

The Indonesian Biodiversity Foundation (Yayasan KEHATI) by Ismid Hadad

I. History

Indonesia is recognized as one of the world's richest centers of biodiversity, with diverse ecosystems, species and genetic resources. However, with the rapid economic development of the country, this extraordinary natural biological wealth is threatened by overexploitation and degradation of forests and marine areas.

Realizing these critical trends, Indonesia has been active in pursuing policies to improve management of biodiversity resources, UNCED summit, Indonesia was very active, and was one of the first countries to sign the International Convention on Biological Diversity. The government of Indonesia adopted its "Action Plan for Biodiversity Conservation for Indonesia" in the same year. Also, in 1992 the governments of Japan and the United States signed the "Tokyo Declaration" agreeing to assist developing countries to better manage and conserve their natural resources. Indonesia was the first country selected to develop such a coordinated program.

Indonesia incorporated a biodiversity program in its "State Guidelines for National Development" in 1993 and adopted a "National Strategy for Biodiversity Management" in the same year. By 1995 Indonesia was one of 13 countries to have prepared a national biodiversity strategy.

The urgency to take action on biodiversity issues in Indonesia was also shared by a wide range of individuals and organizations, academic and NGO communities, cultural and religious groups, even the mass media and the private sector. The idea of creating an independent grantmaking institution for biodiversity conservation emerged from this interest.

Under the leadership of Dr. Emil Salim, a former Minister of Population and the environment, a group consisting of Prof. Kusnadi Hardjasoemantri, Dr. Nono A. Makarim, Ismid Hadad and M.S. Kismadi, took the initiative of consultations and formulated the concept of an independent Indonesian foundation which was then called 'Yayasan Keanakeragaman Hayati Indonesia (KEHATI)'. The founder's group assigned a consultant team to prepare the establishment of the foundation. With reference to the "Tokyo Declaration", the team also consulted U.S. and Japanese agencies. The U.S. government agreed to support the foundation, while Japan chose to direct its assistance through the government.

KEHATI was eventually established in Jakarta on 12 January 1994, after more than a year of design and planning. KEHATI was chartered as a national foundation legally registered as an independent, not-for-profit, self-sustaining institution dedicated to funding biodiversity conservation activities through small grants to priority works of Indonesian NGOs, local communities, scientific researchers and others. It has a 23 member Board of Trustees, a seven member Executive Board and eight full-time staff members who manage daily operations.

KEHATI aims to take a lead role in national, regional and local biodiversity conservation projects carried out by a wide variety of organizations. Therefore, in April 1995 Yayasan KEHATI entered into a Memorandum of Understanding with the Indonesian State Ministry for the Environment and the U.S. Government to allow the parties to undertake periodic consultations and explore opportunities for collaboration on biodiversity conservation activities in Indonesia.

Based on the umbrella agreement, in April 1995 Yayasan KEHATI also signed a Cooperative Agreement with the United States Agency for International Development (USAID), which agreed to provide a ten year assistance to KEHATI (1995-2005) in the form of a US\$16.5 million grant for establishing a permanent core endowment fund and an additional grant of US\$2.5 million for start up activities and institution building.

II. Goals

The goals of the KEHATI Foundation are:

- Conservation of natural resources, particularly biodiversity;
- Promote the development of policies and efforts for the conservation, sustainable utilization and equitable sharing of benefits of biological resources and their diversity in Indonesia;
- Initiate and promote national, regional and international collaboration among NGOs, research and educational institutions, business community, and government agencies; and
- Foster the capabilities of society and empower the indigenous communities to conserve and use biodiversity in a fair, equitable and sustainable manner.

KEHATI's three major objectives are:

- Increased public awareness and understanding of the importance of biodiversity through supporting public education and media programs undertaken by NGOs and community groups;
- Increased community based conservation activities and demonstration projects to develop methods for the sustainable management of biological resources and

improving the capacity of communities and its organizations to participate in such activities; and

- Applied diagnostic research to increase understanding of scientific issues, economic choices, institutional arrangements, and policies related to the utilization and conservation practices in particular geographic areas.

KEHATI activities are guided by a Strategic Plan and Annual Work Plan reviewed and approved by the Board of Trustees.

III. Legal Structure

The KEHATI Foundation is an independent, nonprofit organization legally registered in Indonesia. Not-for-profit foundations have a long history in the country and are treated as legal institutions capable of entering into legal contracts and civil actions.

