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JAKARTA

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

March 30, 1995

Prof. Dr. Emil Salim
Chairman, Board of Trustees
YAYASAN KEHATI
Indonesian Biodiversity Foundation
Gedung Patra Jasa, 1st Floor, Room I-C2
Jl. Gatot Soebroto Kav. 32-34
Jakarta, Indonesia

Subject: Cooperative Agreement No. 497-0384-A-00-5011-00
"Indonesian Biodiversity Foundation Project"

Dear Mr. Salim:

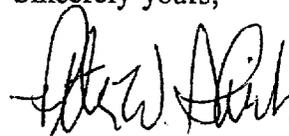
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the United States Agency for International Development (hereinafter referred to as "USAID") hereby awards to the Yayasan Keanekaragaman Hayati Indonesia or Indonesian Biodiversity Foundation (hereinafter referred to as "Yayasan KEHATI or "Recipient"), the sum set forth in Section C.2. of the Schedule as Attachment 1, to support the conservation of Indonesia's biological diversity as described in the Schedule of this agreement and Attachment 2, entitled "Program Description."

This Cooperative Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending with the completion date set forth in Section B of Attachment 1 of this agreement. USAID shall not be liable for reimbursing the Recipient for any costs in excess of the obligated amount.

This Cooperative Agreement is made to the Yayasan KEHATI, on the condition that the funds will be administered in accordance with the terms and conditions as set forth in the Attachment 1, entitled "Schedule"; Attachment 2, entitled "Program Description"; and Attachment 3, entitled "Standard Provisions".

Please sign the original and each copy of this letter to acknowledge your receipt of the Cooperative Agreement, and return the original and all but one copy to the Agreement Officer.

Sincerely yours,



Peter W. Shirk
Agreement Officer
USAID/Indonesia

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

BY:



, Date: APR 04 1995

TYPED NAME: Dr. Emil Salim

TITLE: Chairman, Board of Trustees, Indonesian Biodiversity Foundation
Yayasan KEHATI

Administrative Data:

1. Total Estimated Cost (USAID) : \$19,000,000
2. Total Obligated Amount (USAID) : \$19,000,000
3. Cost-Sharing Amount (Non USAID) : \$ 6,500,000
4. Project No. : 497-0384
5. USAID Project Office : USAID/Agro-Enterprise and Environment
6. PIO/T Number : 497-0384-3-50007
7. Appropriation : 725/61021; 724/51021; 72X1021
8. Budget Plan Code : HDV5-95-23497-KG13;
HDV4-95-23497-KG13;
HDVX-95-23497-KG13
9. Reslctrno. : P501554, P501555; P501556

W/CO

FUNDS AVAILABLE
PER <u>Abian</u>
DATE <u>3/30/95</u>

SCHEDULE

A. PURPOSE OF COOPERATIVE AGREEMENT

The purpose of this Cooperative Agreement is to provide support for the program described in Attachment 2 to this Cooperative Agreement entitled "Program Description."

B. PERIOD OF COOPERATIVE AGREEMENT

B.1. The effective date of this cooperative agreement is March 30, 1995 and the estimated completion date is March 29, 2005. Funds provided herein shall be expended by March 29, 2000.

C. AMOUNT OF COOPERATIVE AGREEMENT AND PAYMENT

C.1. The total amount of this Cooperative Agreement for the period shown in B.1. above, is **\$19,000,000**.

C.2. USAID hereby obligates the amount of **\$19,000,000** for program expenditures during the period set forth in B.1. above and as shown in the Budget below. Funds obligated hereunder are available for:

(a) the capitalization of an endowment with approved asset manager(s). After the Recipient receives tax exempt status in the U.S. and USAID reviews and approves the executed fund management contract(s), USAID will disburse an amount not to exceed **\$16,500,000**, denominated in U.S. dollars, to the Recipient, or to the Recipient's account(s) with an approved fund management firm or firm(s) for the USAID-funded endowment. Upon disbursement of these endowment funds into the Recipient's account(s) for investment purposes such funds will be considered to have been expended for purposes of section B.1 above. Subsequent to disbursement of the USAID-provided endowment funds of \$16.5 million for investment purposes, the term USAID funds shall refer to the amount set under C.2(b). For purposes of sections J. and H.1 below and related provisions, income from invested endowment funds shall not be considered to be USAID funds.

(b) the program expenditures incurred by the Recipient for the estimated period specified in Section B.1. For agreed upon local program and operating costs, USAID will disburse Indonesian rupiah funds not to exceed the equivalent of **\$2,500,000** to the Recipient through periodic advance as specified in C.3. below.

C.3. Except for endowment funds, payment shall be made to the Recipient in accordance with procedures set forth in the Standard Provision of this Cooperative Agreement entitled "Payment - Periodic Advance" as shown in Attachment 3.

C.4. The total estimated amount of the program described in Attachment 2 of this Cooperative Agreement is \$25,500,000, of which USAID will provide the amount specified in Section C.1. above, and the Recipient will provide \$6,500,000 million in accordance with Section D. below.

D. BUDGET

D.1. The following is the Agreement Budget, including local cost financing items, if authorized. Revisions to this budget shall be made in accordance with the Standard Provisions of this Cooperative Agreement entitled "Revision of Grant Budget" and "Cost Sharing (Matching)," as shown in Attachment 3.

D.2. Budget

<u>Cost Element</u>	<u>USAID</u> (over 5 years)	<u>Recipient</u> (over 10 years)	<u>TOTAL</u>
I. Endowment Capitalization	\$16,500,000	\$4,700,000	\$21,200,000
II. Operating Costs			
1. Salary and Benefits	\$272,558	\$50,000	\$322,558
2. General Operations	\$275,040	\$50,000	\$325,040
3. Technical Assistance	\$445,500	0	\$445,500
4. Governance & Travel	<u>\$239,869</u>	<u>0</u>	<u>\$239,869</u>
Sub-total	\$1,232,967	\$100,000	\$1,332,967
III. Program-related Expenses			
1. Program Officers	\$12,000	0	\$12,000
2. Staff and Trustee Travel	\$7,700	\$90,000	\$97,700
3. Public Information materials	\$111,075	0	\$111,075
4. Meetings & Workshops	<u>\$96,258</u>	<u>\$60,000</u>	<u>\$156,258</u>
Sub-total	\$227,033	\$150,000	\$377,033
IV. Grantmaking Program Support	\$550,000	\$950,000	\$1,500,000
V. Consultation & Networking	\$265,000	\$600,000	\$865,000
VI. Evaluation & Audit	<u>\$225,000</u>	<u>0</u>	<u>\$225,000</u>
TOTAL ESTIMATED COSTS	\$19,000,000	\$6,500,000	\$25,500,000

E. COST SHARING

The Recipient agrees to provide a cost sharing equivalent to 25 percent of the total \$25,500,000 project cost, i.e., \$6.5 million. The cost sharing is expected to be allocated among endowment capital (\$4.7 million), grantmaking (\$1.2 million) and operating funds (\$0.6 million).

The Recipient will undertake a fund raising program in order to meet these matching fund requirements. Examples of fund raising actions include: a) public awareness programs aimed at motivating the participation of the Government, private sector and other donors in supporting biodiversity conservation, and b) preparation of funding proposals targeted for potential funding sources (e.g., private sector firms, international foundations and bi-lateral donors). The project design anticipates that contributions to the endowment fund within ten years will be nearly \$20 million, bringing the total endowment to approximately \$40 million (in 1995 dollars).

In addition to the mandated Standard Provision entitled "Accounting, Auditing and Records," the Recipient will manage non-USAID generated endowment funds separately from those provided by USAID. This will enable credit to be given to new donors. The investment objectives and policies which apply to other donors may be different from those which apply to the funds provided by USAID, and will be determined by the Recipient and prospective donors.

F. CONDITIONS PRECEDENT TO DISBURSEMENT OF ENDOWMENT FUNDS

The following are conditions precedent to disbursement of the endowment funds:

- a) United States Internal Revenue Service approval has been obtained for the Recipient's application for tax-exempt status under section 501(c)(3) of the Internal Revenue Code; and
- b) The Recipient has executed an endowment management agreement or agreements in form and substance satisfactory to USAID, with such professional asset management firm or firms as may be selected by the Recipient and approved by USAID.

If these conditions precedent have not been met within 180 days from the date of this Cooperative Agreement, or such later date as USAID and the Recipient may agree to in writing, USAID, at its option, may terminate the endowment component of this Cooperative Agreement by written notice to the Recipient.

G. REPORTING

G.1. Financial Reporting

G.1.(a) The Recipient shall submit an original and two copies of quarterly and annual Financial Reports, no later than 30 days after the end of each specified reporting period, in accordance with the Standard Provision of this Cooperative Agreement entitled "Payment - Periodic Advance" as shown in Attachment 3, to:

Office of Finance
USAID/Indonesia
American Embassy
Jl. Medan Merdeka Selatan 3-5
Jakarta 10110, Indonesia

G.1.(b) The Recipient shall have an annual financial audit of the endowment principal and use of the investment income, and of overall endowment financial management. The Recipient will select an independent auditor in accordance with the "Guidelines for Financial Audits, Contracted by Foreign Recipients" issued by the USAID Inspector General. The Recipient will provide copies to USAID Indonesia and the State Ministry of Environment (MNLH).

G.2. Program Performance Planning/Reporting and Evaluation Requirements

G.2.(a) Upon completion of major activities, the Recipient will prepare a final report or summary which will be disseminated to MNLH and USAID/Indonesia. USAID Indonesia liaison officials are the Director, Office of Agri-Enterprises and Environment, and the Indonesian Biodiversity Foundation (IBF) Project Officer. The report will cover the activities conducted, outputs achieved and problems encountered with and recommendations to improve implementation.

G.2.(b) During years 1-5, the Recipient will submit quarterly and annual performance reports to the USAID IBF Project Officer and/or designee, MNLH, and USAID, CDIE/DI, Washington D.C. 20523-1802, . The reports will describe:

- a) overall progress, including results to date and comparison of actual accomplishments with proposed goals for the period;
- b) identification of current problems, if any, or favorable or unusual developments;
- c) progress in promoting broad participation in the design and implementation of the recipient's activities;

d) a summary of monitoring and evaluation information, if any, generated during the reporting period; and

e) a summary of progress achieved through subgrants financed by USAID funds under the Cooperative Agreement.

During years 6-10, the Recipient will submit annual performance reports to the USAID Project Officer.

Within thirty (30) days following the annual anniversary date of this Cooperative Agreement, the Recipient shall submit to the USAID IBF Project Officer and to MNLH an annual technical progress report which will be a compendium of the past year's activities.

G.3. Special Reports

Between the required program performance reporting dates, events may occur that have significant impact upon the program. In such instances, the Recipient shall inform the USAID Project Officer as soon as the following types of conditions become known:

- a) Problems, delays, or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the attainment of work units by established time periods. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any USAID assistance needed to resolve the situation.
- b) Favorable developments or events that enable time schedules to be met sooner than anticipated or more work units to be produced than originally projected.
- c) If any performance review conducted by the Recipient discloses the need for change in the budget estimates in accordance with the criteria established in the Standard Provision of this Cooperative Agreement entitled "Revision of Grant Budget," the Recipient shall submit a request for budget revision to the Agreement Officer and the USAID Project Officer.

