MAMA GRAUN
CONSERVATION TRUST FUND

OPERATIONS MANUAL

Revised March 2007
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<td>AEF</td>
<td>Advised Endowment Fund</td>
</tr>
<tr>
<td>ASF</td>
<td>Advised Sinking Fund</td>
</tr>
<tr>
<td>CBO</td>
<td>Community-Based Organisation</td>
</tr>
<tr>
<td>CPP</td>
<td>Complete Project Proposal</td>
</tr>
<tr>
<td>DED</td>
<td>Deputy Executive Director</td>
</tr>
<tr>
<td>ED</td>
<td>Executive Director</td>
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<tr>
<td>FPP</td>
<td>Full Project Proposal</td>
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<tr>
<td>GEF</td>
<td>Global Environment Facilities</td>
</tr>
<tr>
<td>INGO</td>
<td>International Non Governmental Organisation</td>
</tr>
<tr>
<td>M&amp;EP</td>
<td>Monitoring and Evaluation Plan</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>NFPO</td>
<td>Non For Profit Organisation</td>
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<tr>
<td>PCP</td>
<td>Project Concept Paper</td>
</tr>
<tr>
<td>PNGMGCTF</td>
<td>Papua New Guinea Mama Graun Conservation Trust Fund</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>Standard and Poor</td>
</tr>
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<td>WB</td>
<td>World Bank</td>
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SECTION 1: INTRODUCTION TO THE OPERATIONS MANUAL

1.1 INTRODUCTION

The policies and procedures in this Operations Manual comply with, and in many respects exceed, all the requirements of the Trust Deed and the Constitution of the Papua New Guinea Mama Graun Conservation Trust Fund (PNGMGCTF). It provides a sound foundation for achieving professional management practice of the highest international standards. The manual consists of five Sections each covering a particular area: the internal organisational structure and its operation, handling donations, the financial administration and management within the organisation, the management of assets, and the grant making program and process.

The policies and procedures in this document and its annexes are integral parts of this Operations Manual. The Board of Trustees and the Management Unit must ensure that, at all times, the policies and procedures codified in the Operations Manual are consistent with PNG law and normal business practice, and with the intentions of the PNGMGCTF and its donors. Every Board Member and employee of the PNGMGCTF should be familiar with the Operations Manual, and will be accountable for its implementation.

The Operations Manual should be reviewed periodically, and updated to conform with revised practices and policy.

There are redundancies in this Manual. They are intentional because of the nature of this Manual where some parts will be edited separately to respond to specific purpose especially the last two Sections about the Investment Policies and the Grant Program.

1.2 BACKGROUND

1.2.1 Mission

The mission statement for the PNGMGCTF is:
Support biodiversity conservation and related sustainable development initiatives for the future of PNG and the World.

1.2.2 Goals and Objectives

The goal of Papua New Guinea Mama Graun Conservation Trust Fund (PNGMGCTF) is to provide an ongoing and reliable source of in country funding for biodiversity conservation and related sustainable development in Papua New Guinea. More specific objectives include:
• To integrate conservation of biodiversity into sustainable development programs and activities;
• To conserve -- and where necessary restore -- conservation areas, particularly those that are national priorities and of global significance in terms of biodiversity value;
• To strengthen the capability of resource owners to conserve and sustainably manage their own natural resources through education, training and other capacity-building activities built into projects; and
• To enhance the knowledge and information base needed to monitor and achieve sustainable resource management and biodiversity conservation.

1.3 DEFINITIONS

The following are the definitions of the terms referred to in the Operations Manual.

ADVISED FUND: An irrevocable donation made by an individual or corporation for a specific purpose. The donor would normally specify the used and the purpose for which the Fund can be used.

ADVISED SINKING FUND: An irrevocable donation made by an individual or corporation for a specific purpose and whose capital can be used for awarding grants in compliance with the agreement between the parties.

ADVISED ENDOWMENT FUND: An irrevocable donation made by one or several individuals or corporation for a specific purpose and whose capital cannot be distributed. This capital is permanently invested and only the net revenues of the investment are available for payments in compliance with the purpose set forth in the donation agreement. (Ex.: Capital given for a specific area, natural reserve, etc.)

COMMON FUND: An in-house fund established to pool the assets of all funds that PNGMGCTF manages for greater investment diversification.

DONATION: Contract by which an individual or corporation (donor) irrevocably and free of charge dedicates, in his or her or its lifetime, a part of his or her or its properties by gift or bequest to another individual or corporation (receivers).

DONOR: Individual, organisation or corporation that makes a gift.

ENDOWMENT: The properties, rights and resources irrevocably dedicated to the PNG
Mama Graun Conservation Trust Fund under this name cannot be distributed. They are permanently invested and only the net revenues of the investment are available for payments.

**FOUNDER:** An individual or corporation who created a new fund under their name within the organisational structure of the PNGMGCTF.

**GIFT:** Limited examples:
- Lump sum of money (cash, cheque, share);
- Real estate or other structure;
- Personal property (jewellery, object of art, movable, car, etc.);
- Life insurance policy.

**GRANT:** Contract by which an individual or corporation (donor) irrevocably and free of charge dedicates, a part of his or her or its properties by gift to another individual or corporation (receivers) with specific requirements.

**INHERITANCE/SUCCESSION:** A donation made to the PNGMGCTF by right of inheritance or succession.

**RECIPIENT:** Individual, organisation or corporation to which a donation is made.

**SINKING FUND:** An irrevocable donation made by an individual or corporation and whose capital is used for payments.

**UNRESTRICTED FUND:** A donation made for the broad charitable purposes of the PNGMGCTF.

### 1.4 AMENDMENT OF THE OPERATIONS MANUAL

This Operations Manual may be modified by a special resolution of the Board, to take effect only at the beginning of the next scheduled Board meeting. However, such resolution may be effective immediately following a unanimous vote by all active members of the Board.

Amendments to procedures will be made by authorisation of the Executive Director in conformity with commonly accepted international standards of administrative practice. Such modifications must be approved by the Board at its next scheduled meeting in order to become valid.
SECTION 2: ORGANISATIONAL STRUCTURE, CAPACITIES & RESPONSIBILITIES

2.1 ORGANISATIONAL STRUCTURE

2.1.1 Introduction

The PNGMGCTF is an institution, which finances but does not implement projects. The PNGMGCTF is organised for efficiency, and to maximise commitments for the protection of PNG’s biodiversity. The legal entity created to direct and govern the PNGMGCTF’s essential functions and responsibilities is the Board of Trustees, comprising individuals selected for their distinguished level of expertise and accomplishment in key businesses, environment work and science related to environment...

