

PD-ART-285



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
Regional Development Office/South Pacific

American Embassy
P.O. Box 218
Suva, Fiji

Telephone (679) 311-399
Telefax: (679) 300-076

March 26, 1993.

Mr. George Sokomanu
Secretary General
South Pacific Commission
BP.D5
Noumea Cedex
New Caledonia

*PAcc
Please follow up
with fishing for
analysis of attached
above subject by 5/9.*

SOUTH PACIFIC COMMISSION
ACTION FILE *... 12/11*
31 MARS 1993
ACTION OFFICER *...*

Grant No: 879-0020-G-SS-3053

Dear Mr. Sokomanu:

This letter refers to the Commission's proposal submitted to this office on 22 October 1992 requesting partial funding for its pilot tuna longlining programme to be undertaken in East New Britain Province of Papua New Guinea.

I am pleased to inform you that pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Government of the United States of America, acting through the Agency for International Development (hereinafter referred to as the Grantor or A.I.D.) hereby grants to the South Pacific Commission (hereinafter referred to as the Grantee or SPC) the sum of One Hundred Seventy Five Thousand United States Dollars (US\$175,000) to be used for support of SPC's tuna longlining programme in PNG as described in the Schedule (Attachment 1) and Program Description (Attachment 2) of this Grant.

This Grant is effective as of the date of this letter and is applicable to the commitments made by the Grantee in support of the project from the date of this Grant Letter through August 31, 1994.

This Grant is made to the Grantee on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 (Schedule); Attachment 2 (Program Description); and Attachment 3 (Standard Provisions); all of which have been agreed to by your organization.

.../2.

*CS
EPOC
CFPM
ECCORD*

Grant No. 879-0020-G-SS-3053

-2-

Please indicate your acceptance of this Grant by signing the original and one copy of this letter in the space provided below and returning one copy to the Grant Officer.

THE UNITED STATES OF AMERICA

By: Larry T. Armstrong
Larry T. Armstrong, Grants Officer
Title: Regional Director
Date: 3-26-93

ACCEPTED:

SOUTH PACIFIC COMMISSION

By: [Signature]
Title: Secretary - General
Date: 26.3.93

ATTACHMENTS:

- 1. Schedule
- 2. Program Description
- 3. Standard Provisions

ACCOUNTING CLASSIFICATION

72-1101021
QDNA9027879KG13
S990330
F990122
879-0020-G-SS-3053.

ACCOUNTING SECTION

FUNDS AVAILABLE: \$ 173,000.00
FUNDS VERIFIED BY: DKUHA
ON: 03/26/93

TRNDAT: BY:
RSTDAT: BY:

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SCHEDULE

A. Purpose of Grant

The purpose of this grant is to provide support for the "SPC Tuna Longlining Programme in East New Britain Province of Papua New Guinea" which is more specifically described in Attachment 2 (Program Description) of this Grant.

B. Period of Grant

The effective date of this Grant is _____. The expiration date of this Grant is August 31, 1994.

C. Amount of Grant and Payment

1. A.I.D. hereby obligates the amount of \$175,000 for purposes of this Grant.

2. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 (Standard Provisions).

D. Grant Budget

The following is the Grant budget. Revisions to this budget shall be made in accordance with the Standard Provision of this Grant entitled "Revision of Grant Budget."

	Grant Budget (US\$ 000)		
	<u>AID Grant</u>	<u>SPC</u>	<u>GPNG/ENBP</u>
Master Fisherman, salary	48,000	24,000	-
Housing & local transport.	-	-	33,400
Administrative support	-	20,000	68,000
Vessels & fuel	-	-	95,000
Commodities	114,000	2,000	8,500
Ice container rental	13,000	-	-
Reporting	-	500	-
Facilities/utilities	-	-	8,400
Communications	-	1,500	-
	-----	-----	-----
Total	175,000	48,000	213,300

E. Source and Origin of Goods and Services

Unless otherwise agreed by A.I.D. in writing, all commodities financed under the Grant must have their source and origin and all suppliers of goods and services their nationality in Papua New Guinea or the United States (A.I.D. Geographic Code 000).

F. Procurement Procedures

The Grantee may use its established procedures for the procurement of goods and services for the project which may involve A.I.D. grant funds.

G. Reporting

In addition to the financing reporting requirements outlined in payment provision (Periodic Advances) of Attachment 3, the Grantee will provide to RDO/SP within 30 days after the end of each quarter a quarterly performance indicator report on its activities financed by this grant. This report will also include the quarterly levels of support given the project from GPNG/ENBP. The format for this report will be provided at a later date.

The Grantee shall submit one copy of each report to the following address:

Project Officer
Tuna Longlining Project
RDO/SP
P.O. Box 218
Suva, Fiji

H. Grant Implementation Letters

To assist the Grantee in the implementation of this Grant, RDO/SP, from time to time, may issue Grant Implementation Letters (GIL) that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon GILs to confirm and record their mutual understanding on aspects of the implementation of this Grant. GILs will not be used to amend the text of this Grant Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the Program Description in Attachment 2.