G.4. Environmental Impact

If it appears that outputs of this project will result in an adverse environmental impact, the Recipient shall notify the USAID Project Officer prior to implementation, in order to allow for orderly preparation of an environmental impact statement. The Recipient shall assure that appropriate Indonesian and U.S. environmental impact assessment procedures are followed.

G.5. Final Report

Within 90 days following the estimated completion date of this Cooperative Agreement (see Section B. above), the Recipient shall submit five (5) copies of a final report to the USAID Project Officer and MNLH. It will cover the entire period of the Cooperative Agreement.

H. SUBSTANTIAL INVOLVEMENT UNDERSTANDING

H.1 USAID Substantial Involvement

It is understood and agreed that USAID/Indonesia will be substantially involved during performance of this Cooperative Agreement. Substantial USAID involvement, as well as routine monitoring, include the following requirements applicable to the program. USAID will:

- 1) Review and approve the scopes of work of sub-contracts and sub-agreements with firms providing professional services (e.g. asset managers, audit firms, financial management firms, evaluation, etc.) as well as approval of contractor for evaluations to be financed by USAID funds, prior to awarding contracts;
- 2) Concur on all the Recipient's staff appointments financed by USAID funds under the Cooperative Agreement;
- 3) Concur on any change in the Recipient's Investment Policy Statement and Guidelines, Grantmaking Policies and Procedures, Conflict of Interest Policy, Fund Raising Strategy, and the investment management agreement(s) for the USAID endowment funds, as such documents have been approved by USAID prior to the date of this Cooperative Agreement; and
- 4) Participate in Board of Trustee meetings as an observer.

H.2. Logistics

The Recipient is responsible for arranging all administrative and logistical support required to carry out the attached program description.

I. INDIRECT COST RATES

No Indirect costs will be charged to this Cooperative Agreement. The Recipient understands and agrees that indirect costs attributable to this Cooperative Agreement will be absorbed by the Recipient and considered cost sharing.

J. TITLE TO PROPERTY

Title to property acquired with USAID funds hereunder shall vest in the Recipient, subject to the requirements of the Standard Provision of this Cooperative Agreement entitled "Title To and Use of Property (Grantee Title) " regarding use, accountability, and disposition of such property.

K. AUTHORIZED GEOGRAPHIC CODES

USAID Geographic Codes are defined in Appendix D of USAID Handbook 18, which, as may be amended from time to time, is incorporated herein as a part of this Cooperative Agreement by reference. There are no formal eligibility rules (other than Code 935, Special Free World) with respect to the source, origin or nationality of goods and services procured under this Cooperative Agreement or using endowment income. Paragraph (b) of the Standard Provisions in attachment 3 entitled "AID Eligibility Rules for Goods and Services" shall not apply.

L. PROJECT COSTS

"Project Costs" are defined as all allowable costs as set forth in the applicable cost principles (see the Standard Provision of this Cooperative Agreement entitled "Allowable Costs]) incurred by a Recipient, and the value of in-kind contributions made by the Recipient or third parties in accomplishing the objectives of this Cooperative Agreement during the program period.

M. SPECIAL PROVISIONS

M.1. Non-USAID Funds

The restrictions on the use of USAID Cooperative Agreement funds hereunder set forth in the Standard Provisions of this Cooperative Agreement are applicable to expenditures incurred with USAID funds provided under this grant. The Standard Provisions are not applicable to expenditures incurred with funds provided from non-Federal sources. The Recipient will account for the USAID funds in accordance with the Standard Provisions of this grant entitled, "Accounting, Audit and Records".

M.2. Restrictions on the Use of Funds

- (a) "Endowment Assets" Defined: Endowment assets include the funds provided hereunder for endowment purposes, investments made with such funds or reinvested endowment income, and endowment income generated from such investments, including endowment income generated from any reinvested endowment income.
- (b) "Endowment Income" Defined: Endowment income consists of all interest, dividends and other income derived from the investment of the funds provided hereunder for this purpose, including income from the investment account, capital gains on sale of any component of the investment portfolio, and interest or other returns from any endowment income account.
- (c) Eligible Uses of Endowment Funds. Funds provided hereunder for endowment purposes shall be used only to capitalize an endowment fund to generate income to support the Recipient's program as indicated herein. Endowment funds will be invested in equity and fixed income investments that emphasize U.S. issues, though investments in companies outside the U.S. are allowed provided they are through financial instruments offered in the U.S. through U.S.-based financial intermediaries, as for all investments of endowment funds.
- (d) Eligible Uses of Endowment Income. Endowment income is to be used solely for the following:
- (1) The Recipient's program activities. Such activities include grants pursuant to the Recipient's Grantmaking Policies and Procedures, as well as other training, technical assistance, workshops, or other support for biodiversity conservation activities consistent with this Cooperative Agreement, and additional administrative costs incurred directly as a result of specific biodiversity conservation program activities.
 - (2) General administrative support for the Recipient. Such support includes but is not limited to salaries and other staff expenses consistent with the Recipient's personnel compensation policies approved by USAID's grantworthiness assessment, office equipment and rental costs, office lease costs, vehicles, services (such as accounting and legal), and expenses of audits undertaken pursuant to this Cooperative Agreement.
 - (3) Expenses of the endowment fund. Such expenses include reasonable fees for the professional investment management firm, reasonable commissions for the purchase or sale of assets in the portfolio, and similar costs. The Recipient agrees that annual investment managements costs shall not exceed two percent of the market value of endowment assets.

(4) Reinvestment in the endowment fund. As stated in the Recipient's Investment Policy approved by USAID, one objective of the endowment fund is to preserve the real value of the assets over time. To achieve this objective, the Recipient may be required to periodically reinvest endowment income to maintain the real value of the endowment assets.

(e) Uses of Endowment Income for Program Activities and General Administrative Support. The Recipient's Investment Policy approved by USAID provides that in addition to expenditures for endowment fund expenses, at least three percent (3%), and for the initial five years of the endowment, not more than five percent (5%), of a 12 quarter (three year) moving average of the funds's market value (i.e., the market value of endowment assets) will be spent each year. This amount will be spent for the program activities and general administrative support referenced above. The Recipient agrees that at least 75% of this 3-5% will be spent on program activities rather than general administrative support.

M.3. Changes in Organizational Structure

Any modification of the Articles of Association or Bylaws, or change in the composition of the Board of Trustees or the organizational structure or operations of the Recipient including merging with another organization, must be consistent with the objectives and provisions of this Cooperative Agreement, and no such modification may be made which would jeopardize achievement of the purposes currently expressed in the Articles of Association or this Cooperative Agreement. During the period of this Cooperative Agreement the Recipient will promptly notify USAID of any modification to its Articles of Association or Bylaws and in the composition of its Board of Trustees, or any planned change in organizational structure such as a merger.

M.4. Continuing Requirements

Because the USAID-funded endowment may continue into perpetuity, certain requirements, specified below, must continue to apply to the endowment as long as it exists, even after this Cooperative Agreement ends. As indicated below, failure to meet these requirements will be grounds for termination of the endowment, and the Recipient will give USAID or its successor, or their designees, access to Foundation books and records upon request by the USAID Grant Officer or designee.

As long as the endowment funded under this Cooperative Agreement continues in existence, the Recipient, or its successor, will not, without prior written approval of USAID, or its successor, do any of the following:

- (a) discontinue functioning as an independent, participatory, transparent, non-governmental organization with a broadly representative Board of Trustees and a significant grantmaking program for other non-governmental organizations to support biodiversity conservation in Indonesia.
- (b) use endowment income or endowment assets for any purpose other than conserving natural resources or related objectives, as established in the Recipient's Articles of Association, or for endowment fund expenses or reinvestment;
- (c) fail to spend a minimum of 3 percent of the market value of the assets annually on program and operating expenses, or invest endowment assets in a manner not in accordance with the Recipient's Investment Policy Statement and Guidelines approved by USAID;
- (d) allow the real value of the USAID-funded endowment to decline over any five year period without USAID's approval;
- (e) revise or otherwise fail to adhere to the Investment Policy Statement and Guidelines approved by USAID, without USAID agreement; or
- (f) fail to maintain separate the Recipient's accounts for endowment and endowment income.

M.5 Termination of the USAID-Funded Endowment

M.5.(a) Basic Termination Conditions for the USAID Funded Endowment

During the life of the Cooperative Agreement (CA), USAID retains the right to terminate the endowment if the funds (either the endowment assets or endowment income) are not used in accordance with the CA and the Foundation policies referred to herein, or the requirements in section M.4 above are terminated for any reason. Additionally, failure to use best efforts in carrying out the activities contained in the CA program description and work plan, including material failure to achieve the actions indicated in sections III.C1 of Attachment 2 hereto, "Performance Indicators", will constitute default under the CA and will be considered grounds for termination and refund of the assets remaining in the endowment. For example, the Recipient's failure to correct the following would be considered grounds for termination: (a) spending less than three percent of the market value of endowment assets annually on grantmaking, networking, program related and operating expenses; (b) invasion of endowment principal, which causes a reduction in the real value of the original endowment principal, without USAID approval, or failure to take appropriate steps to protect the endowment assets from erosion; (c) an inactive or unrepresentative Board of Trustees; and/or (d) failure to provide scheduled annual audit reports to USAID, or serious adverse audit findings.

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M.5.(b) Consultation Prior to Termination

Neither USAID nor the Recipient will terminate the endowment without prior consultation with the other party.

M.5.(c) Termination After Cooperative Agreement Ends

At any time, even after the Cooperative Agreement ends, USAID retains the right to terminate the endowment if the Recipient fails to comply with the requirements specified in Section M.4. above. The endowment will also terminate automatically if the endowment is dissolved at any time.

M.7.(d) Refund of Endowment Assets Upon Termination

Notwithstanding any other provision of this Cooperative Agreement, upon termination of the endowment all endowment assets, as defined in M.2(a) above, must be refunded to USAID, unless USAID directs otherwise.

N. PROGRAM INCOME

The Recipient shall account for Program Income in accordance with 22 CFR 226.24.

(a) Recipients shall apply the standards set forth in this section to account for program income related to projects financed in whole or in part with Federal funds.

(b) Program income shall be retained by the recipient and, in accordance with USAID regulations, and the terms and condition of this Cooperative Agreement, shall be added to funds committed to the project by USAID and the recipient to the project or program, and used to further eligible project or program objectives.

