



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT
GUATEMALA

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GUATEMALA

USAID
UNIT 3323
APO AA 34024
U.S.A.

PD-ABE-699
79001

July 10, 1992

THE NATURE CONSERVANCY
1815 North Lynn Street
Arlington Virginia 22209
ATTN: Mr. Allan C. Randall

SUBJECT: Grant No. 525-0308-G-00-2216-00

Gentlemen,

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter known as AID or USAID/Panama) hereby grants to The Nature Conservancy (TNC), (hereinafter referred to as TNC, Conservancy, or Grantee) the sum of EIGHT MILLION EIGHT HUNDRED AND THIRTY FIVE THOUSAND US DOLLARS, US\$8,835,000) to (1) help endow Fundación NATURA with a long-term source of funding (Conservation Trust Fund) through a debt-for-nature swap, the income of which will finance environmental activities of both public and private organizations; (2) strengthen the capability of Fundación NATURA to manage the Trust Fund and to administer grants, and (3) assist NATURA to develop the capability of local PVO's and community groups to effectively carry out conservation projects aimed at reserve protection and environmental awareness, as more fully described in Attachment No. 1 entitled Schedule and Attachment No. 2 entitled Program Description.

This Grant is effective and obligation is made as of the date of this letter and shall apply to commitments made by the grantee in furtherance of program objectives during the period beginning with the date of this letter and ending December 30, 1994. This Grant is made to The Nature Conservancy on the condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment No. 1 entitled the Schedule, Attachment No. 2 entitled Program Description and Attachment No. 3 entitled Standard Provisions for US Non-governmental Grantees which have been agreed to by your organization and which are hereby made a part of this Grant.

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The Nature Conservancy

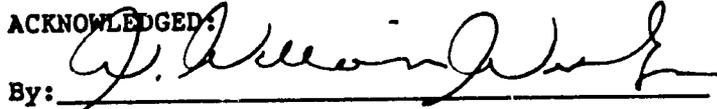
Please sign the original and five (5) copies of the letter to acknowledge your receipt of this Grant and return the original and four (4) copies to the USAID/Guatemala, Attention Regional Contracts Office.

Sincerely,



Richard F. Webber
Regional Grant Officer

ACKNOWLEDGED:


By: _____

Title: Chief Operating Officer

Date: 7/21/92

ATTACHMENTS:

1. Schedule
2. Program Description
3. Standard Provisions, US, Nongovernmental Grantees

FISCAL DATA:

Appropriation No.:	72-110/11037 and 72-112/31021
Budget Plan Code:	LES0-91-25525-IG13 and LDN2-92-25525-KG13
PIO/T No.:	525-0308-3-10107 and 525-0308-3-20018
Total Estimated Amount:	\$8,835,000
Total Obligated Amount:	\$8,835,000

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SCHEDULE

A. Purpose of Grant

The purposes of this grant are to: (1) help endow Fundación NATURA Foundation with a long-term source of funding (Conservation Trust Fund) through a debt-for-nature swap, the income of which will finance environmental activities of both public and private organizations; (2) strengthen the capability of Fundación NATURA to manage the trust fund and to administer grants; and (3) assist NATURA to develop the capability of local PVO's and community groups to effectively carry out conservation projects aimed at reserve protection and environmental awareness.

B. Period of Grant

The effective date of this Grant is July 10, 1992 and the estimated completion date is December 30, 1994.

C. Amount of Grant and Payment

1. The total estimated amount of this Grant for the period indicated in paragraph B above is \$8,835,000.00.
2. A.I.D. hereby obligates the amount of \$8,835,000.00 for program expenditures during the period set forth in paragraph B above.
3. The Grantee may not exceed the total Estimated Amount.
4. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3, Standard Provision No. 3 entitled "Payment - Cost Reimbursement."

D. Financial Plan

1. The Grant Budget is found on page 6. The Grantee will not be reimbursed for expenses exceeding the total estimated amount (see Part C. above). Revisions of this budget shall be made in accordance with the Standard Provision entitled "Revisions of Grant Budget."
2. Notwithstanding the effective date of this Grant and subject to the Standard Provision entitled "Allowable Costs and Contributions (Non-Profit Organizations other than Educational Institutions)" costs incurred on or after July 1, 1992 shall be eligible for reimbursement hereunder. Such costs are included in the Financial Plan shown on page 6.

