

PD-ABH-364
85552

PACIFIC ISLANDS MARINE RESOURCES PROJECT

PROJECT PAPER SUPPLEMENT NUMBER 2

PAPUA NEW GUINEA COMPONENT

**USAID/FIJI
879-0020**

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE: C (A = Add, C = Change, D = Delete) Amendment Number: 2 DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Regional Development Office South Pacific

3. PROJECT NUMBER: 879-0020

4. BUREAU/OFFICE: ASIA BUREAU 5. PROJECT TITLE (maximum 40 characters): Pacific Island Marine Resources

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 09 30 96

7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4):
 A. Initial FY 90 B. Quarter C. Final FY 96

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	()	()	()	()	()	()
(Loan)	()	()	()	(9,750)	(3,950)	(13,700)
Other U.S.						
1.						
2.						
Host Country					5,400	5,400
Other Donor(s)						
TOTALS				9,750	9,350	19,100

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	252	077						12,800	
(2) ESF	252	077						900	
TOTALS								13,700	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of PNG component is to improve the environment for engaging in commercial fishing by PNG companies and to create opportunities for export marketing of high value products including sashimi tunas.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a XX page PP Amendment)

A redesign of the PNG component to reflect changes in purpose, location and design of the PIMAR PNG Component.

17. APPROVED BY: Larry I. Armstrong
 Title: Regional Director
 Date Signed: MM DD YY 08 24 93

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION AMENDMENT NO. 2

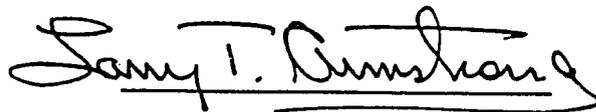
Name of Country/Entity: Regional Development Office/South Pacific

Name of Project: Pacific Islands Marine Resources

Number of Project: 879 - 0020

1. Pursuant to Section 103 and 532 of the Foreign Assistance Act of 1961, as amended, the Pacific Islands Marine Resources Project for the South Pacific Region was authorized on July 13, 1990 and amended on September 20, 1991. Pursuant to Section 103 and 532 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the following amendments to the authorization of July 13, 1990:

- A. The period of planned obligations from the date of original authorization is extended to six years.
 - B. The planned life of the project is extended through September 30, 1996.
2. The authorization cited above as previously amended remains in force except as hereby amended.



Larry T. Armstrong
Regional Director

Date: 8-24-93

MRA:RMH:mgs 7/27/93
Chron. reading file
Our Ref.0020/PNG/7

Clearance:
A/ADO:Epita:(draft)
PROAG:AFerrara (draft)
PDA:RSingleton af
CONT:CJCrane af

LIST OF ACRONYMS

ADB	Asian Development Bank
A.I.D.	United States Agency for International Development
DFMR	Department of Fisheries and Marine Resources (GPNG)
DFP	Department of Finance and Planning (GPNG)
DWFN	Distant Water Fishing Nation
ENBP	East New Britain Province, Papua New Guinea
ENBTLP	East New Britain Tuna Longline Project
FAD	Fish Aggregation Device
FIA	Fishing Industry Association (PNG) Inc.
FSPI	Foundation of the Peoples of the South Pacific International
FSP/PNG	Foundation of the Peoples of the South Pacific Papua New Guinea, Inc.
GPNG	Government of Papua New Guinea
LPVO	Local Private Voluntary Organization
IEE	Initial Environmental Evaluation
MOU	Memorandum Of Understanding
NGO	Non-Governmental Organization
OIDA	Office of International Development Assistance (GPNG)
PIMAR	Pacific Islands Marine Resources Project
PP	Project Paper
RDO/SP	Regional Development Office/South Pacific
RDSS	Regional Development Strategy Statement
SPC	South Pacific Commission
TBAP	Tuna and Billfish Assessment Program of SPC
US	United States of America

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I. **Background and Rationale**

A. Background and Progress to Date

1. General

The Pacific Islands Marine Resources Project (PIMAR) was designed in the summer of 1989 and authorized on July 13, 1990. Its goal, at that time, was to increase income generating opportunities for men and women within the Pacific islands through means which enhance the conservation and management of natural resources. PIMAR has six country components: Cook Islands black pearl, Fiji Lami dock extension, Kiribati atoll lagoon management, Papua New Guinea (PNG) small-scale fisheries development, Tonga small-scale longline fisheries development and Tuvalu bottomfish fisheries development. PIMAR also has a regional component to disseminate project results to other Pacific Island countries and to give support to ongoing program of the South Pacific Commission's Tuna and Billfish Assessment Program (SPC/TBAP).

The project paper supplement number 1, approved in September, 1991, added a Fiji country component of \$900,000 (ESF-funded while all other components are DA-funded) and \$300,000 of funds for continuing support of SPC's Tuna and Billfish Assessment Program (appears in Regional Component). The status of the components is:

<u>Country/</u> <u>Component</u>	<u>ProAg</u> <u>Signed</u>	<u>Contract</u> <u>Signed</u>	<u>Contractor</u> <u>Grantee</u>	<u>Disb. as</u> <u>8/18/93</u>	<u>% of</u> <u>Planned</u>
Cook Is.	8/9/90	8/30/91	RDA	1,651	49%
Kiribati	8/23/90	10/31/91	BioSystems	774	48
Tonga	8/30/90	9/13/91	RDA	1,409	58
Tuvalu	8/2/90	9/13/91	RDA	544	51
PNG	8/31/90	3/26/93	SPC*	84	12
Fiji	N/A	9/26/91	FSP*	44	5
Regional	N/A	3/4/92	SPC**	49	6
Proj.Coord.	N/A	Several	Several	<u>523</u>	<u>47</u>
Total				5,034	37

Notes: Disbursements are in thousands of U.S. dollars. "% of Planned" is percentage of amount planned as shown in the revised budget column in the table "PIMAR Budget - Original and Revised." * is grantee or recipient of cooperative agreement rather than contractor. ** Grant for Tuna and Billfish Assessment Program only.

Several aspects of the PP implementation plan have had to be changed substantially from the original design to reflect reality and changing substances: (a) It was not feasible to have the Cook Islands, Tonga and Tuvalu components in one contract; (b) the contract for Kiribati was awarded to a private U.S. firm through

open competition instead of going to a university under a cooperative agreement; and (c) Only one phase in PNG is likely to be implemented by a PVO through a cooperative agreement instead of all as proposed in the PP.

Startup of implementation (contracts signed) was a little slow due to (1) RDO/SP's handling four competitive contracting actions at the same time; (2) two protests to GAO, one of which delayed contracting by about three months and both required weeks of staff time to prepare responses. One protest was withdrawn and the other disallowed; and (3) inexperience of RDO/SP staff with competitive contracting.

Cook Islands: The ProAg was amended on August 8, 1993 to make numerous adjustments in the project description and budget due to the change in project location (moved from uninhabited atoll of Suwarrow to Penrhyn atoll with over 400 people) and numerous adjustments in inputs. The costs have increased substantially due to higher materials costs, delay in startup, and the original budget being greatly underestimated. All equipment and buildings are expected to be at site by the end of CY 1993 and both LT advisors at site by September, 1993. The contractor's work is scheduled to be completed by September, 1995.

Kiribati: The ProAg was amended on August 13, 1993 to add two new tasks which increase public participation and replicability potential and increase the LOP budget. Work is on schedule with no major problems. The contractor should finish up in late CY 1994.

Tonga: The ProAg was amended on July 13, 1993 to add a marketing task, make minor adjustments in planned inputs and revise the budget. The three U.S. LT advisors have been at project site for over a year, the fishing vessels (both chartered and provided by GOT) have been active in sea trials, and no major problems exist at the present time. The contractor's work is expected to be completed on schedule in early January 1995.