O. STANDARD PROVISIONS

O.1. Mandatory Standard Provisions For Non-U.S., Non-governmental Grantees

The Standard Provisions set forth as Attachment 3 of this Cooperative Agreement consist of the following Mandatory Standard Provisions which are attached hereto and made a part of this Cooperative Agreement:

- Allowable Costs
- Accounting, Audit, and Records
- Refunds
- Revision of Grant Budget
- Termination and Suspension
- Disputes
- Ineligible Countries
- Debarment, Suspension, and Other Responsibility Matters
- U.S. Officials Not to Benefit
- Investment Promotion
- Nonliability
- Amendment
- Notices
- Metric System of Measurement

O.2 Optional Standard Provisions For Non-U.S., Non-governmental Grantees

The Standard Provisions set forth as Attachment 3 of this Cooperative Agreement consist of the following Optional Standard Provisions denoted by an "X" which are attached hereto and made a part of this Cooperative Agreement:

- (X) Payment-Periodic Advance
- (X) Payment-Cost Reimbursement
- (X) Air Travel and Transportation
- (X) Ocean Shipment of Goods
- (X) Procurement of Goods and Services
- (X) AID Eligibility Rules for Goods and Services
- (X) Subagreements
- (X) Local Cost Financing
- (X) Patent Rights
- (X) Publications and Media Releases
- (X) Nondiscrimination in Federally Assisted Programs
- (X) Regulations Governing Employees
- (X) Participant Training
- (X) Voluntary Population Planning
- (X) Protection of the Individual as a Research Subject
- () Negotiated Indirect Cost Rates-Provisional
- (X) Title To and Use of Property (Grantee Title)
- () Title To and Care of Property (U.S. Government Title)
- () Title To and Care of Property (Cooperating Country Title)
- (X) Cost Sharing (Matching)
- (X) Public Notices
- (X) Communications Products

PROGRAM DESCRIPTION

I. INTRODUCTION

A. Background

The United States and Japan, under the Tokyo Declaration of January 1992, mutually agreed to strengthen their cooperation in preserving the global environment by assisting developing countries in managing and conserving their natural resources. Indonesia is one of the world's foremost centers of biological diversity. Biological diversity, or biodiversity constitutes the totality of all extant species, ecosystems and genes. It represents the variety and uniqueness of all genes, flora, fauna and habitats found in the world. Indonesia's extraordinary biological resources, essential for human survival and national economic development, are currently being threatened. Conserving biodiversity involves maintaining levels of species and habitats to ensure their survival and continuing evolution. One of the constraints to conserving biological diversity is the lack of sustainable and flexible sources of funding.

Indonesia is the first site of a proposed program of coordinated financial and technical assistance for the conservation of biological diversity. The Indonesian Biodiversity Conservation Program -- a joint effort between Indonesia, Japan and the U.S. -- is designed to conserve Indonesia's tremendous biotic wealth by supporting the implementation of Indonesia's *National Strategy for Biodiversity Management* and the *Biodiversity Action Plan for Indonesia*. The program is an important step in fulfilling commitments made under the International Convention on Biological Diversity and at the Earth Summit in Rio in June 1992. The GOI, U.S. and Japan will fund joint and complementary components of the program. The U.S. contribution to this program is through the **Indonesian Biodiversity Foundation Project (IBF)** which finances the Cooperative Agreement with the Indonesian Biodiversity Foundation (referred to as "the Foundation", "Yayasan KEHATI" or "KEHATI" also referred to herein as "Recipient").

Under the program, the IBF project supports the development of the Indonesian Biodiversity Foundation (the Recipient), an independent, self-sustaining grantmaking institution dedicated to funding biodiversity conservation activities by Indonesian NGOs, scientists, local communities and others. The Foundation provides Indonesia with a flexible, funding mechanism to more aggressively pursue efforts to conserve the country's biotic wealth. As an international standard foundation it is designed to stimulate and lead national, regional and local biodiversity conservation programs carried out by the non-governmental sector. Japan plans to provide facilities for a biological life sciences center for *ex-situ* research and support the management of the Gunung Halimun National Park (*in-situ* conservation programs).

Japan's contribution is about \$20 million. In conjunction with the Japanese-funded project, the Government of Indonesia will finance operating costs.

Indonesia was one of the first countries to sign the Convention of Biodiversity at the Earth Summit in 1992, and formally ratified the Convention in 1994. The Government of Indonesia has demonstrated its commitment to conserving biological diversity by preparing the National Strategy for Biodiversity Management and the Action Plan for Biodiversity Conservation for Indonesia. The National Strategy emphasizes the sustainable use of biodiversity (domesticated species and agro-ecosystems are included) while the Action Plan identifies priority activities to conserve protected areas. Furthermore, the Government's five year development plan (1993-1998) stresses the need to conserve biodiversity in support of sustainable economic growth.

The Government is not the only agent involved with the conservation of biodiversity in Indonesia. Conservation covers many aspects, including: biological sciences, political, economical, social and cultural considerations. Such broad coverage requires the participation of government agencies, private sector, scientific and educational communities, NGOs, farmers and fishermen, and others. There are a growing number of NGOs throughout Indonesia with a strong interest in environmental conservation. In general, these NGOs have limited institutional capability and funding. Several international environmental NGOs are currently active in supporting biodiversity conservation in Indonesia.

B. The Recipient's Role in the National Context

Legally established in January, 1994, the Recipient opened its Jakarta office in July, 1994. The Board of Trustees is composed entirely of distinguished private citizens and includes representatives from two well established international foundations. The Recipient has a lean and profession staff, consisting of an Executive Director, Program Coordinator, Finance Manager and support staff. The Recipient has met USAID's "grant worthiness" assessment and demonstrated the technical and administrative ability to handle USAID funds.

II. THE RECIPIENT'S PROGRAM

The Recipient's goal is to promote the sustainable use of Indonesia's biological diversity in support of national development for current and future generations. Thus, the Recipient aims to promote biodiversity conservation through its leadership, networking and innovative grantmaking programs.

The Recipient's three strategic objectives are:

*Promoting policies for the enhancement of biodiversity;

- * Networking among NGOs, research and educational institutions governmental agencies and business community to exchange information related to the sustainable use of biodiversity;
- * Fostering and improving the capabilities of society to conserve and use biodiversity in a fair, equitable and sustainable manner.

It is not the intention of the Recipient to duplicate the work of other organizations or become a competitor. In Indonesia, the government agencies and research/educational organizations are active at the national level in what may be viewed as the formal sector of biodiversity conservation. NGOs and community organizations tend to work at the grass roots or informal level. The business community is active in both the exploitation and the utilization of biological resources. In summary, the Recipient will strive to bring together and promote the work of NGOs, research and educational institutions, community organizations, the business community and others.

The Recipient will achieve its three objectives (noted above) through two main programs:

- A. grantmaking, and
- B. consultations, collaborations and networking.

During the five years (1995 to 1999) the Recipient will continue the process initiated in 1993 of building the Foundation into an independent, professional institution of international standards which can be sustained over decades. Strengthening the institutional capability of the Foundation has three primary components:

- C. governance and administration,
- D. endowment management, and
- E. fund raising.

These programs are described below as well as the implementation schedule and performance indicators.

A. **Grantmaking**

The Recipient's primary activity will be to conduct a national small grants program and networking. The grantmaking program will initially focus on the following four types of activities in promoting biodiversity concerns.

1. *Priority Grantmaking Activities*

a. Public Awareness

Without broad understanding and support for biodiversity conservation, it is unlikely that the sustainable use of biodiversity can be achieved. The Recipient will support, through grants, NGOs and community groups undertaking public education and media programs which demonstrate to the general public, government officials, policy makers and leaders, the importance of sustaining Indonesia's biodiversity.

b. Policy Analysis

At the national and regional level, government regulations, policies, legislation and development programs have an impact on the use and conservation of biodiversity. Traditional communities have their own practices of using and conserving biodiversity. The Recipient will encourage the identification and analysis of both traditional uses and public policies in an effort to harmonize these formal and informal approaches towards biodiversity. Conflict resolution between the two systems will also be a priority. Grants will be provided to NGOs, research institutes and institutions of higher education.

c. Community-based Activities and Capacity Building

The Recipient will provide grants for innovative, community-based conservation activities undertaken within the geographic priority areas chosen. Many activities have already been initiated but are not recognized at the national level. The Recipient will bring these activities to attention of regional and national leaders. Improving the capacity of organizations and groups to participate in conservation activities will be an important focus of grants whether at the level of academic institutions or at the farmer level.

d. Diagnostic Research

High quality applied research is an essential part of efforts to conserve biodiversity. Much of the scientific research currently undertaken is valuable only to a limited part of the scientific community. The Recipient will support applied research which analyzes issues of broad relevance in particular geographic locations. Research findings will be widely disseminated to individuals and institutions for the purpose of building a consensus on conservation practices.

e. Emerging issues

Like many developing countries, Indonesia is undergoing rapid development. Quite often, conflicting interests between parties cannot be avoided. The rights of local communities in defending their land, the outbreak of forest fires, etc. are examples of issues which cannot be anticipated in advance. The Recipient will make grants to study such emerging issues.

2. *Geographic Priorities for Grantmaking*

The Recipient intends, eventually, to serve the entire country of Indonesia through its grantmaking and networking. It is recognized that some of the greatest threats to the sustained use of biodiversity arise in some of the biologically richest regions of the country. At the same time, limited resources for grants mean that the Recipient cannot serve all of Indonesia's biodiversity conservation needs.

Therefore, the Recipient's grantmaking policy will be developed in stages over several years. The Recipient has identified 5 (five) geographical areas to be targeted during the first five years of its grantmaking program. They are:

East Kalimantan
Java
Gunung Leuser and Kerinci Seblat, Sumatra
Bali-Lombok-Nusa Tenggara Timur
Pulau Seribu

The selection of these sites by the Recipient's Board was based on extensive consultations and the following criteria:

- * availability of basic information on the condition of local biodiversity;
- * the occurrence of rapid development activities which have potential negative impacts;
- * problems and issues of conservation or utilization which are site specific;
- * the presence of potential grant recipients and partners (institutional/individual); and
- * high potential for the Recipient's grant support to have a significant impact.

The five geographic areas and site specific focus are described below.

a. East Kalimantan

East Kalimantan is known for its low land humid forest which are rich in Dipterocarp species. This group of plants is valued for its timber quality, hence its intensive exploitation. East Kalimantan is also identified as outstanding in its wild orchid species, rattan and fruit trees. Unless in situ conservation is attempted, these various plant species of East Kalimantan will be depleted together with the erosion of the timber species. At the same time, species of birds and other small animals which are unique to this area could disappear. Thus, the Recipient will support activities which address strategic issues of **in-situ conservation**.

b. Java

Of the five major islands, Java is the most populated. About 60% of the 190 million Indonesians reside on this island. With such a dense population, natural ecosystems have largely disappeared. In term of biodiversity, Java contains various traditional cultivars of fruit trees, minor legumes, local vegetables, medicinal plants, etc. which are closely related to the culture of its inhabitants. This biological wealth is hardly tapped by modern technologies, hence the productivity of its use is low. Because many farmers are no longer interested in cultivating these biological resources, the diversity is eroding. Therefore, the Recipient will attempt to support activities leading to the **ex-situ conservation** of this biodiversity through on-farm conservation, collection gardens, and/or seed storage wherever applicable.