I. Evaluation

The project shall be formally evaluated about one year after the Agreement is signed by personnel from RDO/SP, SPC, the Department of Fisheries and Marine Resources of GPNG and the East New Britain provincial government. Criteria for evaluation will include, but not be limited to, the following:

1. The performance of the Grantee in (a) complying with the terms of this Grant, and (b) carrying out the activities included in the Program Description and the work plans to be prepared later.

2. The performance of the Grantee in collaborating with RDO/SP and the officials of the East New Britain provincial government.

J. Unallowable Costs

Notwithstanding Standard Provisions in Attachment 3, the following costs are not allowable and reimbursable costs under this Grant: (1) overhead or general and administrative (G&A) costs attributable or allocable to the activities financed under the Grant; and (2) any other costs incurred by the Grantee which, while partially allocable to Grant activities, were not incurred solely for the purposes of the Grant.

K. Special Payment Provisions

Standard Provision 11, PAYMENT (PERIODIC ADVANCES), is modified by deleting subparagraph (b) and substituting the following:

"(b) To request an advance, SPC will submit a certified consolidated project cash flow statement (Attachment 3, Annex 1) to the Regional Development Office/South Pacific (RDO/SP), Suva Fiji. The advance to be requested, initial or otherwise, must be for not more than a 90-day cash requirement, unless there are compelling reasons that can be fully justified.

"Each advance payment, whether initial or otherwise, must be accounted for at least quarterly in order for any subsequent advance payment to be made. If a request for an additional advance is desired, it should be accompanied by a certified consolidated expenditure report (Attachment 3, Annex 2) as well as the consolidated project cash flow statement (Attachment 3, Annex 1).

"RDO/SP, upon receipt of the above mentioned documents, will review them and if they are in order, will process the next advance and/or liquidation of the outstanding advance".

L. Title to Property

Title to all property financed under this Grant shall be vested in the Grantee, subject to the following conditions:

(1) The Grantee shall not charge for any depreciation, amortization, or use of any property, title to which remains in the Grantee under this provision under the Grant or any other U.S. Government agreement, subagreement, contract or subcontract.

(2) The Grantee agrees to use and maintain the property for the purpose of the Grant in accordance with the requirements of paragraphs (3), (4) and (5) below.

(3) The Grantee shall use the property in the program for which it was acquired as long as needed, whether or not the program continues to be funded by A.I.D. When no longer needed for the original program, the property may be used for such other purposes as may be agreed by A.I.D. or, with the prior approval of A.I.D., disposed of by sale and the proceeds thereof used for purposes mutually agreed upon by the Grantee and A.I.D.

(4) The Grantee agrees to report all items of nonexpendable property with a unit cost of the equivalent of US\$500 or more to the Grant Officer from time to time as they are acquired and to maintain a control system which will permit the ready identification and location of all property, expendable and non-expendable, financed under the Grant. For the purposes of this subparagraph, nonexpendable property shall be considered as any item of tangible personal property having a useful life of more than two years.

(5) The Grantee will ensure that a control system is in effect to insure adequate safeguards to prevent loss, damage, or theft of all property financed under the Grant. Adequate maintenance procedures shall also be implemented to keep such property in good condition. At the conclusion of the Grant period, the Grantee shall provide the Grant Officer with a complete inventory of all property financed under the Grant which remains in the Grantee's possession at the time with the Grantee's recommendations for disposition.

M. Standard Provisions

The Standard Provisions for this Grant are those provisions numbered 1 through 11 in Attachment 3.

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PACIFIC ISLANDS MARINE RESOURCES PROJECT

879-0020
PNG Component

East New Britain (PNG) Tuna Longline Project

I. Background:

The A.I.D. PIMAR project, as designed in mid-1989, included a component for PNG. When the Government of PNG requested A.I.D. to relocate the original design to different provinces, including East New Britain, it became necessary to redesign the PNG component, but insufficient information was available to do so.

Recently, the Regional Development Office/South Pacific (RDO/SP) learned that the South Pacific Commission (SPC) was planning to carry out a tuna longline project in the waters around Rabaul, East New Britain Province, but SPC did not have sufficient funds for all the equipment that was needed and for the salary of a master fisherman for sufficient time to obtain the most useful findings. Discussions with SPC about RDO/SP's providing funds to expand and better equip the project led to SPC's formally requesting RDO/SP on 22 October 1992 to jointly participate in its East New Britain Tuna Longline Project (ENBTLP).

A.I.D.'s funds would enable the project to continue for another year and obtain additional equipment and commodities described in the input section below.

II. Goal and Purpose of A.I.D. PIMAR PNG Country Component:

The goal is to increase the exports of marine resources, mainly tuna. Obtaining this goal will require investments made by the PNG private sector in appropriate fishing boats and gear, fishermen trained in longline fishing methods and fish handling, and a marketing chain or operation established.

To obtain the goal, it is necessary to improve the environment for commercial fishing operations in PNG -- the purpose of the A.I.D. assistance. This includes constructive and supportive

government policies and regulations, markets identified, information about the most appropriate boats, gear and fishing techniques made available to interested investors, and financing available for new fishing ventures.

Note that the goal and purpose of A.I.D. assistance may differ somewhat from that of the SPC assistance.

