the request of the Executive Board, accompanied by a brief explanation of the matters to be discussed.
6. -A General Meeting of Members of the Board of Trustees shall only be valid if attended by at least a majority of the members of the Board of Trustees. If deemed necessary by the Chairperson and approved by the General Meeting of Members of the Board of Trustees, a party or parties who are not members of the Board of Trustees may be permitted to attend a General Meeting of Members of the Board of Trustees as observers.
7. -Resolutions of the Board of Trustees shall be made by deliberation and consensus. Where a resolution cannot be reached by deliberation and consensus, upon the decision of the Chairperson of the Board of Trustees a vote shall be taken, and the resolution shall be made by simple majority vote. Each member of the Board of Trustees shall have the right to cast one vote. If the votes cast for and against a matter which must be resolved are equal in number, the Chairperson of the Board of Trustees shall be granted one additional vote and shall be entitled to use said additional vote in

the next round of voting on said matter which must be resolved.

8. -Voting on resolutions with regard to the appointment or dismissal of individuals shall be conducted by free and secret ballot, whereas voting with regard to other matters shall be conducted freely and openly.
9. -A resolution of the Board of Trustees can also be validly taken outside of a meeting, provided that four-fifths of all the members of the Board of Trustees have approved and signed the resolution concerned.
10. -The rights and obligations and other matters regarding the Board of Trustees which have not yet been regulated in these articles of association shall be stipulated in the by-laws of the Foundation.

Article 8.

EXECUTIVE BOARD

1. -The Board of Trustees shall appoint a member from among the members of the Board of Trustees to compose and chair an Executive Board of the Board of Trustees of the Foundation, referred to in these articles of association as the "Executive Board", which shall carry out the management of the Foundation on the basis of broad outlines of policy determined by the Board of

Trustees. The Executive Board shall consist of at most seven (7) members, all of whom shall be members of the Board of Trustees.

2. -The Chairperson of the Executive Board shall recommend and nominate the members of the Executive Board to be appointed and reappointed by the Chairperson of the Board of Trustees and shall designate who among said members shall serve as Vice Chairperson, Secretary and Treasurer of the Executive Board. The delegation and assignment of the authorities and responsibilities the Chairperson, Vice Chairperson, Secretary and Treasurer of the Executive Board to the Executive Director and other employees of the Foundation shall be further regulated and detailed in the by-laws of the Foundation.

-The Chairperson of the Board of Trustees shall forthwith appoint the members of the Executive Board when recommended and nominated by the Chairperson of the Executive Board.

-The initial Executive Board shall consist of:

1. -Professor Doctor Emil Salim, Private Person, as Chairperson and a member.
2. -Ismid Hadad, Master of Public Administration, Private Person, as a member.
3. -Professor Doctor Koesnadi Hardjasoemantri, Sarjana Hukum, Private Person, as a member.

4. -M.S. Kismadi, Master of Arts, Private Person, as a member.
 5. -Doctor Nono Anwar Makarim, Sarjana Hukum, Private Person, as a member.
 6. -Agus Purnomo, Master of Business Administration, Private Person, as a member.
 7. -Professor Doctor Setiati Sastrapradja, Private person, as a member.
2. -A member of the Executive Board shall be appointed for a period of four (4) years and may be reappointed for an additional term of two (2) years. In the initial instance, the term of office of certain members may at the recommendation of the Board of Trustees be determined at less than 4 (four) years, in order to allow for rotation in the membership of the Executive Board from time to time.
 3. -If a vacancy in the Executive Board shall occur, either by expiry of the term of office or by some other reason, such as the death of, the bankruptcy or receivership of, or the resignation of a member of the Executive Board, then a replacement member shall be appointed by the Board of Trustees. The Board of Trustees shall chose members of the Executive Board upon the recommendation and nomination of the Chairperson of the Executive Board.

Article 9.

AUTHORITY AND RESPONSIBILITIES OF THE EXECUTIVE BOARD

1. -The Executive Board shall be responsible for the interests of the Foundation in the widest sense of the word, shall represent the Foundation in and out of courts of law in all matters and shall have the authority to act for and on behalf of the Foundation and shall be entitled to bind the Foundation with third parties, with respect to both management and ownership of property and assets of the Foundation.
2. -It shall be the duty of the Executive Board to establish the policies and by-laws of the Foundation, approve employment procedures, approve capital and operating budgets, and to ensure the proper management of the affairs and the proper use of the property and assets of the Foundation.
3. -The Executive Board, without detracting from its authority and responsibilities, shall be entitled to confer all or part of its authority by written powers of attorney upon particular members of the Executive Board or special committees or third parties as the Executive Board may from time to time deem fit.
4. -The Executive Board shall appoint an Executive Director who shall be responsible for keeping and maintaining accurate records and minutes of the

activities of the Executive Board, for notifying relevant persons and groups of Executive Board meetings, extraordinary meetings and other activities, and for performing such other duties as the Executive Board may from time to time assign to the Executive Director. The positions of Executive Director and other employees of the Foundation may not be held concurrently with a membership on the Board of Trustees.

5. -The Executive Director shall be responsible for the custody and safe keeping of the Foundation's funds and monies, with authority to utilize these funds in the interest of the Foundation and shall maintain accurate records of all monetary transactions with the exception that the Executive Director shall require the prior written approval of the Executive Board for the following actions:
 - a. -borrowing or lending money on behalf of the Foundation (excluding the drawing of money from established lines of credit);
 - b. -binding the Foundation as guarantor;
 - c. -buying, selling, mortgaging or in any manner acquiring or releasing title to immovable properties;
 - d. -pledging or otherwise encumbering the property or assets of the Foundation;
 - e. -founding or participating in other enterprises.

-Said approval shall be signified by a resolution of a Meeting the Executive Board or by the signatures of all members of the Executive Board on the document concerned.

6. -The Executive Director shall prepare financial reports as such intervals and in such forms as the Executive Board may prescribe. The By-Laws of the Foundation shall further regulate and detail the duties, authorities and responsibilities of the Executive Director and employees of the Foundation.

7. The Executive Board shall have the right to designate one or more persons as Advisors to the Foundation. The Executive Board may chose Advisors on its own initiative or from among candidates recommended by the Board of Trustees. Advisors to the Foundation shall be drawn from the scientific, professional, business, and environmental communities as well as from government agencies, international organizations and non-governmental organizations. Advisors to the Foundation shall be expected to provide advice to the Foundation either individually or acting together in panels or committees established by the Executive Board.

Article 10.

MEETINGS OF THE EXECUTIVE BOARD

1. -The Executive Board shall hold meetings at least three (3) times a year or whenever considered necessary by the Chairperson or upon the request of the Board of Trustees or upon the written request of two (2) or more members of the Executive Board delivered to the Chairperson. Written summons to meetings shall be hand delivered or sent by registered mail to all members not later than fourteen (14) days prior to the date of the meeting. In the event that all of the members of the Executive Board are present, no prior summons shall be required and the meeting may take valid resolutions on any matters brought before it.
2. -A meeting may only take valid resolutions if a quorum has been reached consisting of at least four (4) members of the Executive Board present or represented at the meeting.
3. -The meeting shall be presided over by the Chairperson; in the absence of the Chairperson, the meeting may choose a chairperson of the meeting from among the members present.
4. -A member of the Executive Board can be represented at a meeting only by another member of the Executive Board by virtue of a written proxy.

5. -Resolutions of Meetings of the Executive Board shall be taken by deliberation and consensus, failing which, resolutions shall be taken by simple majority vote except where these articles of association specify otherwise. Each member of the Executive Board shall have the right to cast one vote in the meeting.
6. -Should the pros and cons be equal, the vote of the chairperson of the meeting shall be determinative.
7. -In the event a Meeting of the Executive Board discusses, considers and decides upon a matter which in the estimation of the Chairperson of the Executive Board or the members of the Executive Board constitutes or could constitute a conflict of interest with the direct or indirect interests of a member or the Chairperson of the Executive Board, then the member or members and/or the Chairperson of the Executive Board shall not take part in the discussion, consideration and decision making with respect to said matter.
8. -The Secretary shall draw up Minutes of Meetings of the Executive Board, which shall be approved by resolution of the Meeting of the Executive Board in the next succeeding meeting. If the Secretary is unavailable, a member of the Board of Director present at the meeting may be appointed to draw up the Minutes.

Article 11.

BY-LAWS

1. -The Executive Board shall be obligated to carry out the provisions of these articles of association and validly adopted resolutions of Meetings of the Executive Board or General Meetings of the Members of the Board of Trustees.
2. -The Executive Board shall prepare by-laws and submit them to the General Meeting of Members of the Board of Trustees for ratification. The Executive Board shall also prepare other regulations covering any such matters as may be deemed necessary in the interests of the Foundation and as may be inadequately provided for in these articles of association, provided however that no such by-laws or other regulations may contradict the provisions of Laws or of these articles of association.

Article 12.

FINANCIAL YEAR

1. -The financial year of the Foundation shall run from the first day of January up to the thirty-first day of December in each year. In the first instance, the

financial year shall run from the date of formation until the thirty-first day of December 1994 (one thousand nine hundred ninety-four).

2. -At the end of the month of December, the books of the Foundation shall be closed, and at the latest within three (3) months after said closing of the books, the Executive Board, with the assistance of the Executive Director, shall be obligated to prepare an annual report on the activities of the Foundation including a financial statement and balance sheet regarding the financial condition of the Foundation during the preceding year.
3. -Said financial statement and balance sheet shall be signed by the auditors who have audited the financial condition of the Foundation. Said Annual Report, containing said financial statement and balance sheets shall be signed by the Chairperson of the Executive Board and shall be submitted to the Board of Trustees at its next meeting for its validation and approval. The Board of Trustees shall be entitled at any reasonable time to request that the Executive Board show the financial books and records of the Foundation to the Board of Trustees, to inspect said books and records and to ask questions regarding the management of the Foundation, and the Executive Board shall fulfill said requests of the Board of Trustees and

provide answers and explanations to the questions asked by the Board of Trustees.