Gunung Gede Pangrango National Park is the largest remaining forest area in Western Java, the mostly densely populated area of Indonesia. Thus, these forest resources are severely threatened by population encroachment and illegal use of forest products. Conservation of this area would provide valuable environmental services, including environmental education. Thus, the Recipient will support **in-situ conservation** of this area through the development of a biodiversity network among NGOs, community groups, educational institutions, government agencies, business community and others.

c. Gunung Leuser and Kerinci Seblat, Sumatra

Two of the largest protected areas in Indonesia are Gunung Leuser, North Sumatra and Kerinci Seblat, South Sumatra. Because of their uniqueness in term of biodiversity wealth, these protected area are designated as national parks and internationally as a UNESCO-Biosphere Reserves. Such a prestigious designation, however, does not provide economic incentives to the communities living within and surrounding the protected area. The Recipient believes that economic incentives plays an essential role in promoting

community participation in conservation. Therefore, the Recipient will support **community based conservation of biodiversity through resource development.**

d. Bali-Lombok-Nusa Tenggara Timur

This chain of islands has a great deal of unique biodiversity. An imaginary line, known as the Wallace line, runs between Kalimantan and Sulawesi to the south between Bali-Lombok, dividing Indonesia into two regions West and East. At the same time, this line poses a boundary for the movement of wildlife, so that those found in the West are not the same as those in the East. The West is characterized by large animals (elephants, rhino, tiger, etc.), while the East is rich with beautiful birds. Unique to Nusa Tenggara Timur are the *Rusa Timor* and *Komodo dragon*, while *Bali Starling* is admired for its beauty. As far as marine biodiversity is concerned, the richness of this area cannot be overemphasized.

Culturally, Bali-Lombok-Nusa Tenggara Timur have a lot to offer. Coupled with this culture is the way the people utilize biodiversity in their daily life, which differs from the neighboring island Java. For decades Bali and its culture has attracted visitors, both domestic and foreign. Lombok, which is progressing in its infrastructure development, is experiencing a rapid increase in tourist arrivals. Nusa Tenggara Timur is also inviting tourists. Considering the beauty of the natural environment and the traditional culture of Bali-Lombok-Nusa Tenggara Timur, the development of eco-tourism in this area may induce the local community to participate its conservation. The Recipient is interested in supporting activities which promote the development of **eco-tourism.**

e. Pulau Seribu

Within the bay of Jakarta there are number of small islands, many of which are inhabited. The rapid development of Jakarta has affected the marine resources in Jakarta Bay negatively, including its coral reef ecosystem. Moreover, as part of the present day life, recreation has become the need of those who have reached a certain economic level. In consequent, several islands have been developed into recreational resorts. In view of biodiversity conservation, Rambut and Nusa Dua Islands are important bird sanctuaries. However, many species of birds live beyond the islands for their feed, so that they are vulnerable. The Recipient will look for opportunities to support activities and projects which support the development and proper **management of marine resources and other local biodiversity in Pulau Seribu.**

Program Activities	1995	1996	1997	1998	1999
Public Awareness	30%	20%	20%	20%	20%
Policy Analysis	10%	10%	20%	20%	20%
Empower/Capacity	40%	40%	30%	30%	30%
Diagnostic Research	0%	10%	20%	20%	20%
Emerging Issues	20%	20%	10%	10%	10%

3. *Potential Grant Recipients, Types of Projects, and Size of Grants and Duration*

a. Potential Grant Recipients

Institutions which will be eligible to receive grant funds from the Recipient will be legally constituted Indonesian organizations, including: voluntary/non-governmental organizations, policy and scientific research institutes, institutions of higher education, local community-based organizations, cultural/religious organizations, youth/student organizations and, professional associations.

b. Types of Projects

It is anticipated that the Recipient will fund the following types of activities and projects: local conservation activities; policy analysis and advocacy; NGO strengthening and capacity building; scientific research and; public education.

c. Size of Grants and Duration

The size of grants provided by the Recipient will depend on the types of activities to be supported. Grants to NGOs will generally be in the range of Rp. 2 - 15 million. Grants for policy and scientific research will be in the range of Rp. 5 - 40 million. The Recipient may make grants for multi-organizational collaboration of up to Rp. 200 million. Most grants will be made for a period of one year with an option to renew for an additional year.

4. *Grantmaking Procedures and Schedule*

a. Grantmaking Procedures

The Recipient will solicit proposals from prospective grantees in each of the targeted geographical areas on a sequential basis. The application, evaluation, approval, disbursement cycle will occur over a six month period. The grant cycle can be summarized as follows.

An initial dialog meeting will be held in the geographic target areas to discuss current issues related to biodiversity in that area. Within one month, a follow-up workshop will be held to develop strategies and discuss specific projects. Following the workshop, organizations will be given approximately one month to prepare applications for specific projects or activities. The Recipient will set a deadline for the receipt of such proposals. The Recipient will then take approximately 30 days to screen and review all applications and announce the grants to be awarded. During the fifth month of the cycle the Recipient will prepare written grant agreements and disburse funds to grant recipients. During the sixth month, a final meeting will be held in the area to launch the projects and plan for monitoring and evaluation. After the completion of this 6 month cycle, the Recipient will begin the same process in another geographical area. With experience, the Recipient may be able to conduct two cycles concurrently.

b. Grantmaking Schedule

The Recipient will carry out its grantmaking activities on the following schedule:

East Kalimantan	April 1995 to September 1995
Java (Gunung Gede Pangrango)	September to February 1996
Gunung Leuser/Kerinci Seblat	January 1996 to June 1996
Bali/NTT	July to December 1996
Jakarta bay	January 1997 to June 1997

At the beginning of 1997, the Recipient will determine if these geographical areas should be served by another round of grantmaking activities or whether additional sites should be selected. For instance, Irian Jaya is considered a high priority area.

B. Consultations, Collaboration and Networking

1. *Purpose*

The Recipient's second program area involves increasing consultation, collaboration and networking among organizations concerned with biodiversity conservation. This program is constructed to be flexible in approach, exploiting strategic opportunities as they emerge. The primary focus of this program area is:

- * to co-sponsor meetings, conferences, workshops to support and strengthen networks and promote the exchange of information on biodiversity conservation.
- * to collaboration with academic institutions to increase the awareness of biodiversity issues in curriculum development and course content;
- * to collaborate with NGOs and others in bufferzone development at sites within the five priority geographic areas.

2. *Approach*

a. Provincial, National, Southeast Asia and International Meetings

The Recipient will look for opportunities to co-sponsor meetings with other organizations, increase Indonesian participation at regional and international forums, provide leadership for emerging issues and act as a non-partisan intermediary in potentially contentious issues. The Recipient also anticipates providing leadership to the international and local donor community by providing information on successful project strategies as well as identifying promising projects requiring continued support. These exchanges will involve all levels of Indonesian society as well as interested Southeast Asian and international parties. The Recipient will support three types of meetings: provincial and national (Indonesia), regional (SE Asia) and international. Opportunities for co-sponsoring regional and international meetings are difficult to predict years in advance, but based on experience gained in 1995, there appears to be many opportunities. The Chairperson and Executive Director will be actively seeking opportunities in this area. In the first year alone, the Recipient will co-sponsor an international meeting, regional meeting and several national meetings. Development of the Recipient's leadership capability will generate additional opportunities for significant achievements in collaboration and networking.

b. Development of Biodiversity Curriculum

The Recipient will support the development of publications on the economic and ecological aspects of biodiversity conservation for use by academic institutions. The Recipient will also co-sponsor with institutions development of curriculum and training of staff on approaches for teaching new biodiversity conservation information. One area of specific interest is incorporating the economic dimensions regarding the sustainable use of biodiversity in the traditional forestry and natural resources management curriculum. It is expected that this activity will contribute to a broader understanding of the need to conserve Indonesia's biological resources, identification of innovative ways to add value plus to the use of Indonesia's biodiversity in economic growth, and recommendations for improved policy options.

c. Development of Biodiversity Networks for Bufferzone Management

The Recipient will develop provincial biodiversity networks for managing bufferzones in the five geographic areas identified above. The objective is to identify viable activities and enterprises that raise the incomes of local communities through the conservation of forest resources. Accordingly, the Recipient intends to motivate the participation of NGOs, universities, policy makers and businessmen in identifying and carrying training, eco-tourism and other activities. This activity will be closely linked with the grantmaking program.

d. Collaboration with Private Sector

The Recipient will analyze policies relating to collaborating with the private sector in the use of biodiversity resources. This will entail exploring various contractual mechanisms (e.g., the MERCK agreement in Costa Rica) and identifying improved policy options and viable implementation approaches. Other areas to be explored include collaboration in ecotourism, such as with International Conservancy.

e. Relationship Between Grantmaking and Networking

The Recipient places priority attention on grantmaking. However, there is a critical need to strengthen the capability of potential recipients and to identify viable program activities. Thus, the Recipient's networking is designed to complement and support the grantmaking program. The Recipient will follow its Grantmaking Policies and Procedures in reviewing and approving proposals for workshops, consultations and collaboration. For unsolicited proposals this will entail internal review and, for proposals endorsed by the Recipient staff with a requested Recipient contribution of greater than Rp 10 million, evaluation by an independent panel of experts.

C. Governance and Administration

The management of the Recipient's program involves all three parts of its governance structure: Board of Trustees, Executive Board and Committees, and Professional Staff.

The Board of Trustees set the Recipient's broad program policies. These include the kinds of organizations the Foundation will serve through its grantmaking (e.g. NGOS, academic/research institutions, community groups, etc), and the broad outlines of the kinds of grantmaking programs the Recipient will develop and the focus for collaboration and networking.

The Executive Board is responsible for establishing more specific program priorities. These include program emphasis, geographical priorities and annual strategies. The Grantmaking Committee is charged with reviewing and recommending grantmaking policies to the Executive Board and evaluating the effectiveness of the grantmaking procedures.

The Executive Director and other professional staff are responsible for the execution of the a) grantmaking program and b) the consultation, collaboration and networking program. For the grantmaking program this includes organizing and conducting regional dialogues and workshops, screening and reviewing grant applications and providing assistance to grantees where needed. The Recipient's program coordinator will be mainly responsible for these functions. The staff in conjunction with specially constituted Review Panels will evaluate promising grant applications and prepare recommendations for approval by the Executive Board. The Recipient's administrative staff will handle all aspects of grants administration. Detailed Grantmaking Policies and Procedures have been developed.

The present professional staff of Executive Director, Finance Manager, Program Coordinator and Secretary are adequate for initial grantmaking and networking activities. As the grantmaking program enlarges, additional program officers will be hired to handle the increased workload. The Recipient is committed to keeping staff levels at a lean and efficient level.

the Recipient will conduct its grantmaking and networking programs in a fair and transparent manner. The Recipient will make available to prospective grantees written materials concerning policies, program priorities, geographic interests and, grantmaking practices. A financial management system designed by Price Waterhouse is in place to support the proper implementation of the grantmaking program. All consultations, collaboration and networking will be of a non-partisan nature, information and meetings will be open to members of the public and all interested organizations. The Recipient will strive to be inclusive and participatory in its activities.