III. Strategy of A.I.D. PIMAR PNG Country Component:

The strategy is to undertake three distinct, but related activities which taken as a package should result in the purpose and goal being reached: two activities are near-term to be undertaken at the same time and the third in about a year if the first two are successful.

Phase I. Support the completion of the SPC tuna longline project so as to obtain findings regarding the most suitable vessels, equipment and methods of fishing and processing/marketing tuna out of Rabaul.

Phase II. At the same time, strengthen the capability of the Fishing Industry Association of PNG (FIA) to influence government policies and regulations, promote the interests of commercial fishermen in PNG, and encourage new investments.

Phase III. In early 1994, support the establishment of a sashimi tuna fishing operations in Rabaul, assuming the following: Successful progress in Phases I and II above; the private sector is interested in investing in commercial tuna fishing, the ADB fisheries program loan is executed, and the government begins to change its policies and regulations.

IV. Description of Phase I (SPC /ENBTLP):

1. General: The SPC provided 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 adaption 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 targeted on a diverse group of interested fishing people and entrepreneurs who have in the past been involved to a limited extent with commercial

fishing activities in the area. Marketing of catch will be limited to the immediate vicinity of Rabaul with perhaps some limited trials to major PNG cities.

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

2. 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.

3. 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.

4. Outputs:

- 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.

V. Inputs:

1. A.I.D.:

- a. Salary of a tuna master fisherman for 12 months.
- b. Fishing equipment, including a monofilament longline system for the FV Kuriap (see list in section below).
- c. Rental for one year of two refrigerated containers to be used for fish, ice and bait storage.
- d. Backup supply of imported baitfish.
- e. Electrical connections to the containers and ice machine at the Kabakaul dock.
- f. Equipment and supplies for fish handling and the construction of FADs.

2. SPC:

- a. Salary of a tuna master fisherman for six months.
- b. Project oversight by the SPC fisheries development officer.

- c. Staff time and inputs from various SPC fisheries program officers and components.
 - d. Reports at end of Stages 1 and 2.
3. Host Country (both GPNG and ENBP):
- a. Four fully functional and serviced fishing vessels, including the FV Kuriap, for the full term of the project, if needed.
 - b. All running or operating costs of the project's vessels.
 - c. Housing and land transport for the master fisherman.
 - d. Upgrade of marine base facilities.
 - e. Crews for the vessels and administrative support.
 - f. Limited baitfishing supplies.

4. A.I.D.-Financed Fishing Equipment:

The equipment listed under V.1.b above include the following (estimated cost in US dollars in parenthesis):

- a. Longline deck gear and expendables to outfit FV Kuriap (\$35,500).
- b. Electronics for FV Kuriap and shore base; i.e. radio direction finder and two VHF radios (estimated at \$6,400).
- c. Parachute sea anchor for FV Kuriap (\$1,200).
- d. Fishing gear and materials to outfit three small craft for vertical longline fishing (\$9,000).
- e. Fishing gear (nets and trap materials) to promote artisanal bait fishery (\$10,000).
- f. Fish handling and transporting equipment (fish bins, scales, implements and tools)(\$5,500).

VI. Implementation Plan:

The project will be implemented by SPC. SPC, using its established procurement procedures, will hire the master fisherman who will be assisted as needed by the PNG fisheries departments and officers. SPC's fisheries development officer based at Noumea, New Caledonia, but traveling frequently to Rabaul and Mr. Chris Martinello, Project Officer for ENBP Kokopo Fisheries Project, will supervise and monitor the work of the master fisherman. 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.

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

STANDARD PROVISIONS FOR
GRANTS TO PUBLIC INTERNATIONAL ORGANIZATIONS

- | | |
|----------------------------------|-----------------------|
| 1. Allowable Costs | 6. Nonliability |
| 2. Refunds | 7. Amendment |
| 3. Revision of Grant Budget | 8. Notices |
| 4. Termination Procedures | 9. Publications |
| 5. U.S. Officials Not to Benefit | 10. Audit and Records |
| | 11. Payment |

1. ALLOWABLE COSTS

(a) The Grantee shall be reimbursed for costs incurred in carrying out the purposes of this Grant which are reasonable, allocable, and allowable.

(1) Reasonable shall mean those costs that do not exceed those which would be incurred by an ordinarily prudent person in the conduct of normal business.

(2) Allocable shall mean those costs which are necessary to the Grant.

(3) Allowable shall mean those costs which are reasonable and allocable, and which conform to any limitations set forth in this Grant.

(b) Prior to incurring a questionable or unique cost, the Grantee is encouraged to obtain the Grant Officer's written determination as to whether the costs will be allowable.

2. REFUNDS

(a) The Grantee is encouraged to utilize interest bearing accounts where feasible and shall remit to A.I.D. all interest earned on funds provided by A.I.D.

(b) Funds obligated by A.I.D. but not disbursed to the Grantee at the time the Grant expires or is terminated shall revert to A.I.D., except for such funds encumbered by the Grantee by a legally binding transaction applicable to this

Grant. Any funds advanced to but not expended by the Grantee at the time of expiration or termination of the Grant shall be refunded to A.I.D. except for such funds encumbered by the Grantee by a legally binding transaction applicable to this Grant.