KEHATI has been granted a tax-exempt status from the Indonesian Tax Office. The tax exemption applies to the endowment fund as well as its investment income. KEHATI also received a determination letter from the Internal Revenue Service of the United States of America in 1995 granting the KEHATI foundation with tax exempt status under section 501(c)(3) of the Internal Revenue Code.

IV. Governance/Administration

KEHATI is governed by a Board of Trustees composed of 23 members including two international members, representing scientists, the academe, NGO leaders, cultural/religious groups, and business communities. The Board of Trustees is chaired by Dr. Emil Salim, Indonesia's former Minister of the Environment.

The Board of Trustees meets at least once a year and sets the Foundation's broad policy guidelines. Trustees are selected based on

their commitment to the purposes and objectives of the foundation. Each Trustee serves in his/her personal capacity for six years, and can be reelected for another three years.

KEHATI's policy implementation is managed by an Executive Board from the trustees which meets at least once every two months. KEHATI also has committees on investment and grantmaking. The Investment Committee is responsible for overseeing policies on investment and management of the endowment fund and also for fundraising. The Grantmaking Committee sets policies and procedures for grant disbursements to the target groups.

The Executive Board is responsible for the management of the Foundation based on the policies determined by the Board of Trustees. Daily operation is conducted by an Executive Director and full-time staff members of the Foundation. The Executive Director, who reports to the Executive Board, supervises three program officers (grantmaking, information and collaboration officers), a finance manager, and three administrative staff. A Technical Advisory Panel composed of independent experts reviews and recommends grant proposals to the Executive Board. The administration is guided by board-approved policies on personnel and compensation, financial management, investment, grantmaking, fundraising, and conflicts of interest for both staff and Trustees.

V. Funding

During 1993-1994, the USAID-funded Biodiversity Support Program (BSP) and the Natural Resources Management Project provided a grant to facilitate a participatory process that led to the formation of KEHATI. In April 1995 USAID/Indonesia and Yayasan KEHATI signed a ten year Cooperative Agreement which provided KEHATI with US\$16.5 million to establish a permanent core endowment fund. In addition, USAID agreed to provide US\$2.5 million over a period of five

years for start up activities and institution building. KEHATI has also received funds from the MacArthur Foundation, the United Nations Environment Programme, the World Bank's COREMAP project, the International Plant Genetic Resources Institute, and the Government of Indonesia.

VI. Fundraising

KEHATI's fundraising activities aim to generate two types of funds: matching funds to the endowment; and managing funds received for other types of program activities. A written Fundraising Strategy calls for raising funds from both international and domestic sources. Governments, national organizations, multinational corporations operating in Indonesia and Indonesian companies will all be solicited.

KEHATI has been undertaking fundraising activities to generate matching funds and enhance the foundation's grantmaking program.

Results include:

- The Government of Indonesia contributed US\$210,000 to cosponsor an international meeting of the World Commission on Forests and Sustainable Development in March 1996;
- COREMAP (World Bank-financed project on coral reef rehabilitation and management project) provided US\$150,000 for NGO/local community preparatory planning;
- The MacArthur Foundation contributed US\$290,000 for community based conservation in logged-over areas;
- Contributions have also been received from International Plant Genetic Resources Institute (IPGRI) Asia and Pacific Office and United Nations Environment Programme (UNEP).

VII. Investment Policy

The management of the endowment fund portfolio is governed by a written Investment Policy Statement adopted by the Foundation's Trustees. The endowment assets are managed to preserve purchasing power (accounting for inflation) while simultaneously distributing 5% of the assets annually. In order to achieve this goal, assets are allocated in a globally diversified portfolio of equities and fixed-income securities traded on public capital markets.

The Foundation employs investment managers that offer high quality, broadly diversified investment services to institutional investors. Currently, the portfolio is invested through commingled funds offered by The Investment Fund for Foundations (TIFF, an investment cooperative of public and private foundations), Hotchkis and Wiley and the Vanguard Group. Shares in Indonesian securities are held through these funds. These investment management firms are registered with the U.S. Securities and Exchange Commission as required by USAID. All funds are held in KEHATI's name. Chemical Bank in New York serves as master custodian for the portfolio. An Investment Committee is responsible for monitoring portfolio performance. Performance reporting is conducted monthly, quarterly and annually with the portfolio measured against appropriate market benchmarks in each asset category.