4. -At the meeting at which the Annual Report is submitted, the Executive Board shall appoint the auditors of the Foundation. No member of the Board of Trustees nor of the Executive Board nor any employee of the Foundation may serve as an auditor of the Foundation.

Article 13.

AMENDMENTS, SUPPLEMENTS, AND LIQUIDATION

1. -Resolutions to amend and/or supplement the regulations of the articles of association of the Foundation, or to liquidate the Foundation, shall only be valid if taken in a Meeting of Members of the Board of Trustees specifically called for that purpose and for which at least one (1) month's prior notice in writing shall have been given, in which meeting at least four fifths (4/5) of the total number of members of the Board of Trustees must be in attendance.
2. -The meeting intended by section 1 above shall be chaired by a person chosen by and from among those members of the Board of Trustees in attendance.
3. -Any resolution to amend, supplement or liquidate shall be proposed in writing signed by at least half of the

members of the Board of Trustees and delivered to the Chairperson of the Executive Board.

4. -All such resolutions shall be taken by the consent of not less than three fourths (3/4) of the votes validly cast.

Article 14.

EFFECT OF LIQUIDATION

1. -In the event the Foundation is to be liquidated, such liquidation shall be effected by the Executive Board acting as the liquidators, unless the General Meeting of Members of the Board of Trustees has resolved to otherwise appoint independent liquidators.
2. -The liquidators shall resolve the outstanding obligations of the Foundation.
3. -The Executive Board, with the approval of the General Meeting of Members of the Board of Trustees, shall determine how any assets of the Foundation remaining in liquidation must be distributed, provided that in any event any such remaining assets of the Foundation may not be distributed to members of the Board of Trustees, members of the Executive Board, the Executive Director of the Foundation nor to other employees of the Foundation, and may only be used as a contribution to

social activities or endeavors the goals of which accord with the purposes and objectives of the Foundation.

Article 15.

CLOSING PROVISIONS

-The Chairperson and any member of the Board of Trustees, the Executive Board and the Executive Director as well as all employees of the Foundation shall be bound by and shall comply with the provisions of prevailing Laws, the provisions of these articles of association, and resolutions validly made by the General Meeting of Members of the Board of Trustees.

-All matters which have not been stipulated in these articles of association shall be regulated by the by-laws or by resolutions of the Executive Board.

IV. ORGANIZATION AND MANAGEMENT TASKS

I. ORGANIZATION STRUCTURE

A. Assumptions

The organization structure of the foundation should be designed on the basis of the following assumptions :

1. Notarial document of the foundation, which has been agreed by the Founders Group, has stipulated three level of governance:
 - a. Board of Trustees
 - b. Executive Board
 - c. Executive Director and Staff
2. As an independent, non-profit organization, the foundation should have a relatively small staff and flexible structure under the Board of Directors to be able to function as a "facilitating instrument" to serve the foundation's objectives effectively.
3. The organization of the foundation will be developed in stages or on a gradual process in accordance with the evolution of the program, capacity of implementation, and resource availability.

Recognizing the scarcity and difficulty of acquiring qualified professional staff in Indonesia, at least initially there should be provision made for:

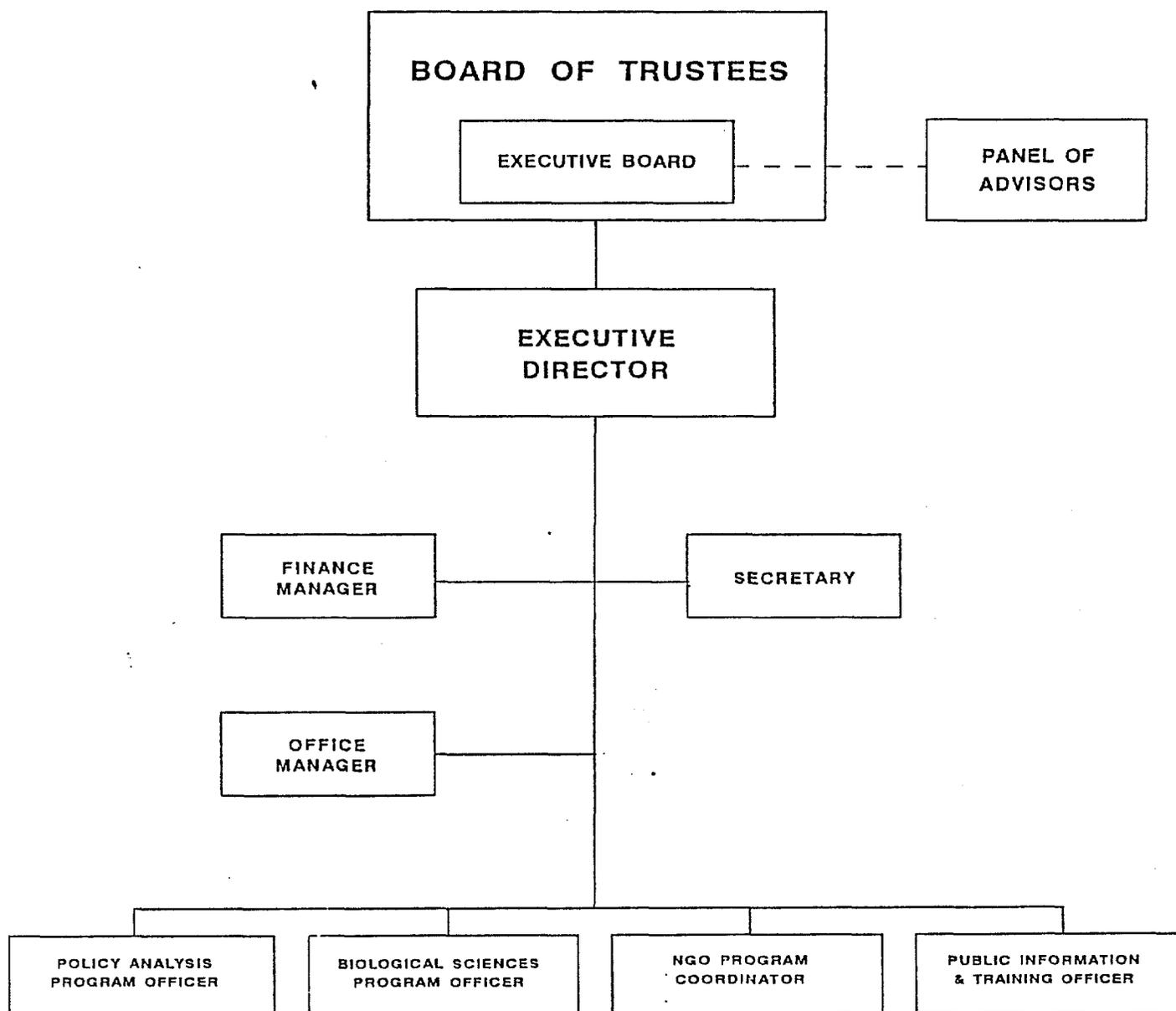
- a. The possibility of employing 2-3 Indonesian professionals in one position on a part-time or temporary basis, at least in the first years of its operations.
- b. To hire expatriate professionals who are technically qualified and have enough management experience in the related fields.

B. Structure of the Organization

The structure of the organization is proposed as follows :

THE INDONESIAN BIODIVERSITY FOUNDATION

PROPOSED ORGANIZATION CHART



C. Organizational Functions & Tasks

The following is a brief description of the functions and tasks of each unit/position in the organization structure of the foundation :

1. **The Board of Trustees**, provides constitutional guidance to the Executive Board and the Executive Managers, and has the highest authority of the foundation.
2. **The Executive Board** has the policy making authority including program planning decision, the authority to employ and terminate the Executives (Director & Officers) and provides policy and program direction of the foundation.
3. **Executive Director** is Chief Executive Officer of the foundation who is responsible for policy and program implementation, and in charge of operational management of the foundation.
4. **Office Manager** is responsible for general services matters (office space and equipments required, telecommunication and transportation of staff, etc.) and establishing & implementing office regulations, systems and procedures, personnel policy including staff recruitment and selection, compensation & benefits, staff training & development, and all activities related to office needs. He/she may be assisted by several supporting staff, such as receptionist, typists, computer programmers/operators, office boy, driver, etc.
5. **Finance Manager** is responsible for assistance to the Executive Director in grant-making policy implementation and financial management of the foundation including the planning, management and monitoring of all expenses used by the organization and evaluate the effective utilization of the grant funds.
6. **Secretary** is responsible for assistance to the Executive Director and all staff members for administrative matters.
7. **Program Officer for Policy Analysis** is responsible for program planning and coordination of policy issues related to biodiversity in Indonesia, be analyzed, researched and reported to the Executive Director for further action of the foundation.
8. **Biological Sciences Program Officer** is responsible for the planning and management of programs on scientific research & development of the biological sciences for the conservation of biodiversity in Indonesia.

9. **NGO Program Coordinator** is responsible for the planning and coordination of programs on biodiversity conservation and other related activities implemented by the Non-Governmental Organizations (NGOs) in various areas and regions of the country.
10. **Public Information & Training Officer** is responsible for program planning and the management of public information and awareness campaigns, as well as the coordination of training programs for internal staff of the foundation and also for the NGOs and other constituents of the foundation to support the attainment of foundation's objectives.
11. **Panel of Advisors** will consist of individual experts, professionals and resource persons who are needed for their technical expertise on a particular program or problems faced by the foundation and who will be hired on an ad-hoc or assignment basis to support the Executive Board's functions and tasks.

In the first year, the Executive Director of the newly established foundation will have to make priority in looking for operational staff such as Executive Secretary and Office Manager while for Program Officers priority should be given to Biological Sciences Program Officer and NGO Program Coordinator . The Public Information & Training Program Officer and the Policy Analysis Program Officer could be installed at a later stage.

II. MANAGEMENT POLICIES

1. Although the foundation is a non-profit organization, it should be managed professionally such as in a private business enterprise, using standard management concept and systems which are internationally accepted in terms of its management performance.
2. Each division in the organization should have a clear function(s), tasks and responsibilities to be formulated in a clear standard systems & procedures and job descriptions which should reflect the integration of a whole organization.
3. The organization should be staffed by professional and qualified persons for each position based on effective management principles and they will be provided with attractive compensation package which should be competitive with the market price for professionals in the business sector.
4. The organization must implement a more innovative, participatory and flexible approaches in serving the target groups and in achieving its objectives and should always avoid bureaucratic procedures.

