

PD-ARB-683  
60034

A.I.D. Project Number 8790020.00

GRANT AGREEMENT NO. 879-0020-G-SS-0135

Loan and Grant Agreements

11/10/81 (if Loan)

11/10/81

11/10/81

11/10/81

11/10/81

11/10/81 Officer

11/10/81 Officer & File

11/10/81 Officer & File

11/10/81

PROJECT  
GRANT AGREEMENT  
BETWEEN  
THE COOK ISLANDS  
and the  
UNITED STATES OF AMERICA  
for  
PEARL OYSTER CULTURE COMPONENT OF THE  
PACIFIC ISLANDS MARINE RESOURCES PROJECT

Dated: AUG 09, 1990

Table of Contents  
Project Grant Agreement

Article 1: The Agreement

Article 2: The Project

SECTION 2.1 Definition of Project  
SECTION 2.2 Incremental Nature of Project

Article 3: Financing

SECTION 3.1 The Grant  
SECTION 3.2 Grantee Resources for the Project  
SECTION 3.3 Project Assistance Completion Date

Article 4: Conditions Precedent to Disbursement

SECTION 4.1 First Disbursement  
SECTION 4.2 Notification  
SECTION 4.3 Terminal Dates for Conditions Precedent

Article 5: Special Covenants

SECTION 5.1 Project Evaluation  
SECTION 5.2 Activities on Individual Islands

Article 6: Procurement Source

SECTION 6.1 Foreign Exchange Costs  
SECTION 6.2 Local Currency Costs

Article 7: Disbursements

SECTION 7.1 Disbursement for Foreign Exchange Costs  
SECTION 7.2 Disbursement for Local Currency Costs  
SECTION 7.3 Other Forms of Disbursement  
SECTION 7.4 Rate of Exchange

Article 8: Miscellaneous

SECTION 8.1 Communications  
SECTION 8.2 Representatives  
SECTION 8.3 Standard Provisions Annex

Annex 1 Amplified Project Description

Annex 2 Project Grant Standard Provisions

Project Grant Agreement

Dated: August 09, 1990

Between

The Government of the Cook Islands ("Grantee")

And

The United States of America, acting through the  
Agency for International Development ("A.I.D.")

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project: The Project, which is further described in Annex 1, will consist of various actions and activities to establish a pearl oyster culture industry in the Cook Islands.

Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

### Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed five hundred fifty thousand United States Dollars (U.S. \$550,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

### SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project funds described in subsection (B), in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided or caused to be provided by Grantee for the Project will be not less than the equivalent of U.S. \$1,727,000, including costs borne on an "in-kind" basis. It is anticipated that \$1,180,000 of the foregoing amount will be provided by private sector individuals and firms in the Cook Islands.

### SECTION 3.3. Project Assistance Completion Date.

(a) The "Project Assistance Completion Date" (PACD), which is September 30, 1995, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation

Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

#### Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement; and

(b) The national pearl industry management plan prepared by the Ministry of Marine Resources (MMR) which has been approved by the Grantee.

SECTION 4.2. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1 have been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Dates for Conditions Precedent. If the conditions specified in Section 4.1 have not been met within 180 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

#### Article 5: Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the extent feasible, of the overall development impact of the project.

SECTION 5.2. Activities on Individual Islands. The Grantee agrees that project activities will not be undertaken relating specifically to an individual island (except Suwarrow) until that island has submitted written evidence satisfactory to AID that the Island Council of that island has approved the national pearl industry management plan submitted to the Grantee in satisfaction of Section 4.1(b) of that agreement. A provision to this same effect will be included in the principal technical assistance contract financed under the project.

The Grantee agrees that an environmental assessment will be completed prior to AID obligating funds for construction in Suwarrow. The environmental assessment will be submitted to RDO/SP for review and approval.

#### Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services), ("Foreign Exchange Costs") except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States except as A.I.D. may otherwise agree in writing.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as AID may otherwise agree in writing, their origin, in the Cook Islands ("Local Currency Costs").