VIII. Relation to National Environmental Plans

KEHATI is committed to supporting the implementation of Indonesia's National Strategy for Biodiversity Management (1993) and the Biodiversity Action Plan for Indonesia (1992). KEHATI's mandate is to respond to government policies through objective analysis and recommending policy changes where justified. Grant-making, collaboration/ networking and public information programs are intended, in part, to promote policies or program implementation which impact favorably on biodiversity and Indonesia's development.

KEHATI works closely with government in biodiversity related policy making. KEHATI also plays a significant role in the establishment and operation of the advisory group for the implementation of the Convention on Biological Diversity which is in the hands of the State Ministry for the Environment.

KEHATI initiates innovative approaches for public awareness and education program at the national and local levels. KEHATI as an independent organization is also acceptable by NGOs and other parties to bridge and liaise among different parties and to provide assistance for settlement of disputes on various matters related to biodiversity management. KEHATI facilitates meetings and discussions on emerging issues which eventually influence policy implementation.

IX. Criteria for Grants

KEHATI, through its grantmaking program, acts as a flexible, catalytic funding mechanism for identifying and promoting innovative ways to conserve and sustainably use Indonesia's natural resources.

KEHATI's grantmaking program is designed to support a wide variety of activities undertaken by a diverse group of organizations within specific geographic areas. Over the next ten years, KEHATI plans to make its grantmaking programs available to all areas of Indonesia where the conservation of biodiversity is important.

During 1995-1997, the grantmaking program has been covering five geographic areas, focusing on the issues of ex situ conservation, in situ forest conservation, marine and coastal management, and ecotourism. In each of these areas, representatives from local organizations are brought together to determine priority issues to be addressed and activities to be undertaken by the local groups for that region.

General Guidelines

Grants are considered when they focus on one or more of the following: public awareness; policy analysis; community based conservation activities; and applied diagnostic research. Consideration is given to NGOs, community groups, academic or scientific institutions, the private sector, arts/media organizations, and others whose work will lead to the conservation, wise management and sustainable use of Indonesia's biodiversity. KEHATI does not generally make grants to government agencies, private companies, political organizations, international nongovernment organizations nor directly to individuals.

As a general policy, KEHATI does not provide grants for building construction, land purchases, vehicles and equipment, individual scholarships, fellowships for conferences or study, nor for travel.

KEHATI considers applications for grant requests in the range of US\$4,200 to US\$21,000. Requests for multiorganization collaborative activities may range up to US\$85,000. Most grants will be made for a period of one or two years.

All applications are reviewed in accordance with the grant cycle conducted in a specific geographic region. Application deadlines are announced publicly for each area.

Organizations seeking a grant should submit a written proposal. Each proposal is reviewed by KEHATI's staff and an independent Review Panel. Final approval is made by the Executive Board. It is the Foundation's goal to approve or disapprove a proposal within 60 days of submission.

X. Disbursements to Date

Grantmaking activities have been implemented in the past year. KEHATI has made 50 grants with an approximate value of US\$500,000 as of February 1997, for NGOs, the scientific community, community groups and professional associations. Twenty-eight groups have received support.

XI. Monitoring and Evaluation System

KEHATI is responsible for monitoring its subgrants and evaluating their effectiveness. Both formal and informal monitoring mechanisms will be employed. The formal mechanism may require each grantee to file an interim progress report. KEHATI may divide grant payments, making the second payment contingent upon receipt of a satisfactory interim report. The informal mechanism involves direct communication and personal contact with the grantee by KEHATI's Program Officer.

XII. Auditing Requirements

KEHATI maintains financial management systems designed according to both national and international standards to ensure full accountability and transparency of the funds. Annual audits of financial statements are conducted by an international accounting firm. Price Waterhouse was selected to conduct the first annual audits.

XIII. Perceived Needs

1. Participation in the establishment of a regional network for information and resource center to serve all member countries whose interest focus includes human resources development and exchange and transfer of technological knowhow;

2. Enhancement of the amount of funds raised for its respective programs requires more integrated efforts at national, regional and international levels. This includes collaboration for the mobilization of funds and its disbursement;
3. Joint funding for specific programs and activities of international concern. Cross-visits for staff or target groups in other countries are feasible for implementation;
4. Organization of fundraising activities for national or regional programs on a global scale.
5. Nationally, building the capacity of the Foundation also requires a national framework for collaboration and networking.

Anticipated gaps include the following:

- Strengthen local people capacity and support activities for the attainment of fair and equitable sharing of benefits for local communities;
- Professional training for staff members as well as concerned stakeholders;
- More intensive public awareness and education for sustaining the mobilization of support and partnerships with wider groups of the society;
- Integration into more developed information systems among biodiversity-concerned institutions;
- Access to and support from the private sector and individuals.