Tuvalu: The ProAg was amended on June 24, 1993 to add a marketing task, make minor adjustments in planned inputs and revise the budget. The original budget was unrealistically low. Progress has been somewhat slow due to difficulties the GOT has had with providing a fishing vessel. There may be some slippage in completion of the contractor's work as a result of the delay in providing the fishing vessel.

Fiji: Fiji was not included in the original project design because at that time all assistance to Fiji had been suspended due to the military coup in 1987. Implementation has barely started due to (a) a year's delay in signing a memorandum of cooperation with the GOF for this project component, and (b)

another year's delay in the GOF's signing a lease for use of the jetty facilities and land.

Regional Component: This initially was a long term PSC based in RDO/SP to handle the regional aspects of PIMAR, short term technical assistance for unspecified purposes, study tours and commodities. The LT PSC is now shown in the project coordination component. The other three inputs (STTA, study tours and commodities), to the extent they might be needed, have been folded into a \$480,000 grant with the SPC (August, 1993) to implement regional aspects of the project. In addition, this line item includes a \$300,000 grant to SPC for continued support of the Tuna and Billfish Assessment Program and \$24,000 as a contribution to the cost of an environmental scientist assigned to RDO/SP for one year (1992-93). Disbursements have been slow as these activities started very recently.

Project Coordination: There was no explanation in the PP as to what this component included -- it appeared to be one U.S. PSC for nearly five years. As presently planned, this includes two PSC professional fishery advisors (one American and one Tuvaluan), one PSC secretary supporting the other two PSCs, partly funding for one year of the project development advisor who spends most of his time working on PIMAR, and some misc. small expenses.

PIMAR Budget -- Original and Revised
(\$000)

Component	Original PP	Revised Budget (1)	Obl. Thru '93	Obl. for FY 94
Cook Islands	2,398	3,400	2,445 (2)	955 (2)
Kiribati	972	1,620	1,500	120
Tonga	2,337	2,420	2,420	-
Tuvalu	683	1,070	1,070	-
PNG	3,092	700 (3)	300	400
Fiji (4)	-	900	600	300
Regional	<u>800</u>	<u>804</u>	<u>424 (5)</u>	<u>380 (5)</u>
Sub-Total	10,282	10,914	8,759	2,155
Evaluation/Audits	250	250	-	250
Project Coordination	<u>580</u>	<u>1,117</u>	<u>817 (6)</u>	<u>300 (6)</u>
Sub-Total	11,114	12,281	9,576	2,705
Contingency	556	1,419 (7)	-	1,419 (7)
Inflation	<u>830</u>	<u>-</u>	<u>-</u>	<u>-</u>
GRAND TOTAL	12,500	13,700	9,576 (8)	4,124 (8)

1. PP Supplement No. 1, September, 1991, increased the project amount by \$1.2 million; added \$900,000 for a Fiji component (ESF-funded) and \$300,000 to continue support for SPC Tuna and Billfish Assessment Program. The TBAP is included in the Regional Component. This column includes FY 1992 changes in ProAg LOP amounts for four countries and the new grant to SPC for the regional activities.

2. Actual amount obligated is \$2,445,554. Exact balance to be obligated in FY 1994 is \$954,446.

3. This amount for PNG is for Phase I (\$200,000 ProAg with \$175,000 for SPC grant) and Phase II (\$100,000 grant to FSP/PNG for FIA) only.

4. The Fiji component was added by PP Supplement No. 1 with funds from ESF which are specified for Fiji only.

5. Actual amount obligated is \$423,779. The exact balance to be obligated in FY 1994 is \$380,221.

6. Actual amount obligated is \$817,112. The exact balance to be obligated in FY 1994 is \$299,888.

7. The balance available for PNG Phase III activities.

8. Actual amount obligated is \$9,576,445 (after adjustment for a \$40,000 deobligated of FY 1992 funds from Uwate's contract. The exact balance that can be obligated is \$4,123,555.

2. Papua New Guinea

A number of events and actions occurred that delayed the redesign and implementation of the PNG component of PIMAR. Briefly, these were:

1. A change of the geographic area from Madang, Morobe, and East New Britain to New Britain (East and West) and New Ireland at the request of the government of PNG (GPNG) in 1990.

2. Postponement of the redesign process pending the results of the Asian Development Bank (ADB) fisheries sector studies.

3. Complicated and heavy workloads related to implementation of the other PIMAR components during 1991.

4. A change in A.I.D.'s strategic development focus as detailed in the "South Pacific Regional Strategy Update FY 1991-FY 1994 (RDSS)" in late 1991.

5. Design work not begun as anticipated in early 1992 due to key members of design team being unavailable until July 1992.

In response to GPNG's request to change the project sites, RDO/SP entered into a Project Agreement to provide \$200,000 for redesign of the component.

In mid-1992 the new Marine Resources Advisor from the Regional Development Office/South Pacific (RDO/SP) and a PNG based consultant travelled to the Islands Region of the PNG (East and West New Britain, New Ireland and Manus Provinces) to catalogue possible project elements for design. RDO/SP reviewed the possible elements and tentatively endorsed design efforts to focus on tuna longline industry development in the Islands Region and provide limited assistance to the Fishing Industry Association of PNG. These were deemed plausible areas of A.I.D. assistance as they could increase exports of high value products, an objective in the RDO/SP's RDSS. As a result of this review and analysis, RDO/SP drafted a concept paper indicating a three phased PIMAR PNG component.

To stimulate industry growth, a phased approach is needed that progressively employs assistance to improve the environment and operations of commercial fishing leading to increased exports of marine products. The three phases in the PIMAR PNG component are: (1) An exploratory fishing project based at Rabaul to demonstrate that sashimi tuna can be consistently caught by using small to medium sized vessels. This effort will indicate what further inputs are needed to establish the fishery; (2) Strengthening of the FIA to enable it to sustain its administration, develop new programs in promoting policy/regulatory reforms and to foster increased commercial fishing operations, including expansion of FIA member investment into the Islands Region, when the initial tuna feasibility exercise is completed; and (3) Given positive results and progress in the two earlier phases (a good potential for the longline fishery and continuing policy and investment reform), a consolidated effort in the third phase would be undertaken to fully establish an export sashimi fishery and related businesses.

The Phase I activity of SPC is supported from funds from the 1990 Project Agreement in a grant to the South Pacific Commission (SPC). The Phase II, the subject of this PP Supplement will use an indigenous PVO in PNG to implement A.I.D. assistance to the FIA. Phase III will be designed and implemented at a later date based on the results of Phases I and II.

B. Rationale

PNG has substantial and diverse marine resources, tuna being by far the greatest in potential for fisheries development and export earnings. At one time the skipjack tuna resources of the Islands Region were being exploited by commercial ventures based at Rabaul, Kavieng and Manus for on an average of 25,000 tons per year for canning product. But for various reasons including the negative policy environment, those operations were forced to withdraw from the area in the mid-1980s. There are at present no commercial tuna operations in that area. The few marine products export operations are based in the Gulf of Papua where about \$12 million per year mainly shrimp, lobster and Baramundi (river perch) are exported.