## Article 7. Disbursement

### SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

### SECTION 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. Dollars by purchase.

The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. If funds provided under the Grant are introduced into the Cook Islands by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of the Cook Islands at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Cook Islands.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, cable, or facsimile and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail Address:

Ministry of Marine Resources  
P.O. Box 85  
Avarua, Rarotonga  
COOK ISLANDS

Alternative address for cables:

EXSTAFF RAROTONGA

Alternative address for facsimile:

(682) 29721

To A.I.D.:

Mail Address:

U.S. Agency for International Development  
Regional Development Office/South Pacific  
P. O. Box 218  
Suva, Fiji

Alternative address for cables (telex):

2647 USAID FJ

Alternative address for facsimile:

(679) 300075

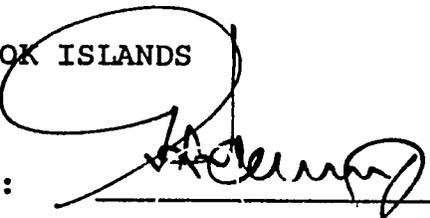
All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Secretary, Marine Resources and A.I.D. will be represented by the individual holding or acting in the office of the Director, Regional Development Office/South Pacific, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

COOK ISLANDS

By: 

Geoffrey A Henry

Title: Prime Minister .

Date: AUG 02, 1990

UNITED STATES OF AMERICA

By: 

Della Newman

Title: Ambassador

Date: AUG 02, 1990By: 

John B. Woods

Title: Regional Director

Date: 8/9/90ACCOUNTING CLASSIFICATION

APPN: 72-1101021  
 BPC: QDNA9027879KG13  
 RESCTLNO: S990329

GRANT NO. 879-0020-G-SS-0135

<u>INPUT VOUCHER</u>	<u>DATE</u>	<u>BY</u>
RAYTRACK LOG-	<u>850,000.00</u>	<u></u>
FUNDS VERIFIED-		
MACS TRNDAT-	<u>08/09</u>	<u></u>
MACS PSTDAT-		
MACS TRNTYP-	<u>086</u>	<u></u>

**Table of Contents**  
**Amplified Project Description**

- I. Preface
- II. Goal and Purpose
- III. The End of Project Status
- IV. Outputs
- V. Inputs
- VI. Implementation Plans
- VII. GOCI Responsibilities
- VIII A.I.D. Responsibilities
- IX. Contractor's Responsibilities
- X. Evaluation
- XI. Financial Plan and Budget

## AMPLIFIED PROJECT DESCRIPTION

### Cook Island Pearl Oyster Culture Project

#### I. Preface

This project is a joint effort by the Government of Cook Islands (GOCI) and the United States of America to establish a pearl oyster culture industry in the Cook Islands.

Elements in this Amplified Project Description may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 of this Project Agreement without formal amendment of the Project Agreement, provided that such changes are within the general scope of the Project as defined in Section 2.1 of the Project Agreement.

Within the GOCI, the Ministry of Marine Resources (MMR) will be the implementing agency for this project. The Government of the United States of America will work through its Agency for International Development (A.I.D.), specifically its Regional Development Office/South Pacific (RDO/SP) located in Suva, Fiji.

This project in the Cook Islands is a component part of the A.I.D. Regional Pacific Island Marine Resources Project.

#### II. Goal and Purpose

The goal of this project is to increase income generating opportunities for men and women through means which enhance the conservation and management of natural resources. The purpose is to establish a pearl oyster culture industry in the outer islands of the Cook Islands.

#### Project Rationale and Activities

Pearl oysters shells have traditionally been harvested and exported from the Cook Islands for production of jewelry and buttons. Efforts by the Government of the Cook Islands to establish a pearl oyster culture industry began in 1986. A.I.D. supported this initiative and provided funding for the establishment of experimental pearl farms at Manihiki Island, including support of several basic scientific studies. Following the success of these pilot farms, the government has planned to assist the establishment of a private pearl oyster culture industry.

The oysters used in black pearl culture (Pinctada margaritifera) are indigenous to three of the northern islands lagoons - Suvarrow, Manihiki and Penrhyn. Three other species: P. maxima, P. vulgaris and Pteria penguin, are also suitable for culturing pearl through the implantation of nuclei. The recent stock assessment (1985/1986) has indicated yields of standing stock 2.0 million (Manihiki); standing stock 4.0 to 6.0 million (Penrhyn) and standing stock 0.4 million (Suvarrow). Active pearl oyster culture is currently carried out only in Manihiki Islands.