XIV. Computer Resources and Capabilities

KEHATI's office is equipped with desktop computers where grants management software has been installed and which will soon be integrated into a Local Area Network.

The Foundation has access to the Internet and other facilities.

XV. Notable Accomplishments

A. Enhancing Indonesia's input to the Convention on Biological Diversity (CBD):

- In November 1995, Indonesia hosted the second Conference of the Parties to the Convention (COP-II) on Biological Diversity. The COP II discussed conservation and sustainable development, access to genetic resources, intellectual property rights, and marine and coastal biodiversity. KEHATI, prior to the meeting of the COP II, cosponsored a global biodiversity forum and met with several Indonesian NGO representatives in order to increase their participation in planning the forum.
- In October 1995, prior to the COP II, KEHATI organized a meeting of various interested parties in Indonesia to discuss intellectual property rights.
- The Ministry of Environment assigned KEHATI, in January 1997, to establish the advisory group for the implementation of the Convention on Biological Diversity. The group is responsible for providing inputs and recommendations for policymaking and implementation of the CBD in Indonesia.
- Taking the lead on regional aspects of genetic resources.

In 1995 Indonesia hosted a first South East Asian regional symposium on plant genetic resources. In August 1995 KEHATI followed up both this symposium and one also hosted by Indonesia with a meeting where the emphasis was on community management of genetic resources, including conservation and sustainable use. This dialogue saw the participation of government

agencies, scientists and NGOs and it was cosponsored by IPGRI (The International Plant Genetic Resources Institute).

B. Acting as a catalyst for educational and developmental changes:

- In November and December 1995 dialogues to enhance networking and development of agents of change, were held between scientists, academics and NGOs with emphasis on ex situ conservation in the greater Jakarta area and on marine conservation in Jakarta Bay.

Through these dialogues, awareness of issues and possible solutions were discussed with over 460 people.

KEHATI and the Center for Human Resources and Environmental Research, University of Indonesia (PPSML-UI) as secretariat of the Collaborative Body for Environmental Study Centers (BKPSL) signed an MOU for the "Enrichment of Course Content with the Biological Diversity" in September 1996.

C. Enhancing policy dialogues on emerging issues:

- During the latter part of the year, KEHATI's planning was advanced for specific policy dialogues to be held early in 1997 on topics central to the Convention on Biological Diversity. These include Farmers' Rights and Genetic Resources for Traditional Communities.

XVI. Other Challenges

Challenges faced by KEHATI in program implementation are mainly observed in the following areas:

- Public awareness towards the Foundation and biodiversity is minimal, particularly in the different regions and remote areas. Lack

of awareness and motivation is also observed among scientists, government officials, and key individuals.

- Perceptions towards KEHATI's grantmaking functions are often inappropriate, while people's awareness and understanding of biodiversity conservation approaches are inadequate. These have led to poor quality or misleading proposals which eventually created a more strenuous and time consuming process for the grantmaking program.
- Difficulties in determining indicators of the KEHATI program's achievements, particularly those that can be measured in quantitative terms. Benchmarks for certain outcomes or impacts of activities (e.g. public awareness and attitude changes) can only be identified in a long term fashion.
- Gaps in grantmaking mechanisms are also observed, including:
 - ◆ Understanding of the purposes of KEHATI's grantmaking program;
 - ◆ Misinterpretation of themes in particular areas and biased approaches in extracting appropriate activities from the specified themes.
 - ◆ It is apparent that most applicants lack the experience to formulate a proposal detailing their project's relevance to the KEHATI concept.
 - ◆ Grantees often lack the ability to translate ideas into actions and do not have the capacity to carry out the project.
 - ◆ Poor management skills, lack of resources for the NGOs, and difficulty in locating appropriate facilitators to assist the community groups;

- ◆ Inclination to develop activities merely to get funds offered by KEHATI.
- There are also constraints in raising funds from domestic sources :
 - ◆ Government does not provide tax incentives for companies or individuals giving contributions or donations to nonprofit foundations.
 - ◆ Public and private corporations have been the target of forced contributions for various other social and political purposes.
 - ◆ Indonesia does not have the tradition of private philanthropy as recognized in the U.S. and Europe.

- ◆ Biodiversity generally is still unknown and environmental concern has not come to public attention enough to become a priority and to generate contributions to the foundation.

Contact Persons

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