The Recipient may engage the services of consultants to perform specialized tasks such as preparation of public information materials, evaluate endowment investment management strategies, provide training on fund raising, design effective internal management systems and provide board and staff training in foundation operations.

The Recipient will encourage the active participation of Trustees and committees in the governance of the Recipient. Trustees are expected to attend board meetings, represent the Recipient among the various constituencies and, if possible, participate in the Recipient-sponsored networking activities.

During the period of 1995 to 1999, the Recipient will focus on establishing strong governance and leadership, and high-quality staff. The Board of Trustees during this period will be developed into a group with the capacity to provide broad policy guidance to the Recipient. International standards regarding conflicts of interest will be maintained. The Executive Board will be active contributors to the development of the Foundation. Committees will be further developed to assist the Executive Board in its responsibilities. International standards of financial management will be fully implemented during this period. General operating procedures will be developed and a public relations strategy implemented.

The Recipient will devote attention to training of staff and selected Board members. Study tours, internships and specific technical and managerial training will be supported.

Recruitment of additional staff will be conducted in an open transparent manner.

The Recipient will maintain a high level of "transparency" in all of its financial affairs. Price-Waterhouse has already designed and installed the financial system. Annual reports, including audited financial statements will be published in national newspapers along with a complete list of grants awarded during the previous year.

D. Endowment Management

Under the Cooperative Agreement, USAID intends to provide the Recipient with \$16.5 million for the establishment of an endowment fund. This endowment will provide the Recipient with a sustained source of income to meet operational expenses and fund a portion of the grantmaking and networking programs.

The endowment will be managed in accordance with the Recipient's Investment Policy Statement and Guidelines as approved by the Executive Board and USAID Indonesia. The Executive Board, Investment Committee and Finance Manager are responsible for ensuring that the long term investment objective of managing the endowment is achieved. They will also monitor the spending rate and risk levels of the endowment. The Recipient will invest

the endowment capital in an international portfolio consisting of both fixed-income and equity investments.

An Investment Committee, composed of both Trustees and outside experts, will advise the Executive Board on investment management matters. The Committee is responsible for recommending asset managers, long-term asset allocation strategies and monitoring investment performance. The Recipient will contract with professional fund managers to invest the endowment assets in a diversified investment portfolio capable of providing annual income for programs and adequate capital growth to maintain the real value of the fund.

E. Fund Raising

The funds provided by USAID under the Cooperative Agreement represent "seed" money to establish the Recipient and ensure its initial development. A major fund raising effort will be undertaken over the next 10 years to raise additional contributions for operations, programs and the endowment. This strategy is described in detail in the Recipient's Fund Raising Policy Statement

The Executive Board of the Recipient has prepared a fund raising strategy which targets goals for raising contributions for annual operating expenses, program expenses and additional endowment capitalization. The five year projections are:

- \$ 3.0 million for operating expenses
- \$ 4.0 million for program expenses
- \$ 1.0 million for endowment capitalization

1995 to 1999 fund raising schedule

- 1995 International Foundations will be solicited
U.S. corporations operating in Indonesia will be contacted
- 1996 Discussions with bi-lateral donors will be initiated
Non-U.S. corporations will be contacted
- 1997 Multi-lateral donors will be solicited
Indonesian corporations will be contacted
- 1998 Continue to strengthen relationships with all these donors and potential donors
- 1999 Continue to strengthen relationships with all these donors and potential donors

To promote awareness of the Recipient's objectives and programs, the following informational materials will be developed.

1. a brochure about the Recipient (in English and Bahasa Indonesia);
2. a brief newsletter informing the public about the Recipient activities (to be published 2-3 times per year);
3. video on biodiversity conservation; and
4. translating into Bahasa Indonesia's the Recipient's policy statements for broad distribution.

III. MANAGEMENT OF THE COOPERATIVE AGREEMENT

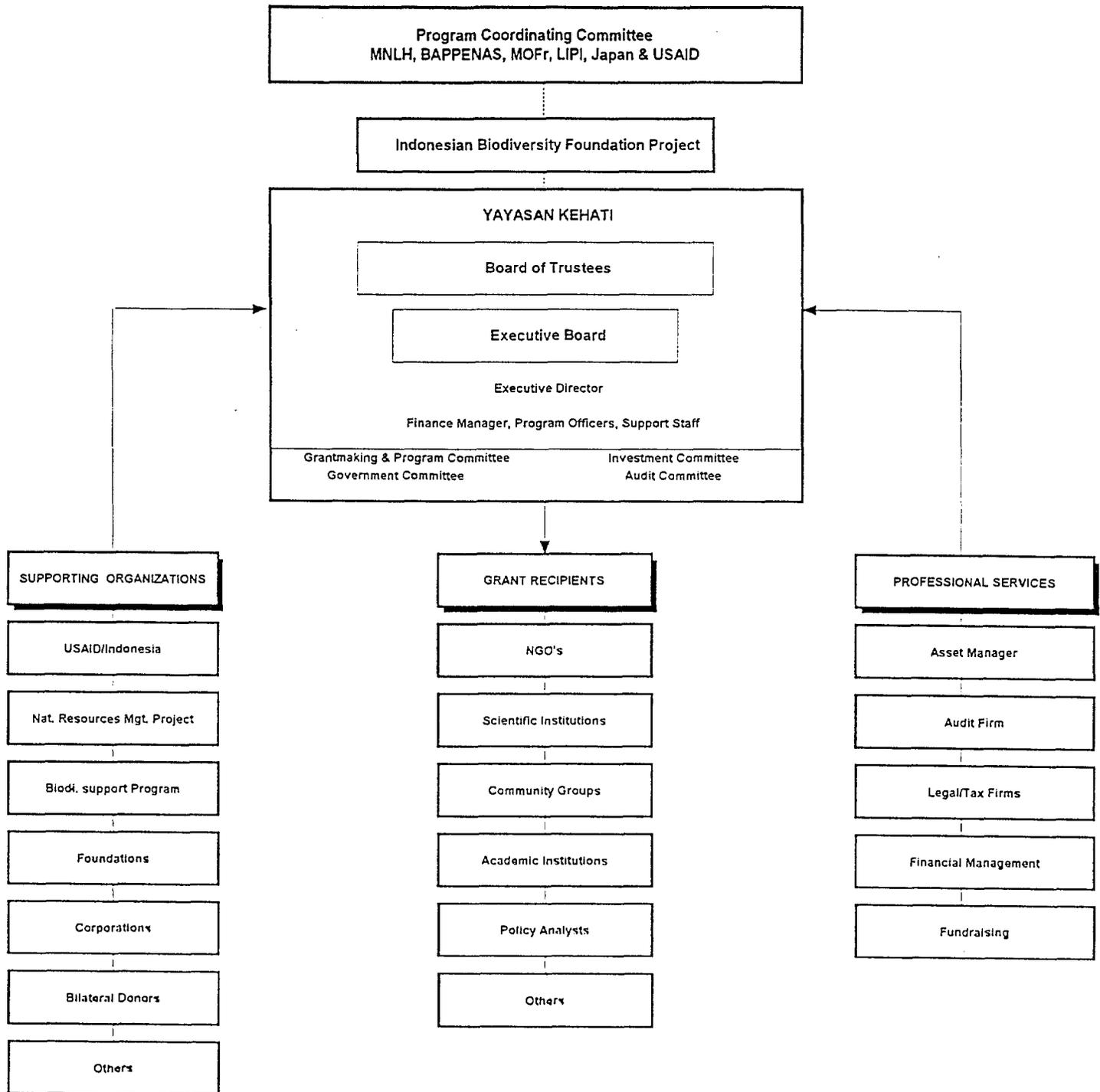
The management of the Cooperative Agreement is the responsibility of both the Recipient and USAID/Indonesia and under the broad coordinating role of the Program Coordinating Committee, chaired by State Ministry of Environment (MNLH). The complexity of the program and management functions calls for a clear delineation of the roles and responsibilities of these two entities. Figure 1 illustrates the relationship among the key organizations involved in the Cooperative Agreement, Indonesian Biodiversity Foundation Project and Indonesian Biodiversity Conservation Program. The following section describes the roles and relationships of Recipient, USAID and other implementing entities.

A. Roles and Relationships

1. *Recipient's Role and Responsibilities*

The main responsibility for implementing the Cooperative Agreement rests with the Executive Board of the Recipient. The trustees have empowered the Executive Board, and as appropriate, the professional staff, with the authority to represent Recipient in legal matters and the management of financial assets. Management tasks for the Executive Board include: establishing personnel and operating policies, approving operating budgets, recruiting and orienting senior professional staff, establishing advisory panels and committees, establishing reporting schedules, ensuring accounting and audit requirements are met, assuring compliance with USAID regulations, identifying and soliciting other financial resources, establishing major program priorities, and developing grantmaking and investment policies.

FIGURE 1
ORGANIZATIONAL STRUCTURE
INDONESIAN BIODIVERSITY FOUNDATION PROJECT



The Executive Director and other professional staff of the Recipient are responsible for the daily operations of program activities and for technical performance. The Executive Director is responsible for hiring, orienting and training program officers to cover the major program domains determined by the trustees. The Finance Manager is responsible for implementing the financial management systems in accordance with international standards, overseeing budgets, preparation of financial reports and audit requirements. Support staff will implement the internal operating systems consistent with the highest standards of professionalism and transparency.

The Recipient's Investment Committee is responsible for monitoring performance of the endowment fund and will report to the Executive Board on investment portfolio performance. The Executive Board will ensure investment procedures comply with the Recipient's Investment Policy Statement and Guidelines governing the USAID-funded endowment (approved by the Board of Trustees and USAID).

Program Coordinator(s) have primary responsibility for implementing the operational aspects of the grantmaking program. They will solicit proposals within program areas designated by the trustees, review and recommend projects, monitor compliance with grant provisions and report results of evaluations to concerned parties. To assist in the implementation of the grantmaking program, the Recipient will establish several advisory committees composed of respected scientists, NGO leaders, business persons and regional leaders. These advisory committees will provide the Recipient with scientific and policy competence and enhance the credibility of Recipient's grantmaking program. The Recipient may also form review panels to evaluate grant proposals and recommendations prepared by the Recipient's staff.

2. *MNLH's Role and Responsibilities*

MNLH's role is to coordinate, monitor and evaluation implementation under the Indonesian Biodiversity Foundation Project.

3. *USAID's Role and Responsibilities*

The Cooperative Agreement (CA) authorizes a form of assistance that includes substantial USAID involvement in carrying out the program description. USAID/Indonesia will be exercising a high level of involvement in program implementation for several reasons. First, as a new organization, the Recipient will be provided with extensive technical and financial assistance to develop into a strong, professional institution. Second, the authority to create an endowment using appropriated dollars is a recent development and will be closely monitored by USAID/Washington and Congress. Third, the IBF project is being attributed to the United States' contribution to the Global Environmental Facility and thus will require special monitoring.

USAID staff will visit field sites of selected Recipient grantees to monitor the performance of Recipient grantees in order to assess their progress in meeting their objectives, including progress in achieving specified outputs as measured by interim benchmarks or indicators of progress for individual grants. This information will be used in evaluating the effectiveness of the Recipient's grantmaking program.