5. The organization should also have clear system and mechanism for internal control to ensure internal management accountability, while its external operations should be based on sound management practice that is subject to "public accountability", which is an important element to measure the credibility of the foundation.

III. PERSONNEL POLICIES

1. For the selection of members of the Board of Trustees, Board of Directors and the Executive Director, the foundation should try to meet the following requirements :
 - An individual who has the following criteria:
 - Biodiversity interest, or knowledge and experience
 - Highly respected in his/her field
 - Commitment to excellence and public service
 - Has a macro thinking or vision and integrated/comprehensive approach
 - Composition of the Board members should reflect at least some representation of NGOs, University/Science community, Business, Media, etc
 - In the selection process, the Board should also take into consideration factors that reflect a balance of region, gender, age, etc.
2. For the recruitment of staff under the Executive Director the above mentioned criteria should also be used whenever applicable, plus several other skills required such as:
 - Managerial skill
 - Communication skill
 - Human / social relations
 - Dependability
 - Creativity
 - Technical knowledge in related, field, etc.
3. As part of its serious effort for institution building, the foundation should try to look for the best candidates available in the country to be employed on a full-time basis, provided with good and competitive compensation package and develop his/her long term career within the foundation.

However, realizing the scarcity of such qualified persons to be attracted to work for a new and unknown foundation, it is therefore necessary for the Board of Directors to adopt a more flexible personnel policy whereby in the initial stage the foundation will allow qualified candidates to work on a part-time or project basis, to fill one position with two part-time officers, hire expatriate professionals, etc, on the condition that

these temporary arrangements should be followed by a clear and directed steps to institutionalize the foundation's system.

4. Once the staffs are in place, the management of the foundation will have to provide its employees with personnel policies and management system that will take care their work contract, job descriptions, compensation & benefits arrangement, employment regulation, career planning, etc to secure their long-term commitment with the foundation.

For expatriate staff or experts, the foundation will also have to implement a clear policy and administrative arrangement with regard to their visa, work permit, mobilization & demobilization costs, job assignment & tasks, salary & housing allowance, etc.

IV. ORGANIZATIONAL PREPARATION

To set up the organisation and facilitate the start-up operations of the new foundation, it is important for the Executive Board to consider the following:

1. **Appropriate & functioning office**
 - (a) representative office in a strategic location
 - (b) well-planned office layout with modern office furnitures, including a special room for the Chairman of the Board of Trustees.
 - (c) functioning telephone lines and telecommunication facilities: telex , fax machine, modem, photo-copy machine, etc.
 - (d) equipped with modern technology (computer hardware & software), filing system, security system, etc.
 - (e) meeting room for the Executive Board and other officers of the foundation.

2. Management Consulting Assistance

Whenever it is deemed necessary, the Founder's Group or the Board of Directors could ask for assistance from a professional management consulting firm to work with the Board of Directors for setting up the organization and managing initial operations of the foundation. This could also be done even prior to the selection of an Executive Director, because the selection process may take several months, while efforts to build the management system need to be done as soon as possible to facilitate an early transfer of the endowment fund from US-AID. Furthermore, this preliminary works would relieve the new Executive Director on some administrative burden.

V. GRANTMAKING POLICY OPTIONS

An Introduction

1. **Introduction.** Grants are investments in people and their ideas. High returns on investments are desired. In order to achieve high returns, grants must be made to individuals and organizations which are likely to produce such returns by using money provided by the foundation. In this case, the challenge for the foundation is to identify those opportunities for investments which will best serve to sustain the archipelago's biological wealth while seeking ways to use this wealth for the benefit of humanity.

How does a foundation decide on which investments to make? How do Indonesians who are eager to work on biodiversity issues discover which types of investments of the foundation is willing to fund? And how does the foundation find the people whose ideas represent promising investment? All foundations must find effective ways to answer these questions.

We recommend that the Indonesian Biodiversity Foundation establish a special committee to develop grantmaking policies. The committee should develop a set of recommendations for the Board of Directors. Make no mistake; grantmaking policies are extremely important and should be discussed in detail before decisions are reached and made public.

An Agenda for the Grantmaking Policy Committee. Below we have provided a preliminary list of the terms of reference for this committee. While these items appear to be the main ones the committee should address, other issues will arise.

2. Terms of Reference

A. **Foundation Program Priorities.** The foundation's programs must be defined by the Board of Directors. The initial reference points for this task are the **Biodiversity Action Plan** and the "Purpose and Objective" in the Articles of Association (#4). The next task is to identify the foundation's main priorities from these longer, more expansive agendas.

B. **Program Guidelines.** The foundation must tell the public what types of projects it intends to fund, what types of individuals and institutions will be eligible to receive grants, what the funding limits for each grant are, and when decisions about the awarding of grants will be made. It must also decide how to communicate this information to the broader public. Since this information will be made public nationally, it is extremely important to develop clear guidelines which can be easily understood.

Most of these decisions will require thoughtful discussions and possibly consultations with people outside the foundation. Here are some examples of the issues the committee must tackle:

- (a) How can the foundation ensure that distant regions in Indonesia will have access to foundation grants?
- (b) How can the foundation ensure that community-based organizations and relatively weak NGOs will have access to foundation grants?
- (c) How large and how small should the grants be? (This question has both equity and administrative implications.)
- (d) How much of the foundation's grant budget should be reserved for competition where the best proposals get the grants; how much should be reserved for initiatives by the foundation staff? (in the latter case, the foundation staff goes into the field and helps to develop a proposal which can be funded.)
- (e) How much of the foundation's grant budget should be used for the development of human resources, for biodiversity conferences or workshops, and for building strength in restively weak NGOs?

C. Submission of Proposals. A standard application for grants will make the task of evaluating them easier. The committee should decide what background information is needed and what information on the project is required.

D. Evaluating Proposals. Procedures must be established for evaluating applications for grants. This task will probably involve the Executive Director, Program Officers, and Technical Advisers. The criteria for evaluation must be established, published, and adhered to in decision-making.

E. Decision-making on Grants. Should the foundation's staff or should its Board of Directors be responsible for the final decisions to award grants? Should grant decisions of smaller size be made by the staff; those of larger size be made by the Directors? Should there be an interim policy of requiring the Directors to approve all grants with the expectation that some of this responsibility would be delegated to the staff after a period of time? In connection with decision-making, the foundation will wish to establish a clear policy on "conflicts of interest."

F. **Timing of Grants (Grant Cycles).** To facilitate the management of the grantmaking process, should the foundation establish specific dates when grants will be made and provide deadlines for applications? Two times per year? More frequently? (Note: Until the foundation is fully staffed and operating smoothly, there is strong rationale for limiting the number of times grants are made each year. Two times seems about right.)

Additional grantmaking policy decisions must be made once the foundation is in business. These include:

A. **Grant Payments.** Payments must be made as quickly as possible once the grant is approved. Should the initial payment cover only 50%--perhaps 75%--of the grantee's budget and a second payment be based on the demonstration of adequate progress? A system needs to be developed so that this process works smoothly and is understood by all.

B. **Monitoring Grants and Grant Reporting.** The foundation must establish procedures for grantees to submit reports on progress and expenditures of grant funds. It must also develop mechanisms to monitor the progress of projects which it funds. (Note: These subjects are discussed in another section of this report, "MONITORING AND EVALUATION.")

C. **Evaluation of Grants.** Some type of evaluation bearing on program objectives and financial expenditures should be developed. (Note: This subject is also discussed in the "MONITORING AND EVALUATION" section of this report.)

D. **Public Reporting on Grants.** The foundation should decide on a policy related to the public reporting of its grants. Should national newspapers be used? Other forms of media?

Additional Commentary on Grantmaking Policies. The Design Team sought the assistance of several people in providing ideas, strategies, and examples of actual cases to assist those who will be addressing these issues. These materials are included in the **APPENDIX** to this report and they should be reviewed carefully for they provide a wealth of background information.

Wimar Witoelar has prepared an essay dealing mainly with the challenge of creating access to the foundation's funds. His writing recognizes that distance from Jakarta, language, inexperience in applying for grants, and many other factors would limit access to important constituencies and he offers recommendations for dealing with these problems.

Stephen Kelleher of the Washington-based Biodiversity Support Program (BSP) provides information of other grantmaking programs and examples of "grant guidelines" which are currently in use. He also covers criteria for grantmaking, NGO capacities, and the grantmaking experience of other organizations. He notes that BSP's small grants program received 40 proposals from Indonesia in 1993 and funded only two of the proposals. To date, 36 proposals for another U.S.-funded program (Biodiversity Conservation Network) have been received. These numbers indicate that demand for biodiversity-related work is high in Indonesia, but the success rate of grantseekers remains low.

S. Juliani of the Dana Mitra Lingkungan, a Jakarta-based environmental foundation, provides lessons of experience from DML's management of a small grants program funded by the Global Environmental Facility through the UNDP. One of the specific challenges DML has tackled is that how to reach locally-based NGOs with small grants. Note her recommendation on grant payments based on DML's experience.

Frances Seymour, formerly Program Officer for Natural Resources in the Ford Foundation's Jakarta office, has prepared a very thoughtful submission on the advantages of competitive versus non-competitive strategies for grantmaking. Her analysis bears directly on the issue of how pro-active the foundation wishes to be in stimulating biodiversity conservation activities.

And **William McCalpin**, formerly with the Rockefeller Brothers Fund and now with the John D. & Catherine T. MacArthur Foundation in Chicago, has written notes on the "grantmaking cycle". He shows, in outline form, how a typical grantmaking process is structured.

VI. MANAGEMENT OF FINANCIAL ASSETS

INVESTMENT POLICIES AND GUIDELINES

1. Introduction

Most foundations of the size that the new Indonesian Biodiversity Conservation Foundation expects to be have a committee of the governing board that has delegated authority for managing the foundation's finance. In some instances, the committee is referred to as a finance committee; in others, an investment committee. The latter is the preferred term in the analysis that follows.