The Board of Trustees will be accountable to donors and other stakeholders, both for the stewardship of the PNGMGCTF’s assets, and for compliance with agreed-upon terms and conditions of implementation.

The Board will ensure the stewardship of the PNGMGCTF by careful selection of assets managers who will invest the assets of the PNGMGCTF in major financial markets, in accordance with the conservative investment policies and strategy adopted according to the Board’s Investment Policy, in such a way as to provide adequate interest and dividends for supporting projects while preserving endowed capital.

To assist the Board of Trustees in specific tasks required in the administration of specialised activities, the Board may establish the following committees:

- Finance/Investment Committee
- Grant Technical Committee
  - Scientific Committee
- Development Committee
- Governance Committee

The Day-to-day management and administration of the PNGMGCTF’s activities is carried out by an Executive Secretariat headed by an Executive Director who is appointed by and responsible to the Board of Trustees.
2.1.2 Honorary Member

The Board of Trustees can elect, designate or assign the status of Honorary Member of the PNGMGCTF to any person or institution that it deems appropriate. Such Honorary Members may be invited to Board meetings, but they will have no voting rights in elections nor will they take part in decisions of the Board.

2.2 THE BOARD OF TRUSTEES

2.2.1 General

The Board of Trustees has full responsibility to oversee all aspects of the organisation’s business and administration of the PNGMGCTF.

Other than its normal governing responsibilities, the Board of Trustees is responsible for meeting the objectives of the Trust Fund, and providing guidelines to the Executive Secretariat for that purpose.

The Board of Trustees will comply at all times with the terms of the Trust Deed, the Constitution and the Operations Manual, as well as with other regulations or policies established by the PNGMGCTF.

It is understood that any present or future policies and or regulations of the PNGMGCTF relating to Board of Trustees are exclusively codified in the PNGMGCTF Constitution or the current Operations Manual.

Designated members of the Board of Trustees of the PNGMGCTF, except for the two ex-officio members, have individual membership, and do not represent the organisations or institutions to which they belong. Honorary members may be a corporation or may represent institutions, foundations or organisations.

The position of Board member of the PNGMGCTF is unpaid. However, a Board member is entitled to be reimbursed for any reasonable expense incurred in the performance of his or her responsibilities, provided such expenditure is within the approved budget.

2.2.2 Board of Trustees Member Responsibilities

The Board of Trustees has three major responsibilities: Governance – Fiduciary – Grant-making.

Governance

The key function of the Board is to set policy for and maintain the integrity of the Trust Fund. The Board must:
a) Support the mission and purpose of the PNGMGCTF;

b) Set priorities for the PNGMGCTF’s programs and services, making sure that those priorities are consistent with the PNGMGCTF’s mission and purpose, and the terms and conditions of the funds available;

c) Hire and support the Executive Director in charge of the management unit, and evaluate his/her performance;

d) Assure that management is carried out in a transparent manner and that decision-making and financial management systems are sufficient to meet accountability standards and requirements of donors and other constituencies. This responsibility includes supervision of the Executive Secretariat, approval of financial management policies, and contracting annual independent audits and acting on their recommendations;

e) See that the PNGMGCTF has sufficient human and financial resources, work with the Executive Director to develop a fundraising strategy and participate actively in the raising of capital;

f) Recruit and provide orientation for new members of the Board of Trustees, and evaluate the Board’s own performance;

g) Determine the content of all reports published by the PNGMGCTF and ensure that an Annual Report is published, in accordance with provision 17 of the Trust Deed;

h) Approve the budget for the following fiscal year;

i) Approve the agreements of all unrestricted donations, Advised Fund and Grants to the PNGMGCTF;

j) Authorise the opening of all bank accounts, including deposit accounts, current accounts or advance on securities account in the name of PNGMGCTF;

k) Give written agreement to an umbrella donation made for a separate corporate body other than the PNGMGCTF for the purpose stated in section 3.8.

**Fiduciary responsibilities**

The Board is responsible for maintaining the assets of the Fund. To do so, it:
a) Establishes procedures for selection of the Asset Manager(s), and carries out the selection and contracting

b) Develops investment policies and guidelines, and hires the Asset Manager(s) who invests the Fund’s assets;

c) Sets objectives and performance standards for the Asset Manager(s) (targets for annual return, acceptable level of risk, etc.) and reviews them periodically;

d) Establishes procedures for selection of the Asset Manager(s), and carries out the selection and contracting;

e) Carries out periodic review of investment performance, and certifies schedule of funds available for grant-making and other Trust Fund programs each year;

f) Authorises release of funds to the Trust Fund’s operating and grant accounts;

g) Receives, discusses and approves the accounts of the closed fiscal year presented to it by the management unit;

h) Accepts the gifts, donations or other considerations which are given to the PNGMGCTF without charge or condition;

i) Accepts or refuses, after due consideration, such gifts, donations or other considerations as are encumbered by a charge or condition;

j) Refuses such gifts, donations or other considerations intended for existing organisations where those gifts, donations or other considerations may be granted directly to such organisation except for the organisation set forth in section 3.8.

**Overview of grant program**

The Board sets annual priorities for the grant program, based on forecasts of fund availability. To do so, it:

a) Approves eligibility criteria, the selection process and the calls for proposals as outlined in section 6 of the Operations Manual;

b) Approves in compliance with those criteria, the action and funding programs of the projects proposed by the Executive Secretariat;

c) Adopts the contracting rules of grants for projects financed by the Trust Fund;
d) Reviews awards and disbursements proposed by the Executive Secretariat and authorise disbursements for approved activities;

e) Reviews annual reporting and monitoring results to assure that grant programs meet targets and benchmarks in line with their objectives;

f) Authorises any specific study, local or external assistance necessary for the effective implementation of projects financed by the PNGMGCTF.