(c) If, at any time during the life of the Grant, or as a result of final audit, it is determined that A.I.D. funds provided under this Grant have been expended for purposes not in accordance with the terms of this Grant, the Grantee shall refund such amount to A.I.D.

3. REVISION OF Grant BUDGET

(a) The approved Grant budget is the financial expression of the Grantee's program as approved during the Grant award process.

(b) The Grantee shall immediately request approval from the Grant Officer when there is reason to believe that within the next 30 calendar days a revision of the approved Grant budget will be necessary for any of the following reasons:

(1) To change the scope or the objectives of the project and/or revise the funding allocated among project objectives.

(2) Additional funding is needed.

(3) The Grantee expects the amount of A.I.D. authorized funds to exceed its needs by more than \$5,000 or five percent of the A.I.D. award, whichever is greater.

(c) Except as required by other provisions of this Grant specifically stated to be an exception from this provision, A.I.D. shall not be obligated to reimburse the Grantee for costs incurred in excess of the total amount obligated under the Grant. The Grantee shall not be obligated to continue performance under the Grant (including actions under the "Termination Procedures" provision) or otherwise to incur costs in excess of the amount obligated under the Grant, unless and until the Grant Officer has notified the Grantee in writing that such obligated amount has been increased and has specified the new Grant total amount.

4. TERMINATION PROCEDURES

This agreement may be terminated, in whole or in part, by either party at any time upon 30 days written notice of termination. Upon receipt of and in accordance with a termination notice from the Grant Officer, the Grantee shall take immediate action to cease all expenditures financed by this Grant and to cancel all unliquidated obligations if possible. Further, upon receipt of notice of termination, the Grantee shall not enter into any further obligations under this Grant. Except as provided below, no further reimbursement shall be made after the effective date of termination. The Grantee shall within 30 days of the effective date of termination repay to A.I.D. all unexpended A.I.D. funds which are not otherwise obligated by a legally binding transaction applicable to this Grant. Should the funds paid by A.I.D. to the Grantee prior to the effective date of termination be insufficient to cover the Grantee's obligations in a legally binding transaction, the Grantee may submit to A.I.D. within 90 days after the effective date of termination a written claim for such amount. The Grant Officer shall determine the amount(s) to be paid by A.I.D. to the Grantee under such claim in accordance with the "Allowable Costs" provision of this Grant.

5. U.S. OFFICIALS NOT TO BENEFIT

No member of or delegate to the U.S. Congress or resident U.S. Commissioner shall be admitted to any share or part of this Grant or to any benefit that may arise therefrom.

6. NONLIABILITY

A.I.D. does not assume liability for any third party claims for damages arising out of this Grant.

7. AMENDMENT

The Grant may be amended upon mutual consent of the parties by formal modifications to the basic Grant document or by means of an exchange of letters between the Grant Officer and an appropriate official of the Grantee.

8. NOTICES

Any notice given by A.I.D. or the Grantee shall be sufficient only if in writing and delivered in person, mailed, or cabled as follows:

To the A.I.D. Grant Officer, at the address specified in the Grant.

To Grantee, at Grantee's address shown in the Grant or to such other address designated within the Grant.

Notices shall be effective when delivered in accordance with this provision, or on the effective date of the notice, whichever is later.

9. PUBLICATIONS

(a) If it is the Grantee's intention to identify A.I.D.'s contribution to any publication resulting from this Grant, then the Grantee shall consult with A.I.D. on the nature of the acknowledgement prior to publication.

(b) The Grantee shall provide the A.I.D. project officer with one copy of all published works developed under this Grant and with lists of other written work produced under the Grant.

(c) Except as otherwise provided in the terms and conditions of the Grant, the author or the recipient is free to copyright any books, publications, or other copyrightable materials developed in the course of or under this Grant, but A.I.D. reserves a royalty-free nonexclusive and irrevocable right to reproduce, publish, or otherwise use, and to authorize others to use the work for U.S. Government purposes.

10. AUDIT AND RECORDS

The Grantee shall maintain books, records, documents, and other evidence in accordance with the Grantee's usual accounting procedures to sufficiently substantiate charges to the Grant. The Grantee confirms that this program will be subject to an independent audit in accordance with the Grantee's usual auditing procedure, and agree to furnish copies of these audit reports to A.I.D. along with such other related information as may be requested by A.I.D. with respect to questions arising from the audit report.

11. PAYMENT (PERIODIC ADVANCE)

(This provision is applicable when: (i) the grantee maintains procedures to minimize the time elapsing between the transfer of funds and the disbursement thereof, and (ii) the grantee's financial management system meets generally accepted accounting standards for funds control and accountability.)

(a) Periodic advances shall be limited to the minimum amounts needed to meet current disbursement needs and shall be scheduled so that the funds are available to the Grantee as close as is administratively feasible to the actual disbursements by the Grantee for program costs. Cash advances made by the Grantee to secondary recipient organizations or the Grantee's field organizations shall conform substantially to the same standards of timing and amount as apply to cash advances by A.I.D. to the Grantee.

(b) The Grantee shall submit requests for advances (using SF-270, Request for Advance or Reimbursement") at least monthly to the paying office specified in the Grant letter. Requests shall state the estimated disbursements to be made during the period covered by the request, less the estimated balance of cash on hand at the beginning of the period and the advance amount being requested.

