

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT PD-ABM-047

Fax No.: 632-521-5241

USAID/Philippines  
A/C San Francisco 96528



PD-ABM-047  
96912

September 24, 1991

Mr. Stan W. Hosie, Treasurer  
The Foundation for the Peoples  
of the South Pacific  
3550 Afton Road  
San Diego, California 92123

Subject: Cooperative Agreement No. 879-0023-A<sup>100</sup>1241-00

Dear Mr. Hosie:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "AID" or "Grantor") hereby grants to The Foundation for the Peoples of the South Pacific (hereby referred to as "FSP" or "Recipient"), the sum of \$671,508.00 to provide support for a program in the South Pacific, as described in the Schedule of this Cooperative Agreement and the "Program Description".

This Agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of the program objectives during the period beginning with the effective date and ending September 30, 1995.

This Agreement is made to the FSP, on the condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1, entitled the Schedule, Attachment 2, entitled "Program Description", and Attachment 3 entitled "Standard Provisions", which have been agreed to by your organization.

Please sign the original and each copy of this letter to acknowledge your receipt of the Cooperative Agreement, and return the original and all but one copy to the Contract Services Office, USAID/Manila.

Sincerely,

A handwritten signature in dark ink, appearing to read "S. D. Heishman".

S. D. Heishman  
Agreement Officer

ATTACHMENTS:

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

ACKNOWLEDGED:

The Foundation for the Peoples of the South Pacific

By : *Stan G. Wilson*

Title : Treasurer

Date: : September 26, 1991

FISCAL DATA

Allocation	:	
Appropriation	:	72-1111021
Budget Plan Code	:	Multiple (See Attached)
PIO/T No.	:	879-0023-3-10010
Project No.	:	879-0023
Total Est. Amount	:	\$1,960,000
Total Oblig. Amount	:	\$671,508

ACCOUNTING CLASSIFICATION

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APPN: 72-1111021  
— BPC: PDSA9127879IG13  
RESCTLNO: S910364  
AMOUNT: US\$100,000.00

100,000.00 †  
50,000.00 †  
150,000.00 †  
371,508.00 †  
004.....  
671,508.00 0

APPN: 72-1111021  
BPC: PDNA9127879KG13  
RESCTLNO: S910365  
AMOUNT: US\$50,000.00

004.....  
671,508.00 \*

APPN: 72-1111021  
BPC: PDNA9127879IG13  
RESCTLNO: S910366  
AMOUNT: US\$150,000.00

APPN: 72-1111021  
BPC: PDNA9127879JG13  
RESCTLNO: S910367  
AMOUNT: US\$371,508.00

SCHEDULE

A. Purpose of Cooperative Agreement

The purpose of this Agreement is to provide support for Profitable Environmental Protection (PEP) Project, as more specifically described in Attachment 2 to this Agreement entitled "Program Description".

B. Period of Cooperative Agreement

1. The effective date of this Agreement is September 24, 1991. The expiration date of this Agreement is September 30, 1995.
2. Funds obligated hereunder are available for program expenditures for the estimated period from September 24, 1991 to December 31, 1992 as shown in the Cooperative Agreement budget below.

C. Amount of Agreement and Payment

1. The total estimated amount of this Cooperative Agreement for the period shown in B.1. above is \$1,960,000.
2. A.I.D. hereby obligates the amount of \$671,508 for program expenditures during the period set forth in B.2. above and as shown in the Agreement Budget below.
3. Additional funds up to the total amount of the Agreement shown in C.1. above may be obligated by A.I.D. subject to the availability of funds, the mutual agreement of the parties to proceed, and the requirements of the Standard Provision of the Cooperative Agreement entitled "Revision of Grant Budget".
4. (a) Payment under this Cooperative Agreement shall be by means of a Letter of Credit (LOC) in accordance with the terms and conditions of the LOC and any instructions issued by the AID Office of Financial Management, Cash Management and Payment (PFM/FM/CMP).  
  
(b) As long as the LOC is in effect, the terms and conditions of the LOC and any instructions issued by PFM/FM/CMP constitute the payment conditions of this agreement, superseding and taking precedence over any other clause of this Agreement concerning payment.

(c) If the LOC is revoked, payment may be made on a cost-reimbursement basis, in accordance with the other clauses of this Agreement concerning payment.

(d) Revocation of the LOC is at the discretion of PFM/FM/CMP after consultation with the Agreement Officer. Notification to the recipient of revocation must be in writing and must specify the reasons for such action. The recipient may appeal any such revocation to the Agreement Officer, in accordance with the Disputes clause of this contract. Pending final decision, payments under the contract will be in accordance with paragraph (c) of this clause.

D. Financial Plan

The following is the tentative Agreement Budget. Within 30 days of the effective date of the Agreement, FSP will submit to RDO/SP and the Agreement Officer a detailed cost breakdown for implementation of the program described herein. Upon receipt of this proposal, discussions will ensue to determine the final budget for the program. Afterwards revisions to this budget shall be made in accordance with Standard Provision of this Agreement, entitled "Revision of Grant Budget".