Pearl oyster stocks in the three main lagoons are well below optimum levels. A pearl oyster management regime shall be formulated and implemented, to allow for the rational exploitation of the resources and at the same time, preserve present stock levels and increase them in time. The Ministry of Marine Resources (MMR) in the Cook Islands shall undertake this work. The acceptance of the national pearl industry management plan by GOCI is a condition precedent of this Agreement (Section 4.1(b)). Incorporated in the plan will be measures to protect the lucrative but fragile nature of the pearl farming industry in the northern Cook Islands.

The culture of oysters from spat, to seeding, through pearl harvesting is a specialized field, requiring careful husbandry techniques. The process is currently performed by Japanese technicians.

In summary, the approach used to implement the project will be to:

- a) establish a pearl farm training and research center at Suvarrow Island;
- b) train farmers and establish new pearl farms to extend the present operations at Manihiki Island and introduce pearl oyster culture on two other islands;
- c) improve knowledge about pearl oysters including studies on oyster health to improve nuclei (seed) retention;
- d) devise improved pearl farming methods, including testing more effective spat collection methods and more economical suspension systems; and
- e) determine optimum lagoon conditions for pearl culture, e.g. lagoon water-exchange and sedimentation, etc.

### III. The End of Project Status

At the end of the five years of this project, the project purpose will have been achieved if the following indicators exist:

- a) commercial scale pearl farming is being done on three islands (Suwarrow, Manihiki, and Penrhyn);
- b) private investment in pearl farms is increasing;
- c) Government of the Cook Islands is implementing a management plan for the pearl oyster industry; and
- d) findings of the pearl farming research are made available to other Pacific islands.

### IV. Outputs

- a) a research, training and extension station at Suwarrow established;
- b) the suitability of pearl farming on three islands tested and evaluated;
- c) pearl farming methods adopted by pearl farmers, and a lagoon management regime for the northern islands implemented;
- d) private sector participants trained in pearl farming techniques;
- e) Ministry of Marine Resources extension agents trained in lagoon management for pearl farming and in science and marketing skills needed to manage resources used in pearl farming;
- f) information on the dimensions of appropriate sustainable pearl farming made available to other Pacific Islands with pearl farming potential.

### V. Inputs

#### 1. A.I.D. Financed Inputs

- a) Long term technical assistance: (1) Suwarrow farm manager, (2) oyster biologist;
- b) Short term technical assistance in oyster specialist areas such as disease control, hatchery

methods, oyster reproduction, marketing and lagoon ecology and twelve person months of pearl seeding;

- c) Short term training including overseas study tours for pearl farmers and pearl research technicians to observe pearl farm management and pearl oyster husbandry techniques.
- d) transport services for project personnel and commodities, oyster spat collection, pearl farm material delivery;
- e) equipment and construction materials for the Suwarrow facility; and
- f) materials for establishment of pearl farms on one or more of the three islands.

## 2. GOCI Inputs

These contributions will be in the form of:

- a) salaries of GOCI personnel involved with the project including salaries of participants while away at training;
- b) administrative and operating costs including communications and office supplies;
- c) transport services for construction personnel, equipment and materials for construction of the Suwarrow facility, and in the later stages of the project for a contribution towards project transport needs;
- d) services and equipment to construct the Suwarrow facility; and
- g) capital for pearl farm construction (private sector).

## VI. Implementation Plans

All A.I.D.-financed project inputs under the project components in Cook Islands will be provided by one or more U.S. firms or organizations under direct contract with A.I.D. The contract will be awarded on a competitive basis following AID's contracting procedures.

A technical proposal review committee will be established to review, evaluate and approve the technical proposals from interested U.S. firms and organizations. Authorized representatives from Cook Islands will therefore participate in the work of the technical proposal review committee and in the contracting process.

The Cook Islands project will be implemented as a joint effort of the GOCI, the private sector involved with pearl farming in the project area, a technical services contractor and RDO/SP.

A Project Coordinating Committee will be established to guide project implementation. The Committee will consist of the contractor's chief of party stationed in Suwarrow, the GOCI representative (the authorized representative), and the A.I.D. Project Officer in RDO/SP in Suva. If and as appropriate, a representative from a concerned Island Council will be invited to participate in committee meetings. The chairman of the committee shall be the senior GOCI authorized representative. In addition to providing overall guidance, the Committee will be responsible for reviewing the quarterly progress reports for the Cook Islands component and assessing the progress of the component.