Recognizing the fact that tuna fisheries activity is dormant in the Islands Region the Government of Papua New Guinea (GPNG) is seeking assistance in the development of tuna resources by its citizens. Specifically, the East New Britain Province (ENBP), with endorsement of GPNG, is seeking aid donor assistance to help establish a tuna sashimi export fishery in the Islands Region. GPNG support for private sector investment and development in a new fishery is evidenced by the GPNG divestment of commercial fishing operations, policy changes to promote tuna development and investment incentives already being instituted to stimulate private sector growth in new tuna export fisheries of the Bismarck, Solomon Seas and the Pacific Ocean area of PNG waters. The ADB financed "Fisheries and Coastal Resource Management and Development Program" now being negotiated, will require changes in GPNG fisheries policies and DFMR reorganization and will provide for a loan facility to stimulate the private sector entry into major new fisheries.

In PNG, the private sector will increasingly be called upon to take the lead in commercial fishing activities. This requires a strong, well organized effort amongst individual enterprises. The Fishing Industry Association of PNG (FIA) was formed in 1991 by the private sector commercial exporters then based mainly in the Gulf of Papua for purpose of promoting private sector fishing interests in national fisheries policy, promotion of the fishing industry and extension of the PNG private sector into new fisheries. The newly formed FIA lacks the experience and means to implement and develop programs that will lead to the association's sustainability and effectiveness. FIA is seeking A.I.D. assistance to help provide the necessary inputs to achieve its goals.

The proposed re-designed PNG component is based on providing A.I.D. inputs that address a combination of resource development and market potentials and the application of new and innovative technology that will lead to establishing new coastal fisheries. In this way, by addressing industry identified priorities and

constraints and implementing changes, the fishing industry in PNG should become more cohesive, efficient and profitable. The re-designed PNG component responds to issues that will enable the fishing industry to expand and provides jobs and income generating export opportunities for people of PNG.

The three-phased approach is consistent with the RDSS strategy emphasis #1: to increase export of high value products. It also supports the GPNG policy of increased utilization of its tuna resources by PNG citizens.

II. Description of PNG Component

A. Goal and Purpose

The goal is to increase exports of high value marine products.

The purpose is to improve the environment for engaging in commercial fishing by PNG companies and to create opportunities for export marketing of high value products including sashimi tunas.

B. Strategy

To stimulate industry growth, a two pronged approach is needed to improve the environment for investment leading to new commercial fisheries exporting marine products. This will be done by showing the feasibility of developing untapped resources and at the same time increasing the likelihood that PNG investors can profitably develop these new resources. This approach is followed in PIMAR/PNG through: 1) An exploratory fishing project based at Rabaul aimed at demonstrating that large, sashimi grade tuna can be consistently caught in coastal waters using a variety of methods from ten to twenty meter vessels. These efforts, if successful, would establish the technical feasibility to initiate further assistance to establish an integrated export fishery. 2) Strengthening the administration and extension programs of the FIA to enable it to maintain a steady campaign for the establishment of supportive fishery laws, policies and regulations. Further assistance to FIA will establish programs to increase private sector awareness of opportunities for investment in new resources.

The A.I.D. strategy to implement this approach consists of three phases:

Phase I. Support for the South Pacific Commission's East New Britain Tuna Longline Project that will enable the project to continue long enough and with sufficient resources to make The Project's findings regarding the potential for longline tuna

fishing in the Rabaul area valid and useful for the design of PIMAR Component Phase III. AID assistance over 18 months: \$175,000. Implementation has commenced.

Phase II. Support for the FIA to assure its sustained effectiveness in promoting the private sector's involvement with positive changes to GPNG laws, policies and regulations and industry growth leading to and improved policy and investment environment when considering design of Phase III. Estimated AID assistance over 24 months: \$500,000.

Phase III. Based on the findings, insights and positive results of Phases I and II, undertake additional sub-project initiatives that will be identified and designed. Estimated assistance over 24 months: approximately \$1.4 million.

C. Component Activities (Phases).

1. **Phase I - South Pacific Commission /East New Britain Tuna Longline Project (SPC/ENBTLP)**

a. Activities.

The SPC master fisherman will conduct fishing trials over an 18-month period using ENBP-provided vessels that are outfitted with vertical handlines, vertical longlines and monofilament longline systems designed and manufactured for ease of operation and adaptation to vessels in the 10-20 meter size range. These trials will be oriented toward assessing the availability of yellowfin and bigeye tuna resources within a 100-mile radius of Rabaul. Fishing demonstrations and training will be provided to a diverse group of interested fishing people and entrepreneurs who have in the past been involved to some extent with commercial fishing activities in the area. Marketing of catch will be limited, initially, to the immediate vicinity of Rabaul with perhaps some limited trials to major PNG cities or overseas if the opportunity presents itself.

The SPC ENBTLP is divided into two stages of approximately seven months and eleven months.

Stage 1. The first stage will consist of test fishing, using mainly vertical longline methods in several areas in the waters around Rabaul; i.e., near project-placed Fish Aggregation Devices (FAD), distinct convergent and divergent current lines, and seamounts where tuna are known to aggregate. Concurrently, the master fisherman will determine interest among local fishermen in supplying longline bait and conduct baitfishing trials.

During this stage, all project gear, equipment and supplies, including a commercial horizontal longline system will be ordered and installed on the main longline vessel FV Kuriap. Ice machines will be purchased and installed at the Kokopo and Kabakaul sites.

High standards of fish handling will be emphasized for the catching activities, but marketing of catch will be local or at best sent to cities such as Port Moresby and Lae to test the potential for air shipments into the restaurant/hotel trade. At the end of Stage 1, SPC will provide a technical report covering all trial fishing results. Then SPC and RDO/SP will evaluate the progress of Stage 1 and determine any changes to planned input and activities for Stage 2.

Stage 2. This eleven-month stage, with any modifications resulting from the evaluation, will begin immediately after the completion of the evaluation of Stage 1. It would also involve the ENB Province vessel FV Kuriap and the SPC master fisherman. The focus is to provide an industry production model by using a standard monofilament longline system fitted to the FV Kuriap, to produce as much very high quality bigeye and yellowfin tuna as possible. It may attempt trial marketing of some high quality fish to Japan, but this type of market access may require more expertise than is planned for in Stage 2. At the end of Stage 2, SPC will provide a final report detailing the technical and economic results and make recommendations for further activities.

b. Analysis

i. Technical: Longline fishing for large sashimi tunas using the Drum system has been proven a very good method, adaptable to smaller vessels in numerous coastal commercial fisheries that have been established in the South Pacific Region. In PNG's case, longlining has not been undertaken in coastal areas, but historic catch data from DWFNs indicate that the area of concentration in this project has registered the highest longterm catch rates for yellowfin tuna in the Pacific Ocean by DWFNs which bodes well for success in the Phase I effort.

ii. Economic: Small vessel longline fleets have been established and are very active in numerous locations in the Pacific Basin. The indigenous fishery in Hawaii alone supports 150 longline operations. Japan remains the prime location for the highest value fish. Its markets are accessible and cost effective to Pacific producers with good transport links. The United States and Europe are expanding markets for high and middle grade sashimi and loined product from developing fleets. The development of a longline fishery in the ENBP would mean employment in an area where there is considerable unemployment amongst agricultural wage earners.

iii. Social Soundness: This project will not disturb traditional ways of life in ENBP. The area has a long history of plantation agriculture which has declined somewhat in recent years leaving many immigrants accustomed to wage earning without means of support. This project will create jobs.

iv. Environmental: The activities of this phase are consistent with those in the IEE for the PIMAR Project Paper relating to the PNG component. The Phase activities are essentially non-polluting and there will be no project activity that modifies the environment. The stocks of fish targeted are considered by the SPC's Tuna and Billfish Assessment Program to be greatly underutilized. Locally in ENBP there is practically no exploitation of large tuna species at present.

v. Sustainability: The activities of this phase of the PNG component will lead the way to determining baseline information on the availability of fish in the area only, which will give the first clue to sustainability. Later phases of the component will address sustainability from the standpoint of investment, marketing, infrastructure and transport.