Agreement Budget (US \$000)			
Technical Assistance	<u>This Obligation</u>	<u>Future Obligations</u>	<u>Total</u>
a. long term	150	380	530
b. short term	147	103	250
c. travel	50	190	240
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	(347)	(673)	(1,020)
Office Support - FSP			
a. South Pacific	80	160	240
b. San Diego	60	100	160
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	(140)	(260-)	(400)
Conference, Publications,			
Meetings	20	90	110
Commodities	35	--	35
Audit	--	15	15
FSP Overhead	130	250	380
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	672	1,288	\$1,960

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The Recipient may not expend funds in excess of the amount obligated under this Agreement; adjustment among budget line items are restricted to 15% without prior approval from RDO/SP.

Recipients will keep and maintain separate financial records/accounts for USAID funds. Books of accounts will be available for inspection at any time by an RDO/SP representative.

E. Substantial Involvement Understanding

It is anticipated that performance of the program description requires substantial involvement by USAID with FSP participation. Specific areas of involvement include, but are not limited to:

1. approve selection of recipient personnel;
2. review and approval of recipient implementation plans;
3. review, comment and approve subgrantee proposals and subgrants;
4. participation in Project Advisory Group;
5. review and approval of final EMUS (Ecological Management Units) which will receive project assistance;
6. review and approval of environmental assessment for individual enterprises;
7. visits to proposed EMU sites by RDO/SP;
8. participation in design of training programs;
9. participation in the development of workshops;
10. review and approval of evaluation plans.

F. Establishment of Indirect Cost Rates

An indirect cost rate shall be established for each of the Recipient's accounting periods which apply to this Agreement. Pending establishment of revised provisional or final indirect cost rates for each of the Recipient's accounting periods which apply to this Agreement, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rates applied to the bases which are set forth below.

<u>Type of Rate</u>	<u>Rate</u>	<u>Base</u>
Overhead	23.97%	All Direct Costs

PROGRAM DESCRIPTION

I. BACKGROUND

- A. The Project Paper for the Profitable Environmental Protection Project (PEP 879-0023) was designed by a team provided under Cooperative Agreement 879-0000-A-00-1152-00, dated July 1, 1991 between RDO/SP and Foundation for the Peoples of the South Pacific. The performance of FSP has been satisfactory to RDO/SP. Thus, under the collaborative assistance mode adopted for project design and implementation, RDO/SP desires to continue using the services of FSP for implementation of the project. As the first step in project implementation, this new "implementation" cooperative agreement will be awarded to FSP to provide the majority of the project inputs.

B. Objective

The goal of the Profitable Environmental Protection project is conservation of the biological systems of the South Pacific consistent with sustainable economic development. The working definition of sustainable economic development adopted for purposes of the project concept is:

A pattern of social and structural economic transformations (i.e., "development") that optimizes the economic and other societal benefits available in the present, without jeopardizing the likely potential for similar benefits in the future.

The purpose of the project is to demonstrate working models of profitable commercial and community enterprises that enable the long term conservation of biologically and economically vital ecosystems.

C. Project Rationale and Approach

1. Rationale

The problem addressed by the project is that human interaction with natural systems can cause those systems to deteriorate, and to lose their regenerative capacity. The natural system's benefits or "services" are lost, sometimes permanently. The net result is that options for human activity are diminished, and a community's ability to meet its needs and wants is jeopardized. Hundreds of examples

exist in the Pacific Islands region, most relating to unsustainable harvesting of marine and terrestrial plant and animal species. The encouraging note is that most of the islands' natural systems are still fundamentally intact, so there is a great deal to "save" and the subsequent long term benefits are realizable.

One important cause of natural system degradation is the impact of productive activities -- mining, collecting, harvesting, processing, transporting and others adding value to natural products or places. Historically, "modern" productive activities have been undertaken without understanding of or regard for the carrying capacity of natural systems or their interdependent relationship with other natural complexes.

A common tactic to deal with human activity that is ecologically unsustainable is to put up a total barrier between the human activity and the ecological system, or to constrain the activity in order to "protect" a portion of an area deemed to be threatened. In the South Pacific, however, there are few opportunities for formally setting aside from direct human activity any significant areas of coastal seas and islands. Human settlement is widespread, and Pacific Island people are closely dependent upon the land and sea, for local natural resources are usually their only basis of livelihood.

In these circumstances, where the future well-being of man and nature (Pacific Islanders and the biological communities with which they live) are closely entwined, the most positive contribution that can be made to conservation of nature is to facilitate the introduction or expansion of activities that are sustainable ecologically and are socially, especially economically, beneficial. This is the focus of PEP.

## 2. Approach

The approach is to identify ecological management units (EMUs) where habitats in need of protection and human communities concerned about their environment coincide, and then to work with entrepreneurs to develop working models of profitable enterprises that protect the environment in those habitats (see Project Paper Annex D). The intention is to demonstrate that enterprises that are ecologically benign and sustainable can be profitable, that businesses can mitigate their negative effects on the natural environment, and that development can be integrated with nature conservation.