Among the functions of the investment committee are (1) to develop a statement of investment policies and guidelines that can be reviewed and approved by the governing board; (2) to conclude contractual agreements with one or more professional investment firms that will manage foundation assets in a manner consistent with the statement of policies and guidelines; (3) to monitor the performance of asset managers relative to appropriate market indices on at least a quarterly basis; (4) to terminate relationships with managers that are not performing in line with expectations over a representative measuring period; (5) to monitor foundation spending relative to total investment return; and (6) to amend the statement of investment policies and guidelines as the circumstances of the foundation evolve.

The analysis that follows offers a framework for the new foundation's investment committee to consider as it takes up the task of crafting an appropriate statement of investment policies and guidelines.

2. Determining a Long-Term Investment Objective

The process of deciding upon an appropriate arrangement for managing a foundation's assets begins with the determination of a desirable long-term investment objective. Many, though certainly not all, U.S. foundations aim to preserve the real value of their assets over time. That is to say, they manage their finances in a manner that allows them to have as much of an impact through their grantmaking in two decades as in the present. Other foundations are prepared to accept a gradual erosion of the real value of assets, while still others commit to spending themselves out of existence over a period of years. A final approach is to attempt to accumulate assets in real terms over time, but few foundations would have this inclination.

For purposes of this discussion, it is assumed that USAID will want to have the real value of its \$15 million endowment grant maintained and therefore preservation of the real value of assets will be the foundation's long-term investment goal, at least with respect to the \$15 million of endowment from USAID.

In order to maintain real value over long periods of time, the total rate of return on investment of assets, net of all fees and related expenses, must at least equal the annual rate of spending plus inflation. Stated slightly differently, the real value of assets is preserved when total return after accounting for inflation at least matches the annual rate of spending. It is important to note here that total rate of return is a measure of return that includes both current yield (interest and dividends) and capital appreciation. It is also worth noting that, in any given year, total return on investments will rarely equal spending plus inflation. What is important is that they be aligned over long periods of time.

3. Setting a Rate of Annual Spending

If preserving the real value of assets is the foundation's long-term investment objective, what is an appropriate level of annual spending? How much can the foundation spend on an annual basis for administration and program and still be true to the long-term investment goal?

In the U.S. context, the federal revenue agency offers a clear framework within which foundations set their annual rates of spending. U.S. law requires foundations to distribute annually a minimum 5 percent of the average market value of their assets through the year. This is deemed to be an appropriate level of contribution to society in return for the privilege of paying very modest taxes on investment income. What is worth noting is that the spending requirement is based on the market value of assets, not on the amount of annual investment income.

Distributions which qualify toward meeting the mandated minimum payout include those for both administrative expenses and grants. Foundations can spend as much as they desire on an annual basis; the law is phrased in terms of a floor rather than a ceiling. Most foundations, especially those in the medium-to-large size category (i.e. those with assets above \$50 million), spend in the neighborhood of 5 percent of assets.

The determination of an appropriate rate of spending for an endowed Indonesian foundation is rather more difficult since there appears to be no clear government guidelines concerning foundation spending policy. In such an environment it may be left to the foundation's board of directors to decide how much can be spent on an annual basis without undermining the real value of the endowment.

As previously noted, most of the larger U.S. foundation set their annual spending policies near the mandated minimum payout of 5 percent. They do so because, in spite of the favorable capital market conditions of the 1980s, the history of U.S. public capital market performance suggests that earning a real rate of return of 5 percent over long periods of time is extremely challenging. A total return target of 5 percent plus inflation is aggressive. Since 1902, U.S. stocks have offered an average, annual, total return in real terms of 6.2 percent. Comparable real returns for high quality, long-term U.S. bonds and for cash equivalents have been 2.0 and 0.9, respectively.

While these return time series focus only on U.S. market performance, they nonetheless provide a meaningful context in which to think about determining an appropriate rate of spending for the new foundation in the absence of government mandates. Spending at the rate of 3 percent of assets annually is probably compatible with the goal of preserving real asset value. Spending at the real rate of 10 percent or even 8 percent, on the other hand, is likely to be unsustainable. A good figure to use at least for an initial period of years might be 6 percent.

4. Structuring a Portfolio of Investments

Having defined a long-term investment objective and decided upon an appropriate level of annual spending, the foundation will face the task of constructing a portfolio of investments that maximizes the likelihood of achieving the long-term return goal. In the U.S., foundations think about portfolio construction in the context of the returns that different classes of assets have offered historically. For example, if a foundation wanted to earn a real rate of return of at least 5 percent and if U.S. government bonds and cash equivalents have historically provided real returns of 2.0 and 0.9 percent per year, respectively (as mentioned above), it would not be wise for the foundation to construct a portfolio of only such investments.

On the other hand, if a foundation had the same return objective, it might invest all of its assets in U.S. equities since this asset class had historically provided average annual returns in real terms of better than 5 percent. A foundation would rarely take this approach, however, because of another key principle of portfolio construction, namely control of portfolio volatility. Since spending policy is set with reference to the market value of assets and since there is a general desire to avoid large swings in the spending budget from one year to the next, foundations aim to hit their return targets while controlling portfolio volatility as much as possible. An allocation of 100 percent to equities might be a reasonable approach to satisfying the goal of earning a real rate of 5 percent over time, but the market value of this kind of portfolio could fluctuate quite dramatically from year to year.

A foundation that wanted to earn a real rate of return of 5 percent and that was thinking in terms of investing solely in publicly traded U.S. stocks and U.S. government bonds would conclude, on the basis of historic returns from these assets, that it needed to invest at least 75 percent of its assets in equities, with the remaining 25 percent in fixed income securities. The allocation to equities need not be quite as aggressive as 75 percent if the foundation (1) engages active equity managers; (2) invests some portion of the equity component in foreign (non-U.S.) markets; and/or (3) commits some of the equity component to relatively illiquid, long-term, private capital market investments that generally offer superior performance. Regardless, a foundation must have a preponderance of its investments in equities if it is going to spend at a level of 5 percent or more per year and preserve the real value of its endowment.

A foundation's asset allocation policy usually refers to desirable long-term allocation targets and acceptable ranges of fluctuation around those targets. For example, a foundation seeking to earn a real rate of return of at least 5 percent might aim to have 65 percent of its

assets invested in equities, i.e. the neutral or target allocation to equities would be 65 percent. At the same time, the foundation might be prepared to accept movements in the actual market value of equities within a range of 50 percent of the portfolio at the low end and 80 percent of the portfolio at the high end. Similarly, the long-term target allocation to fixed income securities might be 35 percent with tolerance for fluctuation between a lower boundary of 20 percent and an upper boundary of 50 percent.

5. Engaging Professional Management for the Portfolio

Assuming that the new foundation is not going to manage its investment internally -- an approach that is unlikely to be cost-effective--the foundation faces at least two possibilities for engaging outside professional investment management services. One possibility would be to hire a single manager and ask that firm to manage a so-called balanced account of equities and fixed income securities toward a defined long-term investment objective. The other approach would be to contract with separate equity and fixed income managers. There are advantages and disadvantages to both.

The major advantage of the one-manager arrangement is convenience. At the end of each month or quarter, there is a single statement to review and a single point of contact for issues that need to be discussed. Among the disadvantages is the fact that investors often pay more in fees for balanced management than for a combination of separate equity and fixed income management. Balanced managers usually justify the additional fee with the argument that they are being paid for making active asset allocation decisions between stocks and bonds in response to market conditions. The reality can be different from the rhetoric, however, as many balanced accounts are effectively managed as a stock account and a bond account. That is to say, investors are paying a premium for a service that they are not actually receiving. Furthermore, it is often the case that balanced managers are adept at equity management or fixed income management but not both. If balanced management is the preferred approach, it will be important to assess the track record of manager candidates in both of these asset classes.

Following from the comments immediately above, the major advantages of engaging managers for separate asset classes are (1) economies in expenditures for investment management; and (2) flexibility to engage the best talent for a particular asset class. One complication of a multiple manager arrangement is that the investor will receive more than one statement at the end of each reporting period. More fundamentally, the investor itself must make asset allocation decisions, determining how much to entrust to each manager. Unlike the single, balanced manager approach, assets allocation decisions are not delegated. Along with the responsibility for such decisions comes the obligation occasionally to rebalance the portfolio when, due to market conditions, it deviates too far from desired allocation targets.

6. The Equity Component of the Portfolio

There are several questions that the new foundation's investment committee will want to consider in structuring an appropriate collection of equity investments. Among them are the following, each of which is discussed in turn:

- a) What is the most suitable universe of equity investments for the foundation?
- b) Should the foundation participate in that universe throughout active management, passive management, or some combination of the two?
- c) If the foundation decides to engage managers specifically for equities, how many managers should it hire?
- d) Should the foundation consider investing through pooled vehicles, e.g. mutual funds, or does it wish to have separate accounts with its managers?

With regard to the universe of equity investments, the foundation will need to consider whether its investments should be limited to the public markets or whether there will also be an allocation to more illiquid but potentially higher yielding private investments, such as real estate or venture capital. For purposes of this discussion, it is assumed that investments will be restricted to the public capital markets, at least for the \$15 million of endowment to be contributed by USAID.

Looking solely at the public markets, the foundation has several options. It could restrict investments to (1) Indonesian stock markets; (2) U.S. stock markets; or (3) some combination of Asian stock markets. Alternatively, the foundation could decide to have a global equity portfolio. There are many issues to consider in choosing among these and other options. For example, given the current state of development of the Jakarta exchange, would it be possible for the foundation to construct a diversified portfolio of equity investments that had a high degree of liquidity and a tolerable measure of volatility? Does it make sense to restrict equity investments to the U.S. market when that market represents a steadily declining share of total global equity market capitalization? What would be the rationale for a portfolio of only regional Asian stocks and would such a portfolio satisfy objectives with regard to liquidity, volatility, and diversification?