2.2.3 Restriction

The Board of Trustees may delegate all or part of its powers to Committees, the Executive Secretariat, or to any person or organisation of its choice with the following exception:

a) The decision related to the annual amount to be distributed by the PNGMGCTF and from any other endowments that it may be responsible for. Any surplus of unallocated funds will be allocated to a Special Reserve Fund.

b) Approval and/or modification of the PNGMGCTF Constitution and Operations Manual;

c) Hiring and dismissal of the Executive Director;

d) Approval of the organisation chart and the general personnel regulations proposed by the Executive Secretariat in the employee’s manual;

e) Authorisation of any guarantee, endorsement, or mortgage on the properties of the Trust Fund, and any loan founded on the credit of the Trust Fund. In the case of a mortgage or loan, a special resolution of the Board is necessary in order to take action;

f) Approval of the budget and accounts of the PNGMGCTF as proposed by the Executive Director; and

g) Acceptance of gifts, donations or other considerations which are encumbered by a charge or condition. For the approval of donations and bequests without charges or conditions proposed to the PNGMGCTF, the Board may only delegate its power to the Chairperson of the Board or the Executive Director acting on behalf of the Chairperson.
2.2.4 Safeguards

In the accomplishment of its mission, the Board of Trustees must ensure that the PNGMGCTF abides by its objectives and this Operations Manual and does not act in a manner prejudicial to the interests of the Trust Fund. Notably:

a) The Board cannot distribute the properties or assets of the Trust Fund. It must allocate the investment revenues for the exclusive fulfilment of the purposes for which the Trust Fund is established;

b) The Board must ensure that the integrity of the capital value of the PNGMGCTF is protected at all times and must take all necessary corrective measures to ensure that this requirement is fully met;

c) When the Trust Fund holds shareholding that is not minority to the capital of one commercial company, this shareholding will either be sold or reduced in the proportion required to turn it into minority, except for the case provided in section 3.2.1.5;

d) The Board cannot allocate more than 20% of any revenue generated by its investments to administrative expenses, after deduction of a percentage representing the annual rate of inflation measured by the Consumer Price Index over a five-year period in the country where the asset or values are invested. That portion of revenue assessed as inflation shall be allocated to the capital, in order to provide protection of the capital against inflation each year.
   o Administrative expenses include expenses related to the costs of the Management Unit, Board-approved investigative or research studies, Board members’ travel, personnel, committee members’ attendance at Trust Fund meetings, advertising activities and monitoring and evaluation;

e) The authorised annual expenses of the Fund cannot exceed the amount of annual revenue, after adjustment for inflation.
   o In the event that expenditure during a fiscal year exceeds the available revenue as defined in the first paragraph of this subsection, the deficit recorded shall be chargeable to the budget of the following fiscal year. The available budget of the following year for administrative expenses will be 20% of the net revenue expected for the coming year, less the deficit of the preceding year.
2.2.5 Prohibitions

The Board members cannot, by themselves or through an intermediary, be involved with or influence contracts, or the sale or purchase of property or services by the PNGMGCTF during their term of office.

The Board of Trustees or its representatives cannot commit, in advance, more than one third of the projected revenues of the PNGMGCTF endowment funds of the current year, in a multiple year grant agreement.

Decisions of the PNGMGCTF relating to the sale or disposal of properties and real estate acquired by or residing in the endowment, or the approval of mortgages and loans, are invalid unless approved by a special resolution of the Board.

Decisions related to the acceptance of gifts and bequests, as well as the modification of the charges and conditions encumbering those gifts, are invalid unless they meet current PNG legislation relating to gifts to charitable trusts.

2.3 SELECTION OF THE BOARD OF TRUSTEES

The PNGMGCTF Constitution and this Operations Manual determine the conditions of nomination and the renewal of the members of the Board of Trustees.

The first Board of Trustees will be named by the Settlor. One-third of its members will serve one-year terms. One-third will serve two-year terms. One-third will serve three-year terms. Determination of individual terms for the first Board will be made by the Settlor. Thereafter, election to the Board will be for a three-year term, with one-third of the members coming up for election each year.

The highest fraction of members to be replaced takes place in the third year. The departing Board members can be proposed and nominated for a second and a third term. If the Board is expanded beyond the original nine members stipulated in the Trust Deed and the Constitution, the additional member(s) will be included in the percentage of members to be replaced in the third year. The nomination and election of Board members and officers of the Board (Chairperson, Vice-Chairperson and Secretary) is made by secret ballot only, as will decisions relating to the conduct of Board Members.

The PNGMGCTF Board adopts the following guidelines for the nomination of new member:

- The Board of Trustees will receive names of suggested candidates for Board membership, through the Governance Committee, personal communication and other appropriate means agreed by the Board;
• A meeting of the Board’s Governance Committee will be held to consider qualifications of suggested candidates, and as appropriate, to recruit additional candidates to stand for election. The Governance Committee will make recommendations to the Board on qualified candidates according to the criteria, interests and areas of expertise stated in appendix A point 5 and 7 of the Trust Deed;

• The PNGMGCTF Board of Director will strive to reach an equitable gender balance as require in appendix A point 8 of the Trust Deed;

• The Board will vote on the candidates presented following to the above guidelines;

• Offers of Board membership will be made to successful candidates.

2.3.1 Election or designation of officers and responsibility

The PNGMGCTF Constitution provides for the appointment of a new Director (see section 3, sub-section 3.6), the appointment of a Chairperson and for the appointment of a Secretary (section 6, sub-sections 6.1 and 6.3, and section 9, sub-section 9.1). The following additional rules apply for election of officers:

2.3.2 Chairperson and Vice-Chairperson

At the first Board meeting where the position(s) of the Chairperson and/or the Vice-Chairperson become vacant the Board of Trustees elects or re-elects from its members, a Chairperson and a Vice-Chairperson.

The Vice-Chairperson replaces the Chairperson in the Chairperson’s absence, and exercises all the powers and duties of the Chairperson.

Should both officers be absent from the meeting, and assuming there is a quorum present, the members present at the Board meeting shall appoint an acting Chairperson for that meeting.

The Chairperson of the Board is responsible for the supervision of the Trust Fund’s affairs. The Chairperson assures enforcement of Board resolutions, presides over Board meetings and represents the Trust Fund in legal proceedings and in its relations with third parties, if mandated for that purpose by the Board. The Chairperson can delegate its powers under the conditions stated in this Operations Manual, and will perform any other mandate that the Board assigns to him or her from time to time by written resolution.
2.3.3 Secretary

The Board will nominate a Secretary at its first meeting and at such time, as the position becomes vacant. The position of Secretary of the Trust Fund is for a fixed term of two years and for a maximum of three consecutive terms.

The Secretary of the PNGMGCTF shall have only such rights, powers, and duties in relation to the Trust Fund as are given to him/her by the Company’s Act.

2.4 BOARD COMMITTEES

As provided for in provision 8.2 of the Trust Deed, and in provisions 8.13 and 8.14 of the PNGMGCTF Constitution, delegation of powers to a committee must be in writing and all the powers so delegated when exercised by a committee are treated as being exercised by the Board.