The Office of Agro-Enterprises and Environment of USAID/Indonesia will manage the technical elements of the Cooperative Agreement. The AEE Project Officer (U.S. Direct Hire) will be responsible for communication with the Recipient on all program and technical matters related to the CA. The USAID Project Officer will have other responsibilities and will allocate about one fourth of his/her time directly to managing this Cooperative Agreement. A full-time Foreign Service National (FSN) Project Manager will be assigned to carry out USAID management and monitoring functions. The Project Officer and Project Manager will be responsible for preparing and submitting quarterly and semi-annual reports on implementation progress of the Cooperative Agreement to senior Mission management, with copies provided to the Recipient. USAID will be granted observer status at all regular meetings of the Board of Trustees.

3. *Roles and Responsibilities of the Natural Resources Management Project*

USAID presently provides initial technical assistance to the Recipient through an existing contract with Associates in Rural Development, Inc. (ARD), funded under the Natural Resources Management (NRM) project (also referred to as the NRMP). This includes the provision of one long-term technical advisor and short-term technical assistance (through July, 1996). The long-term advisor assists the Recipient in designing and implementing the work plans under the Cooperative Agreement as well as to help the Recipient coordinate technical funded sources (such as the Biodiversity Support Program). USAID also financed the Recipient's office space for the first year (April, 1994 - May, 1995) and provided equipment and furniture to meet Recipient's initial needs through the ARD contract. This is consistent with the NRM Project's purpose to support the development of improved natural resource management policies and practices. This additional USAID support consists of non-financial assistance; funds are not provided directly to the Recipient.

4. *Role of Indonesian Biodiversity Conservation Program Coordinating Committee*

The *Program Coordinating Committee* is responsible for ensuring that the various program components -- of which the IBF Project is one -- are operated effectively and efficiently, and will propose appropriate measures to the countries concerned to guide the program. The *Committee* will meet at least twice a year with the Recipient invited to participate as an observer and share information on the Recipient's activities. MNLH chairs the PCC and oversees its coordinating, monitoring and evaluation of program activities.

B. Implementation Schedule

Key implementation activities are listed below. Activities such as, quarterly progress reports; quarterly financial statements/cash advance requests; quarterly cash disbursements; semi-annual assessments of financial status/risks of endowment assets; grant solicitation, review and approval; regional consultations/field trips; and annual reports are only listed initially but will be regular activities.

March 1995

- Register as a Private Voluntary Organization with USAID
- Signing of the Cooperative Agreement
- Issue first annual report
- Apply for U.S. Tax Exemption under Section 501(c)(3)

April 1995

- Cooperative Agreement signed
- Recipient staff conduct regional meetings to determine program priorities, assess capability of prospective grantees and arrange training
- Issue audited financial statement for 1994
- Sign MOU between GOI, Yaysan KEHATI, USG

May 1995

- First cash advance
- Study tour conducted for selected staff and board members
- Regional meetings conducted on program activities
- Endowment asset manager(s) selected, draft contract(s) negotiated, USAID approval of executed contract(s)

June 1995

- Monthly progress report (for May), liquidation of cash advance for May, estimate of expenses and request for cash needs for the next three months (June-August), process repeated each month
- Issue first request for proposals
- Disbursement for capitalization of the endowment

August 1995

- Staff and advisory committee(s) evaluate proposals and inform grantees of issues/status

September 1995

- National and regional consultations held on the Recipient's program
- Training held for prospective grantees

Proposals revised

November 1995

First grants awarded

December 1995

Second request for proposals issued

First semi-annual review of financial status of endowment and risk assessment

January 1996

Internal evaluation of CA performance by the Recipient

Recipient and USAID evaluation to assess technical assistance needs, determine appropriate actions

February 1996

Staff and advisory committee(s) evaluate proposals and inform grantees of issues/status

National and regional consultation held on program

March 1996

Second round of grants awarded

May 1996

Third request for proposals issued, etc.

January 1997

First internal evaluation

January 1998

Mid-term evaluation

June 1999

Second internal evaluation

January 2000

Second mid-term evaluation

35

January 2003

Third internal evaluation

January 2005

Final evaluation

C. Performance Indicators

The following section describes performance benchmarks to measure progress under the three components of governance, endowment and grantmaking. It also includes target outputs over ten years, and expected status at the end of the Cooperative Agreement.

1. Performance Benchmarks

a. Benchmarks for Foundation Governance

The following activities are aimed at helping to measure the Recipient's progress in strengthening institutional ability to meet international standards of good governance.

- * Maintain an active Board of Trustees, Executive Board, committees and advisory panels with clear responsibilities and goals.
- * The Recipient will have an annual financial audit of the endowment principal and use of the investment income, and of overall financial management. The Recipient will widely distribute the annual audited financial statement and annual performance report describing institutional development, grantmaking, networking and other programs (e.g., list recipients, amount of grant or workshop, objectives and outputs planned and/or accomplished), and provide a copy to MNLH and USAID Indonesia. The Board of Trustees will select an independent auditor in accordance with the "Guidelines for Financial Audits, Contracted by Foreign Recipients" issued by the USAID Inspector General.
- * The Recipient will ensure that individual grants over \$100,000 per year (funded by USAID) to Indonesian NGOs, universities, individual scientists, etc. (Sub-grantees in USAID terminology) will be included under the scope of an independent financial audit.
- * During the first five years of the Cooperative Agreement, quarterly and annual performance reports prepared for USAID Indonesia and MNLH documenting implementation progress based upon the CA work plan, liquidating previous USAID cash advances and requesting additional USAID cash advances, based on the approved

annual work plans and budgets; after year six, annual performance reports prepared and provided to USAID.

- * "Best efforts" to generate additional funding for the endowment and grantmaking program by carrying out fund raising strategy documented.
- * Independent evaluations conducted in years 3,5 and 10.
- * Maintain registration with USAID as a Private Voluntary Organization (submit the annual report on PVO registration to USAID Indonesia within six months of the end of the Recipient's fiscal year) and tax exempt status with the Internal Revenue Service in the United States, and maintain and enforce the Recipient's policies concerning grantmaking, conflicts of interest, fund raising, By-Laws and Articles of Association.
- * The Recipient shall invite one representative of USAID, designated by USAID, to participate in all proceedings of the Board of Trustees as an observer.

b. Benchmarks for Endowment Management

The following benchmarks will be used to monitor the establishment and management of the endowment.

- * The investment objective of maintaining the real value of the endowment is achieved.
- * Maintain an active Investment Committee composed of members of the Board of Trustees and others with financial expertise to set long-term investment objectives, target rate of return and long-term asset allocation strategies, and to monitor performance of the endowment investments and asset managers.
- * Maintain books, records, documents, and other evidence relating to the endowment assets and use of CA funds and endowment income, in accordance with generally accepted accounting principles formally prescribed by the U.S., Indonesia or the International Accounting Standards Committee.
- * Endowment assets managed in accordance with the Investment Policy Statement and Guidelines and other conditions as agreed upon by USAID and Recipient.

c. Benchmarks for the Grantmaking Program

The following benchmarks will be used to monitor implementation progress in developing the grantmaking program:

- * Documentation of the steps taken by Recipient to promote participation in the development of grantmaking policies, and implementation and evaluation of grants programs included in the annual reports. These steps would involve regional meetings, assessment of grantee capability and providing needed training, publication of grant solicitation procedures and awards, development of Women in Development (WID) reporting/benchmarks, and evaluation of grantee performance and distribution of evaluation results.
- * Development of baseline information on the extent of research, public awareness, policy analysis, conservation extension and other activities carried out by scientists, NGOs, community groups and others to conserve the diversity of Indonesia's biological resources. This information will assist the Recipient in developing the grantmaking program as well as in monitoring its ability to increase support for biodiversity conservation.
- * Regular monitoring by the Recipient of the performance of their grantees to assess their progress in meeting objectives, including progress in achieving specified outputs as measured by interim benchmarks or indicators of progress contained in approved grant proposals.
- * Conduct independent evaluations of the Cooperative Agreement in years 3,5 and 10 that includes an analysis of the performance of selected Recipient grantees in achieving their specified objectives and target outputs. Results will be widely distributed.
- * Adhere to the Recipient's Grantmaking Policies and Procedures.

2. *Target Outputs*

Table A illustrates the target outputs during 1995 - 2004.

Table A
TARGET OUTPUTS OVER LIFE OF PROJECT
 (numbers are total over life of project)

Project Outputs				
Project Component	1997	1999	2001	2004
	Year 3	Year 5	Year 7	Year 10
Foundation Governance	2 annual reports	4 annual reports	6 annual reports	9 annual reports
	1 internal evaluation	2 internal evaluations	3 internal evaluations	5 internal evaluations
	1 independent evaluation	2 independent evaluations		
	2 independent audits	4 independent audits	6 independent audits	9 independent audits
	4 Board of Trustee mtgs 12 Executive Board mtgs	5 Board of Trustee mtgs 20 Executive Board mtgs	6 Board of Trustee mtgs 28 Executive Board mtgs	9 Board of Trustee mtgs 40 Executive Board mtgs
	US\$150,000 raised for operating costs as matching funds	US\$325,000 raised for operating costs as matching funds	US\$500,000 raised for operating costs as matching funds	US\$650,000 raised for operating costs as matching funds
	\$100,000 raised for program grants and costs as matching funds	\$400,000 raised for program grants and costs as matching funds	\$750,000 raised for program grants and costs as matching funds	\$1.2 million raised for program grants and costs as matching funds
Endowment Management	5 investment committee meetings	10 investment committee meetings	14 investment committee meetings	20 investment committee meetings
	Portfolio performance evaluation to determine if total return is consistent with market benchmarks	Portfolio performance evaluation to determine if total return is consistent with market benchmarks	Portfolio performance evaluation to determine if total return is consistent with market benchmarks	Portfolio performance evaluation to determine if total return is consistent with market benchmarks
	\$3.5 million gross investment income generated by USAID endowment fund	\$6.6 million gross investment income generated by USAID endowment fund	\$9.6 million gross investment income generated by USAID endowment fund	\$14.0 million gross investment income generated by USAID endowment fund
		\$4.7 million raised in matching contributions for the endowment	\$4.7 million raised in matching contributions for the endowment (1)	\$4.7 million raised in matching contributions for the endowment (1)
Grantmaking Program	\$850,000 in grants awarded from endowment	\$2.05 million in grants awarded from endowment	\$3.25 million in grants awarded from endowment	\$5.0 million in grants awarded from endowment
	Total of at least 45 grants	Total of at least 75 grants	Total of at least 125 grants	Total of at least 150 grants
	5 regional consultations	10 regional consultations	15 regional consultations	20 regional consultations
	2 requests for proposals issued	4 requests for proposals issued	6 requests for proposals issued	9 requests for proposals issued
Networking	20 meetings/workshops	30 meetings/workshops	50 meetings/workshops	75 meetings/workshops
	9 newsletters issued	18 newsletters issued	27 newsletters issued	36 newsletters issued

(1) In order to meet its 25 percent matching contribution for the project, the Foundation intends to raise \$6.5 million (\$1.8 million for program and operating costs, and \$4.7 million for the endowment); however, over the life of the project (ten years), the Foundation intends to raise (a) an additional \$18.8 million for the endowment, for a total of \$23.5 million in matching contributions for the endowment, and (b) an additional \$1.8 million raised for program and operating costs, for a total of \$3.7 million in matching contributions for program and operating costs. Please see Table B "Pro Forma Financial Profile", for more information on the planned amount and timing of matching contributions.