c. Phase I Project Inputs (all sources)

i. Long-term Technical Assistance: 18 person months of production oriented fishing activities. This will be conducted by an experienced tuna longline fisherman with prior FAD placement and fishing program implementation experience.

ii. Administrative support: 18 person months of assistance from ENBP/GPNG fisheries personnel. 10 person months of SPC implementation and coordination from SPC Fishery Development Advisor and Post-harvest fisheries advisor. Housing and local transportation is to be supplied by ENBP.

iii. Equipment and vessels: One longline and three to four auxiliary vessels provided full time inclusive of crews, provisions, maintenance and fuel by ENBP. Two rented freezer/chill containers and longline drum reel system and associated fishing tackle.

iv. Commodities: One year supply of longline bait as backup, all fishing gear and FAD materials supplied under A.I.D. financing. Ice provided by ENBP.

v. Facilities: Housing, land transportation, dock space, office space, shoreside freezers and chill space provided by ENBP.

vi. Communications and reporting: SPC will provide USAID and ENBP with quarterly progress reports, a midterm evaluation and a final report with recommendations.

d. Cost Estimates and Financial Plan.

RDO/SP signed a grant agreement with SPC on March 26, 1993 for \$175,000 to provide for salaries and commodities to carry out a complete eighteen month effort. The funds are from the ProAg signed in 1990 with GPNG for \$200,000.

RDO/SP will make periodic advances to SPC for its contributions following the procedures described in Attachment 1 (Schedule) of the grant letter.

	(\$)			
	<u>A.I.D.</u>	<u>SPC</u>	<u>GPNG/ENBP</u>	<u>Total</u>
Tech Assist	48,000	24,000	-	72,000
Admin Support	-	20,000	68,000	88,000
Vessels, fuel	-	-	95,000	95,000
Commodities	114,000	2,000	8,500	124,500
Accommodations	-	-	33,400	33,400
Container rental	13,000	-	-	13,000
Reporting	-	500	-	500
Facilities/ utilities	-	-	8,400	8,400
Communications	-	1,500	-	1,500
Total	175,000	48,000	213,300	436,300

e. Implementation Plan

The Phase I activities are being implemented by SPC. SPC, has hired the master fisherman who is assisted as needed by the PNG fisheries departments and officers. SPC's Fisheries Development Officer, Mr. Peter Cusack, based at Noumea, New Caledonia, will travel frequently to Rabaul to inspect the project and to plan activities with Mr. Chris Martinello, Project Officer for ENBP Kokopo Fisheries Project, who is supervising and monitoring the project, on site. SPC will also make available its other fishing advisors as needed. SPC will procure the various commodities described above (both A.I.D. and SPC-financed) using its established procurement procedures.

f. Monitoring and Evaluation

RDO/SP will monitor the implementation by:

- i. Making at least one site visit by the RDO/SP project officer.
- ii. Review of the grantee's progress reports;
- iii. Attending of a mid-project technical evaluation at the project site in January 1994.
- iv. Review of final report and consultation with SPC regarding its recommendations for further activities.

Funds for the mid-term and final evaluations are included in the PIMAR project budget.

2. **Phase II, Fishing Industry Association of PNG**

a. Activities.

The Fishing Industry Association of PNG has been in existence since 1991. It was formed by owners of private sector fishing companies that came together by chance in an ADB initiated private sector meeting. As a result, a unanimous decision was made to form a united body to address the numerous common constraints to private sector fisheries that were plaguing the industry and stifling growth.

The FIA started small and has remained small in terms of revenue and functional capability, but through the untiring efforts of the members acting in numerous voluntary capacities, their efforts at policy reform and dialogue with the government of PNG have been noteworthy. Fiscal sustainability of FIA through development of programs and services remains the major obstacle faced by FIA if it is to grow in effectiveness and remain a cohesive representative force in the industry. To continue their efforts to grow and to become a sustainable voice for the commercial fishing community in PNG outside assistance is definitely needed. The FIA is severely hampered in its operational capacity by not having an office, functional secretariat or sustaining income. FIA has been effective in limited areas of policy dialogue but is unable to develop programs in internal organization, outreach, promotion, and sustainability, needing staff and technical advice to do so.

By noting the very important role a strong association of fishing businesses might play in fostering the growth of the private sector PNG fisheries and recognizing the role, although limited, that FIA has played to date without an adequate

administration, programs for income generation, or technical support, it seems that sufficient need exists for extending A.I.D. assistance to FIA. Dialogue between FIA and RDO/SP resulted in a design outline that was drafted in February of 1993, which acts as a guide to the structuring of A.I.D. assistance and interventions so that functionally and financially, FIA will become independent, effective and self sustaining.

Part of the A.I.D. assistance to FIA would provide the necessary administrative and staffing support, renting an office, purchasing necessary commodities, paying recurring costs and the salary for a PNG executive secretary for a period of two years. With these inputs established, FIA can begin to function administratively, freeing members to concentrate on FIA inputs to A.I.D. assisted program planning and development activities.

Technical assistance provided by A.I.D. will be applied in a comprehensive exercise to lay plans for FIA sustainability in the early stages of this phase. Other short term technical assistance will be specific to local and overseas promotion activities and local issues related to access to financing, financial management and transportation issues. The inputs will come from acknowledged experts in association building, training, promotion and information and marketing services that will be working directly with the FIA Board and membership.

A.I.D. assistance will finance international study tours aimed at making members of FIA aware of marketing opportunities, product development and processing technology. Other tours will be to sites of developing tuna longline operations in the Pacific Basin. The knowledge gained and contacts made during these tours, will encourage FIA members to consider new development and investment opportunities in export of marine products from PNG.

A number of local seminars will be held to make the FIA members and the general public aware of means and methods of accessing investment capital, to inform potential investors of the progress of the SPC Phase I activity at Rabaul and to address issues related to internal and international transportation of highly perishable commodities.

b. Analysis

i. Technical: The FIA at present does not have the means to become effective and at the same time self-supporting. Technical advice is deemed appropriate to devise methods and means to attain long-term sustainability. Devising income generating activities such as consultancies, workshops, training, consumer services and publications will lead to sufficient cost recovery in two years to enable FIA to be self-sustaining.

From a practical standpoint, FIA does not have any means to operate an organization of this type. The provision of an office and one key person to act as their secretariat will make infusion of technical assistance and output of fledgling programs feasible where it has not been in the past.

The members of FIA operate in very traditional manner without the advantages of up-to-date marketing practices. They are also unaware of resource development opportunities that are within their reach. The inclusion of study tours and local seminars aims at opening up contacts with other fisheries technologies and new markets heretofore unknown to FIA members.

ii. Economic: The Fishing industry economy specifically and the PNG economy in general will benefit from having a stable, active organization of fishery products producers. Fragmented voices have in the past had little impact on issues that directly affect the industry. With the current GPNG realization that private sector initiatives will lead to economic stability, a fostering of the fisheries private sector capability to address issues and formulate industry opinion for government consideration is most pertinent.