The most significant measures of success at the end of the project will show (1) the existence of a set of working models of profitable environmental protection and their wide dissemination to lenders, assistance agencies, entrepreneurs and community leaders in the region; (2) a number of enterprises, representing a variety of business types and active in a number of representative EMUs, actively pursuing environmentally protective business tactics, and (3) a body of knowledge -- lessons, approaches, ideas and models -- that have been codified and discussed. The project models and lessons that indicate the value, workability and limits of enterprise for achieving conservation goals will be useful to the wider South Pacific community and the rest of the world. A subsequent project may be necessary, beginning early in FY 1995, to build upon this foundation to expand the kinds and numbers of enterprises pursuing profitable environmental protection. A decision whether or not to design another project will depend upon the evaluation of this first project.

The project first will assess the threats to the biological sustainability of targeted EMUs, that is, the ecosystem complexes and the people who live in or interact with them. The objective will be to estimate the degree to which the natural values of an EMU (for production of all types of goods and services) are reduced, and its regenerative capacity compromised, when elements of the natural system are harvested or otherwise disturbed. Existing and planned enterprises that are to be active in the EMU will be assisted in creating strategies that will conserve the natural resources of their surroundings, while at the same time creating a new, or maintaining a current, income stream. In some instances, the revised strategy of an enterprise will result in reduction of pressure on threatened resources. In others, the enterprise will actually improve the status of its natural resource base, as, for example, an enterprise involved in waste management, or recycling. There will be a role, also, for consulting firms to advise multinationals and major tourist facilities on how to avoid environmental damage, even, perhaps, to improve the overall situation.

The PEP project will develop experience with enterprises that have resolved to follow business strategies that will conserve their environment. The project will help such enterprises gain access to technology, markets and financing. The model strategies adopted will be ones that other entrepreneurs and communities can adopt and that lending institutions can support.

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The Recipient will employ a full time team of two persons in the field that will be supported by short term experts and the staffs of the Grantee. The analysis, tools and models they construct will bridge the concerns of the conservation and development oriented communities. Throughout all phases of the project the team will involve local males and females of the community in formulation and testing of the models. The EMU, once selected for project activity, will become the framework within which enterprise opportunities will be identified. Following analysis of the existing enterprise environment, current market indicators and evidence of business successes and failures, potential enterprise opportunities will be identified. The project team will address the difficulties the selected businesses are encountering by participating directly in problem solving. Inputs of technical or managerial assistance, and contacts with financing institutions, may be required at various stages during the life of the activity. Such assistance will be available only for enterprises conforming to a conservation plan established under the project.

D. Outputs: Grantee will be responsible for the following outputs :

OUTPUTS	MAGNITUDE OF OUTPUTS
1. Identification of threatened environmental management units (EMUs) as potential sites of enterprise activity	5-7 EMUs in 4 different countries
2. Analysis of current relationships of enterprises and communities to the environment	30 enterprises reviewed
3. Assistance to enterprises (run by femals and males) to improve impact on environment and economic and social benefit	6-15 enterprises have received technical assistance
4. Lending institutions helped to identify and serve appropriate enterprises	4 institutions have initiated or expanded lending to conservation-oriented enterprises
5. Evaluation of beneficial and detrimental effects of various enterprise activities and formulation of guidelines for enterprises, lenders and assistance agencies	Guidelines prepared for 3 ecosystems and 6 business types
6. Information on tools and regionally sustainable and models disseminated; linkage system established through ECONET; advisory committee active	Ongoing rollover of lessons into next activities; linkage system in use; publications prepared and disseminated
7. Data shared at international conference	Conference held

## II. PROJECT DESCRIPTION

### A. Project summary

The world recognizes that rational utilization of natural resources is crucial to sustainable economic development, and that a rational approach will not happen without the commitment of business. Natural resources in the South Pacific, where most human communities depend on them for income, are being exploited irresponsibly. Public sector attempts to deal with the problem has proven inadequate, and private sector resources to address the problem are indicated.

There is a growing school of thought that economic activities do not have to degrade the environment and that some of them can actually enhance it, with little or no relative strain on public sector finances. The PEP project aims to validate this hypothesis by encouraging profitable enterprises that enable conservation.

In the South Pacific the major theme of the AID program in the 1991-1994 period will be promotion of sustainable economic growth driven by private and community enterprise.

The project will begin in Vanuatu, a nation with eco-systems that are both critical in importance and representative of systems found in other South Pacific nations. In the first year of the project, activities will be centered within the initial target country. In the following years, an "outreach" program will expand the activity to three other nations while continuing to develop its model building in the regional center.

Local, regional and international expertise will be used to identify critical environmental associations, select enterprise categories which promote the rational use and/or protection of those associations, and support individual model enterprises within these categories to test the effectiveness of enterprise as an engine of environmental protection. FSP, which has offices throughout the region, will have primary implementation responsibility.

The planned program of work calls for a total project obligation of \$2.4 million (of which \$1,960,000 will be provided hereunder subject to availability of funds) and \$330,000 from S&T resources to be provided by a transfer of funds to the FSP grant and other means. At the end of this four year effort (1991-1995), a set of models for profitable environmental protection will have been developed and disseminated to public sector agencies, bilateral and

multilateral donor agencies, NGO's and the private sector. The process of identifying critical ecological management units and complementary environmentally responsible business types will have been improved and simplified for ready extension outside the project, and a number of models of actual businesses demonstrating and/or testing the utility of the approach will have been supported and set on the path to self-sustainability.