The Board should, as required, review, revise, adopt, and periodically update the guidelines for each of these committees, soliciting input from the committee itself and the Executive Secretariat.

The Board of Trustees can designate committees duly mandated to perform or to accomplish any specific duty or responsibility as defined in the Constitution and the Operations Manual or by Board resolution. A Board member must chair every committee.

Once mandated, the committees can meet as often as necessary and anywhere until the accomplishment of their mandate, which shall be submitted in a report to the Board members or presented in the annual report. The decisions of the committees duly mandated by the Board engage the Trust Fund in the exclusive domain defined by their mandate as stated in sub-provision 8.14(b) of the PNGMGCTF Constitution.

A Board member cannot belong to more than two committees.

The Board may also establish additional committees other than those described below if the PNGMGCTF felt these were needed to assure professionalism and transparency or participation by stakeholders, and/or to receive feedback and/or to advise on specific program areas.

For the first appointment of a Committee one-third of its members will serve one-year terms, one-third will serve two-year terms and one-third will serve three-year terms. Committee members will be eligible for reappointment for a second term. Any Committee member who develops a conflict of interest with the work of the Committee is expected to disclose the conflict and not vote on a resolution where he/she is in a position of conflict of interest. (Re: conflict of interest clause 23.4 of the...
The Committee serves on a voluntary basis but may be compensated for expenses associated with the Committee’s work.

All Committees make decisions and recommendations by simple majority. Dissenting opinions will be recorded in the minutes of the meeting and be forwarded to the attention of the Board.

The PNGMGCTF Executive Secretariat acts as secretary for all Committee sessions.

2.4.1 Finance/Investment Committee

The Board of Trustees will appoint the Finance/Investment Committee. The Chairperson of the Finance/Investment Committee will be drawn from the membership of the Board of Trustees. Other members of the Committee may be Board of Trustees members or outside experts. The Committee shall consist of no more than five persons representing different institutions or areas of expertise in investment of funds. No person with a potential conflict of interest (e.g. a relationship with the Asset Manager or a personal interest in promoting certain investments) may serve on the Committee, and no Committee member will be permitted to receive any bonus, commission or consideration for referrals of the Trust Fund’s investment business.

The Finance/ Investment Committee’s role is to provide advice and information to the Board of Trustees to enable it to oversee prudent management of the financial assets of the PNGMGCTF; to evaluate the performance of any financial manager hired by the Trust Fund and to carry out other duties that may be delegated to it by the Board of Trustees.

The duties of the Committee are to:

a) Ensure that the PNGMGCTF follows at all times the investment policy guidelines and safeguards for the investment of its assets;

b) Recommend guidelines, objectives, and performance standards for the Asset Manager;

c) Advice on the selection process for the Asset Manager, and recommend the candidate or the organisation to be selected;

d) Carry out periodic reviews of investment performance. Make recommendations regarding hiring of a professional financial adviser to assist with investment supervision, and in case such an adviser is retained, work with that person in monitoring investment performance and revising guidelines as needed to
assure optimum performance.

e) Based on investment performance and other factors, recommend the amounts that the Board should (1) reinvest to maintain or build capital and (2) release for operations and grant-making programs on an annual basis.

f) To assure, as effectively as possible, the best return on the funds invested in the common fund (section 4.2), taking into account the dues imposed by the cash flow of each Budget.

g) Certify schedule of funds available for grant-making and other PNGMGCTF programs each year; and

h) Authorise the release of funds to the Trust Fund’s operating and grant-making accounts.

i) Oversight from time to time of PNGMGCTF expenditures and accounts.

The Committee must research the conditions of the investment market using the best means possible. It must choose, subject to the prescribed norms, the appropriate investment instruments and it must issue its instructions in accordance with the PNGMGCTF’s treasury service and finally report annually and as often as required by the Board on the results of its work and the status of the PNGMGCTF’s investments.

The term of service of Committee members will be two years. Committee members will be eligible for reappointment to an unlimited number of terms except for members of the PNGMGCTF Board where the maximum term will be four.

The Finance/Investment Committee Chairperson will convene quarterly meetings of the Committee to review reports by the Asset Manager and to take up other business that the Board instructs the Committee to carry out. The Chairperson may also convene special meetings at any time.

The Committee will provide a six monthly report to the Board on the performance of the investment portfolio and will include recommendations for the Board’s consideration and action.

The Committee will facilitate communications with the Asset Manager. However, the Board must issue any instructions to the Asset Manager(s) itself, in writing, as provided for in the contract between the Board and the Asset Manager(s).

### 2.4.2 Grant Technical Committee

Except for Action Grants and Advised Fund where a special board has been appointed, all proposals requesting funding from the PNGMGCTF must be reviewed by the Grant Technical Committee. The Board of Trustees will appoint the Grant Technical Committee comprising 8 highly recognized PNG experts in the area of
science related to biodiversity conservation, management, community development, research and other relevant fields of interest. The composition of the Grant Technical Committee will, at all time, have a balance of technical expertise between science and social science, representation of community development and expert in biodiversity in the field of forestry, plants & animals and marine & terrestrial ecosystems. One designated PNGMGCTF Board members will be de facto member of the Grant Technical Committee.

The Chairperson of the Grant Technical Committee will be elected from among its members excluding the board member representative.

The objective of the Grant Technical Committee is: to assess Concept Paper and Full Proposal according to the PNGMGCTF adopted ranking and evaluation system; to advise the Board and Executive Secretariat on the relative merits of individual proposals, and the degree to which they are likely to contribute to the achievement of the Trust Fund’s goals; keep abreast of the monitoring of the award grants; and, make annual recommendations to the Board on the Grant program.

When the number of concept papers and/or proposals submitted for any one Call for Proposals exceeds ten, the Grant Technical Committee may divide itself into smaller Sub-Committee of no less than three committee members. For the assessment of any given concept paper or full proposal to be valid, it must have been assessed by at least 3 experts.

The Grant Technical Committee will review the progress of projects on an annual basis, and will review proposals submitted for consideration by MCT as indicated under specific Calls for Proposals, in accordance with the evaluation process, criteria and rules set forth in section 6 of this Operations Manual.