(c) The Grantee shall submit a "Financial Status Report" (SF-269A) quarterly, no later than 30 days after the end of the period, to the paying office specified in the Grant letter. The report shall show disbursements, advances received, and any cash remaining on hand for the period covered by the report. Within 90 days following the expiration of the Grant, the Grantee will submit a SF-269A showing total disbursements, total advances received and any cash remaining on hand, which will be refunded to A.I.D.

(d) If at any time, the A.I.D. Controller determines that the Grantee has demonstrated an unwillingness or inability to: (1) establish procedures that will minimize the time elapsing between cash advances and the disbursement thereof, (2) timely report cash disbursements and balances as required by the terms of the Grant, and (3) impose the same standards of timing of advances and reporting on any subrecipient or any of the Grantee's overseas field organizations; the A.I.D. Controller shall advise the Grant Officer who may suspend or revoke the advance payment procedure.

- Annex 1 - Consolidated Project Cash Flow Statement
- 2 - Consolidated Quarterly Expenditure Report

Consolidated Project Cash Flow Statement
(Quarter from 1 January to 31 March 1993*)
(in U.S. Dollars)

A.	Cash advances received to date from inception of grant	\$ xxxxxx
B.	Less cash disbursements (expenditures) to date (from inception of grant)	\$ xxxxxx -----
C.	Cash advances outstanding to date (A minus B)	\$ xxxxxx
D.	Projected disbursements (expenditures) next quarter	\$ xxxxxx
E.	Cash advance required for next quarter (D minus C)	\$ xxxxxx =====

The undersigned hereby certifies: (1) that the above represents the best estimate of funds needed for expenditures to be incurred over the period described; (2) that appropriate refund or credit to the grant will be made in the event funds are not expended; (3) that appropriate refund will be made in the event of disallowance in accordance with the terms of this grant; and (4) that any interest accrued on the funds made available herein will be refunded to AID.

BY: _____

TITLE: _____

DATE: _____

*note: Period indicated is for illustrative purposes only.

CONSOLIDATED QUARTERLY EXPENDITURE REPORT
(Quarter from 1 January to 31 March 1993*)
in U.S. Dollars

PIMAR Project(SPC/ENBTLP)Expenditures

<u>Budget Line Items</u>	<u>Budget Amount</u>	<u>Cumulative through Previous Quarter</u>	<u>This Quarter</u>	<u>Total to Date</u>
1 Salaries	48,000	XXXXX	XXXXX	XXXXX
2 Commodities	114,000	XXXXX	XXXXX	XXXXX
3 Container rental.	13,000	XXXXX	XXXXX	XXXXX

Total ...	\$175,000	\$XXXXX	\$XXXXX	\$XXXXX
=====				

I, the undersigned, hereby certify that: (1) the expenditures claimed under the cited agreement are proper and due and that appropriate refund to AID will be made promptly upon request of AID in the event of non-performance in whole or in part under the terms of the agreement or for breach of the terms of the agreement; (2) the information on the fiscal report is correct and such detailed supporting information as AID may require will be furnished, as appropriate; and (3) all requirements called for by the agreement to date of this certification have been met.

BY: _____

TITLE: _____

DATE: _____

*note: Period indicated is for illustrative purposes only.

BACKGROUND PAPER

PNG Component - PIMAR (879-0020)

The PIMAR project, including the PNG component, was designed in the summer of 1989, the PP submitted to AID/W (August, 1989) and the project authorized on July 13, 1990. The purpose of the PNG component was "to expand production and consumption of locally caught fish." The strategy was based on "encouraging increased production of fresh iced fish from areas adjacent to population centers." The inputs included four expatriate long-term advisors with a budget of \$3,092,000. Project personnel and activities were to be in:

Lae	pop. 79,000 in Morobe Province	pop. 347,000
Madang	pop. 27,000 in Madang Province	pop. 238,000
Rabaul	pop. <u>15,000</u> in East New Britain	pop. <u>150,000</u>
	121,000	735,000

About the time the project was finally authorized, the GPNG requested that two of the three proposed sites be changed as follows due to new fishing development activities by the German aid program around Lae and Madang:

Kavieng	pop. 4,600 in New Ireland Province	pop. 75,000
Kimbe	pop. 7,200 in West New Britain Pro.	pop. 104,000
Rabaul	pop. <u>15,000</u> in East New Britain Pro.	pop. <u>150,000</u>
	26,800	329,000

The significant difference in the population and location of the proposed new provinces would have had a major impact on the purpose of the component and the inputs needed to achieve the purpose. Thus, a major redesign effort was needed. There was not sufficient time to redesign the component for an FY 1990 obligation and the original design included a six-month preliminary planning phase for the PNG component. Therefore, RDO/SP executed a project agreement with the GPNG on August 31, 1990 for \$200,000 to "carry out the necessary planning and design of a new project to expand production and consumption of locally caught fish in Papua New Guinea."

Since that time, four survey or design-type trips have been made to PNG:

1. October, 1990 - Roger Uwate (Mr. Howell's predecessor) with consultant Mr. Walton identified five areas in which the project might work and provided terms of reference for five studies to be made by five teams which would have provided the basis for

designing the PNG component. However, these studies would not have provided sufficient focus for design of a project.