If there is more development of offshore fisheries in PNG, effort and investment will be spread out from its current concentration in the Gulf of Papua and Torres Straits. FIA members may become leaders in a new economy in the ENBP which no longer relies solely on agriculture, but increasingly on fisheries. The technical assistance, study tours and seminars are to be pointedly devised to focus on opening up the economy to new local investment.

iii. Social Soundness: A.I.D. inputs to FIA are aimed at industrial fisheries development and the provision of jobs and income to the working segment of the PNG population which suffers from high under-employment. Changes in traditional social structures will not be impacted in the regional areas where emerging fisheries will be encouraged. Rural communities, nationwide, will benefit by the increased policy reform efforts of FIA especially in the fisheries for sedentary species and reef resources, which will lead to regulating and restricting non-indigenous harvesters who have shown little or no concern for the consequences of their actions in the past.

iv. Environmental: A.I.D. inputs to FIA in the form of technical assistance, limited commodities, travel and seminars will have a negligible effect on the environment. FIA has shown the strong environmental concern of its members in numerous policy reform submissions to GPNG that have already brought about regulatory changes in selected fisheries. Indeed, the concern for sustainability is acute amongst members of FIA who as local residents and citizens view uncontrolled access for exploitation

of resources by non-PNG citizens as a serious threat that needs the conservative environmental protection stance of FIA. A.I.D. provided inputs to FIA, e.g. technical assistance and training, will help foster the attitude in PNG of a sustainable harvest by enabling policy reform and selective regulations to be promulgated by the GPNG as a result of FIA advice and increased knowledge.

v. Sustainability: At present the income of FIA comes exclusively from membership subscriptions which do not contribute significantly to operations. Technical assistance, early on in the Phase, will be aimed at organizing FIA operations to address activities that generate modest income that will bolster efforts in FIA programmatic areas. These activities will include: public fund raising events, seminars, consultancies, subscriptions, publications, etc.

c. A.I.D. Project Inputs

i. Short-term technical assistance: 6 person months of TA from organizational and promotion/marketing advisors recruited from outside PNG. 4 Person months of TA from financial and transport/export advisors recruited in PNG.

ii. Commodities: A project vehicle, and office equipment.

iii. Administrative expenses: Office rental, salary of PNG executive secretary and recurring costs of operations for two years.

iv. International study tours: 4 international tours for 4 individuals to Hawaii/Japan and Fiji/Australia two trips per year.

v. Seminars and workshops: 2 in Port Moresby and 1 in Rabaul.

d. Cost Estimates and Financial Plan

i. A.I.D. cost estimates are based on results of RDO/SP and FIA joint consultations.

		(\$)		
		<u>1993-94</u>	<u>1994-95</u>	<u>Total (LOP)</u>
	<u>person months</u>			
i. Salaries	24	16,000	28,000	44,000 (1)
ii. Office rental		18,000	30,000	48,000
iii. Commodities		25,000	-	25,000 (2)
iv. Recurring costs		10,000	28,000	38,000 (3)
v. Technical assistance (illustrative)				
Organizational advisor (expatriate)	4	75,000	30,000	105,000
Promotion/marketing advisor (expatriate)	2	-	50,000	50,000
Transport/export advisor (local)	2	-	16,000	16,000
PNG finance access advisor (local)	2		16,000	16,000
vi. International study tours.		8,000	24,000	32,000 (4)
vii. Workshops/seminars in PNG.		2,000	6,000	8,000
viii. FSP/PNG (24.0%)		36,960	54,720	91,680 (5)
ix. Contingency (5.2%)		<u>9,040</u>	<u>17,280</u>	<u>26,320 (6)</u>
Total		200,000	300,000	500,000

Notes:

- (1) Rate based on payment to available graduate talent in PNG.
- (2) Commodities to include a vehicle, basic office equipment, office furniture, initial stock of supplies.
- (3) Recurring costs to include utilities, vehicle operation, clerical supplies and postage, business travel within PNG for FIA.
- (4) International study tours to include members of FIA to selected trade shows, fishing ports and market centers.
- (5) Provisional overhead rate subject to yearly audit.
- (6) Contingency refers to all additional direct and indirect costs plus overhead.

ii. Estimated contributions of FIA. FIA cost estimates calculations are based on time of officers spent on FIA related activity during 1991 and 1992. Study tour and training cost sharing includes all other costs except travel.

	Person months	<u>1993-94</u>	<u>1994-95</u>	<u>Total LOP</u>
i. FIA Chairman	6	20,000	20,000	40,000
ii. Other FIA officers	6	20,000	20,000	40,000
iii. Study tour cost sharing		15,000	15,000	30,000
iv. Training/Seminars cost sharing		8,000	12,000	20,000
v. Membership dues		<u>5,000</u>	<u>5,000</u>	<u>10,000</u>
Total		68,000	72,000	140,000

iii. Financial Plan

Grant to FSP/PNG - All funds are to be obligated through a cooperative agreement between A.I.D. and FSP/PNG. Payments to FSP/PNG for all costs will be by periodic advances. FSP will include details of all financial transactions in its quarterly progress report to RDO/SP.

i. FSP Capability to Manage the Funds - Until recently FSP/PNG has been an integral branch of FSP/International which has been receiving grants from A.I.D. for over 20 years. The newly formed indigenous PVO, FSP/PNG, has a track record of implementing AID projects in PNG and is expanding its operations and services. FSP/PNG uses the same accounting system as FSPI. RDO/SP is satisfied that FSP/PNG is capable of managing this grant.

ii. Audits and Evaluation - FSP/PNG's financial records are audited annually and copies of the audits will be provided to A.I.D. FSP/PNG's financial records for this grant will be included in the annual audits. In addition, the project has funds outside the country components for any independent audits that A.I.D. might require.

iii. RDO/SP Financial Monitoring - The quarterly progress reports to be prepared by FSP/PNG will include financial data for review by the RDO/SP project officer and controller. Any questions about the reports will be raised with the Port Moresby office of FSP/PNG.

e. Implementation Plan

Memorandum of Cooperation

RDO/SP will enter into a Memorandum of Cooperation(MOC) with the GPNG concerning this project. This is being done to insure that GPNG has a thorough understanding of responsibilities in aid projects that are implemented outside its normal planning cycle as is the case with this phase of PIMAR. The MOC will describe the project and the responsibilities of all parties (RDO/SP, FSP, GPNG and FIA). RDO/SP has used this instrument several times recently to obtain concurrence with a government for activities where RDO/SP wanted to work directly with the private sector and the conventional project grant agreement was not appropriate.

Grant to FSP/PNG

There is only one PVO in PNG with prior USAID implementation and procurement experience active in PNG - The Foundation of the Peoples of the South Pacific/Papua New Guinea (FSP/PNG). Therefore, the use of FSP/PNG as the implementing agent provides a low cost, effective way of implementing the PNG Phase II activity and is most appropriate. The cooperative grant agreement with FSP/PNG to obligate funds will be executed by the A.I.D. Regional Contracting Officer (based in Manila) as the amount of the grant exceeds the authority of the Regional Director. FSP will provide all A.I.D.-financed inputs, but may need to contract for some inputs such as study tours, training, and technical assistance.

i. Capability of FSP/PNG - FSP/PNG, Inc., independently and as a branch of FSP/INC.(USA), has been working in rural and community development in the less developed areas of PNG since 1965. In this 27-year commitment to the country, FSP projects have ranged from fisheries, agriculture, environmental protection and conservation to health, education, and small scale village - based industry development.

FSP/PNG has a wide range of research, project development, management and implementation experience. This has involved liaison with government bodies, private sector, NGOs and community groups. FSP/PNG is programmatically active in 16 provinces in PNG and works independently, and in partnership with other NGOs.

ii. Justification for Non-Competition

Justification for Non-Competition - Per Handbook 13, Chapter 2, competition is not required for: "Assistance awards for which one recipient is considered to have exclusive or predominant capability, based on experience, specialized facilities or technical competence, or based on an existing

relationship with the cooperating country or beneficiaries." (paragraph 2.B3.b.).