E. Disbursements

1. **Debt for Nature Exchange:** A.I.D. will disburse \$8 million for the subject exchange once the conditions set forth in Attachment 2 C.1 on debt acquisition and exchange are met. A.I.D. Panama will do this by instructing its office of Financial Management in Washington to carry out a wire transfer to a segregated account that TNC has established specifically for this transaction.
2. **Grant-Financed Assistance to NATURA:** A.I.D. will reimburse TNC based on project implementation and vouchers submitted for project expenses.
3. **Program Performance Reporting:**

Given the special importance of the debt purchase and exchange component of this grant, The Nature Conservancy will report to the Chief of the Office of Private Sector Development or his designee weekly in writing on the status of negotiations on the debt-for-nature grant, and the success in acquiring debt through donation or purchase on the secondary market.

In addition, the following reports shall be provided to the USAID Project Officer during the course of this project:

- a) TNC-NATURA will submit for review and approval, annual workplans outlining proposed activities to be financed by NATURA with A.I.D. funds or funds associated with the project financed debt-swap;
- b) Two copies of quarterly progress reports detailing project implementation. This includes the financial reports of the project to date.
- c) A final report detailing accomplishments as well as a financial report.
- d) Disbursement and reporting will be in accordance with Standard Provision No. 3 entitled "Payment - Cost Reimbursement."

F. Authorized Geographic Code

The authorized Geographic Code for procurement of goods and services shall be US 000 and Panama.

G. Cost Sharing

The Grantee shall contribute supplies and services valued at \$2,286,000 to the performance of the program described herein.

H. Local cost financing is authorized per Optional Standard Provision No. 9.

GRANT BUDGET
(US\$000)

BUDGET DESCRIPTION	A.I.D.	TNC	TOTAL
A. NATURA TECH. ASSISTANCE (16pms)	160.0	24.0	184.0
Foundation Management (6pms)	60.0	9.0	
Trust Fund Administration (2pms)	20.0	3.0	
Program Monitor. & Eval. (3pms)	30.0	4.5	
Training Course Design (3pms)	30.0	4.5	
PVO Development (2pms)	20.0	3.0	
B. NATURA LOCAL SERVICES (8pms)*	40.0	0.0	40.0
Accounting and Audit (6pms)	30.0		
Computer System Management (2pms)	10.0		
C. NATURA PROGRAM DEVELOP (15pms)*	225.0	0.0	225.0
Sustainable Production (5pms)	75.0		
Soil & Water Conservation (2.5pms)	37.5		
Reforestation (5pms)	75.0		
Habitat Protection (2.5pms)	37.5		
D. TRAINING	171.5	8.0	179.5
NATURA Staff	35.0		
NATURA Assisted NGO Development	136.5	8.0	
E. NATURA ESTABLISHMENT	208.5	45.0	253.5
Operational Costs (Est. 6 mon.)	90.0	25.0	
Locally Procured Commodities	18.5		
NATURA Subgrant Program	100.0	20.0	
G. DEBT-FOR-NATURE SWAP	8,000.0	2,000.0	10,000.0
H. PROJECT MANAGEMENT TNC Grant admin.		209.0	209.0
I. AUDIT	30.0		30.0
TOTAL	8,835.0	2,286.0	11,121.0

* The Conservancy, with prior NATURA Board of Trustees and A.I.D. approval, will competitively award technical assistance and training contracts.

PROGRAM DESCRIPTION

A. BACKGROUND:

In June 1991 the government of Panama and A.I.D. signed a Grant Agreement (No. 525-0308) for the implementation of a Natural Resources Management (MARENA) Project. The goal of the project is to promote sustained economic and social development in Panama. Its purpose is to protect and manage the country's renewable natural resources, with particular emphasis on the Panama Canal Watershed. The project has three principal components: (1) Panama Canal Watershed Management; (2) National Parks and Wildlands Management; (3) Conservation Foundation.

The project will carry out the following activities:

- Strengthening of the policy, planning and coordination function of INRENARE in the Panama Canal Watershed to insure that programs of public and private agencies in the watershed are collaborative and mutually supportive;
- Improve the management of public lands, particularly national parks, that are sole responsibility of INRENARE to conserve and;
- Support an increased role for local NGO's and private organizations to participate in parks infrastructure improvement and programs in buffer areas surrounding parks and forest reserves.