Having decided upon an appropriate equity universe, the foundation will be faced with the question of how to participate in the target market(s). One approach would be to invest the equity portion of the portfolio in a passively managed index product that allowed the foundation to have a broad exposure in the target markets. For example, if the foundation wanted all of its equity investments to be in U.S. markets, it could acquire shares in an D & P 500 index fund. Alternatively, if the foundation wanted to have a portfolio of global

equities, it could take a position in a fund that tracked some index of global equity markets. At present, there appears to be no such index fund for investors interested in the Jakarta Stock Exchange.

The primary benefit of indexing is cost effectiveness. Investment management fees paid for index products are generally a fraction of the expenses that an investor encounters when engaging active management. For significant periods of time, passive management can outperform active management on an after-fees basis; however, over very long periods of time, at least in U.S. stock markets, active management has produced superior returns. The active manager commands a higher fee for its allocation of investment assets across industry sectors and across individual companies within industry sectors in response to market conditions.

If the foundation decides not to hire a single balanced manager, how many managers might it engage for the equity component of the portfolio? The decision about how many managers to hire is a function of the amount of money to be invested and the degree of diversification to be achieved. It is also worth bearing in mind that, with respect to separately managed accounts, managers tend to charge less in fees on a per-dollar-invested basis as the size of the account grows. That is to say, a manager might assess a fee of 75 basis points (0.75 percent) on an account of \$3 million but 50 basis points on an account of \$10 million.

A final issue for the investment committee to consider is whether the foundation should make use of pooled vehicles, such as mutual funds, for its equity investments as an alternative to establishing separately managed accounts with investment firms. The committee will want to assess here differences in both fees and quality of management. Because of the modest size of its assets, at least initially, the foundation will not have access to some of the best equity managers. These managers require account minimums that exceed the amount of money that the foundation will have to commit to equity investments, especially in the early years as the total USAID contribution is paid in installments. Given the modest size of its endowment and the manner in which it is received in the initial years, would the foundation be able to employ higher quality management through participating in pooled vehicles than by engaging firms to manage separate accounts? What would be the fee implications of this choice?

7. The Fixed Income Component of the Portfolio

The question that the foundation's investment committee will want to pose in structuring an appropriate collection of fixed income investments are similar to those for the equity segment:

- a) What is the most suitable universe of fixed income investments for the foundation?
- b) Should the foundation participate in that universe through active management, passive management, or some combination of the two?
- c) If the foundation decides to engage managers specially for fixed income investment, how many managers should it hire?
- d) Should the foundation consider investing through pooled vehicles, such as mutual funds, or does it wish to have separately managed accounts?

The analysis of each can proceed within much the same framework as the framework offered above under the equity section.

8. A Suggested Approach

For purposes of provoking discussion within the Preparation Committee and between the members of that group and USAID staff, I offer the following recommendations about a structure for managing the foundation's initial endowment of \$15 million. First, the foundation's long-term investment objective with respect to these assets should be the preservation of their real, i.e. inflation adjusted, value.

Second, at least through the first five years of its operations, the foundation should spend no more than 6 percent of the average market value of its endowment assets during a given twelve-month period. Of this annual spending amount, a maximum of 15 percent should be allocated to administrative expenses. The remaining 85 percent would be devoted to program activities, primarily grants.

In order to preserve the real value of endowment assets and spend at an annual rate of up to 6 percent, the foundation should aim to have about 65 percent of its endowment invested in highly liquid, publicly traded, equity securities. The remaining 35 percent would be committed to high quality securities. The remaining 35 percent would be committed to high quality, fixed income securities for which there is a ready market. The actual allocation of investment assets between stocks and bonds at any given point in time could range between 50 and 80 percent of the total portfolio for equities and between 20 and 50 percent of the portfolio for fixed income securities.

The foundation should not manage any of its investments in house, except for short-term, cash equivalent investments such as money market accounts and time deposits. Rather than hire a single manager to make equity and fixed income investments, the foundation should engage separate stock and bond managers, and reserve for itself authority to make major asset allocation decisions.

For the equity component of the investment portfolio, at least until USAID has made all payments on its \$15 million pledge, the foundation should have a single manager relationship. And, the foundation should give serious consideration to having this relationship take the form of an investment in a well-established, very professionally managed, pooled vehicle.

The target universe for equity investments would not be restricted by country or group of countries. Rather, the foundation would aim to have a global exposure to equities, weighted by the total capitalization of the various national markets. That is to say, the bulk of the equities that the foundation would own, possibly through participation in a pooled fund, would be North American, Western European, and Japanese issues. There would be no special preference for Indonesian shares. The foundation should not invest passively, but rather hire active management.

Once the foundation has received the full \$15 million from USAID, and perhaps succeeded in raising additional endowment funds, it should consider establishing a separate, locally managed account for investments in Indonesian stocks. Such an account would have a satellite relationship with the larger, core account for global equity investments.

For the fixed income portion of the foundation's initial asset portfolio, there should be two manager relationships: one for investments in non-Rupiah denominated securities, and the other for acquisition of local currency denominated debt issues. The division of the fixed income segment of the portfolio between foreign and domestic securities might be two-thirds and one-third, respectively. The target universe for foreign fixed income investments would be the U.S. debt market. Qualifying issues within that market would include U.S. Treasury securities, securities issued by agencies of the U.S. government, and corporate debt securities considered to be of investment quality by one of the two main rating agencies. Asset-backed securities, including mortgage-backed securities, would not qualify.

The foundation should give serious consideration to investing in the U.S. bond market through a passively managed, pooled vehicle. The Indonesian account will almost certainly have to be a separate account that is actively managed.

Establishing a track record with a local firm for fixed income asset management will probably prove to be quite valuable as the foundation approaches potential donors of additional endowment funds in Rupiah in Indonesia. Local management of some portion of the foundation's assets also has symbolic significance and is consistent with the foundation's having all of its spending obligations denominated in Rupiah. Over time, the foundation

might want to invest more of its fixed income allocation locally, depending on a host of factors including the competence of local bond managers, the fees that these managers charge for their services, the degree of portfolio diversification that can be achieved in the Indonesian debt market, etc.

9. Next Steps in the Process

After the foundation's investment committee and board of directors agree upon a general framework for managing the endowment funds to be contributed by USAID, the foundation will have to hire one or more investment managers. Under the structure I have proposed above, the foundation would have to engage (1) a global equities manager; (2) a U.S. fixed income manager; and (3) an Indonesian fixed income manager.

One approach to manager selection, at least for the first two of these three choices, would be to contract with a consultant to develop a short list of three-to-five candidates for each manager position. In the U.S., there are a few firms that specialize in providing this kind of consulting service to tax-exempt, institutional investors such as foundations and universities. For a discrete, short-term consulting assignment of this type, the fee would probably be on the order of \$5,000 - \$7,500, perhaps less. It would be money well spent.

For the identification of candidates for the Indonesian manager position, the members of the foundation's investment committee would have to solicit opinions from individuals in the local community of financial services professionals. My impression is that the number of firms managing money in the Indonesian debt market for institutional clients is quite small.

VII. FINANCIAL MANAGEMENT SYSTEMS

1. Introduction

PT Price Waterhouse Sutanto has been requested to advise generally on the specifications for a suitable accounting system for a proposed new conservation foundation to be established in Indonesia. At this stage, we have been asked to omit reference to detailed such as specific accounting computer software, and advise at more of a conceptual level. Our advise is based on information concerning the new project, from discussions with two representatives of the organizing group. The project is being established with funding from the Government of the United States of America, in the interests of preserving the biodiversity of Indonesia.

The Indonesian Biodiversity Foundation is to be an Indonesian entity, under the control of board members and trustees drawn from Indonesian business, government and conservation groups. It is intended that it obtain a Memorandum of Understanding with the Indonesian Government. The foundation is to be long term, indefinitely continuing. It will not conduct any trading activities.

2. Our Understanding Of Your Project

Principal characteristics of the project are as follows:

- A. The foundation ("IBF") is to be established through a contribution of capital from outside of Indonesia, likely to be in the order of \$15 million, with a further \$5 million for establishment, operation costs and initial project funding. That capital sum will largely be invested as an endowment.
- B. The investment returns derived by IBF are to be allocated to biodiversity projects in Indonesia. Those projects will be carried out by bodies other than IBF, which will remain a fund-raising body, expending its funds through grants to the projects of other entities.
- C. IBF will employ staff in the roles of supervisors of the biodiversity projects to which funds have been allocated, to monitor those projects and ensure that funds are expended in the approved manner.
- D. IBF will seek further endowments from governments and wealthy individuals.
- E. IBF will seek to be a tax-free entity in Indonesia, but does not intend to obtain tax-exempt status for expatriate staff seconded to the project.

3. Accounting Parameters Relevant To The Foundation

The following basic parameters (among others) should be adhered to in the design of the IBF accounting system:

- A. Control over the assets and income of IBF is paramount. The system should encompass basic standards of segregation of duties of staff performing authorization, recording, and custodial tasks.
- B. All transactions must be conducted and recorded in a manner which may be readily verified by internal and external audit review.
- C. Investment of the endowed funds must be monitored through tight accounting enabling:
 - prompt assessment of relative investment performance
 - projection of income to be received, and monitoring of actual income against projection
 - identification of investments and income from separate endowments
- D. Transactions through various foreign currencies should be facilitated.
- E. The system must produce standard management and financial reports, on a regular basis (probably monthly) including:
 - balance sheet and income and expenditure statement
 - comparison between budget and actual results
- F. Such other records as are necessary to satisfy the laws of Indonesia, for example, payroll and withholding tax information.
- G. The degree of complexity inherent in the ideal accounting system for IBF must be assessed in relation to the qualifications and skills of the employees involved in the maintenance of the system. With higher degrees of integration of the various accounting functions comes more complexity and therefore scope for error.

4. Outline of System

It is likely that the system will include or address the following:

- A. A standard, off-the-shelf, accounting package. At the lower priced end of the software market, such packages are generally able to handle recording in only one currency. Higher priced packages are often able to facilitate recording in multiple currencies.

Suitable single currency systems are available at a cost in the order of \$1,000.

