

TERMS OF REFERENCE FOR UPDATING THE PAN SUSTAINABLE FINANCING PLAN

BACKGROUND

In 2003, ROP Public Law No. 6-39 established the nationwide Protected Areas Network which allowed the national government to assist states in the protection of significant areas of biodiversity, significant habitats, and other valuable resources that are important to the future stability and health of Palau.

In 2008, five sites (namely Ngardok Nature Reserve, Ebiil Conservation Area, Mesekelat Conservation Area, Ngemai Conservation Area and Olsolkesol Conservation Area) in four States became the first PAN sites. ROP Public Law No. 7-42 was also passed and clarified the intent of the PAN. The legislation also endorsed the Micronesia Challenge and established PAN Fund as an independent non-profit corporation to administer, manage, invest and disburse funding to operate the PAN and PAN responsibilities. The legislation also implemented an environmental protection arrival fee (green fee) for the financial sustainability of the PAN.

In 2010, ROP Public Law No. 8-18 authorized and appropriated initial funding of \$200,000 from the green fee to conservation sites (Ebiil Conservation Area, Ngemai & Olsolkesol Conservation Areas, Ngardok Nature Reserve, and Helen's Reef Conservation Area) that have met all the PAN requirements. During that same year, PAN Fund was incorporated and chartered.

In 2015, ROP Public Law 9-46 established a cap on the amount of green fee revenue that PAN Fund is eligible to receive each fiscal year, to \$2,000,000. Additionally, any green fee revenue collected in excess of the \$2,000,000 must be distributed directly in equal shares to all States with established PAN sites. By the end of fiscal year 2015 there were 39 officially established sites (16 terrestrial sites and 23 marine protected areas) with 15 States actively participating in PAN. Thirteen (13) of the 15 States were receiving regular management funding averaging \$91,000 per year. Two states were operating with startup funding of \$50,000 per state and are expected to transition into regular management funding levels in fiscal year 2018. By the end of fiscal year 2015, the cumulative expenditures for PAN has reached approximately \$7 million. This amount consists of 57% or \$4 million in state expenses, 23% or \$2 million payments to Micronesia Challenge Trust, and the remaining 20% for operation of PAN Fund, PAN Office and other allocation items of the budget.

As PAN progresses, it is important to reassess the financial needs of the PAN to determine how much funding is required to ensure adequate day to day operation and management of the Network. It is also important to reassess the existing funding sources; determine potential new alternative funding sources and to consider other factors that may have positive or negative impact to the sustainable financing for PAN.

PURPOSE

The Palau Protected Areas Network (PAN) identifies the need for a “formal review and update of the PAN Sustainable Financing Plan and actual funding conditions of the PAN Fund (PAN Fund) to include a monitoring and reporting program”. The existing sustainable financing plan was developed as part of the Micronesia Challenge Sustainable Finance Plan in December 15, 2010 and was further updated in February 27, 2012 to include new information available and most reasonable assumptions at that time. Since then the PAN has continued to grow and there is a need to continuously evaluate and update the plan to include new information and assumptions as PAN now has a much better understanding of the costs involved in the overall management of its activities.

The desired outcome of this assessment project is a report that shows the progress toward achievement of targets, projections and assumptions identified in the current sustainable financing plan and an updated sustainable financing plan with concrete recommendations that PAN Fund can use to align its fundraising efforts toward sustainable future of the PAN.

SCOPE

The scope of this assessment project shall cover the entire PAN and all key players and partners including but not limited to all PAN States/sites, PANO, PAN Fund and the following Support Agencies & NGO's:

- Ministry of Natural Resources, Environment and Tourism
- Ministry of Finance
- Office of Environmental Response and Coordination
- Bureau of Lands and Surveys
- Palau Automated Land Resource Information System
- Environmental Quality Protection Board
- Palau Public Lands Authority
- Division of Historical Preservation
- Bureau of Agriculture
- Bureau of Marine Resources
- Belau National Museum
- Palau Conservation Society
- Palau International Coral Reef Center
- Palau National Marine Sanctuary
- The Nature Conservancy

Objectives

The objectives of this study are to:

- a. Re-assess the financial requirement of the PAN at a level which will ensure adequate day to day management.
- b. Re-assess the sources of income and whether or not these sources are being fully exploited and determine the gap between the current income and the management needs.
- c. Re assess potential alternative or new sources of income based on the current financial situation i.e. carry out a new donor assessment, including tools and mechanisms to tap into such resources and feasibility of applying these tools in the PAN.
- d. Review the status of the Palau component of the Micronesia Challenge Trust and other investment initiatives managed by PAN Fund and provide realistic projections regarding the potential funding abilities of these as source of income for the PAN.
- e. Re-assess available financial reporting tools and processes to determine their effectiveness in reporting the co-financing as part of the Sustainable Financing Plan.
- f. Use results to provide a financial roadmap for the protected areas and to formulate concrete recommendations for PAN Fund, PAN State, PAN Office and Stakeholders.