The project consists of the three integrated components mentioned before that must be carried out in a coordinated manner. Working with NATURA, a new private conservation foundation, the project will contribute to the capitalization of a Conservation Trust Fund through financing a "debt-for-nature" swap authorized by the government of Panama. Trust fund income will provide funding for the national parks and sustainable development action far beyond the life of project.

A part of the MARENA project is the establishment of a new organization, the Fundación NATURA, to manage the Conservation Trust Fund. Under the terms of the Grant Agreement, the initial capital of the trust fund will be provided through a "debt-for-nature" program negotiated by the Government of Panama (GOP) with the Fundación NATURA and The Nature Conservancy. A.I.D. will then grant \$8,000,000 to TNC, for the purchase of qualifying Panamanian commercial debt. TNC will contribute an additional \$2,000,000 toward the purchase of debt.

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TNC will provide training and services to NATURA and leading NGO's to achieve strong self-sustaining organizations working to protect biological diversity in Panama. TNC will support NATURA in private sector resources mobilization.

B. OBJECTIVE:

The objective of this Grant is to develop a sustained source of financing for public and private conservation actions designed to protect and manage the natural resources of Panama. Grant purposes are to: (1) capitalize a conservation trust fund through a debt exchange agreement with the Government of Panama, with income from the fund used to finance conservation actions; (2) develop the capability of the Fundación NATURA to effectively manage the Conservation Trust Fund, and to administer a grant program; and (3) to train public and private organizations to formulate and carry out projects for wildlands protection, recuperation of degraded areas, sustainable agriculture, soil conservation and environmental education that achieve national conservation priorities.

C. PROGRAM ACTIVITIES:

The Conservancy will carry out three parallel activities to achieve the objectives of this Grant: (1) acquire qualifying Panamanian commercial debt to be given to the Fundación NATURA to exchange for "Bonos Pro-Ecología" issued by the Government of Panama; (2) provide advice and training to the Fundación NATURA on organizational development, trust fund management, and grants administration; and (3) carry out a training and technical assistance program with NATURA that will assist private organizations to apply for and carry out sub-grants financed by the Conservation Trust Fund.

1. Debt Acquisition and Exchange

The Conservancy will have 90 days from the date of signature of the Grant Agreement to carry out a debt acquisition and exchange program as described below. At its option, A.I.D. can extend this timetable.

Prior to the disbursement by A.I.D. or authorization for disbursement of grant funds to the Grantee for the debt-for-nature exchange, the Conservancy will provide evidence of the following:

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- (1) The Conservancy has available or has otherwise provided a minimum of TWO MILLION DOLLARS (\$2.0 million) of counterpart funding to complement the EIGHT MILLION DOLLARS (\$8 million) provided under this Grant for acquisition of Panamanian commercial debt;
- (2) The Conservancy has purchased or has options to purchase a minimum of THIRTY MILLION DOLLARS (\$30 million) of eligible Panamanian commercial debt;
- (3) The GOP has issued or has provided evidence satisfactory to A.I.D. that it is prepared to immediately (within 10 working days of A.I.D.'s disbursement) issue to NATURA Pro-Ecology Bonds in the full amount of the Panamanian commercial debt the Conservancy has acquired or has options to acquire. These bonds must provide a minimum annual income stream of TWO AND ONE HALF MILLION DOLLARS (\$2.5 million) over the twenty year life of the bonds.

It is anticipated that a type of closing will take place. At this closing, A.I.D. will provide \$8 million and the Conservancy will provide at a minimum of \$2 million for acquisition of Panamanian commercial debt, the bank(s) holding the debt will transfer it to the Conservancy who will in turn transfer it to NATURA who will then turn it over to the GOP in exchange for the Pro-Ecology Bonds.

NATURA and the Conservancy will be responsible for monitoring and reporting on the use of income from the debt acquired with funds from A.I.D. and other donors, to assure that the income is used for the purposes intended by each donor.

2. Fundación NATURA Institutional Development

Prior to the disbursement by A.I.D. or authorization for disbursement of grant fund for this activity, the Conservancy must have carried out a debt acquisition and exchange activity as described in C.1. above.