FSP/PNG has exclusive capability based on past experience with AID grants and its experience in PNG, especially working with small NGOs. Therefore, the cooperative grant agreement may be awarded to FSP/PNG without competition.

f. Monitoring and Evaluation

RDO/SP will monitor the implementation from its Suva and Port Moresby offices by:

- i. Reviewing quarterly reports.
- ii. Making at least one site visit per year to consult with Grantee and FIA officers.
- iii. Reviewing reports and recommendations of technical advisors.

The PNG component will be included in the overall evaluations of PIMAR. Funds for these independent evaluations are included in the PIMAR budget.

3. **Phase III - Follow on Activity**

a. Design Considerations

i. Results and recommendations of the phase I activity. The results of the test fishing phase will be analyzed with respect to overall catch rates, gear effectiveness, private sector interest and participation, and economic modeling. This phase will form the basis for expanding and refining the development of the sashimi fishery.

ii. Climate improvement for domestic tuna fisheries development based on Phase II activity and ADB loan scheme. If the currently proposed ADB loan to the fisheries sector eventuates, numerous positive policy reforms to bolster the private sector would be assured. If the actions of FIA programs have positive results from its submissions to GPNG then the combined effect of ADB and FIA would make the investment climate right for the longline fishery. Analysis for design purposes of GPNG policy reform will indicate this.

iii. Distant Water Fishing Nation or other local private sector development of export longline operations in PNG. Since PNG has revised its access and incentive policies requiring shoreside operations to gain access to PNG tuna resources, numerous DWFN private sector parties have shown

interest in establishing longline sashimi operations in ENBP. Careful analysis of any such operations that are established in the near future would clarify the extent of local participation, employment and need for further A.I.D. assistance. Supporting industries might be identified at this time (secondary processing of bycatch, bait suppliers) to receive A.I.D. assistance;

iv. Condition of end-user markets. Design should include an analysis of market opportunities that affect the long term prospects for investing in a sashimi longline fishery.

v. PNG air transportation issues. Air transportation of highly perishable commodities from the Islands Region of PNG currently poses some difficulties which should be analysed in the design.

vi. Interest in local private sector to invest. Design should address the interest in investing and developing the fishery by the PNG private sector. Much of these data will come from Phases I and II activities.

b. Possible Activities

i. Full development of a small scale tuna longline fishery. Given a positive environment for development as the result of Phases I and II, and lacking joint venture or DWFN investment and development that would eliminate A.I.D assistance, a full range of activities could be included in Phase III to help local fishermen to enter the sashimi trade.

ii. Development of a tuna longline bait fishery. A key industry that could be linked to full development of a fishery would be establishing an assured local longline bait supply. This industry would be village based and operated, selling baitfish to DWFN or local fishermen.

iii. Development of value added secondary processing industry for longline by-catch. Marketing of by-catch poses an opportunity to establish an profitable ancillary business. Activities for A.I.D. inputs might be establishing secondarily processed export products, identifying and testing markets, setting up of processing facilities.

c. Cost Considerations

i. The budget for Phase III will be determined in a design that is based on the outputs, data, evaluation and recommendations resulting from Phases I and II.

ii. The Phase II element might need some limited technical assistance input beyond the envisaged two years of assistance especially if sustainability of operations remains an impeding factor to FIA effectiveness.

iii. Because final design of Phase III will rely on the outcomes of Phase I and Phase II, it is too early to determine the method of implementation and financing. The methods of implementation and financing will be analyzed when Phase III is designed.

Logical Framework

PIMAR PNG Component

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTION FOR ACHIEVING OUTPUT TARGETS
<p><u>GOAL</u></p> <p>Increase exports of high value marine products from PNG.</p>	<p><u>MEASUREMENT OR GOAL ACHIEVEMENT</u></p> <p>a. Increased economic growth in fishery sector.</p> <p>b. Increased net foreign exchange.</p> <p>c. Ancillary businesses established to support fishery.</p>	<p>a. DFMR annual reports.</p> <p>b. National accounts.</p> <p>c. Trade statistics.</p> <p>d. Investment statistics.</p> <p>e. A.I.D. reports and evaluations.</p>	<p>a. Sashimi markets stable or growing for chilled fish.</p> <p>b. PNG fishermen can successfully export through transport system.</p> <p>c. Fish captured for export have intrinsically suitable market value.</p> <p>d. Government laws, regulations and policies brought in line to support private sector development.</p>
<p><u>PURPOSE</u></p> <p>To improve the environment for engaging in commercial fishing by PNG companies and to create opportunities for export marketing of high value products including sashimi tunas.</p>	<p><u>END OF PROJECT STATUS</u></p> <p>a. Constructive and supportive government policies and regulations are in place.</p> <p>b. Export markets identified.</p> <p>c. Commercial fishing operations being carried out in Rabaul area.</p> <p>d. Export trials increasing.</p> <p>e. Export mechanisms established.</p> <p>f. Investments made in fishing boats and gear and shoreside infrastructure.</p> <p>g. Self sustaining national fisheries association.</p>	<p><u>MEANS OF VERIFICATION</u></p> <p>a. Fisheries regulations, import and export duties, investment incentives, taxes.</p> <p>b. FIA reports on market performance.</p> <p>c. Vessel registrations.</p> <p>d. Gear and vessel purchases.</p> <p>e. Increase export certificates.</p> <p>f. Airline rescheduling of freight operations, rates and frequency.</p> <p>g. Investments in fishing and marketing sector, ADB reports.</p> <p>h. A.I.D. reports and evaluation.</p>	<p>a. Private sector responds to opportunities created in the project assisted activities.</p> <p>b. There is no dramatic negative change in the policy and investment environment.</p> <p>c. There is no dramatic shift in market conditions and access.</p> <p>d. Marketing and fishing organizations can be established in project area.</p> <p>e. Transportation links prove usable for export marketing.</p> <p>f. Fish concentrations are abundant and within reasonable distance from the base of operations.</p>

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**PIMAR PNG Component
Phase I**

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTION FOR ACHIEVING OUTPUT TARGETS
<u>OUTPUTS</u>	<u>MAGNITUDE OF OUTPUTS</u>		
<ul style="list-style-type: none"> a. FADS Deployed. b. Fishing trials completed. c. Local baiting trials. d. Fishermen trained on project vessels. e. Positive fishing results indicate potential for further development activity. 	<ul style="list-style-type: none"> a. Deployment of five fish aggregation devices (FAD). b. Introduction of sashimi tuna capture techniques to ENB fishermen. c. Introduction of longline bait capturing, handling and live holding techniques. d. Data about availability and catch rates of sashimi quality tuna near FADs using handline and vertical longline and from other areas using a horizontal monofilament longline system. e. Stages 1 and 2 reports that assess resource, techniques, economics, response of local fishermen and investors, bait resources, and initial marketing results. 	<p>SPC project reports, evaluations and monitoring, A.I.D. evaluations, trip reports.</p>	<ul style="list-style-type: none"> a. Weather is not a factor for size of vessels operating or retaining FADS. b. Cultural factors do not inhibit operations, baiting or organizing of fishery. c. Tuna in area of basic natural quality. d. Fishermen adopt the required quality standards for sustained export. e. Government is willing to limit foreign intervention in the fishery activity. f. Establishment of a fleet through local investment is possible.

INPUTS

Phase I

AID - TA, Commodities

SPC - TA, adm. support, commodities, reporting
 GPNG/ENBP - Adm. support, vessels and fuel, commodities, housing and facilities.

Phase I.

AID - TA, commodities totalling \$175,000.

SPC - TA, adm. support, commodities, reporting - \$ 48,000

GPNG/ENBP - Adm. support, vessels and fuel, commodities, housing, and facilities - \$213,300.