The following are end-of-project indicators against which the purpose achievement shall be measured:

1. 15 enterprises, of six types, achieving conservation of a range of vital land and sea ecosystems.
2. Results of enterprise and conservation activity analyzed and evaluated; tools and approaches to problems of enterprise and the environment codified.
3. Lessons, models and ideas disseminated to entrepreneurs (both female and male), lenders, assistance agencies and intermediaries in communities.

### III. DESCRIPTION

#### A. General Description of Work

The Recipient's team of two long team advisors (enterprise specialist and environmental coordinator - 5 1/2 person years) will be located in Port Vila, Vanuatu, associated with the FSP office for that country. The Recipient will also provide 15 person months of expatriate and 15.5 person months of local (South Pacific) short term technical assistance. Vanuatu was selected for the site of the project and of the first three EMUs for reasons described in the PP.

Elements of the work include:

Identification of EMUs that are representative of threatened habitats in the region and in which development of model enterprises will take place.

Selection of enterprises that are potentially protective of the environment, and assistance to their individual or community-based owners and managers.

Involvement of lenders.

Documentation and dissemination of lessons.

Linkages with other programs.

Use of SPREP's important position in the region to promote further testing and adaption of models.

The detailed implementation schedule in PP sets forth the steps that will be taken throughout the project to carry out six cycles on as many different sites of EMU selection, enterprise selection and assistance to enterprises. Dissemination and discussion of ideas and results will take place throughout the implementation period, culminating in a set of models of environmentally responsible enterprises and methods of identifying and assisting them.

Once the PEP model-building method is tested in three different EMUs in Vanuatu, the team will assist the communities and enterprises of at least three other countries, beginning with Papua New Guinea, which has the greatest diversity of species requiring conservation and a lively exploitative private sector. After the project has been underway for one full year,

members of FSP affiliates and other private sector representatives from Papua New Guinea will go to Vanuatu to gain an understanding of the kinds of activity that the project can bring to their country. Similar orientations will be organized for other island countries, broadly represented.

A Project Advisory Group comprising A.I.D. and NGOs active in the region and committed to conservation will advise the project team and help disseminate data and descriptions of the working models and lessons of PEP to conservationists and business groups. The first meeting of the Advisory Group in early 1992 will be attended by the candidates selected for the two long term positions in the project and a representative of SPREP.

An informal group of interested individuals and agencies, to be known as the Technical Support Group, will have the opportunity to share their experience and ideas and to comment on the project as it is implemented. Communication will be through the electronic mail "conference" known as ECONET which is used for communication by conservationists, social scientists and small business specialists and others all over the world. FSP shall enquire as to the previous project experience, if any, dealing with the subject of Profitable Environmental Protection. One of the first uses of ECONET, shall be for this purpose. The information obtained shall form part of the historical background section of PEP's ultimate findings.

B. Specific Tasks

1. Selection of EMUs

The environmental analysis has identified six representative ecological "associations" that are high in need for conservation and are representative of conditions in the region: lowland forest associations, wetland associations, coastal strand and nearshore marine associations, raised coral island and nearshore marine associations, atoll-lagoon-reef associations, and montane forest associations. The Recipient's first step will be to refine the selection of actual project sites, three EMUs on islands of Vanuatu and three in other nations, beginning with Papua New Guinea. RDO/SP approval of the final selection will be obtained.

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2. Assistance to Enterprises

A preliminary survey of the EMU will yield information on the entrepreneurs, actual and potential, male and female, and the enterprises with which they are now associated, or will be associated. Some enterprises will be the undertaking of a single owner-manager, others will be larger modern style businesses, and some will comprise the cash-earning activities of the community that owns or controls the surrounding natural resources.

The Recipient will screen the enterprises for their financial, economic and market feasibility, their status of community support if they are community-based, and their current and future estimated impact on the environment. The Grantee will obtain RDO/SP's concurrence prior to providing assistance to any enterprise. Those that survive the scrutiny will receive assistance to help them adjust their impact on the environment. In every instance, moreover, they will necessarily be helped in identifying markets and sales opportunities and in the development of appropriate business plans. The project will seek business success. However, the lessons from failure may represent models that other entrepreneurs should avoid.

The Recipient will work closely with a variety of enterprise types, from transnational corporations and nationally based businesses to community owned and community based activities. Because the EMUs are likely to be located in rural settings, however, the Recipient will work frequently with and within communities. Community enterprises earning commercial profits might include honey production, coconut shell charcoal, crocodile farming or fish processing.

Activities that have already shown that they can be profitable that could provide a basis for diversified and sustainable subsistence or commercial income are listed in the table in the PP.