The Nature Conservancy is a founder and financial Contributor to Fundación NATURA, and is advising on the development of the organization's procedures and operations. Using resources provided by this Grant, the Conservancy will:

- (1) Provide funding for the initial six months of operations of Fundación NATURA.

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- (2) Provide technical assistance and training to help NATURA through the process of institutional development. This will include assistance in strategic planning and program development, trust fund administration, and project design, monitoring and evaluation.
- (3) Assist NATURA to implement a strategy to strengthen national and international support for conservation programs in Panama.
- (4) Provide technical assistance and training through NATURA to private voluntary organizations and community associations to increase their capability to plan and implement development projects improving their technical and administrative capabilities.
- (5) Assist NATURA to organize and implement a small grants program to local PVOs and community organizations.

The Conservancy will use the recently approved preliminary eligibility and selection criteria for local PVO or community associations in implementing the grants program.

The Conservancy will use Grant funds to provide the following assistance to the development of NATURA.

- (1) Sixteen (16) person-months of short-term technical assistance in country by Conservancy staff in foundation management, trust fund administration, training design, PVO development, and project monitoring and evaluation. (Cost \$160,000 including travel and per diem).
- (2) Eight (8) person-month of contracted local assistance in financial management and accounting, and in maintenance of computerized records for grant requests, correspondence and monitoring of grant data. (Cost \$40,000)
- (3) Ten (10) person-months of training for NATURA staff in strategic planning, fund raising, trust fund management, grant administration and project monitoring and evaluation conducted in Panamá and adjoining countries with similar institutions-- Ecuador and Costa Rica. "Pasantias" to intern in Conservancy offices will also be used. (Cost \$35,000)

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- (4) Six months of operating expenses of Fundación NATURA, including salaries of staff, rent of offices, services and utilities (A.I.D. will provide commodities through a separate donation). (Estimated Cost \$90,000)
- (5) The local procurement of office equipment and furnishings needed for the establishment of the office of NATURA. (Estimated Cost \$18,500).

The Conservancy will contribute an additional \$24,000 of staff time, travel costs and communication expense in the United States in debt purchase and fund raising costs. It will also contribute \$25,000 (10 weeks) of staff time to development of NATURA operations, and participation in Board Meetings.

3. Building PVO Grant Management Capability

The Conservancy, working with Fundación NATURA, and INRENARE, will assist local PVOs and community groups to use effectively the funding provided by the income of the Bonos PRO-ECOLOGIA. This training will be of two type types: (1) organizational and administrative skills that will be required by all groups; and (2) technical assistance and training in the specific field action to be implemented.

a. Local Organizational Development

Through NATURA the Conservancy will provide training in: (a) organization and strategic planning; (b) project formulation (grant requests); (c) project administration and accounting; and (d) mobilizing community support. A survey of training needs will be the basis for the development of a curriculum suited to the training needs and stage of organizational evolution. Based on this survey, The Conservancy will design a training program.

After the first cycle, NATURA will assume responsibility for further training, either directly or through contracts with individuals or qualified national organizations--PANAJURU, CARITAS, etc. NATURA will provide follow-up advisory assistance to the personnel that have been trained as the logical extension of the monitoring function of grant administration.

It is assumed that at least 50 local community organizations or associations will be seeking financing from NATURA, and that an average of five persons in each group will require training in these skills, a total training population of 250 is estimated. Maintaining a limit of 25 trainees for each course, to encourage effective participation by each person, a total of 10 courses is needed. The AID cost of the proposed two year training program is estimated at US\$136,500 as follows:

PROPOSED TRAINING BUDGET

Training Coordinator	2 years at \$24,000	\$48,000
Training Assistant	2 years at \$15,000	30,000
Trainer fees \$1,500/course x 10 courses		15,000
"Train the Trainers" Contract Course		7,000
Participant Expense 250 x \$50/participant		12,500
Training equipment and supplies 5,000		
Reproduction of training materials		3,000
Follow-up Advisory Assistance Expense		10,000
Other Costs (Training site rental, etc.)		<u>6,000</u>
Estimated Cost		136,500

In addition, TNC will contribute \$8,000 towards NATURA Assisted NGO development.

b. Contracted Technical Services

The Fundación NATURA has identified the following priorities for grant assistance. Reforestation, Watershed and Soil Conservation projects, Protection of National Parks and Equivalent Reserves, Sustainable Production System and PVO Institutional Strengthening. These are also the high priority actions listed in the MARENA Project.