The Palau component of the 2012 Regional Plan for Sustainable Financing for Micronesia Challenge” should form the starting point for this work. Other documents available that can be used to support this assessment study includes PAN Status Report 2012-2015; PAN Fund Audit Report 2012-2016; PAN Fund Annual Report 2016, and PAN State Quarterly Reports 2012 - 2017.

DELIVERABLES

The deliverable of this assessment study is a report that include the following elements:

1. A clear overview of the current financial situation of the PAN:
 - a. Assessment of PAN revenue dynamics (i.e. what are the current source of income, the level of diversification, and whether revenue streams are reliable/consistent by considering adequacy of policy, agreements and legislation)
 - b. Assessment of PAN expense dynamics (i.e. whether expenses fluctuated over time or whether expense are in line with budgets and programs)

- c. Assessment of basic tasks/responsibilities required to ensure adequate day to day management of the PAN and assessment of the current financial requirements to carry out these tasks.
 - d. Inventory of current income sources and whether or not these are being fully exploited (e.g. green fee, user fees, grants, fee for services, donations, etc.)
 - e. Assessment of existing financial reporting tools and feedback whether or not improve or seek alternative solutions for effective reporting.
2. Assessment of potential alternate or new sources of income for PAN:
 - a. Updated donor assessment for the protected areas in general (i.e. not limited to endowment fund).
 3. Appraisal of the realistic current and future potential of the Endowment Fund and other investment initiatives as a source of income for the PAN. Assessment of capital required for the Endowment Fund to fulfill its original goal and the feasibility of acquiring this capital.
 4. Financial strategy; a road map or a business plan for the PAN as well as a list of concrete recommendations for PAN Fund regarding sustainable financing of the PAN.

APPROACH

The PAN Fund will commission a consultant for this assessment project. The consultant will be assisted throughout the project by both PAN Fund and PAN Office. Prior to commencement of this assessment all PAN Stakeholders will be informed about this project and will be asked to participate in the process.

The study will be carried out according to the following steps:

- Collect relevant information and data on PAN.
- Conduct personal interviews with key individuals from PAN Stakeholders.
- Formulate a draft report to PAN Fund for review. The consultant will receive comments within agreed time period.
- The consultant will incorporate the comments into a final draft report.
- The final draft will be sent to PAN Fund and shared with Stakeholders.
- Comments will be taken into account and the report will be finalized.

CONSULTANT

Consultant must meet the following qualifications:

- Acknowledged expertise in similar work especially in conservation financing.
- Understanding the nature of conservation in Palau.
- Must have independent position with regards to Palau PAN.

PROCESS

The principal for this assessment study will be the General Manager for PAN Fund. The principal will select a consultant who will be commissioned to implement this assessment study. Acceptance to this commission will be confirmed by the consultant by signing and returning the letter of commission to the principal. The principal will supervise the work of the consultant and the consultant will report to the principal. All final documents, reports and declarations will exclusively be submitted to the principal. The principal will oversee the subsequent distribution to the partners.

The consultant will present a draft report of the assessment study to the principal & the Board of Directors for discussion. The principal will be assisted in this by the Board of Directors or designee. The principal reserves the right to require a second draft report. After receiving the official comments in writing the report will be revised and finalized. The principal will provide comments on the draft report within a period of 5 weeks. Ten copies of the draft report and an electronic version of the final report in MS Word

format will be submitted by the consultant to the principal. Ten copies of the final report and an electronic version of the final report in MS Word format will be submitted as well.

TIMELINE

The tender must include a description of the proposed approach and a general time schedule for the various activities and proceedings (including a schedule for the preliminary consultation, presentation and discussion of draft and inclusion of principal's comments). After receipt of the final and official comments on the draft report from the principal, the revised and or final report will be submitted by the consultant to the principal within two weeks.

TERMS OF PAYMENT

Payment will be based on a fixed sum which includes all expenses (including air tickets, etc.); 50% of the fixed sum will be paid upon signing of agreement and 25% upon receipts of the first draft and 25% upon receipt of the final draft.