Linkages between a community and an international enterprise are possible, and would be appropriate for project attention. A variety of related or "linked" activities could occupy and provide income to a given group of individuals. For example, an "eco-tourism" facility may require a builder-owner-operator of the facility, people to function as "guides" for the visitors, and individuals to provide the service functions required by lodging

operations. Depending on the nature of the community at the location of the enterprise, the Recipient may choose to promote a "package" of services to tourists, to focus on the facility operator as the contractor for the supporting services or to bring in a consultant to deal with such matters as waste management.

After an initial investigation of the existing businesses and the business opportunities in an EMU, the Recipient will agree on the selection of enterprises for project attention and obtain RDO/SP concurrence. To be included, an enterprise can be either an existing large or small activity interested in growth and development as well as in demonstrating a consciousness of the need to protect national natural resources, or a new enterprise, perhaps based in a community that is interested in maintaining cultural values as well as in creation of wealth for the group.

The Recipient's advisors will help the enterprise develop a business plan that will cover the full range of information and objectives generally expected from a credit-worthy enterprise but will also contain a complementary conservation plan that will focus on the environmental aspects of the enterprise activity. The conservation plan will project the impact of the enterprise on the environment and will serve as a base line for evaluation of its activity from the environmental perspective. Assistance to the enterprise will be tailored to provide needed inputs of technology, marketing, and production planning. The field team will draw upon short term consultants as necessary.

3. Environmental Assessment for Enterprises

Before expenditure of Agreement funds for assistance to any enterprise, the Recipient shall prepare and obtain A.I.D. approval of an environmental assessment for that enterprise. Such assessment shall:

(a) review the degree to which an enterprise is compatible, physically and economically, with the nature of the target ecosystem complex in which it will operate;

(b) establish the criteria to be used to monitor and assess the environmental management procedures of the enterprise, its performance vis-a-vis its environment and the degree to which it has met the environmental objectives in its business plan; and

(c) follow the process outlined in section 22CFR, Part 216.3(4) for scoping and Part 216.3(6) for processing and review. The Recipient will submit these documents to RDO/SP for its review and transmittal to AID/Washington (Asia Bureau Environmental Officer) for approval.

4. Involvement of Lenders

One of the most important issues confronting implementation is the relative lack of business support structures for small businesses, whether community-based or single-owner or partnership enterprises. The Recipient will ensure that the business community in general, and commercial financing institutions specifically, are involved in the development of the EMUs and enterprises from the start. The Enterprise Specialist will establish a relationship of information exchange, advice and consultation, and will actively promote interaction between the project and small businesses, business associations, multinationals, local banks, venture capitalists and other credit vehicles.

Securing the early support and involvement of lending institutions is pivotal for the success of the project. First, the local institutions have an enormous amount of knowledge concerning target site enterprise initiatives that have worked and those that have not. In particular, they will know what factors have led to the differing actual outcomes of project activity. The Recipient will ensure that such institutional memory becomes part of PEP model development.

Second, such institutions are established members of the greater community in which the project will function. Their involvement ensures that support and consultation to enterprise activities such as those supported by the Recipient are available for the long term, rather than based on the sharply delimited resources available from the project.

5. Documentation and Dissemination of Lessons Learned

a. General:

It is anticipated that there will be continuous exchange of information among implementers of the project and institutions and agencies sharing similar concerns regarding threats to the environment in the South Pacific. The Recipient should make available to agencies, institutions, government departments, etc. documents which will offer a new view of enterprise development and environmental protection.

b. ECONET:

The Recipient will prepare and circulate summary monthly report through the worldwide electronic mail "conference" known as ECONET so that interested parties can receive information, pose queries and make comments. At six-month intervals, a project newsletter will be distributed on ECONET and in hard copy.

c. Project Advisory Group:

The Recipient will form a Project Advisory Group (PAG) to review and consult on project developments and to function as a high-level vehicle for the effective dissemination of project related information throughout its members' organizations and other interested persons with whom they are in contact. The Recipient's project manager at its headquarters will serve as the secretary of the PAG to coordinate its functions and its meetings, which will be held twice a year, beginning in early 1992. It is anticipated that the meetings will be held in Washington, D.C. but other U.S. sites might be used if appropriate. The Recipient's long term field personnel will not be brought to U.S. solely to attend a PAG meeting. The Agreement will not pay a honoraria for attending the PAC, but may pay some travel costs if necessary. After each meetings, the secretary will prepare and send to its field people and RDO/SP a summary report on the meeting. The secretary will prepare the criteria for membership and a list of potential members for approval by RDO/SP. A preliminary list of organizations expected to be invited onto the PAG was included in the PP.

d. Technical Support Group:

The Recipient will form a Technical Support Group (TSG) to provide critical advice and guidance to project management throughout the life of the agreement. The group, comprising a number of subject specialists, will use the electronic mail conference known as ECONET, a network that can provide a cost effective way of securing high level professional services in support of project objectives. A specific set of expertise thus will be made available to comment on specific issues raised by project implementers. It is anticipated that the long term experts of the project will need to confer with interested persons with skills and experience in project management, conservation matters, business development and community development.

e. Conference:

The Recipient will make all arrangements to hold a regional conference in FY 1994 to discuss the results of the PEP project. Agreement funds may be used to pay for the conference costs including airfares and per diem for invited participants. All plans for the conference must be approved by RDO/SP.

f. Final Publication:

The Recipient will prepare a final project publication that combines a presentation of the direct results of the PEP project with a comparative assessment of parallel efforts.