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**PIMAR PNG Component
Phase II**

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTION FOR ACHIEVING OUTPUT TARGETS
<u>OUTPUTS</u>	<u>MAGNITUDE OF OUTPUTS</u>		
<ul style="list-style-type: none"> a. A permanent consultative relationship between FIA and GPNG is established to assist in policy reformation. b. The executive secretary, as a result of on-the-job training by short-term advisors, assumes all executive functions of FIA. c. Cost recovery and income generating measures that have been developed provide a measurable increase in the rate of FIA income. d. Business contacts have been made that enable members of FIA to expand and improve their export operations. e. FIA programs are developed that guide its members in taking advantage of investment incentives of the GPNG. f. Membership of FIA has increased to include representation from all fisheries related businesses in PNG. 	<ul style="list-style-type: none"> a. FIA appointed as a permanent representative to National Fisheries Advisory Council. b. Executive Secretary trained and confirmed by FIA Management Committee as permanent appointee. c. FIA income level reached that supports executive secretary salary; recurring costs, program and administrative costs approximately \$40,000 per annum. d. Several members of FIA establish islands region tuna operations. e. If ADB loan facility is active, FIA members assisted in acquiring loans for expanding operations. f. FIA membership has grown from 20 to 30+. 	<ul style="list-style-type: none"> a. GPNG reports b. FIA annual report c. FIA annual audit of accounts. d. DFMR reports e. ADB reports f. A.I.D. project reports, monitoring and evaluation. 	<ul style="list-style-type: none"> a. FIA remains an active organization. b. GPNG policy reforms continue. c. Programs and contributions to FIA can generate enough income for self-support. d. Phase I indicates strong incentive to develop a sashmi tuna industry. e. Investment in fisheries remains a priority for GPNG.

INPUTS

AID - Short term TA, commodities, administrative expenses, international study tours, seminars and workshops.

FIA - Planning/implementation participation of members, cost sharing on study tours and seminars.

GPNG - Participation in planning and review.

AID - \$500,000 over two years.

FIA \$140,000 in-kind and cost sharing.

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ACTION: AID INFO: EXEC

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RR RUEHVA
DE RUEHC #5665 2152147
ZNR UUUU ZZH
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TO AMEMBASSY SUVA 7660
BT
UNCLAS STATE 235665

LOC: 197-98 332
17 AUG 93 2145
CY: 23900
CHIG: ATD
DIST: AID



AIDAC

E.O. 12356: N/A

TAGS:

SUBJECT: PACIFIC ISLAND MARINE RESOURCES PROJECT (879-0020) - AD HOC DELEGATION OF AUTHORITY TO AMEND PROJECT

REFERENCE: SUVA 1417

INFO
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8/15

1. THE ACTING ASSISTANT ADMINISTRATOR FOR ASIA HEREBY REDELEGATES TO THE REGIONAL DIRECTOR FOR THE SOUTH PACIFIC AD HOC AUTHORITY TO AUTHORIZE AN AMENDMENT TO THE PROJECT AUTHORIZATION FOR THE PACIFIC ISLAND MARINE RESOURCES PROJECT (PIMAR) TO COVER THE PAPUA NEW GUINEA COMPONENT AS SET FORTH IN THE REFERENCE CABLE. A-AA/ASIA ALSO CONCURS IN EXTENSION OF THE PROJECT ASSISTANCE COMPLETION DATE (PACD) TO SEPTEMBER 30, 1996 AS PROPOSED RETEL. THE REGIONAL DIRECTOR SHOULD CONSULT THE REGIONAL LEGAL ADVISER BEFORE APPROVING THE PROJECT AUTHORIZATION AMENDMENT.

2. WE APPRECIATE THE ADDITIONAL INFORMATION FROM THE RDO/SP FISHERY ADVISERS ON THIS COMPONENT, ESPECIALLY ON THE BENEFICIARIES AND PLANS TO MARKET THE POTENTIAL CATCH INTERNATIONALLY. THIS BRIEFING WAS MOST HELPFUL IN ESTABLISHING THE SOUNDNESS OF THE MISSION'S APPROACH.

3. WE ALSO APPRECIATE THE MISSION FORWARDING A DRAFT INITIAL ENVIRONMENTAL EXAMINATION (IEE) OF THE COMPONENT. BASED ON INFORMAL REVIEW, WE EXPECT TO APPROVE THE IEE FOR THE FIRST TWO PROPOSED PHASES. WE SUGGEST THAT YOU SUBMIT AN UPDATED IEE FOR PHASE THREE ALONG WITH THE DESIGN DOCUMENT FOR PHASE THREE TO ENABLE THE BUREAU ENVIRONMENTAL COORDINATOR MAY SUGGEST ENVIRONMENTAL INPUT INTO FURTHER DESIGN OF THIS PHASE.

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INITIAL ENVIRONMENTAL EXAMINATION (IEE)

Project Location: South Pacific
Project Title: Pacific Islands Marine Resource (PIMAR)
 879-0020 Papua New Guinea Component
Life of Project: FY 1990 - FY 1995
Funding: \$ 2.7 million
IEE Prepared by: Richard M. Howell, Marine Resources
 Advisor

Environmental Action
 Recommended:

Negative Determination

Mission Agricultural
 Development Officer:

Signature: [Signature]

Date: August 6, 1993.

Regional Director's
 Concurrence:

Signature: [Signature]

Date: August 4, 1993

ASIA Bureau
 Environmental Coordinator's
 Concurrence:

Signature: [Signature]

Date: 8-11-93

The activities planned for the PIMAR/PNG component now differ from those originally envisaged in the PIMAR PP and a PP supplement is being prepared to reflect this. The component emphasis has been shifted away from nearshore fishing to supply market fish to population centers on the east coast of New Guinea to offshore fishing for export of sashimi grade tuna. The geographic location of the component has been shifted too, by request of the PNG government, to the Islands Region (New Britain, New Ireland and Manus) of PNG.

There are three elements in the amended PIMAR/Papua New Guinea (PNG) component: (1) Phase I, support to the South Pacific Commission's (SPC) East New Britain Tuna Longline Project (ENRTLP); (2) Phase II, support to The Fishing Industry Association of Papua New Guinea (FIAPNG) and (3) Phase III, PNG follow-on activity;

(1) The Phase I ENBTLP is a trial fishing operation to test small unit horizontal tuna longlining and vertical longlining to determine the potential for an integrated development assistance effort under Phase III of PNG/PIMAR that would lead to the establishment of a tuna longline export fishery in the Islands Region of PNG. This SPC project, with support coming from a grant from A.I.D. commenced in December 1992 and is expected to last for eighteen months. The following activities are planned under the PIMAR/PNG Phase I:

- a. Conduct exploratory tuna longline fishing operations using monofilament drum style of operations in offshore waters near Rabaul, East New Britain.
- b. Deploy 5 Fish Aggregation Devices (FADs) in deep, (> 1000 meters) offshore waters.
- c. Test the effectiveness of locally supplied longline baitfish.
- d. Test market sashimi grade tuna within PNG.
- e. Train fishermen at sea and at the East New Britain Province (ENBP) processing facilities at Kokopo.

(2) The Phase II assistance to FIA is aimed at supporting the development of the organization to become an effective voice for the private sector fishing industry in PNG and to prepare its members to invest in the proposed fishery developed by Phases I and III. The following activities are planned under the PIMAR/PNG Phase II:

- a. Short-term technical assistance to develop organizational sustainability, marketing, extension, promotion and investment strategies.
- b. Commodities and salaries to enable FIA to function administratively for the period of assistance.
- c. Study tours to Regional and Pacific basin marketing and fishing centers.
- d. Local seminars and training sessions as part of FIA extension services.