3. *Expected Status at the End of the Cooperative Agreement*

By the end of the Cooperative Agreement, a professional foundation of international standards of good governance will be making catalytic grants to a variety of institutions, individuals and NGOs across the archipelago. An endowment will be established and operating that is producing income and will have reached at least \$40 million in size due to contributions from other donors. The Recipient will have generated about \$2 million in contributions for its grant making program and operating costs. The Recipient will have awarded over \$5 million in grants from endowment income to scientists, NGOs, community groups and others to carry out a range of activities aimed at conserving Indonesia's unique and valuable biological diversity. The Recipient will be considered a leader in articulating biodiversity conservation needs and recommending improved policies and practices.

D. **Monitoring and Evaluation Procedures**

Monitoring and evaluating implementation progress under the Cooperative Agreement will take place on several levels: (i) the performance of the Recipient's trustees and staff in oversight and management of the Cooperative Agreement; (ii) the performance of Recipient grantees (e.g., NGOs, scientists, community groups and other recipients) and; (iii) USAID/Indonesia's performance in oversight and management of the Cooperative Agreement.

1. *Monitoring Implementation Performance*

During the initial five years of the Cooperative Agreement, the Recipient will monitor implementation progress under the Cooperative Agreement through regular staff operations and report on progress each quarter as well as in an annual progress report. USAID Indonesia will monitor the implementation of the Cooperative Agreement through quarterly, semi-annual and annual reviews prepared by the USAID Project Officer. The information requirements of this monitoring include both financial and operational matters and will be included in quarterly reports prepared by the Recipient for USAID Indonesia and MNLH, as chairman of the PCC. The project's technical advisor will also prepare quarterly activity reports on the advisor's activities for the Recipient, USAID Indonesia and ARD Chief of Party.

During years six to ten, USAID Indonesia will monitor implementation progress through the review of the Recipient's annual audited financial statement and annual performance report. USAID monitoring of the Recipient's performance in carrying out the grant program will focus on those grants made by the Recipient with USAID funds.

2. *Subgrant Monitoring and Evaluation*

The Recipient will be responsible for monitoring its subgrants and evaluating their effectiveness. Both formal and informal monitoring mechanisms will be employed. The formal mechanism may require each subgrantee to file an interim progress report half way into the subgrant period. This reporting may include: progress achieved under the subgrant; problems encountered in carrying out the subgrant funded activity; actions taken to solve problems; and requests for modification of the subgrant (if any). The Recipient may divide subgrant payments, making the second payment contingent upon receipt of a satisfactory interim report. The informal mechanism involves the personal contact with the subgrantee by the Recipient Program Coordinator. This will entail visits and telephone/fax communications by the Program Coordinator to the site of the subgrantee.

3. *Evaluation of Implementation Progress*

The Recipient, USAID and MNLH, as chairman of the Program Coordinating Committee, will evaluate implementation progress under the Cooperative Agreement to assess progress in accomplishing intended objectives. Evaluations will assess whether contributions have: built a professional institution with international standards of good governance, provided sustained financial support of adequate size through the endowment, and established an innovative grants program which is promoting the sustained use and conservation of biodiversity in Indonesia. In addition, the implementation performance of the Cooperative Agreement will be evaluated in terms of its contribution to the Indonesian Biodiversity Conservation Program. The evaluation will also review the Recipient's contributions to the program.

The Recipient will arrange for three independent evaluations by qualified independent entities to assess implementation progress under the Cooperative Agreement (the first two will be financed by USAID funds under the Cooperative Agreement and the third evaluation will be financed by endowment income). The first evaluation will be held in the third year of the Cooperative Agreement and is tentatively scheduled for January, 1998. This evaluation will assess progress under the Cooperative Agreement and determine if any modification of the CA is appropriate. The second evaluation, scheduled for year five, will review overall implementation progress under the Cooperative Agreement, USAID management requirements and discuss possible modifications of the Cooperative Agreement. The third and final evaluation is scheduled for year ten, January 2005. These evaluations will focus on (a) progress in foundation development and governance, (b) the management of the USAID funded endowment and the use of endowment income, and (c) the strategic developmental impact of the grantmaking program. The Recipient will be responsible for providing the evaluation teams with the necessary information for these evaluations and sharing results among participants.

These project evaluations will also include general information (based on readily available reports and interviews) regarding the performance of grants supported by income from the USAID-funded endowment and other donors as a means of assessing the institutional ability of the Recipient and developmental impact of its grant-making program.

The Recipient will conduct at least three internal evaluations of implementation progress under the Cooperative Agreement. These are tentatively scheduled for January 1997 and June 1999 and January 2003. The scope of these internal evaluations will include, the performance of the governing boards and committees, the efficiency of internal operations, staff performance and the effectiveness of the grantmaking program. In addition, the evaluators will also be asked to assess USAID Indonesia's performance in oversight and management of the Cooperative Agreement. Independent evaluators from the NGO, scientific, academic communities will participate. The Recipient will provide a copy of these evaluations to the USAID Project Officer and MNLH, chairman of the Program Coordinating Committee.

The Program Coordinating Committee, representing the governments of Indonesia, Japan and the United States, will meet with the mid-term and final evaluation teams to discuss the contributions of Recipient, under the Cooperative Agreement, with respect to the overall implementation of the Indonesian Biodiversity Conservation Program. The specific focus of this evaluation will be to examine how effectively Foundation activities are contributing to the implementation of the *National Strategy for Biodiversity Management* and the *Biodiversity Action Plan for Indonesia* and to what extent the Recipient's programs are collaborating with and reinforcing program components funded by the governments of Indonesia and Japan.

4. *Audit*

The Recipient will arrange, through competitive procedures, for well established independent financial management firms to conduct an audit of the Recipient's financial records. A financial audit will be conducted each of the ten years of the project. This audit will cover the status of the principal and income of the USAID-funded endowment.

E. **Technical Assistance Requirements**

Under the Cooperative Agreement, the Recipient will be provided the following technical assistance to strengthen its institutional capability. One long-term advisor, experienced in foundation development and operations, and management of endowments, is assigned to the Recipient through July, 1996 (under the ARD contract, NRM Project). Approximately 18 person-months of expatriate or 36 person-months of Indonesian short-term technical assistance is also allocated under the ARD contract (through July, 1996), depending upon demand for short-term assistance and available funding. Priority needs for short-term technical assistance include: financial management systems implementation, grants administration

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processes, public information programs, board and staff development and training, investment management, legal advice, and grantmaking strategies and policies.

Given the complicated and challenging tasks in carrying out the project, additional long-term and short-term technical assistance may be needed from August, 1996 through July, 1999. Thus, in early 1996, Recipient and USAID will review and revise the terms of reference of the long-term advisor (as appropriate), assess long- and short-term technical assistance needs and determine appropriate contracting procedures to provide this assistance after July 1996.

F. Development of Annual Work Plans

In close collaboration with the USAID Project Officer and Project Manager, the Recipient will develop annual work plans for the first five years to be financed by USAID funds under the Cooperative Agreement. Annex 1 includes the 1995/96 work plan.

IV. TOTAL PROGRAM FUNDING

The total cost of the program is \$25.5 million (\$19 million USAID and \$6.5 million in cost sharing from Recipient).

**YAYASAN KEHATI'S
(THE RECIPIENT'S)
1995/96 WORK PLAN**

March, 1995

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for
YAYASAN KEHATI'S
1995/96 WORK AND FINANCIAL PLAN

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RECIPIENT OR YAYASAN KEHATI'S

1995/95 WORK AND FINANCIAL PLAN

I. INTRODUCTION

This document describes the Recipient's 1995/96 work plan which for programmatic purposes begins April 1, 1995 through December 31, 1996.

II. PROGRAM WORK PLAN

Program work plan cover the two main program areas, (1) grantmaking program and (2) consultations, collaboration and networking program.

A. Grantmaking Program

1. Overview

The Recipient plans to hold up to 18 regional dialogues and follow-up workshops in the five geographic priority areas during 1995/96. The timing and location of the initial dialogues and workshops are:

East Kalimantan	April - September 1995
Java	July - December 1995
Sumatra	January - June 1996
Bali/NTT	March - October 1996
Jakarta Bay	September 1996 - Feb. 1997

During 1995 the grantmaking program will focus on E. Kalimantan and Java. Thus, the Recipient intends to initiate two grantmaking cycles during 1995 and three cycles in 1996. The first cycle will begin in April with completion in September. In September, the second grantmaking cycle will begin for Java with completion in February 1996. Grants will be awarded for both E. Kalimantan and Java during 1995, but actual disbursement for Java may occur in early 1996. During 1996, the Recipient will focus on the other two priority geographic areas.

For each geographic area, the Recipient will sponsor a workshop to follow up on the initial dialog (e.g., within two months of the initial dialog meeting). This workshop will focus on specific issues and opportunities in order to identify viable actions. During the workshop, participants will discuss potential projects appropriate for funding by the Recipient. At the

ANNEX 1

end of the workshop, participants will be informed on the Recipient's procedures for submission, review and approval of grant applications.

The Recipient will set a deadline of approximately 2 months following the workshop for submission of proposals. All applications will be reviewed by the Program Officer, Executive Director and an independent review panel. Within one month the Recipient will announce which grant applications have been approved, and inform other of the status of their proposal.

Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
On site Dialog Meeting	On site Workshop	Preparation of applications	Kehati review applications	Award grants disburse funds	Meeting to launch projects

Note to table:

Month 1: one day dialogue between the Recipient and the biodiversity constituencies (scientific community, government/private sector, Non-Government Organizations) on the importance of biodiversity in term of the national/ provincial/local needs, the wealth of the site, the role of community in biodiversity conservation, the problems encountered, etc.

Month 2: a follow up workshop in each locality to identify program areas (awareness, research, capacity building, community empowerment, policy) for in-situ conservation (East Kalimantan), ex-situ conservation (Java), etc., with the hope that a plan of actions for that area is developed.

Month 3: Potential grantees prepare applications. the Recipient conduct consultations on preparation of applications if necessary

Month 4: the Recipient's staff and panels review and screen grant applicants

Month 5: the Recipient announces grant awards. Grant agreements prepared and funds disbursed

Month 6: On site follow-up meeting to announce grant winners and launch projects/activities.

2. **Activities in Priority Geographic Area**

a. In-Situ Conservation in East Kalimantan

Objectives:

1. Promote awareness on the existing in-situ conservation system in East Kalimantan;
2. Identify research (biological, social, economic) activities on in-situ conservation;
3. Strengthen on going grass root initiatives for in- situ conservation; and
4. Identify linkages between national, provincial, local policies on in-situ conservation.