2.4.2.1 Scientific Committees

Scientific Committees will be appointed as needed by the Chairperson of the Grant Technical Committee on recommendation of the Executive Secretariat to supplement the PNGMGCTF’s effectiveness in assessing concept papers or full proposals. Scientific Committees are not permanent Committees of the Board. Rather they are convened to meet the scientific advisory needs of the Grant Technical Committee and may be disbanded or reconstituted, as the Grant Technical Committee deems necessary. There may be more than one Scientific Committee at any one point in time especially when PNGMGCTF receives numerous proposals in response to any one Call for Proposals. Each Scientific Committees will consist of three persons in order to make sound technical assessments of project proposals.
The objective of Scientific Committee is to provide sound recommendations to the PNGMGCTF regarding the technical feasibility and viability of activities proposed to the Trust Fund for funding. In some cases, Scientific Committee may also be requested to monitor or evaluate the technical progress of projects.

Scientific Committee will be constituted as follows:

- a) The Executive Secretariat will develop a list of technical and scientific experts in various fields of appropriate expertise who would be willing to assist the PNGMGCTF in the required technical and scientific fields;
- b) The Executive Secretariat will choose Members of Scientific Committees from the above list of scientific experts and may form working groups based on the technical and scientific assessment requirements of particular projects or groups of projects.

The Executive Secretariat will provide copies of project proposals and/or project technical reports at least one week in advance of meetings called to consider such documents. Members of the Scientific Committee selected for a particular task will review the project in accordance with the guidelines/terms of reference set forth for the particular technical review by the Grant Technical Committee or the Executive Secretariat.

Participation on Scientific Committee is voluntary. However, the Board may elect to offer an honorarium when Scientific Committee members are called upon to commit several days to reviewing and ranking proposals, or when a Scientific Committee member are called upon to make a technical assistance visit to a project site. In such cases, the Executive Secretariat will issue written descriptions of the work expected to be performed and pay the working expenses upon satisfactory completion of the task.

2.4.3 Fundraising Committee

The Board of Trustees will appoint the Fundraising Committee. The Board of Trustees will designate the Chairperson of the Fundraising Committee. The Committee will consist of no more than six persons.

The objective of the Fundraising Committee is to provide leadership and direction to the Board’s and Executive Secretariat on fundraising activities. The Fundraising Committee will be responsible, along with the Executive Secretariat, for developing and executing strategies for fundraising both within Papua New Guinea, the region and internationally.

The following factors need to be addressed:

- The nature and the scope of the campaign;
• The strategies needed to appeal to potential donors;
• The key prospects;
• The role of the Board members and the staff;
• Communication strategies, such as brochures, speeches and special events;
• The timetable and the Budget.

The Fundraising Committee will annually review the strategy and the scope of the campaign and make its recommendations to the Board.

The Fundraising Committee can invite honorary members of the PNGMGCTF to participate in its sessions.

2.4.4 Governance Committee

The Governance Committee shall be composed of the Chairperson and the Vice-Chairperson of the Board and/or their designees. The Governance Committee shall maintain a current profile of the Board’s membership composition to guide the selection process. It shall review the performance of incumbent Trustees eligible to for re-election and it shall develop and help to administer a program of orientation with the Executive Director for newly elected Trustees. The Governance Committee shall encourage periodic programs of in-service training and self-assessment retreat.

In addition to the preceding, the Governance Committee adopts the following guidelines for the nomination of new Board members:

• A public announcement will be made by the Governance Committee detailing the number of positions vacant, and specific qualifications (areas of expertise) and profile sought to maintain the high standard level and appropriate balance on the Board;
• The Governance Committee will make recommendations to the Board for 2 qualified candidates per vacant position according to the criteria, position, needs and areas of expertise stated in clause 10.3 of the Articles of Incorporations;
• The Governance Committee shall furnish to the Board information relating to the background and qualifications of all such nominees at least two weeks prior the Board meeting at which an election is scheduled to take place.
• The Governance Committee keep himself abreast of potential conflict of interest of board member and other transparency and governance-related matters.
• The Governance Committee will strive to reach an equitable gender balance of
the Board if the potential suitable candidate allow for it.

- The Governance Committee shall review the performance of incumbent Directors yearly and for re-election.
- The Nominating Committee shall, encourage periodic programs of in-service training and regular self-assessment retreat.

2.5 MANAGEMENT UNIT

Taking into account its mission and its limited resources, the PNGMGCTF is provided with a lean administrative structure.

The day-to-day management and administration of the PNGMGCTF’s activities is carried out by a Management Unit headed by the Executive Director appointed by and responsible to the Board.

The Management Unit consists of the Executive Secretariat, Financial Services, Grant Services, Support Services and Advised Fund...

2.5.1 Executive Secretariat

The Executive Secretariat is composed of the Executive Director (ED) and the Deputy Executive Director (DED).

The DED is responsible to the ED, who is in charge of the day-to-day management of the PNGMGCTF.

The ED is responsible for the operation of the fund under the conditions fixed by this Operations Manual. The ED participates, with a consultative role, in Board meeting, and in the diverse committees and sub-committees of the PNGMGCTF. He or she ensures that the committees have adequate secretarial support, and jointly signs minutes with the chairperson of the meeting. In case of the ED’s absence, the DED performs these duties.

In addition to the powers that can be delegated by the Board of Trustees to the Executive Secretariat, the Secretariat has the following responsibilities:

In compliance with the PNGMGCTF Constitution, the Trust Deed, the Operations Manual, the mission, the policies, the strategy, the planning and the budget;

- To manage the PNGMGCTF properties and real estate, assure warranty of securities and take responsibility for all financial transactions;
- To execute, as delegated by the Board of Trustees, decisions and other actions
of the Board, in particular, those concerning the budget, the accounts, the 
annual report, the acceptance of gifts and donations, the management of 
properties, the collection of receipts, the payment of expenditures and the 
distribution of grants;

c) To represent the PNGMGCTF to institutions, national and international 
agencies and organisations;

d) To provide vision and the moral leadership to assure the highest ethical and 
professional standards in all of its activities and those of the PNGMGCTF;

e) To represent the PNGMGCTF in matters of law when requested by the Board 
to do so;

f) To identify, establish and participate in negotiations with potential donors;

g) To prepare draft contracts for agreement by the Parties for any donations or 
grants to be received by the PNGMGCTF and with recipient organisations for 
grant to be awarded by the PNGMGCTF;

h) To undertake liaison with national and international organisations, supervise 
and ensure that organisations with which agreements have been established 
comply with those agreements;

i) To recruit, develop a personnel management program, evaluate performance 
and discipline employees and/or agents of the PNGMGCTF;