- B. The accounting software must be capable of maintaining multiple general ledgers, so that all activities may be separated according to individual endowments. The separate ledgers should be automatically consolidated for overall reporting of results.
- C. Budget data should be input to the computer system prior to commencement of each accounting year, to enable continuous budget to actual comparison.
- D. Suitable computer hardware is readily available in Indonesia. Although the system could be operated on a stand-alone basis, it should be designed on a network of PCs to allow for expansion.
- E. The computer software selected should contain either:
 - investment management portfolio modules or
 - the facility to integrate with other programs handling investment management or
 - the facility to integrate to commonly used spreadsheet software, such as "Lotus 123" or "Excel".
- F. A fixed asset register should be maintained either within the main program or separately.
- G. A detailed system and procedures manual should be created containing, among other things:
 - full descriptions and flowcharts of each accounting procedure, from initiation of the transaction to final recording and reporting.
 - job descriptions for each accounting related employee position.
 - timetables and responsibilities for monthly and annual reporting, budgeting and compliance with Indonesian tax and legal requirements.
 - specimen forms and reports.
 - particular requirements of the IBCF founding document, to the extent they are not otherwise addressed.
- H. Apart from the foundation's own accounting, certain data from funded projects may require reporting. This may be integrated with the main accounting/reporting system if required.
- I. The computer program should contain a payroll module, although initially, small staff numbers may not warrant this.

5. Conclusion

This summary of accounting system requirements is intended only as a guide to the

matters to be considered by the founders of IBF. It should not be viewed as a detailed specification of a suitable accounting system, and further professional assistance should be sought prior to implementation.

VIII. MOBILIZING ADDITIONAL FINANCIAL RESOURCES

Sources and the strategy for the foundation to obtain additional contributions for the endowment, operations and programs.

1. Endowment Funding

It was understood from the beginning that while USAID's prospective contribution of + \$15 million to establish the new foundation's endowment is an extraordinary step to support Indonesia's national **Biodiversity Action Plan** by a bi-lateral donor, the annual income from this fund will not be large in comparison to the country's needs. To make this concrete, we might reasonably assume that once the fund reaches the level of \$15 million it would provide perhaps \$1 million each year for grants to Indonesian organizations and individuals. While \$1 million is significant, this figure must be increased. Thus, the case for setting a goal to increase the endowment to + \$50 million within a period of 5-10 years is strong.

Endowment funds contributed by other donors could be kept separate from those provided by USAID and the investment policies which apply to them would likely be different than those which apply to the funds provided by USAID. This would enable recognition to be given to new donors to the foundation. (Note: Such arrangements are described separately in the section of this report which deals with the management of the foundation's assets.)

It is also understood that the new foundation should serve as a flexible financial mechanism to channel additional funds into programs supporting the **Action Plan**. The foundation would receive funds from donors and direct these funds to specific biodiversity programs as negotiated with the donors. These funds would not go into the foundation's endowment, but would strengthen the foundation's grantmaking program.

A. Prospective Endowment Contributions. At this early stage of the development of the foundation, there appear to be three prospective sources of additional contributions to the endowment. And there is a fourth possibility which needs to be explored. It is not possible at this time to assign a level of probability to these prospective sources. This can be done only after a series of conversations have taken place over the next 6-12 months, because until the foundation is formally established in Indonesia and its Boards of Trustees and Directors selected and its program running smoothly, prospective donors are unlikely to say very much about their interests.

One potential source of additional funding is the Government of Indonesia. If the Government truly believes that NGO and scientific partnership is essential for the success of the national **Biodiversity Action Plan** as the Plan itself states, it should consider providing sustainable support through the foundation's endowment. It could do so through the provision of non-budgetary funds such as **Dana Rebiosasi** or possibly through a new policy

of levying rents (a form of taxes) on the extraction of natural resource commodities such as timber and marine products, both of which are potentially renewable resources. The terms of the contributions would have to be negotiated by the foundation.

Another potential source is the Global Environmental Facility. In other countries the GEF has provided trust funds for environmental activities. If the new foundation demonstrated its capacity to use funding effectively for the sustainable use of Indonesia's biological resources, a strong case for GEF funding could be made. Perhaps the strongest argument lies in the long-term life of the foundation: it will be a sustainable institution capable of meeting biodiversity program needs over several decades.

A third potential source of endowment funds, though perhaps at a lower level, is that of private contributions from Indonesians who have accumulated wealth in the last two decades. The American examples of Andrew Carnegie, Henry Ford, John D. Rockefeller, and more recently, John D. MacArthur come to mind. While private wealth is still a recent phenomenon in Indonesia, it is possible that some individuals may believe that funding programs which sustain Indonesia's incredible biological wealth are the most important opportunities they have to contribute to the longterm well-being of Indonesian society. They may also understand that such funding will make an important contribution to the future of the entire planet because Indonesia's biotic wealth is among the highest in the whole world.

A final source for additional endowment funding centers on the Government of Japan. While Japanese ODA is limited to governmental programs at the present time, it is possible that this policy could possibly change in the next several years. In its foreign aid program, the Japanese Government has appropriately been traditionally concerned about continued domestic currency operating costs for the projects it funds. The Indonesian Biodiversity Foundation, through its endowment, virtually guarantees the sustainability of the foundation's activities. The basis for a change in Japanese policy, however, lies in (a) the GOI's assurances to Japan that NGOs are true partners in biodiversity conservation, and (b) Japanese recognition of this partnership. (It may be noted here that in the case of the Philippine Foundation for the Environment (PFE), the Bank of Tokyo provided \$100,000 \$100,000 to the FPE through the conversion of a debt to Philippine pesos.)

2. Program and Operating Funds

Program and operating funds will almost certainly be easier to find than endowment funding. If the foundation establishes a strong and independent program, recruits capable and experienced staff, demonstrates excellent management practices, appoints trustees and directors who are nationally recognized, and established good international linkages, it will have excellent opportunities to persuade donors to accomplish their biodiversity funding objectives through partnership with the new foundation.

The main limiting factor will be the absorptive capacity of the foundation's small staff. It should not negotiate more partnerships with donors that it can manage effectively, regardless

of the offers of financing. During its first five years of operation, the foundation can play a helpful role in identifying NGO and scientific research programs into which donors can put their money directly--i.e., without reaching formal partnerships with the foundation.

The function is especially important as an antidote to an *expresses concern by the NGO community that the new foundation, because of its limited program scope, might indirectly provide barriers to NGOs which seek direct access to donors.* The foundation must not become a monopoly if it wishes to most effectively serve and stimulate a wide range of biodiversity-related activities throughout the archipelago.

3. Technical Assistance Funding

It is already understood that USAID is prepared to consider funding a significant technical assistance component for the new foundation and that the highest quality of assistance would be sought. It is further understood that the primary emphasis within the category of technical assistance will be placed on institution building, not on the technical or scientific aspects of biodiversity program development. (Note: A discussion of technical assistance can be found in another section of this report.)

Two points need to be made in this section. First, the international foundation community, primarily but not exclusively U.S. foundations, represents an excellent potential source of funding and technical expertise for the development of the new foundation. It is recommended that consultations with USAID and the U.S. foundations take place in early 1994 prior to the final preparation of the grant agreement which USAID expects to sign with the new foundation. In addition to USAID and some of the organizations which it funds (e.g., the Biodiversity Support Program), these consultations could include the Ford Foundation, the Asia Foundation, the MacArthur Foundation, and the Rockefeller Brothers Fund. There are also other potential sources.

Second, while these consultations might include the four U.S. foundations and potentially one or two foundations from Japan, great care should be taken not to involve too many "cooks." Ideally, there should not be more than two, possibly three, providers of technical assistance during any one year. This strategy will minimize conflicting advice which, given the nature of foundations, is likely to occur.

I. Potential Endowment Sources:

- (1) USAID: \$15 million
- (2) Global Environmental Facility (GEF)
- (3) Indonesian Government
- (4) Private Indonesian individuals
- (5) Government of Japan

II. Potential Program & Operations Financing Sources:

- (1) USAID (\$5 million)
- (2) Other Bi-lateral aid programs
- (3) UNDP
- (4) International foundations
- (5) International corporations
- (6) Indonesian business community

III. Potential Sources of Technical Assistance:

- (1) USAID
- (2) International foundations

IV. Sequencing of Financing:

- (1) USAID
- (2) U.S. foundation(s)
- (3) Government of Japan (via UNDP?)
- (4) Government of Indonesia
- (5) Bi-lateral donors
- (6) Multi-national corporations
- (7) GEF
- (8) Indonesian business community & private individuals

IX. IN-COUNTRY POLICY/PROGRAM ADVISORY SERVICES TO THE FOUNDATION

There are two main types of advisory roles which the new foundation's directors will wish to consider. The first is linked to the Board of Directors. These advisors would be expected to provide services to the Board and, by extension, to the Executive Director on policy issues. The second is linked to the Executive Director and would involve counsel to him/her and the senior program staff of the foundation. These advisors would provide services related principally to grantmaking and program development.

1. **Policy Advisory Panel.** We have carefully considered the option of creating an advisory committee to the Board of Directors and recommend that a formal committee/panel not be incorporated into the legal structure of the foundation. That said, we believe that there are two reasons for establishing a Policy Advisory Panel which would provide counsel to the Board of Directors on policy issues.

If potential grant recipients are excluded from the Boards of Trustees and Directors--as is the current intention--then policy inputs from the major grant-seeking constituencies should be represented on the Panel. The main constituencies which might be represented include the biological sciences, NGOs, economic policy/business interests, and the media.

The Panel would be selected by the Board of Directors on the recommendation of the Chairman. It would meet upon the request of the Chairman and the agenda for meetings with the Consultancy Team would be prepared by the Executive Director in cooperation with the Chairman. Because there are many qualified people who could serve effectively on the Panel, it is suggested that members' terms be limited, perhaps to 2-3 years. Turnover would bring fresh ideas and new directions to the Board's policy-making function. Panel members would be compensated for their time and their expenses would be covered.

Aside from its policy contributions to the Board of Directors, the appointment of such a panel would directly and indirectly provide representation of the foundation's constituencies. Without such representation, there is a danger that NGOs and the other constituencies of the foundation's program would lose interest in the foundation. If that happened, the foundation would experience a loss in its effectiveness.