Note: Involved mission personnel were extremely busy for the next twelve months in four contracting actions for the other country components and designing a Fiji component. In addition, an ADB study concerning policies affecting the fishing sector was to be carried out in 1991.

2. October, 1991 - Roger Uwate made a second trip to PNG where he was assisted by Maurice Brownjohn, a resident expatriate with extensive fishing industry experience in PNG and president of the Fishing Industry Association (FIA), and Sharon Fee for part of his trip. He identified about ten elements plus three studies for a private sector-related project, including assistance to the FIA. Details were provided in a 24-page trip report followed by a 16-page draft action memo for the design of the PNG component which were not submitted for approval. The Regional Director on December 18, 1991 approved Uwate's revised and shorter memorandum which proposed a design approach directed towards: (a) strengthening the private fishing industry via an organization such as FIA; (b) managing the resources including long-term training for GPNG personnel; and (c) conducting several baseline surveys.

Note: In November, 1991, the updated RDSS shifted the goal of the South Pacific program from:

"increase income opportunities for men and women within the islands through means which enhance the conservation and management of natural resources"

to

"economic growth which sustains the environment and is based on private and community enterprise."

The emphasis was shifted from increase in incomes to increase in exports of high value products. The contract with Mr. Uwate was not renewed in February, 1992 and the position was vacant for about six months.

3. August, 1992 - Richard Howell visited PNG where he was assisted by Maurice Brownjohn. Ralph Singleton, the mission's project development advisor, was unable to make the trip as he was needed in Suva for end of year obligations. Their trip report identified two potential activities: (a) supplemental financing for the SPC tuna longlining project in Rabaul and (b) institution building assistance to the FIA.

Note: Shortly after this trip was made, the new regional director arrived to begin his long-term assignment. A concept paper for the PNG component was prepared and sent in December to GPNG for review. The concept paper proposed a 3-phase approach to increasing the export of marine products:

Phase I - Supplemental financing for the SPC tuna longlining programme to be carried out in Rabaul.

Phase II - Institution building assistance to the Fishing Industry Association.

Phase III - Additional support for the fishing industry's efforts to increase exports based on the progress of Phases I and II.

4. February, 1993 - Richard Howell and Ralph Singleton went to PNG (Port Moresby and Rabaul) to obtain sufficient information for a PP supplement, mainly for assistance to the FIA. They took with them a PIO/T for the SPC tuna longlining programme (Phase I) for countersigning by the GPNG as the grant would be financed from funds already obligated through the ProAg with GPNG of 1990. They were joined by Regional Director Armstrong for a portion of the trip. The PIO/T and the concept paper were discussed with appropriate officials several times.

The GPNG signed the PIO/T on March 10, 1993.

Ralph Singleton: March 5 & 24, 1993: doc. gpngmemo.1

PACIFIC ISLANDS MARINE RESOURCES PROJECT

879-0020

Modification of Papua New Guinea Component

Papua New Guinea Sashimi Tuna Export Development and Fishing Industry Association Support.

A. Background and Rationale:

The original project paper for PIMAR, dated August 16, 1989 included a \$3,092,00 component for PNG whose purpose was "to expand consumption and production of locally caught fish". The project was to work around Lae (Morobe Province), Madang (Madang Province and Rabaul (East New Britain Province). The strategy was to increase production of fresh, iced fish from areas adjacent to population centers. The strategy aimed to encourage private fishermen to market better quality fish directly to consumers and fish merchants. The purpose and strategy of the component was consistent with the Regional Development Strategy Statement (RDSS) of June 1988 the goal of which was " to increase income opportunities for men and women within the islands through means which enhance the conservation and management of natural resources.

The project was not authorized until July 13, 1990. During the long delay, German aid began fishing activities in the Lae and Madang areas, so GPNG asked RDO/SP to substitute Kavieng and Kimbe for these two cities, with Rabaul remaining in the component. Since the original cities have total population of 106,000 and the new towns have total only 11,800, the basic premises and design features had to be reviewed. As there was not sufficient time to revise the design in time for an FY 1990 obligation, RDO/SP decided to obligate \$200,000 for a design phase only. (Singleton July 11, 1990 Memo). A ProAg was signed between RDO/SP and GPNG in August 1990 for a design activity for a coastal fisheries project in the provinces of East and West New Britain, and New Ireland in the Islands Region of PNG. A preliminary planning team (Uwate and Walton) visited these areas in October/November 1990. The team identified the major constraint to private sector fisheries development in PNG as restrictive government policy.

The preliminary planning team noted that the Asian Development Bank (ADB) was in the design phase of a major fisheries development project for PNG. Much of the ADB focus was on policy reform. Rather than duplicate ADB's efforts, RDO/SP postponed design of its PNG PIMAR component until the ADB planning work and initial reports were completed. The RDO/SP staff was fully occupied in 1991 with contracting for the other four countries and design of the Fiji component. The ADB Agrodev report was completed in May 1991. The

ADB planned support to PNG has been documented in a MOU signed in February of 1992. The MOU proposes three programs funded under a program loan of US\$50 million. Discussions on the content of the various programs are continuing at this time with a proposed start date of January 1993, but there have been numerous delays and problems related to the Program startup. [The main interest to AID will be the Commercial Fisheries Program that focuses on policy reforms, investment incentives and a fisheries credit facility. Under the latter ADB will provide approximately US\$14 million to private sector individuals who submit proposals for development funding through the PNG Department of Fisheries and Marine Resources (DFMR)].