Outputs:

1. Tools to promote awareness of in-situ conservation developed;
2. Research agenda for in-situ conservation developed;
3. Grass root initiatives documented; and
4. In-situ conservation policies analyzed and policy options identified.

b. Ex-Situ and In-Situ Conservation in Java

Objectives:

1. Promote the ex-situ conservation of endangered species/genetic resources;
2. Identify priority applied research topics on ex-situ conservation activities;
3. Strengthen the efficiency of traditional practices for ex-situ conservation;
4. Promote community collection gardens; and
5. Support in-situ conservation in and around the Gunung Gede Pangrango National park.

Outputs:

1. Brochures and posters on endangered species/genetic resources developed;
2. Research carried out to support ex-situ conservation;
3. Pilot models for supporting on-farm conservation and community participation tested.

c. Community-Based Conservation of Biodiversity in Gunung Leuser and Kerinci Seblat

Objectives:

1. Increase awareness of the importance and the uniqueness of Leuser's biodiversity;
2. Identify incentives (economic, social, cultural) for community involvement;

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3. Develop research agenda on community-based conservation of biodiversity; and
4. Document local knowledge/practices which support biodiversity conservation.

Outputs:

1. Brochures and posters of Leuser's biotic richness prepared;
2. Potential incentives for community participation identified;
3. Applied research conducted; and
4. Traditional knowledge/practices supporting biodiversity conservation documented.

d. Eco-tourism Development in Bali-Lombok-Nusa Tenggara Timur

Objectives:

1. Promote sustainable utilization of biodiversity through eco-tourism;
2. Identify biological resources which uniquely support tourism; and
3. Identify research areas (social, culture, economic) for eco-tourism.

Outputs:

1. Concept of ecologically sustainable eco-tourism developed for Bali-Lombok-Nusa Tenggara Timur;
2. Documented unique biodiversity which has a potential for eco-tourism; and
3. Applied research agenda to support eco-tourism developed.

e. Marine resources development in Pulau Seribu

Objectives:

1. Identify the key problems facing conservation of marine resources in Pulau Seribu;
2. Promote greater awareness on the sustainable utilization of marine resources;
3. Support research which helps to solve marine conservation problems; and
4. Analyze provincial/local policies which may affect marine conservation.

Outputs:

1. Key problems of marine resources conservation are identified;
2. Public awareness materials for marine conservation developed;
3. Policy options for marine resources conservation identified.

Within these areas, grants will be awarded to support projects which address priority activities in the five geographic areas. The Recipient expects to modify selection of priority geographic areas and funding allocations based on additional meetings, workshops, review of grant applications and evaluations.

3. *Updating Baseline Information on Biodiversity Conservation Activities*

One of the outcomes from the regional dialog meetings will be updating the Recipient's present report on baseline information regarding the extent of research, public awareness, policy analysis, community-based biodiversity conservation activities currently being carried out by NGOs, academic institutions, government and communities. This information will assist the Recipient in strategically designing its grantmaking assistance within the targeted geographical area. Invitees will include scientists, NGOs, community leaders, academics, private sector, government representatives and other interested parties. This type of information will be reflected in the Recipient's annual performance report.

B. Consultations, Collaboration, Networking

The Recipient plans to initiate this program through three types of activities: a) provincial, national, Southeast Asia and international meetings, b) development of biodiversity curriculum, and c) development of biodiversity networks for managing bufferzones.

1. *Provincial, National, Southeast Asia and International Meetings*

The Recipient will continue to supporting networks among national and international NGOs and donor agencies concerned with biodiversity conservation by holding bi-monthly meetings in Jakarta. As in the past, the Recipient will serve as the catalyst and secretariat for the meetings while ensuring the participating organizations share in hosting the meetings on a rotating basis.

The Recipient also plans to bring attention to an important emerging biodiversity issue during 1995. Broader debate and understanding regarding the topic of "biosafety" for Indonesia in the area of biotechnology will be pursued. Depending on initial consultations, the Recipient will sponsor a national level meeting of experts on this emerging issue.

In South-East Asia, the Recipient plans to participate in a number of meetings during 1995/96. These include:

- * International Network on Bamboo and Rattan-IDRC: April 1995, Bogor
- * United Nations Environment Programme (UNEP): June, 1995, Jakarta, on Community Based Conservation of Biodiversity.
- * International Plant Genetic Resources Institute and National Committee on Genetic Resources: August, 1995 on Genetic Resources for the Welfare of the S.E. Community.
- * Bamboo, People and the Environment Conference, June, 1995 on the economic potential of bamboo production and use.

The Recipient plans to co-sponsor two meetings of global importance during 1995.

- * Conference of the Parties to the UN Convention on Biodiversity, November, 1995: Jakarta.
- * Global Forum of Biodiversity, November, 1995, Jakarta Kehati is organizing it together with World Resource Institute and International Union for Conservation of Nature.

2. *Development of Biodiversity Curriculum*

The Recipient will continue to develop its collaboration with Bogor Agricultural Institute in Bogor and the University of Gadjah Madah in Yogyakarta in order to enrich the content of forest and natural resource management courses by incorporating biodiversity conservation materials. Other research institutes will be contacted to encourage their involvement as well. The Recipient will hold several consultative meetings during 1995 to discuss further this collaboration, priority activities and the appropriate mechanisms for carrying out activities, such as preparation of educational materials on the economic and ecological importance of biodiversity conservation and training.

3. *Development of Biodiversity Networks for Managing Bufferzones*

The Recipient will support the initial development of provincial biodiversity networks in the five geographic regions through introductory consultations and workshops. Priority areas for 1995 are East Kalimantan and Java. This activity will be closely linked with the grantmaking program.

4. *Procedures for Approving Networking Activities*

The Recipient will review proposals, including unsolicited proposals, for funding workshops, etc. based on the Recipient's Grantmaking Policies and Procedures. This would include an initial review internally. If the Recipient staff consider an unsolicited proposal has a high potential for funding, and the proposal represents a significant financial contribution by the

Recipient, such as more than Rp 10 million, then an independent review panel would evaluate the proposal and provide comments and recommendations. The Recipient will document all steps taken for the review of unsolicited proposals to ensure a fair and transparent evaluation process.

C. Institutional Development Work Plan

The institutional development of the Recipient is a key part of the 1995 work plan. Activities fall under the categories of Governance/Administration, Endowment Management, and Securing Additional Financial Resources.

1. *Governance and Administration*

The Recipient will maintain and strengthen the institutional mechanisms for governance. During 1995/96 the Recipient will convene at least two meetings of its full Board of Trustees. The purpose of these meetings will be to further clarify the roles trustees can play in developing the Foundation's broad strategies and programs.

The Executive Board will continue its active schedule of meetings for the purpose of monitoring and developing specific policies and procedures for governance and operation. At least eight Executive Board meetings are planned during 1995/96.

The Recipient's Grantmaking Committee and an Investment Committee will continue and strengthen development of their respective roles and responsibilities. Each committee is expected to meet at least four times during 1995/96. An Audit Committee will be formed at the end of the fiscal year(s) to oversee the annual financial audit of the Foundation.

The financial management system is currently in the initial stages of implementation. During 1995, implementation of the system will include the installation of the appropriate software packages and training of staff on the use of the new software.

Developing office operational systems and procedures will be a high priority during 1995. This will include: establishing electronic filing systems and a directory for use by staff, constituency databases; review and update staffing patterns, job descriptions and work plans; review procedures for budget; and assess other management and personnel administration systems. The objective is to create a highly professional and efficient office operation.

Initiating the operations of full-scale grantmaking and networking programs promises to be one of the Recipient's biggest challenges during 1995/96. Working from the newly established grantmaking policies and procedures, the initial grants administration system will

be developed. This includes solicitation materials, application forms, screening procedures, organizing review panels, grant acceptance/rejection letters, grant agreement and fund disbursement procedures. The Recipient will seek technical assistance from international foundations and other sources as needed.

During 1995, the Recipient will further develop its five year strategic plan, based in part on the programmatic experience gained during the first year of operations. The Recipient will attempt to be sensitive to newly emerging issues in biodiversity as well as developing a flexibility to occupy a strategic niche among existing organizations and institutions.

Staff and board training in grantmaking will be a high priority during the first year. Training may entail study tours and an internship at an operating foundation and/or through special training courses. The Executive Director and Finance Manager will seek opportunities to gain training and exposure to philanthropic practices and endowment management. A study tour may be arranged if appropriate.

The Recipient will prepare and widely distribute its annual audited financial statement and performance report. The performance report (in English and Bahasa Indonesia) will briefly describe the Recipient's goals and programs, list recipients, the amount of grants provided and accomplishments expected or achieved, and planned activities. The Recipient considers the preparation and distribution of these reports to be an extremely important task as they will contribute to documenting a "track record" and demonstrating transparency in operations.

2. *Endowment Management*

The establishment of the endowment fund will be a major activity in 1995. The selection of asset managers and/or commingled funds for the investment portfolio will be a top priority. The Executive Board, Investment Committee and Finance Manager will be involved with possible assistance from outside professional consultants. Tasks such as transferring USAID's endowment grant to investment manager accounts, arranging for custodial accounts, implementing the layering of capital into investment instruments over several months and developing the procedures for the transfer of cash from the U.S.-based accounts to bank accounts in Indonesia will be undertaken during this period.

Reporting systems will be developed to keep the Executive Board, Investment Committee and staff informed of investment portfolio performance. Monitoring schedules and performance benchmarks will be instituted. By the end of 1995, the Investment Committee will review the existing investment policies and recommend modifications or revisions if necessary, in consultation with USAID Indonesia.

3. *Fund Raising*

The Recipient's scope of activities is quite broad and considerable amount of funding is required to carry out these programs. Therefore fund raising activities need to be planned and carried out immediately. Accordingly, the Recipient will undertake the following activities.

1. Request technical assistance in planning and carrying a well targeted fund raising strategy;
2. Enhance partnership with regional/international institutions to cofinance activities; and
3. Promote the Recipient programs to attract contribution for its endowment fund.

The Recipient's Board of Trustees consists of eminent Indonesian citizens with prominent influence in his/her own circle. Moreover, the Recipient has two members on the Board of Trustees from well established international foundations who have significant potential to support fund raising. The Recipient will make use of these comparative advantages.

During 1995/96, the Recipient plans to begin implementing its present fund raising strategy. Several proposals for funding will be prepared and submitted to international foundations. The Recipient plans to make some initial contacts with international corporations with operations in Indonesia, who may be interested in supporting the Recipient's activities. In addition, the Recipient will seek to better define and articulate its fund raising strategy further with the assistance from outside fund raising consultants.

4. *Promote Public Awareness of the Recipient's Programs*

To promote awareness of the Recipient's objectives and programs, the following informational materials will be developed.

1. a brochure about the Recipient (in English and Bahasa Indonesia);
2. a brief newsletter informing the public about the Recipient's activities (to be published 2-3 times per year);
3. video on biodiversity conservation; and
4. translating into Bahasa Indonesia's the Recipient's policy statements for broad distribution.