By not including the Advisory Panel in the legal structure of the foundation, the Directors will create the flexibility needed to reconstitute this group of advisers as needs arise. One such need which can be envisioned at this time is the appointment of one or more **regional representatives** to the Panel. In lieu of establishing branch offices of the

foundation in distant provinces and thereby absorbing the high costs associated with such decentralization, the foundation could select individuals based in these regions to provide information of program opportunities.

2. Technical Advisory Committee. We begin with the assumption that the new foundation's staff will be small--"lean and efficient" was the term recommended in last April's workshop. If the staff is small, it cannot possibly contain all of the biodiversity expertise needed to make decisions on grant applications. And without such outside expertise, the foundation would not achieve the high level of legitimacy which it must seek.

Probably the best way to increase the quality of decision-making and build legitimacy at the same time would be to form an Technical Advisory Committee. This committee would meet with the foundation's senior staff to evaluate grant proposals. The foundation's Executive Director would chair these meetings. If grants were made two times each year, the committee would meet twice to decide which grants to award.

Committee members would be chosen by the Chairman and Executive Director on the basis of their expertise in the foundation's program areas. It might be a good idea to establish 3-year terms for the outside members and have them serve one term only. This would provide continuity but it would also ensure that new thinking and broader constituencies are brought into foundation decision-making. In addition to its core group, the Committee could invite selected individuals to participate in these meetings. They would not become members of the Committee; rather they would serve on an ad hoc basis to bring special expertise to the decision-making.

Committee members from outside the foundation should receive compensation and reimbursement of expenses. They would be doing serious professional work and share in the responsibility of deciding who receives grants from the foundation.

X. TECHNICAL ASSISTANCE OPTIONS

1. Introduction.

As the earlier design documents make very clear, the establishment of a new grantmaking foundation in Indonesia should be seen mainly as an innovative institution-building activity.

The proposed new foundation is one of many instruments which will join in the national effort to implement the **Biodiversity Action Plan**. The challenge of establishing a foundation to participate in the implementation of the **Plan** is of building an institution which is capable of running a creative and innovative grantmaking program, one which can stimulate many efforts throughout the country.

Building a new institution is very different from designing a biodiversity program. Before there can be a program, there must be institutional capacity to develop and manage a program. Further, foundations are unique organizations with special requirements: they give money (grants) to other people and organizations and, in this case, they will do this in a very open and "transparent" way.

The rationale for technical assistance has three main elements. First, building a new organization requires specialized technical capabilities, including the unique needs/functions that are associated with grantmaking organizations. This is particularly true in this case, for developing a foundation which meets international standards of operation. And international standards are essential if the foundation is to succeed in attracting funding from both the international community of donors and Indonesian sources. Weak, poorly managed institutions do not attract financial resources.

Second, in order to develop a good professional reputation within Indonesia, the foundation's internal management and policy decisions must be transparent. A commitment to transparency places a high premium on the efficient and effective performance in every aspect of the foundation's activities.

The third reason for technical assistance lies in the need to assure the donors that their contributions to the foundation's assets will be managed efficiently and effectively. Donors need assurances that their financing will be utilized and managed prudently. While technical assistance does not provide a complete guarantee, it does provide an important safeguard from the donor's perspective.

What types of technical assistance are needed to ensure that the new foundation develops into a strong institution capable of fulfilling its biodiversity mandates? The following recommendations are divided into three sections:

- (1) Organizational Design Work
- (2) Functions and Operations
- (3) Biodiversity Program Development

Each of these technical assistance needs is separately discussed below.

2. Organizational Design Work

A. **Overall Management Design.** Assuming that the foundation's organizers have established the goals, objectives, functions, and operating budget for the foundation, the next critical step is the appointment of an Executive Director by the Directors. The Executive Director must then establish the structure, staffing composition, and operating procedures of the foundation. Position descriptions and qualifications must be also developed, along with a complete set of foundation personnel policies (to include compensation). A recruiting process must be designed and implemented. Office facilities must be located and contracted and the office equipment and furnishing needs must be planned.

Recommendation. With the concurrence of the Board, the Executive Director should contract with a local management consulting firm to perform these services. Some of the services must be obtained by the Board of Directors (Dewan Pengurus) prior to the selection of an Executive Director. (Note: Preliminary terms of reference for this work are described elsewhere in this report.)

B. **Design of Financial Systems.** Systems for handling all of the foundation's financial needs and requirements must be developed and installed. It is preferable to initiate this work just as soon as a financial officer is hired. The financial systems will include all of the normal procedures which an international accounting firm considers to be of high standard.

A two-step process is envisioned. The first step is the design of the systems to meet the needs of the foundation. The second step is the implementation of the systems and the training associated with implementation.

Recommendation. With the concurrence of the Board of Directors, the Executive Director should contract with the Indonesian affiliate of an international accounting firm for these services. (Note: Preliminary terms of reference for this work are described elsewhere in this report.)

C. **Design of Public Information Strategy.** A fundamental need of the new foundation is to develop a strong reputation in many constituencies at a very early stage of its operations. These constituencies include the Government of Indonesia, the international

donor community, potential grantseekers (NGOs, research institutes, scientists, community organizations (LSMs), and the Indonesian and international business communities.

The best way to establish and develop a strong public reputation is to invest in a public information strategy. A part of this strategy should be designed to meet the "transparency requirement."

Recommendation: With the concurrence of the Board of Directors, the Executive Director may wish to contract with a local public relations company to perform many of the required services. These services would include, but not be limited to, the following:

- Design and publication of general foundation brochure (both Indonesian and English language version)
- Design and publication of a grant guidelines brochure
- Preparation of newspaper announcements describing the foundation's program and guidelines for grants
- Design of the foundation's annual report
- Preparation of press releases
- Organization of press briefings
- Design of foundation logo and stationery
- Design of foundation newsletter
- Other

Because the foundation's staff is likely to remain small, it may wish to consider retaining a public relations firm to assist in meeting its public information requirements.

3. Functions and Operations

The design and implementation foundation grantmaking policies and practices will involve a very substantial amount of work. A large number of institution-building requirements which must be met and it seems likely that this process will take at least the first 2-3 years of the foundation's life. Some of the principal functional requirements include the following:

- Program development
- Staff development
- Filing systems
- Annual planning
- Internal communications to include the Board of Directors
- Development of publications
- Fundraising
- Establishment of advisory committees
- Development of international linkages and collaboration
- Government relations
- Management of financial assets
- Inventory system for physical assets
- Other

In each of these cases, systems for effective operation must be designed and implemented. And in almost every case, the initial designs will need to be modified after they are implemented.

In order to establish an efficient and effective grant program, the following task must be addressed:

- Development of grant guidelines specifying topics of interest, eligibility, terms of grants, and procedures for grant applications.
- Public announcements of foundation grant programs
- Development of procedures for evaluation of grant applications.
- Transfers of funds to successful applicants.
- Narrative and financial reporting requirements by grantees.

- Conditions for withholding disbursement of grant funds.
- Public reporting on grants made by the foundation.
- Other.

Recommendation. Consideration should be given to the idea of a resident advisor who would serve as a counterpart to the Executive Director and the foundation staff. Ideally, this person would have substantial foundation field experience and be senior enough to command respect both inside and outside the foundation.

An alternative model for consideration would be a series of periodic and regular short-term consultancies by the same person. There are advantages and disadvantages to both models and each should be evaluated very carefully.

A third possibility which is supplementary in character, lies in the opportunity to secure specific types of assistance from the international foundation community. Preliminary contacts with four U.S. foundations appear to indicate that requests for such assistance would be considered very seriously.

4. Biodiversity Program Development

If the foundation chooses to play a leadership role in furtherance of Indonesia's national Biodiversity Action Plan, there are a wide range of technical assistance options to be considered. For example, marine biodiversity is seriously neglected and the foundation might wish to establish a grants program in this area. Or, to take another example, the foundation might wish to stimulate research into the impact of selected macro-economic policies on biodiversity. Many other examples could be cited such as the need to build program links to business leaders, both small and large.

Further, and possibly of equal importance, the foundation might wish to secure local and international technical expertise that it could provide to Indonesian organizations as a part of its general program to stimulate new biodiversity-related activities. It could also organize seminars, workshops or conferences wherein it invited distinguished technical experts from abroad to join the proceedings.

Recommendation. In cases such as those just described, the foundation could seek short-term technical assistance both to develop new grantmaking programs and to stimulate creativity within Indonesia organizations. The Board of Directors and Executive Director may wish to make budget provisions for this type of assistance or seek donor assistance (especially from the U.S. foundation community).

XI. MONITORING AND EVALUATION

Part I

1. Introduction

The Indonesian Biodiversity Foundation will wish to establish simple, non-burdensome policies to monitor its grants and to evaluate their effectiveness. There are several positive reasons for performing these functions and they are described here.

A. Monitoring of Grants. Once a grant has been made, funds have been transferred to the grantee, and activities have begun to be initiated under the grant, there are good reasons for the foundation to maintain contact with the grantee. Sometimes problems are encountered in carrying out the funded activity and the foundation may be able to resolve these issues or make helpful recommendations. In other cases, the objectives of the grant may need to be changed slightly for legitimate reasons and the foundation will wish to authorize these changes. In still other cases, the budget for the grant may need to be adjusted to take account of changing circumstances. Very few plans are so good that they never require adjustment.

Unless the foundation maintains open communications with its grantees, changes in the original concepts will be difficult to make and the value of the grant will be diminished.

There are formal and informal techniques for monitoring grants. The *formal* mechanism is to require the grantee to file an interim progress report half-way (or six months, whichever comes first) into the grant period. This reporting should be standardized in a form designed to elicit specific responses from the grantee bearing on (1) progress achieved under the grant; (2) problems encountered in carrying out grant-funded activities; and (3) requests for modification for the grant (if any). Since such reporting is sometimes hard to secure from some busy grantees, the foundation should consider dividing its grant payments and making the second payment contingent upon receipt of a satisfactory interim report.

The *informal* recommended technique for monitoring lies in personal contact with the grantee by the foundation's program officer. This involves visits to the grantee by the foundation and visits to the foundation office by the grantee. To further such contact, the foundation may wish to include a budget line item in each grant for telephone calls to the foundation office. This step would provide an incentive for the grantee to communicate directly and quickly with the foundation when significant problems arise in carrying out the activities funded by the grant.