Another event that affected PIMAR design focus occurred in November 1991, when RDO/SP updated the South Pacific Regional Strategy to reflect the Agency's change in policies and interests. The new strategy gives emphasis "...to increase exports of high value products.", instead of increased incomes and jobs.

In October 1991 the RDO/SP Marine Resources Advisor(MRA) made another trip to PNG which resulted in some specific ideas for design of the PNG component. A scope of work was proposed in December 1991 and refined in January 1992. The plan to put a design team in the field in early 1992 was again delayed by the departure of the (MRA) in March of 1992.

A new MRA was recruited and the design activities were again started in August of 1992 with a trip to PNG by the MRA and a PNG fisheries consultant. They catalogued design opportunities that would support the new regional strategy focus on exports with sashimi tuna export development in the area of East New Britain and support of the new Fishing Industry Association of PNG (FIA) as being the most appropriate.

At the same time, the South Pacific Commission had been carrying out negotiations with the East New Britain Province (ENBP) to implement a sashimi tuna longline project at Rabaul that started in November 1992.

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 tuna resources of the Islands Region were being exploited by commercial ventures based at Rabaul, Kavieng and Manus but there is at present no commercial operations in that area. The few commercial export operations are based in the Gulf of Papua where they catch and export about \$12 million per year mainly shrimp and lobster. Recognizing the fact that tuna fisheries development activity is dormant in the Islands Region the Government of Papua New Guinea (GPNG) is seeking assistance in the development of these resources by it's citizens. Specifically, the (ENBP), with endorsement of GPNG, is seeking aid donor assistance to help develop and establish a tuna sashimi export fishery based

in Rabaul ENBP. GPNG support for this concept and a policy divestment of commercial activity by the government is evidenced by the policy changes to stimulate private sector growth in the potential 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 policy reform and investment incentives for the private sector.

Therefore, the private sector increasingly will be called upon to take the lead in commercial fishing activities. This requires a strong, well organized effort by the private sector. FIA located in Port Moresby was formed in 1991 by the private sector commercial exporters based in the Gulf of Papua for this very purpose. The FIA, newly formed and lacking funds, is seeking assistance to help increase it's program services for the private commercial fishing interests of PNG especially in the areas of policy reforms, export incentives, investment assistance, and product promotion.

In summary, The PNG Islands Region holds major untapped resources of tuna, yet there are no indigenous tuna fishermen harvesting these resources at present. The few major commercial fisheries enterprises that do exist are located in the Gulf of Papua and harvest other resources, tuna potential being mainly north toward the Pacific Ocean. Government policies and regulations have in the past acted as a disincentive to sustaining viable tuna fisheries in PNG and are in need of revision to foster change. The Government, is now beginning to consider making efforts to create investment and export incentives, but it has taken concerted effort by the private sector and specifically FIA to bring about these changes.

To stimulate industry growth, a two pronged approach is needed to improve the environment and operations of commercial fishing leading to increased exports of marine products: (A) A feasibility/demonstration fishing project based at Rabaul to demonstrate that sashimi tuna can be consistently caught using a variety of methods and small to medium sized vessels. These efforts, if successful, would lead to a further effort to establish the fishery. (B) Strengthening of the FIA to enable it to maintain a steady campaign for policy/regulatory reforms and to promote increased commercial fishing operations, including expansion of FIA activities into the Islands Region when the initial tuna feasibility exercise is completed.

This two-prong approach is consistent with the RDO/SP strategy emphasis #1: to increase export of high value products and with the GPNG policy of emphasis on exports and private sector development.

B. Basic Strategy and Chronology of Events.

The strategy consists of three phases:

Phase I. Support for the South Pacific Commission Tuna Longline Project (SPCTLP) to 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. Estimated AID contributions over 18 months \$175,000.

Phase II. Support for the FIA to strengthen sustainable private sector commercial fishing operations and increase its influence in promoting changes in the GPNG policies and regulations that hinder commercial fishing.

Phase III. Based on the findings and insights gained in Phases I and II, design and undertake additional sub-project initiatives that will be identified.

The timing of the specific activities associated with the three phases of the PNG PIMAR sub-project is as follows:

- November 1992, SPC begins tuna fishing feasibility/demonstration at Rabaul ENBP
- December 1992, RDO/SP grants assistance funds to SPC to carry project through two stages for 18 months. Phase I begins.
- January 1993, RDO/SP begins design work on Phase II.
- April-May 1993, Assistance to FIA commences, Phase II.
- December 1993, RDO/SP along with ENBP, SPC and GPNG evaluates mid-term results of Phase I and begins planning for an expanded tuna fishery in Phase III.
- May 1994 SPC project Phase I completed and design of Phase III sub-project(s) finalized.
- July 1994, Contractor/implementation agency in field ready for start of Phase III.
- June 1995 assistance to FIA completed (before PACD) ending Phase II.
- September 1995(PACD is extended) Phase III continues.
- End of Phase III and PNG PIMAR component in June 1996.