6. Linkages with Other Programs

The set of working models and associated procedural tools developed by the Recipient should have widespread applicability throughout the region. In order to make the most effective distribution of these models and tools, from the outset the Recipient will maintain contact with institutions and organizations having development interests and programs in the region, especially the South Pacific Regional Environmental Program (SPREP). Thus the project will facilitate information exchange among researchers and their institutions as well as a wide range of local and international organizations that might be interested in coordinating their programs in conservation, community development, or enterprise development with the PEP project, or in initiating new, and related programs.

7. Commodity Procurement

The Recipient shall procure equipment and supplies necessary for the fulfillment of this Agreement. To the extent possible, the equipment and supplies shall have its source and origin in the United States in accordance with Optional Standard Provisions for U.S., Nongovernmental Grantees number 6., Procurement of Goods and Services.

8. Monitoring

It will be necessary to monitor the enterprise development and the conservation impact of activities. The project does not have resources for the intensive monitoring of social-cultural dynamics during the life of the project, but based on preliminary discussions it is anticipated that agencies such as the World Wide Fund for Nature (WWFN) will carry out special studies to assess the impact of project activities in selected communities.

The Recipient will monitor the conservation impact of enterprise activities in the selected EMUs, including adherence to the conservation objectives laid out in the business plan of the enterprise, the environmental management procedures adopted and how consistently these are followed, and indicators of environmental performance. The Recipient will prepare measurable indicators on a site-specific basis. For example, in a wetland association, indicators may have to be developed to measure maintenance of productivity, protection of nursery areas, protection of water quality, maintenance of estuarine flushing and protection of bird habitat. Baseline measures will be developed by the full time experts and consultants to the project, and indicators will be monitored over the life of the project.

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The Recipient will monitor enterprises receiving technical assistance as part of the project activities. Data on business owners, managers and jobs created will be sex-disaggregated. Specific monitoring indicators will be prepared during the first cycle of EMU activity. Monthly reports will be prepared by the project staff and submitted to the advisory group for the project as a means of getting input into ongoing project activities. The monthly reports will be synthesized into quarterly reports to RDO/SP and other entities providing funding for activities. The Recipient will prepare a specific monitoring plan during the first two months of the project. The Recipient's Project Manager will assure that the monitoring process is implemented.

9. Evaluations

Evaluation of the success of the project will focus on the project's success in using enterprises to enable conservation of biological diversity. Success of the project is not to be judged by the level of profit earned by enterprises receiving technical assistance during the project. In the United States under relatively favorable conditions, only one in five small businesses survives after three years. The PEP project should not be expected to achieve unrealistically high results in business success; nor should the Recipient's team or its evaluators lose sight of its primary focus on conservation. The skills developed by persons assisted can, however, be expected to provide a basis for future enterprise development within communities.

The Recipient will make a progress review one year after the full time experts have begun their work in the field. RDO/SP will approve the scope of work for the progress review before it begins.

RDO/SP will contract with funds outside the Agreement for a formal evaluation following two years of project activity. Personnel from A.I.D. and full time personnel of the Recipient will participate with outside consultants in both the progress review and the evaluation. One or more of the agencies of the Project Advisory Group may provide special expertise, to the review and evaluation teams.

10. Reports and Documents

The Recipient is required to submit to RDO/SP the following reports:

- (a) quarterly progress and financial reports on the overall project within two months after the end of each quarter (the reports would include details of major events of the quarter such as progress on construction and design, project expenditures, provisions of inputs, progress towards outputs, proposals, issues, and problems, private sector/other donor contributions to the project, etc.);
- (b) trip reports by short term advisors for any trips financed by the Agreement; and
- (c) end of agreement completion report, within one month prior to the end of the agreement, including a final financial report.

The Recipient will also submit to RDO/SP the following documents:

- a. All audits financed by this agreement.
- b. The Recipient's agreements with the South Pacific governments of countries where the Recipient will be active.
- c. The progress review.
- d. Subgrants with other PVOs and NGOs.

11. Annual Work Plans

The Recipient will submit its first annual work plan for implementing the agreement for review and approval by RDO/SP, within two months after signing the Agreement. The work plan will include:

- a. a schedule of major events for the first year;
- b. a schedule of inputs by the Recipient, private sector and other donors for the first year;
- c. an outline plan for future years.

At the start of each project year, the Recipient will submit a work plan for that year, including a revised outline for future years for review and approval by RDO/SP.

12. Contracts and Subgrants

The Recipient is a PVO specializing in the South Pacific region. In order to obtain additional enterprise development and environmental science expertise needed to carry out the technical assistance activity. FSP may enter into contracts with individuals or organizations. In the case of an organization which is a registered PVO, the sub-relationship may take the form of a subgrant. The Recipient shall follow the procedures in A.I.D. Handbook 13 in making subgrants or contracting. In any case, RDO/SP shall approve all contracts and subgrants with other PVOs and NGOs for professional services.