j) To authorise all payments and signing of cheques in compliance with the 
norms and rules provided by this Operations Manual, sign exchange bills, 
guarantee bills and any other commercial documents;

k) To establish the PNGMGCTF’s end-of-year financial accounts and interim 
financial reports and prepare any other accounting documentation required for 
its management;

l) To prepare the PNGMGCTF’s budget, and annual work plan and submit them 
for approval by the Board at its first annual meeting;

m) To draft the PNGMGCTF's Annual Report and Statement of Accounts for 
approval by the Board;

n) To collaborate and maintain close contact between the PNGMGCTF and
organisations pursuing similar objectives at national and international levels;

o) To convene sessions of the PNGMGCTF's Board of Trustees, at the request of one-third of the Board members;

p) To carry out analysis of bids and adjudication when authorised by this Operations Manual or by the Board;

q) To approve the terms of reference and/or the specifications for administrative bidding process request in sections 4.3.1 and 4.3.2;

r) To supervise the administration of grant proposals or bids, including evaluation of documentation against PNGMGCTF approved legal and administrative criteria, rejection of inadequate proposals, and approval of proposals to be further evaluated by appropriate committees;

s) To recommend the approval or rejection of proposals to the Board of Trustees, based on the regulations approved by the PNGMGCTF;

t) To evaluate and verify that procedures adopted and carried out for an autonomous Advised Fund are adequate and complementary to the interest of the PNGMGCTF;

u) To propose composition of the Scientific Committee to the Evaluation Committee;

v) To decide on small projects up to a fixed ceiling made by the Board of Trustees for the action grant support;

w) To facilitate with the annual Audit of the Trust Fund;

x) To ensure at all times that the rules and regulations provided under the Trust Deed, the Constitution, The Companies Act, the Operations Manual of the PNGMGCTF are adhered to by all constituencies of the Trust Fund;

y) Supervise the grant program of all Advised Funds of the PNGMGCTF;

The ED must receive copies of all reports prepared by employees of the PNGMGCTF. He or she submits a general activity report to the Board of Trustees, integrating the results of the activities of all actions undertaken by the PNGMGCTF, at each Board meeting.
2.5.2 Financial service

The Financial Service is responsible to the Executive Secretariat and has the following duties:

a) Propose and when approved by the Board execute the implementation, maintenance and the updating of the accounting and financial systems of the PNGMGCTF. These must be in compliance with the accounting and financial legislation in force and/or when there are agreements, in compliance with those agreements and according to international standards required by the Trust Deed.

b) Propose, and when agreed by the Board execute and co-ordinate the accounting and financial procedures for the follow-up of the management of projects;

c) Follow the expenditures of the operating budget of the PNGMGCTF and draw up the necessary reports on bank, accounting and financial statement of the corresponding accounts;

d) Co-ordinate the flow of information with Advised Fund to consolidate the overall financial flow of funds administered by the PNGMGCTF;

e) Prepare the budget and the cash flow budget, the balance and the financial statements of the PNGMGCTF;

f) Propose in co-ordination with the Grant Service, procedures to carry out and/or co-ordinate monitoring and financial control on site projects financed by PNGMGCTF in compliance with the legal notifications and with the internal audit of the PNGMGCTF;

g) Carry out duties related to the management of stock, of fixed assets and of inventories;

h) Take care and maintenance of the installation & equipment of the PNGMGCTF office;

i) Present periodical reports to the Executive Secretariat on the administrative, financial and accounting aspects of the PNGMGCTF.
2.5.2.1 Financial service for Advised Fund

a) Propose and co-ordinate the development of an administrative, financial and accounting management system for Advised Fund, for approval by the Board;

b) Ensure the patrimony’s money is always secure in compliance with legal regulation, with external control (audit), with administrative, financial, and accounting techniques required by agreements which establish the Advised Fund. The requirements of an Advised Fund should not be less than the financial standards used by the PNGMGCTF;

c) If necessary, draw up the initial financial request for Advised Fund, and proposed the re-actualisation of investment if it occurs;

d) Follow the approved budget of each fund;

e) Jointly sign with the ED and/or the DED cheques for operating expenses in compliance with the provisions set forth in section 4 of this Operations Manual;

f) Prepare the financial and accounting statements of Advised Fund operations and ensure their availability for financial consolidation and control by internal or external audits;

g) Plan, co-ordinate and control the process of purchasing for the management of Advised Fund.

h) Co-ordinate with the Executive Secretariat and the corresponding services of the PNGMGCTF, the programming of the legal services for external administrative and financial audits for the good management of Advised Fund;

i) In compliance with the legal notifications and with the internal audit procedures of the PNGMGCTF, propose in co-ordination with the Grant Service, procedures to carry out the monitoring and the financial control of the projects in the field financed by Advised Fund;

j) Co-ordinate with the support unit and the grant service, the procedures to optimise the flow of information required to manage the Advised Fund and the process of external audit, if necessary;

k) Co-ordinate with the Finance/Investments Committee on the level of funding available in the common fund for investment at any given time;
l) Present periodical reports to the Executive Secretariat on the administrative, financial and accounting aspects of Advised Fund.

2.5.3 Grant program service

Responsible to the Executive Secretariat, the Grant Service assures the development, follow-up, overall control and evaluation of the PNGMGCTF program and conservation projects. It has the responsibility to:

a) Execute policies and strategies to accomplish the objectives of the grant program when approved by the Board;

b) Propose new mechanisms and tools to improve the performance of the grant program;

c) Assure that the agreed process of assessment of proposals is strictly adhered to;

d) Organise and maintain an information system on biodiversity projects;

e) Organise and maintain a network system of organisations, groups and individuals working in the field of biodiversity conservation and sustainable development;

f) Define, propose and execute a co-ordinated system of monitoring, control and evaluation of projects;

g) Define, propose and co-ordinate environmental impact studies of projects when requested;

h) Identify conservation projects in the country taking into account regional environmental issue e.g. migratory species in order to take them into account in the grant program of the PNGMGCTF;

i) Verify through whatever means possible the technical feasibility and eligibility of projects for funding;

j) Carry out monitoring, evaluation, and overall control works of the technical aspects of development of programs and environmental projects of the PNGMGCTF;

k) Disseminate all information on the grant program, grant proposal, grant
assessment and grant monitoring and evaluation process;

1) Provide training sessions for NFPOs and CBOs on: proposal writing, environmental impact assessments of projects, organising and planning activities and their implementation, monitoring progress during the course of a project, and project evaluation;

m) Offer technical assistance to operators (NFPOs) in the selection, analysis and elaboration of Biodiversity Conservation projects.