#### VII. GOCI Responsibilities

The GOCI will

- a) designate one or more authorized representatives within the Ministry of Marine Resources (Sections 4.1 and 8.2 of Project Agreement) to work with the contractor and A.I.D. in the implementation of this project. It is expected that one of the authorized representatives will be on the Project Coordinating Committee.
- b) be responsible for satisfying the Conditions Precedent (Section 4.1) and carrying out the Covenants (Article 5).
- c) be responsible for providing its inputs listed in V.2. above in a timely fashion as implementation needs arise. The GOCI will also be responsible for arranging duty free import privileges for all project financed commodities and personal effects of expatriate personnel of the American contractor.

#### VIII. A.I.D. Responsibilities

A.I.D. will be responsible for contracting, in collaboration with the GOCI, with a firm or organization to provide all A.I.D.

financed inputs. A.I.D. will also arrange for the evaluations and audits.

A.I.D. will participate in regular meetings of the Project Coordinating Committee. Its designated Project Officer based in Suva will monitor compliance with conditions and covenants of the Agreement and process any approvals required by A.I.D. regulations.

#### IX. Contractor's Responsibilities

The technical assistance contractor will provide on a timely basis the A.I.D.-financed inputs described in V. above except for evaluations and audits. The contractor's chief of party will take instructions and guidance from the GOCI's designated authorized project representative and from the A.I.D. Project Officer. The contractor will prepare periodic reports to GOCI and A.I.D. on the progress of the project.

#### X. Evaluation

The Project shall be the subject of two formal evaluations to be made by an independent party under A.I.D. contract. The GOCI shall participate in the preparation of the scope of work for these evaluations as well as the evaluations themselves. General guidance on the scope of these evaluations are in Section 5.1, Special Covenants. In addition to these formal, independent evaluations, the project may be evaluated from time to time on an informal basis by the GOCI or A.I.D.

#### XI. Financial Plan and Budget

The Project Financial Plan is illustrative and may be revised by the representatives named in the Project Agreement Section 8.2 without formal amendment to the Project Agreement if such changes do not cause (1) A.I.D.'s contribution to exceed the amount specified in the text of the Agreement (Section 3.1) or (2) the Grantee's contribution to be less than the amount specified in Section 3.2(b) of the Agreement.

A.I.D.'s contribution to the Project will be provided in increments, with the initial increment being US \$550,000. Subject to the availability of funds and the mutual agreement of the Parties at the time of subsequent increments to proceed, it is anticipated that A.I.D. will provide over the life of the project a total amount of US\$2,398,000 in financing for the project.

A.I.D. funds for the project will be disbursed by direct payments by A.I.D. to the U.S. contractor. A.I.D. will also make payments directly to the providers of services for the costs of evaluations and audits.

PROJECT FINANCIAL PLAN  
(US\$000)

Project Element No. 01

	Obligated To Date	Anticipated Future Years	Anticipated Total life of Project	
			AID	GOCI
01	Technical Assistance		1,383	
02	Training		25	
03	Transport Services		600	55
04	Project Operations			392
05	Commodities		150	
06	Construction		240	100
-----				
TOTALS			2,398	547

Table of Contents  
Project Grant Standard Provisions Annex

Article A: Project Implementation Letters

Article B: General Covenants

SECTION B.1	Consultation
SECTION B.2	Execution of Project
SECTION B.3	Utilization of Goods and Services
SECTION B.4	Taxation
SECTION B.5	Reports, Records, Inspections, Audits
SECTION B.6	Completeness of Information
SECTION B.7	Other Payments
SECTION B.8	Information and Marking

Article C: Procurement Provisions

SECTION C.1	Special Rules
SECTION C.2	Eligibility Date
SECTION C.3	Plans, Specifications, and Contracts
SECTION C.4	Reasonable Price
SECTION C.5	Notification to Potential Suppliers
SECTION C.6	Shipping
SECTION C.7	Insurance
SECTION C.8	U.S. Government-Owned Excess Property

Article D: Termination; Remedies

SECTION D.1	Termination
SECTION D.2	Refunds
SECTION D.3	Nonwaiver of Remedies
SECTION D.4	Assignment