The Conservancy will use funds provided by the Grant to contract specialized technical services from CATIE, qualified Panamanian organizations, and individuals. This technical assistance will be used to strengthen the capability of the participating local PVOs to carry out successful projects in these areas of action. Fifteen (15) person months of short-term technical assistance and training services (Cost \$225,000) will be utilized in implementing this grant. A competitive process will be used in awarding these contracts, following the procurement regulations of A.I.D. and subject to its approval.

c. Initial Small Grants Funding

The Conservancy will use \$100,000 of Grant funds to implement a small subgrant program through NATURA. This program will allow NATURA to begin to support rural community organizations and PVOs in advance of the receipt of Conservation Trust Fund income. It will also allow NATURA to develop the administrative procedures for grant administration, and to begin to establish an identity for its important role in the conservation effort in Panama. TNC will contribute \$20,000 in cash to supplement Grant funds.

D. GRANT ADMINISTRATION:

1. Grant Work Plans and Reporting

The Conservancy contribution to grant administration will be the equivalent of \$209,000.

Upon approval of this Grant the Conservancy will prepare a detailed work plan and budget in consultation with Fundación NATURA. The Conservancy will submit written quarterly progress reports describing the activities, achievements, and difficulties in implementation. These, together with quarterly financial reports, will indicate success in attracting additional financial support for Fundación NATURA. At the conclusion of this Grant, The Nature Conservancy will deliver to A.I.D. Panama a final descriptive and financial report. This report will describe accomplishment and lessons learned, and make recommendations for further USAID programming in the natural resources sector.

Given the special nature and importance of the debt purchase and exchange component of this Grant, the Conservancy will report to the A.I.D.'s Chief of the Office of Private Sector Development or his designee weekly on the status of negotiations of the debt-for-nature agreement, and the success in acquiring debt through purchase on the secondary market. Once the debt exchange transactions have been completed; further reporting will be on a quarterly basis as previously described.

2. Method of Financing

(1) Debt for Nature Exchange: A.I.D. will disburse \$8 million for the subject exchange once the conditions set forth in Attachment 2 C.1. on debt acquisition and exchange are met. A.I.D. Panama will do this by instructing its Office of Financial Management in Washington to carry out a wire transfer to segregated account that TNC has established for this transaction.

(2) Technical Assistance, Commodity Purchases and Small Grants: For these activities, A.I.D. Panama will reimburse TNC based on project activities carried out and the vouchers it submits to justify these expenses.

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(3) Monitoring and Evaluation

The Conservancy will prepare and submit periodic reports indicating progress against the approved work plan outlined in its proposal, and provide an accounting of all expended funds. It will also provide for monitoring the progress of local PVOs in implementing the small grants program in collaboration with NATURA. It is expected that the A.I.D. Project Manager for MARENA will participate in this monitoring and evaluation program.

(4) Accounting and Auditing

The Conservancy will establish a separate account in its financial management system for this Grant, and will record in it all expenditures made for the purchase of debt, and the implementation of this Grant. Counterpart cash expenditures, and debt purchases made with non-federal funds will also be reported upon and accounted for separately. Once transactions begin, financial statements and audit reports for these accounts will be made on a quarterly basis.

As required by A.I.D. regulations and the Office of Management Budget, independent audits of the operations of the Fundación NATURA and the Conservancy will be financed by the grant. (Cost \$30,000)

(5) Initial Implementation Schedule

<u>Action</u>	<u>Month</u>	<u>Responsibility</u>
Initial Grant Work Plan Prepared	2	TNC
Debt Purchase Strategy Implemented	3-6	TNC, NATURA, MIPPE
Fundación NATURA work plan	1-4	TNC, NATURA
NATURA technical assistance/training	2-18	NATURA/TNC
Develop small subgrant program proc.	3-6	NATURA/TNC
Local NGO development and training	3-24	TNC, NATURA
Continue small grants program with Bond Income	6-30	NATURA
Quarterly progress reports	3 mo. intervals	TNC
Quarterly narrative and financial report submission	" "	TNC
Annual audit	1 yr. intervals	TNC
Project evaluation	30	TNC, USAID