2.5.4 Support Service

Under the responsibility of the Executive Secretariat, the purpose of the support service of the PNGMGCTF is to provide short or long term technical assistance in the various specialisation required by the operational needs of the Trust Fund.

This support unit will have a minimum of following responsibilities:

- Administrative and secretariat assistance to the Executive Secretariat;
- Information/data base - Communication – Training;
- Legal/ Litigation / Contracts;
- Financial Control;
- Management for Advised Fund accounts or contracts (if necessary);
- Others.

Its duties are to:

a) Provide administrative and secretariat assistance to the Executive Secretariat, preparation and reporting of various committees, meetings, and provide assistance to other services of the PNGMGCTF when requested;

b) Ensure the setting up of an Information-Communication-Training function, which is efficient and adaptable to the needs of the PNGMGCTF;

c) Provide legal advice on contracts signed by the PNGMGCTF and on litigation, if any;

d) Assure the accuracy and credibility of the financial and accounting operations of the PNGMGCTF in compliance with laws governing the Trust Fund, the Trust Deed, the Constitution, the Operations Manual and internal procedures signed in agreement with donor;

e) Others.
2.6 RECRUITMENT POLICIES AND PROCEDURES

Taking into account its mission and its limited resources, the PNGMGCTF is set up with a lean administrative structure (See Annex A). It employs highly qualified and multidisciplinary personnel for professional execution of its duties.

The Board of Trustees will handle the recruitment for the position of Executive Director and the Board may put it out to tender to a Recruitment Consultant Firm or recruit directly. As all other PNGMGCTF positions, this position will be advertised in one or two national newspaper. The Board of the PNGMGCTF will make the final decision for this selection process.

In the case of other professional employees the Executive Secretariat will establish the criteria for the positions and may put it out to tender to a Recruitment Consultant Firm or recruit directly. The position(s) will be advertised in one or two national newspapers. Where a Recruitment Firm is suited it will proceed with the initial selection process and recommend at least three candidates to the Executive Director, who will set up a final selection committee composed of at least three people plus one representative from the firm (if applicable).
SECTION 3: RECEPTION & HANDLING OF DONATIONS

3.1 INTRODUCTION

The policy and procedures set forth in section 3 of the Operations Manual for the reception and handling of donations, pave the way for any type of donations to be given to the PNGMGCTF. It set out the basic rules on how the PNGMGCTF will handle donations.

3.2 DONATION

3.2.1 General rules

The PNGMGCTF is recognised by the Trust Deed as a Non-Profit and Charitable institution, whose mission, in accordance with the terms of the Trust Deed, is to search for donations to accomplish the purpose for which the PNGMGCTF was created. Donations may be made to the PNGMGCTF in the form of one or a combination of the following types of donation: unrestricted fund, sinking fund, endowment fund, advised sinking fund and advised endowment fund. The terms and conditions governing these funds will be individually negotiated and codified in an Advised Fund agreement. (See section 1.3 Interpretation). When PNGMGCTF raises money, it will clearly state the type of fund for which it raised the money, and this money will be used only for the specific purpose of the fund. The Board of Trustees acknowledges that doing otherwise will be an act misleading a third party.

3.2.1.1 PNGMGCTF General Endowment Fund

There is a General Endowment Fund account open within the PNGMGCTF, and its purpose is to support the mission and the global grants program of the PNGMGCTF in order to promote the biodiversity conservation and related sustainable development initiative for the future of PNG and the World.

3.2.1.2 PNGMGCTF General Sinking Fund

There is a General Unrestricted Sinking Fund open within the PNGMGCTF, which supports each of the particular components of the grants program of the PNGMGCTF. This general Sinking Fund may be used to support a particular component of the grant program or a particular geographical area of Papua New Guinea as determined by the Board of Trustees.
3.2.1.3 Creation of Advised Funds

The PNGMGCTF may constitute in the name of donors, independent funds (Advised Fund) outside of the grant program of the PNGMGCTF, but only in accordance with the purpose for which the PNGMGCTF has been created.

When the PNGMGCTF raises money, it will clearly state the type of fund for which it raised the money, and this money will be used only for the specific purpose of the fund. The Board of Trustees acknowledges that doing otherwise will be an act misleading a third party.

3.2.1.4 Refusal of donations

The Board of Trustees may refuse any donation by a majority decision of the Board itself, without other formalities.

3.2.1.5 Donation of Corporate Shares

In a case where a donation to the PNGMGCTF includes a shareholding that is not minority to the capital of one commercial company, this shareholding will either be sold or reduced in the proportion required to turn it into minority.

Except contrary to the stipulation of disposers, the shares acquired or directly included in a portfolio by means of donation may always be alienated on the express condition that the funds coming from the alienation can be reused within the framework of the agreement under which such a donation was made, in accordance with the provisions of section 3 and in accordance with the legal provisions in force for such matters.

However, if the purpose of a concerned company allows for the activities relating to the targets stated in Recital A and point 3.1 of the Trust Deed of the PNGMGCTF, the Board of Trustees may decide to keep the shares of the company (for example, a botanical garden). The accounts of the company as well as the compliance of the company’s activities with the targets of the PNGMGCTF will annually be reported in the PNGMGCTF annual report.

3.2.2 Handling Donations

1) Any donation less than 75 thousand Kina and whose donor (testator) has not stated a specific allocation, is allocated to the annual grant resources of the PNGMGCTF.
2) Any donation equal to or more than 75,000 Kina and whose donor (testator) has not stated a specific allocation, may be allocated to either the general endowment of the PNGMGCTF or to the annual grant resources. Alternatively, it may also be allocated to the general endowment and to the annual grant resources in proportions to be decided by the Board of Trustees.

3) Any donation equal to or greater than 15,000 Kina whose donor (testator) has specified its allocation to a specific purpose, will be allocated to the intended purpose, minus any charges incurred in the execution of such donation.

4) Any donation, regardless of the amount, whose donor (testator) has specified use and allocation within the framework of the programs of the PNGMGCTF, is allocated to the specified programs.

5) When a donation is an Advised Fund, it may not be treated as independent within the PNGMGCTF unless the initial capital is a minimum of 100,000 thousand Kina.