C. Terms of Reference for Two Full-Time Experts

1. Enterprise Specialist

Overall Task Description

This individual will form part of a two (2) person team of professionals responsible for the implementation of the field portion of the agreement with extensive participation of the FSP Country Director. With the environmental coordinator, the enterprise specialist will (a) identify appropriate classes or types of enterprises for review and/or assistance by the project; (b) establish and/or strengthen a number of actual businesses within these sectors, and ensure that these businesses are operating along sound environmental and business principles; and (c) document lessons learned from the PEP project for use by future private and public sector institutions.

Based in Vanuatu with six full months of travel per year.

General tasks are as follows:

- a. Identify the constraints to small business development, be they legal, bureaucratic, technical, informational, financial, infrastructural or managerial. This analysis will be useful to identify the types of short term technical assistance that will be needed.

- b. Advise candidate village enterprises on the types of enterprise organization that could be used to support community-based enterprise. Ensure that such organization encourages the participation of both men and women members of a potential target village group.
- c. Advise individual or partnership owned enterprises on conservation issues as they relate to profitable enterprise development.
- d. Apply an integrated conservation benefit/small enterprise analysis process to the proposed business concept.
- e. Identify the strength and character of the markets for the products and services identified as potential candidates for enterprise support programs.
- f. Cause the identification the specific market channels to final buyer. Determine how both rural and urban producers can access these channels and learn how they work.
- g. Explore and document the marketing system in the agricultural, horticultural, animal husbandry, and other sectors related to enterprise with a potential conservation benefit.
- h. Participate in final selection of test enterprises to be supported by PEP. Ensure that women entrepreneurs are included in selections. Identify, in collaboration with S&T WID, the gender disaggregated data that will be collected and ensure that it is collected.
- i. Be directly responsible for developing marketing programs for PEP participants. This will not refer to macro market studies. The focus will be concrete market channels and sales contract arrangements. The word "sales" will be the operative expression, rather than the more broadly interpreted "marketing".
- j. Assist in identifying the appropriate technologies (soft and hard) that will optimize the chances of success for a small business identified as having potential under PEP. Excellent knowledge of appropriate technology institutions' work in technologies for small-scale industries so a full range of options can be provided.

- k. Supervise supporting technical assistance providing information concerning appropriate technology approaches, raw and semi-finished goods supply, packaging, storage, shelf-like, grading, etc., etc. required by a sustainable enterprise. Assist in the acquisition of the technology from abroad if necessary.
- l. Establish relationships as appropriate between agencies, NGOs and village-based enterprises for the purposes of long term guidance and technical assistance.
- m. Ensure that gender issues are integrated into all phases of project implementation.
- n. Assist in the adaptation of local technology for improved performance.
- o. Assist the test businesses in determining what kind of financing (debt or equity) and of what magnitude is required for that activity. S/he will ensure that the business develops the skills to successfully interact with business oriented institutions.
- p. Develop training module materials, including gender analysis, to transfer integrated conservation/small business analyses skills to NGO, government staff and financing institutions.
- q. Responsible for familiarizing business-related institutions with the goals of the project, and encouraging their participation and support.
- r. Ensure a maximum level of adherence to conservation principles of participating test businesses. This will be effected through understandings with financing institutions, conditions to on-going technical assistance, conditions to on-going marketing research, etc.
- s. Prepare business plans for enterprises assisted.

Qualifications:

Experience working with developing country enterprise development. Proven small business analysis skills. Direct experience working in the private sector. Experience working with public institutions including government and donor agencies. Project management experience and proven managerial skills. Familiar with the evaluation literature on the success and failure of small enterprise development programs. Knowledge of and experience with gender issues on enterprise development.

2. Environmental Coordinator

The environmental coordinator should have a minimum of ten years experience in environmental management with at least five years working with tropical ecosystems. Experience working in the South Pacific region is desirable.

For the PEP project the Environmental Coordinator will:

- a. Demonstrate an understanding of the social and economic issues confronting South Pacific people in conserving biological systems.
- b. Collect and review of baseline information on ecosystem complexes within a country and apply suitable environmental analysis techniques to determine sites of particular conservation significance.
- c. Work closely with the enterprise specialist to develop methods of evaluating and screening various enterprise types for conservation benefits.
- d. Oversee and coordinate detailed environmental assessments. This will include determining the terms of reference for the environmental assessment analysis, organizing required expertise, and reviewing and reporting the findings of the work to AID.
- e. In conjunction with technical consultants, develop monitoring programs to evaluate the ecological sustainability of individual enterprises.

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- f. Investigate and develop various contractual means to ensure that enterprises achieve environmental objectives.
- g. Clearly communicate ecological concepts and concerns to team members, the community, other associated NGOs and the government.

#### IV. RECIPIENT'S LOGISTICS

##### A. Housing, Office Space, Furniture and General Logistical Support

The FSP country director in Vanuatu will provide local logistical and administrative support to the two long term advisors. This includes locating suitable housing in Port Vila for the long term advisors. Each advisor will be authorized a housing allowance and shipment of furniture and appliances needed for living in Vanuatu in accordance with FSP's policies or A.I.D.'s policies, whichever is less.