(3) The Phase III follow-on activity is aimed at taking recommendations, results and data from phases I and II, which should provide a better environment for investment in larger scale fisheries, and designing assistance activities that could ultimately result in the establishment of an indigenous

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sashimi tuna export industry. A separate IEE should be prepared and submitted to AID/W once the Phase III activity is designed.

IEE Requirements

In accordance with Handbook 3, Appendix 2D, Section 216.2 (c) (2), subsections (i) and (ii) an IEE is not required for the Program Paper Supplement for the following classes of actions :

subsection (i) : " Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc)."

Discussion: The Phase II FIA element is basically a technical assistance program for institution building. It is not a fishery development or production project which could affect the environment. However, through a strengthened FIA, a better environment for development of ongoing and new fisheries will be created and increased pressure may be felt on resources especially sedentary species. But, as a mitigating policy, FIA, in supporting its members desires to promote sustainable fisheries for PNG citizens, has repeatedly voiced its concern for the effects of overharvesting of PNG'S marine resources mainly by clandestine foreign interests. FIA has made numerous submissions to the PNG government regarding the need to adopt sustainable management procedures and, so far, these efforts are leading, either directly or indirectly, to new and changed regulations and substantive inputs to the redrafting of the PNG Fisheries Act.

subsection (ii) "Controlled experimentation exclusively for the purpose of research and field evaluations which are confined to small areas and carefully monitored."

Discussion: The Phase I activity is a program of test trial and exploratory fishing carried out essentially from a single research vessel outfitted for monofilament drum style tuna longline fishing within a one hundred mile radius of Rabaul. The masterfisherman will be keeping detailed catch and effort statistics to be used in determining the potentials for the development of a fishery.

The deployment of FADs has been become a widespread and growing practice throughout the tropical Pacific and has been considered by A.I.D. have a benign affect on the environment.

Conclusions of IEE:

1. It is concluded that an EA is not required for Phases I and II of the redesigned PNG component.
2. It is concluded that another IEE will be prepared for Phase III and submitted for approval to ASIA/DR/TR prior to initiation of that phase.

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P.N.G. Component - Country Contributions
(US\$000)

	<u>AID</u>	<u>SPC</u>	<u>ENBP*</u>	<u>FIA**</u>	<u>Total</u>
<u>Phase I - SPC Grant</u>					
1. Technical Assistance	48.0	24.0			72.0
2. Adm. Support	-	20.0	68.0		88.0
3. Vessels, fuel	-	-	95.0		95.0
4. Commodities	114.0	2.0	8.5		124.5
5. Accommodations	-	-	33.4		33.4
6. Container Rental	13.0	-	-		13.0
7. Miscellaneous	-	2.0	8.4		10.4
8. Sub-Total	<u>175.0</u>	<u>48.0</u>	<u>213.3</u>		<u>436.3</u>
<u>Phase II - FSP/FIA Grant</u>					
9. Salaries	44.0				44.0
10. Rental	48.0				48.0
11. Commodities	25.0				25.0
12. Recurring Costs	38.0				38.0
13. STTA	187.0				187.0
14. Tours/Workshops	40.0				40.0
15. FSP Indirect cost	91.7				91.7
16. Contingency	26.3				26.3
17. FIA Donated Time				80.0	80.0
18. FIA Cost Sharing				50.0	50.0
19. Membership Fees				10.0	10.0
20. Sub-Total	<u>500.0</u>			<u>140.0</u>	<u>640.0</u>
21. Grand Total	<u>675.00</u>	<u>48.0</u>	<u>213.3</u>	<u>140.0</u>	<u>1,076.3</u>

* ENBP = East New Britain Province, PNG

** FIA = Fishing Industry Association, PNG

Summary

Total AID	\$ 675.0	63%
Total SPC	48.0	4%
Total PNG Contribution	353.3	33%
Total	<u>1,076.3</u>	<u>100%</u>

PROCUREMENT SOURCE

A. General Policy:

The new A.I.D. "Buy America" policy does not require waivers (source, origin, nationality) for commodities and services which are available only locally (HB 1B, Chapter 18, para 18.A.1.c(6)):

1. Utilities
2. Communications
3. Rentals
4. POL
5. Local publications
6. Other commodities and services that, by their nature or as a practical matter, can only be acquired, performed, or incurred in the cooperating country, e.g., vehicle maintenance, hotel accommodations, etc.

However, HB 13 grants and cooperative agreements use HB 13 procurement rules. (HB 1B, Chapter 18, paragraph 18.A.2.a)

B. Grant to SPC (Phase I):

Grants to public international organizations (PIO) are subject to the procurement procedures and policies of the PIO when A.I.D. is not the sole contributor to the project or activity (HB 13, Chapter 5, paragraph 5.G.2.b). The \$175,000 grant to SPC for Phase I falls into this category as SPC is a recognized PIO and both SPC and the GPNG are contributing to Phase I. Therefore, SPC is not subject to the Buy America policy. However, the technical assistance (\$48,000) will be going to an American citizen who works for SPC and a substantial amount of the commodities (\$114,000) is being bought from the U.S.

C. Grant to FSP (Phase II):

The policy on grants to non-U.S. PVOs when the total procurement element exceeds \$250,000 is that all procurement be from the U.S. and any other countries specified in the schedule to the grant unless the grant officer approves an exception. (HB 13, Chapter 4, Standard Provision 6, "AID Eligibility Rules for Goods and Services," May, 1986, page 4D-25). Another standard provision covers local cost financing whenever this is authorized by the grant, but it is old and does not reflect the new Buy America Policy (Chapter 4, Standard Provision No. 8, "Local Cost Financing," November, 1988, page 4D-31).

However, the Standard Provision No. 8 dated August, 1992 (Local Cost Financing) for grants to U.S. PVOs does include the Buy America policy on local costs as described in A above. Since it appears that AID/W overlooked revising the standard provision for

non-U.S. PVOs, who need the new policy more than U.S. PVOs, the grant to FSP will use the new policy provision rather than the outdated version.

The division of the FSP grant between U.S. and local procurement is as follows (in U.S.\$):

<u>Line Item</u>	<u>U.S.</u>	<u>Local</u>	<u>Total</u>
1. Salaries		44,000	44,000
2. Office Rental		48,000	48,000
3. Commodities		25,000	25,000
4. Recurring costs		38,000	38,000
5. Technical assistance	155,000	32,000	187,000
6. Int'l study tours		32,000	32,000
7. Workshops in PNG		8,000	8,000
8. FSP/PNG Indirect		91,680	91,680
9. Contingency		<u>26,320</u>	<u>26,320</u>
TOTAL	<u>155,000</u>	<u>345,000</u>	<u>500,000</u>

1. The salary is for a local person for FIA.
2. Office rental is for facilities in Port Moresby.
3. The commodities (vehicle and office equipment) should be bought locally for servicing and spare parts.
4. Recurring costs are local office costs such as utilities, supplies, etc.
5. Much of the technical assistance should be provided by U.S. citizens recruited from the U.S. However, about four PM should be provided by local personnel.
6. International study tours are likely to be to Asian markets such as Japan and Hong Kong rather than the U.S.
7. Workshops are to be held in PNG with all costs being local, except perhaps U.S. experts provided under line item 5 above.
8. Since FSP/PNG is a locally registered PVO, all its overhead would likely be spent in PNG rather than the U.S.
9. The contingency is likely to be used for the cost items described above and thus probably will be local costs.

D. Conclusion:

For the reasons given above, local costs (PNG and regional) can be financed by both the grant to SPC and the cooperative agreement with FSP without the need for waivers.

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