B. Evaluation of Grants. Two basic reasons for evaluating grants at their conclusion center on the need to (1) make certain that the grantee fulfills his/her obligations, and (2) generate feedback for foundation program policy making. In the first case, by making a grant the foundation enters into a form of contract with the grantee to carry out certain activities with the foundation's money. The grantee, therefore, has an obligation to demonstrate that the terms of the contract have been fulfilled. This applies both to the activities completed and to the proper use of grant funds.

In the second case, the evaluation of grants allows the foundation to learn from its experience. Here are some of the questions whose answers could be valuable to the foundation in this decision-making:

- Has the grantee opened up a new program area which merits additional funding?
- Should the same type of project be funded in other regions of Indonesia? If the grant failed to achieve its purposes?
- Should the foundation cease to make grants for those types of activities and move on to other program areas?
- Was the grantee so unreliable that no future grants should be made to him/her?
- Or, has the grantee's work been so good that the foundation should consider a second consecutive grant to him/her for additional activities?

The principal formal mechanism for evaluating grants is the reporting by the grantee. The foundation should require formal written reports on the projects undertaken and a complete accounting of funds expended under the grant. A standard form should be designed by the foundation to make this reporting as specific as possible.

On some occasions, the foundation may wish to take the additional step of requiring that grants be "audited" by an independent person or organization. This would probably be done on a case by case basis with the criteria for selection being based on a "problem grants" and (b) large grants.

In accord with the foundation's commitment to operating in transparent fashion, one additional idea should be considered: the grantee could be asked to prepare a 1-2 page news story at the conclusion of the grant period. With appropriate editing, this news story could be placed in either national or regional newspapers. It would describe the main accomplishments achieved with the grant funding and would mention the Indonesian Biodiversity Foundation as the source of the grant. Even if this "press release" is not

published, it helps to establish, within the foundation, the concept of transparency and the importance of generating public information on biodiversity.

XII. BUDGET RECOMMENDATIONS

1. Introduction

Financial support for the new Indonesian Biodiversity Foundation involves two fundamental objectives:

- *Development of a strong, professional grantmaking institution operating at international standards;*
- *Development of the foundation's expanding financial resource base (endowment) for the purpose of sustaining Indonesia's (and the planet's) biological wealth.*

The two budget components which comprise the contributions of the United States represent strategies designed to serve both objectives in optimal ways.

A. Building a Strong Institution (\$5 million). This entire endeavor must be seen as a first-class institution-building effort in an age where institution-building has lost genuine presence in foreign assistance portfolios. Building new institutions, especially ones designed to innovate on a sustainable basis, is a costly undertaking. While financing is admittedly finite, the choices in a case like this are to do it right by providing financing to build genuine strength and capability, or to try to muddle through with less than adequate funding.

The brief for doing it right in the context of the Indonesian Biodiversity Foundation is strong. Five years of program and operational support is essential if the highest quality of institution is to be achieved. It is also essential if the sustainability of biodiversity in Indonesia is given increasing priority because the foundation could readily become a major force in Indonesian society for this objective. Further, an international-standard foundation could be expected to establish a model for other new efforts in the country. And lastly, a quality institution will attract other international and domestic funding; a mediocre operation would be unable to succeed in this leverage function. This last point carries special force for the dual reasons that (a) increasing funds will likely become available globally for the conservation of biodiversity, and (b) few organizations are currently capable of undertaking programs in this field.

The corollary argument to "doing it right at the beginning" is one rooted in efficiency. To invest less than is needed would likely result in the haphazard development of a mediocre institution, one not fully capable of meeting the expectations of its architects. In fact, the rate of return on the investment would likely be considerably below the rate achieved through a higher level of financial support during this formative period.

To summarize, what is under consideration here is not a biodiversity project, but a unique institution-building challenge which, if recognized for what it is, demands strong

financial support during the formative stages. Without such support and absent persistent dedication on the part of the donor, the governance, and the management of the new foundation, mediocrity is the almost certain outcome. In this particular case, mediocrity means failure.

B. Building a Strong Financial Endowment (\$15 million). The second key to the success of the foundation is a growing, sustainable financial base that extends the program capacity of the foundation. The extraordinary role of USAID in providing the initial \$15 million in endowment funds is fundamental to this effort, but concerted efforts must be made by the foundation's leadership to augment the endowment by doubling or tripling the financial assets.

Realism is important. As significant as the \$15 million beginning is, the earnings (interest/dividends) from this sum would provide roughly \$1 million annually for program grants. Given the biodiversity conservation challenge in a country of the size and having the biological wealth of Indonesia, this amount is small. It is therefore realistic to consider the \$15 million endowment as a beginning.

The timing of the endowment payments is also a matter of priority. They should be made in the first two years of the foundation's life for the following strategic reasons. First, USAID's commitment to this venture should be manifest and transparent. Failure to establish the endowment at an early stage would send a signal through the distinguished group of Directors/Trustees and more broadly in Indonesia that this foundation is indistinguishable from other run-of-the-mill foundations now proliferating in Jakarta.

Second, and more importantly, the earlier the endowment is capitalized, the sooner the foundation begins to build its asset base. Our current recommended strategy assumes that earnings in the early stages (perhaps, also, later on) will be plowed back into investments. This strategy is linked to USAID's intent to cover major start-up costs, including grantmaking, over the first few years of the foundation's life.

Third, the existence of the endowment will give a genuine boost to the foundation's leadership in seeking endowment funds from other sources. This results from the "*signal of sustainability*" sent by the initial endowment contribution. No one will contribute endowment funds to an enterprise whose long-term life is not secured in some way. The USAID endowment transparently provides such security and confidence.

Lastly, perhaps less significant but still at issue, is the relationship between the endowment and staff recruitment. The Indonesian employment market at higher levels is not a mobile one. Job security is a pre-occupation of nearly all talented Indonesians in the non-commercial sector. Without a commitment to early endowment payments, the special talent needed in the 5-7 top foundation positions will be more difficult to attract.

C. Timing of Endowment Payment. We recommend that the proposed \$15 million in endowment funds be paid over a two-year period: \$5 million at the end of the first year of the foundation's operation and \$10 million at the end of the second year. The initial year-end date is recommended in order to permit the foundation to establish itself and demonstrate its grantworthiness to everyone's satisfaction. There is no avoiding the foundation's need to meet tests of general and financial management as well as a high standard of governance. Tests of institutional strength at the conclusion of the second year would likely be higher for the payment of the balance \$10 million.

The effect of this timing would be to allow the foundation to begin its third year operation with the entire USAID endowment contribution. Conditions attached to the management of these financial assets would be detailed in the grant or cooperative agreement between the foundation and USAID, providing adequate protection to the donor and, in a different way, to the foundation itself.

Attachment: 5-Year Estimated Budget for USAID Direct Assistance

USAID 5-YEAR ESTIMATED BUDGET FOR DIRECT ASSISTANCE

1994-1998

(000)

YEAR

<u>BUDGET CATEGORIES</u>	<u>1ST</u>	<u>2ND</u>	<u>3RD</u>	<u>4TH</u>	<u>5TH</u>	<u>TOTALS</u>
1. Program grants & conferences	250	350	500	400	200	1,700
2. Equipment & furnishing	30	5	5	5	5	50
3. Vehicle (1)	25	--	--	--	--	25
4. Tech. assistance (long & short-term)	300	300	300	--	--	900
5. Operating costs:						
a) Salaries	150	200	250	250	250	1,100
b) Rent	50	50	50	60	60	270
c) Travel (Int'l)	14	21	21	22	22	100
Travel (Domestic)	8	10	14	16	18	66
d) Board expenses	5	5	5	5	5	25
e) Advisory committees	10	25	20	20	20	85
f) Office operations	20	25	30	35	40	150
6. Consulting contracts:						
a) Management	20	10	10	10	10	60
b) Financial systems	20	5	5	5	5	40
c) Asset management	25	50	75	75	75	300
d) Public Info./Comm.	<u>20</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>30</u>	<u>140</u>
Totals	947	1,076	1,315	933	740	5,011

f:\srilibep\report\budget

XIII. TIMETABLE FOR IMPLEMENTATION

October 1993

Preparation Committee formed
Administrative Support to Preparation Committee arranged
Consultations with NGO and scientific communities

November 1993

Joint Design Team Mission prepared technical design work (including legal, financial and program issues)
Consultations held with constituencies over technical issues

December 1993

Design Team leaders (Ismid & Ted) submit draft report to Preparation Committee
Articles of Association finalized by Preparation Committee
Consultations held by Preparation Committee on candidates for Board of Trustees/Board of Management members.
Board of Trustees/Board of Management members selected by Preparation Committee Final Report of joint design team approved by Preparation Committee (15/12/93)
Foundation legally established (articles to notaris) by Preparation Committee
Foundation office established (temporary)
Initial Board of Trustees meeting held
Initial Board of Management meeting held, officers selected
USAID begins preparation of Project Paper document

January 1994

Process to obtain tax exempt status for foundation begun
Financial management systems (preliminary) established
Operational Management systems (preliminary) established
Foundation registers with USAID as an NGO

February 1994

USAID and foundation jointly prepare Cooperative Agreement
USAID Project Paper reviewed and approved
Foundation Board continues consultations on program development
USAID assesses the foundation's "grant worthiness" and identify actions needed
Soft-opening of foundation with senior U.S. official (tentative)

March 1994

USAID and GOI (and foundation?) sign MOU
USAID and foundation sign Cooperative Agreement
Foundation Board recruits for Executive Director

April 1994

First transfer of funds to foundation
Foundation hires initial staff

APPENDICES

1. Grantmaking Policies

- a) Wimar Witoelar
- b) Stephen Kelleher
- c) S. Juliani
- d) Frances Seymour
- e) William McCalpin

2. Framework for Governance

3. Finance-Related Technical Assistance

4. Flow of Funds & Cas Management

5. Management of Financial Contributions from Sources other than USAID

f:\sri\ibcp\report\nov30