The country director will provide adequate office space for the Recipient's personnel in Port Vila. The Recipient may charge the Agreement with the administrative costs and time of its existing Port Vila staff in providing logistical support for the project personnel.

##### B. Office Equipment and Supplies

The Agreement will finance the purchase of sufficient office furniture and two personal computers plus supporting equipment (printer, software, etc.) for the work to be performed in Port Vila. The Agreement budget includes funds for office supplies used by the Port Vila office.

##### C. Transportation

###### 1. Around Vanuatu

The Agreement will finance the purchase and operating costs (fuel, maintenance, insurance) of a four-wheel drive utility vehicle for project travel around Vanuatu. Purchase of vehicles is subject to RDO/SP approval. The vehicle is for official project travel only. The Recipient will establish a system for reimbursement of

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costs for any personal use of the vehicle to be approved by RDO/SP. Disposition of the vehicle at the end of the Agreement will be approved by A.I.D. Travel to the other islands of Vanuatu shall be by appropriate means and financed by the Agreement.

2. International

The Recipient will arrange all international travel for project personnel, including meetings of the project advisory group and the international conference in accordance with the A.I.D. standard travel regulations. All international travel shall require written approval from RDO/SP before the travel begins.

D. Grantee's Support Staff

The Recipient may hire and finance from the agreement a local or resident administrative assistant to work in the project office in Port Vila.

E. Financial Management

Immediate requirements of the Recipient will be provided through the letter of credit issued by the Treasury Financial Communications System (LOC-TFCS) as the Recipient submits appropriate documents to account for funds received. Details of expenditures will be included in the quarterly progress reports.

The primary responsibility for audits lies with the AID Regional Inspector General for Audit (RIG/A). However, an external auditing firm may be contracted for this purpose. Any outside audits would be financed by the project but with funds outside the agreement with the Recipient. These audits would cover the financial and compliance aspects of the agreement.

The Recipient's project books and records are to be made available for inspection and audit by AID at any time.

F. Services Available to U.S. Citizens

Since there is not a U.S. embassy or consulate office in Vanuatu, there are no U.S. government services available to the recipient's staff.

V. ROLES AND RELATIONSHIPS

A. General

General coordination and guidance will be provided to the Recipient by the RDO/SP project officer through regular meetings, telephone calls, etc. with the Recipient's team leader, project manager and other involved personnel.

B. Recipient

The Recipient, will be responsible for providing all the inputs listed above and carrying out the project activities described in the general description of work and specific tasks. The Recipient will cooperate with other organizations sponsored by A.I.D. centrally funded projects that are relevant to achieving the purposes of this Agreement and with the South Pacific Regional Environmental Program (SPREP).

The Recipient's home office in San Diego will have overall responsibility for the management of the Agreement. This includes providing qualified personnel when and as needed, providing the usual U.S.-based administrative and technical backstopping, serving as secretary to the project advisory group, and managing the international conference near the end of the Agreement.

In Vanuatu, the Recipient's country director will provide in-country logistical and administrative support to the personnel financed by the Agreement. In Fiji, its country director will have some liaison functions between the Recipient and RDO/SP because of its physical closeness to RDO/SP.

The Recipient will receive all A.I.D. official approvals and guidance as required by this Agreement from the RDO/SP Project Officer and/or from the Agreement Officer in Manila .

C. RDO/SP

A.I.D.'s Regional Development Office/South Pacific (RDO/SP) in Suva, Fiji is the responsible office of A.I.D. for this project. RDO/SP will designate a project officer (environmental officer) for implementation who will serve as a monitor, coordinator, and facilitator rather than as project manager. The Project Officer obtains all A.I.D. approvals, including those from the Agreement Officer and conveys them to FSP in an appropriate manner.

D. Government of Vanuatu (GOV)

RDO/SP will enter into a memorandum of cooperation with the GOV regarding the support the GOV will provide the recipient and the project. While the Recipient already operates in Vanuatu under an agreement with the GOV, it is important that the GOV fully understands the project's activities in Vanuatu and gives its approval for the activities. GOV responsibilities include issuance of appropriate long and short term visas and work permits, permitting the duty free import of project commodities and personal effects of the long term advisors.

E. Project Advisory Group (PAG)

The PAG shall consist of unpaid representatives from such organizations as A.I.D.'s Office of Women in Development, Volunteers in Technical Assistance (VITA), World Resources Institute (WRI), Environmental Enterprises Assistance Fund, WorldWide Fund for Nature, International (WWFI), and World Wildlife Fund US (WWF US). The Recipient's project manager will recommend to RDO/SP the organizations to be invited to join the PAG. After RDO/SP approves the membership, the Recipient will invite the organizations to join the PAG.

F. Technical Support Group

This is an informal network of subject specialists who will be consulted by the Recipient as needed through the electronic mail conference (ECONET), a network that can provide a cost effective way of obtaining high level professional assistance in support of the project. The only cost to the project will be the cost of using the ECONET. No honoraria will be paid to the specialists consulted through ECONET.