C. Basic Description of Program Phases

1. Phase I: SPC Tuna Longline Sub-Project.

The objective of Phase I is to conduct fishing trials utilizing ENBP vessels that are outfitted with vertical handlines, vertical longlines and monofilament longline systems designed and manufactured for ease of operation and adaption to vessels in the 10-20 meter range. These trials will be conducted in two stages and will be oriented toward assessing the availability of yellowfin and bigeye tuna resources within a 100 mile radius of Rabaul in ENBP. Fishing demonstration and training will also be provided, targeted on fisherfolk and entrepreneurs in ENBP some of whom have in the past been involved to a limited extent with commercial fishing, commercial agriculture and commercial marine activities in the area. Marketing of catch will mainly in the immediate vicinity of Rabaul with some trial marketing in other major PNG cities.

a. Logframe

(1) Goal and Purpose

The goal is to increase the exports of marine products, mainly tuna. The purpose of aid assistance to SPC is to demonstrate the potential for commercial fishing operations in PNG.

(2) Outputs

(a) Deployment of five Fish Aggregation Devices (FAD) to be constructed in Rabaul.

(b) Development of sashimi tuna capture techniques to ENBP fishermen.

(c) Development of longline bait capturing, handling and live holding techniques.

(d) Completion of Fishing trials showing repeated landings of sashimi quality tuna near FADs using handline and vertical longline, and horizontal monofilament longline systems.

(e) Demonstration marketing of sashimi grade tuna and miscellaneous catch in Rabaul and other PNG population centers.

(f) Mid-project and final reports by SPC.

(3) Inputs

(a) AID will provide grant funds to SPC to:

- (i) Provide the salary of a tuna masterfisherman for a period of twelve months.
- (ii) Purchase fishing equipment including a monofilament longline system for project's main fishing vessel, the ENBP vessel "Kuriap".
- (iii) Cover the cost of renting for one year, two refrigerated containers to be used for fish, ice and bait storage.
- (iv) Purchase a backup supply of imported baitfish.
- (v) Pay for the electrical connections to the containers and ice machine at the Kabakaul dock.
- (vi) Purchase equipment and supplies for fish handling and the construction of FADs.

(b) Host country (GPNG/ENBP) will provide:

- (i) Three or four fully functional and serviced fishing vessels including the 'Kuriap' for the duration of the project as required.
- (ii) Full running costs for the project vessels.
- (iii) Housing and land transport for SPC project personnel.
- (iv) Upgrade of marine base facilities that includes power, water, and dock upgrade.
- (v) Vessel crews and administrative support.
- (vi) Limited baitfishing supplies.

(c) SPC will provide:

- (i) Tuna masterfisherman salary for six months.

- (ii) Project oversight by the SPC Fisheries Development Officer.
- (iii) Staff time and input from various SPC Fisheries Program Officers and components.
- (iv) Monitoring and reporting on all project activities.
- (v) Mid-term and final project evaluation.

b. Phase I Implementation plan

The project will be implemented by the SPC. Implementation steps commenced in November 1992, and will be in two stages of 7 and 11 months. All field work will be prepared and implemented by the SPC masterfisherman with assistance from the GPNG and ENBP fisheries departments and officers. SPC and RDO/SP will review project progress and determine the type and level of reporting and information required. However, midpoint and final assessments will be jointly prepared. These will evaluate the adequacy of techniques employed, economic feasibility, responses and involvement of local fishermen and investors, the bait resources, the marketing trials, and local infrastructure.

c. Budget

	<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	<u>175,000</u>	<u>48,000</u>	<u>213,300</u>	<u>436,300</u>

2. Phase II: Support for FIA Operations and Programs

In the second project phase, AID would provide the necessary technical assistance and administrative support to FIA to

strengthen it and enable it to devise programs that will strengthen FIA's ties within the commercial fishing sector, increase FIA's capacity in providing private sector input to national policy and development issues, and to broaden field involvement with activities that directly stimulate the growth of the fishing industry, such as seminars, promotions, publication of industry literature and preparation of investment feasibilities.

Several sub-project initiatives are likely in this phase These could include activities such as:

- a. Provide technical assistance to FIA in policy formulation, program development, industry promotion, Fisherfolk business organization.
- b. Conduct seminars and conferences related to development of the PNG fishing industry.
- c. Organize a membership campaign aimed at producing an FIA self sustaining budget.
- d. Assist FIA to organize the Rabaul Fisheries as a viable fisheries marketing entity and to develop investment packages for new FIA members in the fishery.

3. Phase III. Establishment of a Sashimi Tuna Fishery

The objective of the third phase is to build upon the findings of the SPC fishing trials in Phase I and the insights gained from working with the FIA in Phase II. The mid-term evaluation which will assess both phases is expected to identify development initiatives for phase III.

These initiatives are likely to include:

- a. Concentrated longline fishing training.
- b. Establishment of market channels internationally and within PNG.
- c. Development of fish marketing organization.
- d. Assisting in acquiring investment in the fishery.
- e. Product development, primary and secondary.
- f. Marketing, quality assurance and business management training.