   If the donor (testator) has not specified any use for the donation, and if he or she has determined the allocation thereof, this latter not being included in the framework of the programs of the PNGMGCTF, this donation will be allocated as such: if it is less than 300,000 Kina. If it is greater than 300,000 Kina, an Advised Endowment fund may be created in accordance with section 3.4 for the exclusive purpose determined by the allocation unless otherwise prescribed by the donor(s).

6) If the donor or (testator) has not anticipated any particular use for his/her donation, and if he or she has determined the allocation thereof, this latter being included in the framework of the PNGMGCTF grant program, this donation is allocated to the annual grant resources of the corresponding program(s) if it is less than 75,000 Kina, or if more than 75,000 Kina but less than 300,000 Kina, an Advised Sinking Fund could be created as determined by the Board and for the duration of the Sinking Fund.

   If the donation is equal to or more than 300,000 Kina, an Advised Endowment Fund may be created in accordance with section 3.4 of this Operations Manual, unless prescribed otherwise by the donor(s).
7) In order to cover charges engaged by the PNGMGCTF for the settlement of a
Bequest or Succession, a deduction will be effected on those latter in the
following way:

For Bequest or Succession of real estate shares and cash money:

- on the scale of 0 to 75 thousand Kina : deduction of 10%
- on the scale of 75 thousand to 1 million Kina : deduction of 7.5%
- greater than 1 million Kina : deduction of 5%

Bequest of other properties:

- on the scale of 0 to 75 thousand Kina : deduction of 20%
- on the scale of 75 thousand to 1 million Kina : deduction of 10%
- greater than 1 million Kina : deduction of 7.5%

8) The donations made to the PNGMGCTF with an allocation do constrain the
PNGMGCTF until the death of the donor. At this point, these funds may
return to the General Endowment of the PNGMGCTF and are used for the
purpose closest to the one for which they have been allocated.

3.3 ADVISED SINKING FUND

An Advised Sinking Fund (ASF) is an account opened in the books of the
PNGMGCTF by an individual or corporation that makes an irrevocable donation for a
specific purpose and whose capital can be used for awarding grants in compliance
with the agreement between the Parties. It is created by an agreement between the
Board of Trustees of the PNGMGCTF and the donor or the Founder(s).

Such funds as may be created within the PNGMGCTF are managed individually
within the PNGMGCTF in accordance with the following rules:

1) The purpose of an ASF is to specify in advance the allocation of grants to be
awarded by this Fund.

2) A new ASF where the determined allocation is not included in the framework
of the programs of the PNGMGCTF, must have a non-profit, general interest
and determined purpose related to biodiversity conservation or related
sustainable development to be created under the cover of the legal entity of the
PNGMGCTF and to profit from the advantages granted to the PNGMGCTF,
more particularly fiscal ones.
3) The Founder will advise the PNGMGCTF of the name that he or she wishes to see assigned to the fund and under which the attributions will be executed.

4) The head office of the Fund is the same as that of the PNGMGCTF. However, if there is a special Board of Trustees of the Fund, it may meet at the place of its choice.

5) A new ASF can have its own special Grants Board of Trustees to make decisions regarding the disbursement of the fund for grant purpose. The composition and methods of designation of such special Boards are fixed by the Founder(s) and agreed by the Board of the PNGMGCTF. It must include at least one member representing the PNGMGCTF and be designated by the Board of Trustees of the PNGMGCTF. The management of such ASF is under the exclusive authority of the PNGMGCTF.

6) If a Special Board of Trustees of an ASF is nominated or designated by the Founders, it must comply with provision 23 of the Trust Deed and provision 3.9 of the Constitution of the PNGMGCTF. The special Board of Trustees should comprise no less than 3 persons, including the representative of the PNGMGCTF.

7) **Right of veto:** The Board of the PNGMGCTF or its representative has the right of veto on any decision of such special ASF Board that does not respect one of the clauses of the Trust Deed, the Constitution, this Operations Manual, the appropriate environmental legislation in Papua New Guinea, as well as the agreement binding the PNGMGCTF with this ASF and the donor or Founder(s).

8) The ASF will be administered by the PNGMGCTF on the Founder's instructions written in the agreement or, if the Founder is deceased, by the PNGMGCTF only, in accordance with all the procedures for this purpose set out in the Trust Deed, the Constitution and the Operations Manual.

9) The payment of grants, scholarships, prizes, etc. is carried out by the PNGMGCTF on the Founder's instruction set in the agreement. The allocations cannot be less than 100 Kina. The PNGMGCTF has 15 days to exercise its right of control on these allocations. It can refuse to proceed with
an allocation it considers contrary to its Trust Deed, Constitution and Operations Manual or as not being included in the purpose of the account as defined in compliance with the clause 2 of this section.

10) The PNGMGCTF pledges:
   a) To manage the patrimony of the Fund conscientiously;
   b) To establish, annually, an operating account if the Fund is to stand for more than one year;
   c) To execute the decisions agreed to in the convention between the Parties in accordance with the Trust Deed, the Constitution and the Operations Manual;
   d) To settle bequests or donations to the PNGMGCTF with the account of the specific ASF, on condition that the charges and conditions are in compliance with the agreement, as well as with the Trust Deed, the Constitution and the Operations Manual and with the law;
   e) To collect deposits or donation and to remit receipts to the donors; and
   f) To make known the targets and means of the fund.

11) The operating expenses for the management of ASF by the PNGMGCTF will be billed to the ASF pursuant to the conditions provided in the agreement approved between the donor or the (testator) and the PNGMGCTF. In a case where a donor is deceased, the charge will be billed at the real cost.

12) If a Special Board of one of the ASF does not fulfil its stated obligations, the PNGMGCTF will, after consultation with the Board of this Fund and the Founder by registered letter, terminate the ASF in accordance with the agreement between the PNGMGCTF and the Donor or Founder(s).

13) If any allocation has not been indicated during one year, the Board of the PNGMGCTF reserves the option, after informing the Founder, to proceed to the allocations that would seem to him closest to the purpose of the agreement for which the fund has been created.

14) This Operations Manual should be brought to the attention of any interested person, and in particular, of donors who require an express and exhaustive knowledge thereof.

15) The mail relating to an ASF created for more than one year may be set out as a special letterhead as below:
    .....................(name of the fund)
    C/O PNGMGCTF
3.4 ADVISED ENDOWMENT FUND

1) The PNGMGCTF will open an Advised Endowment Fund (AEF) in its books when one or several individuals or corporations have donated irrevocably to the AEF a capital-producing revenue where only the revenue shall be used for administrative expenses and Grants for the specific purpose and a specific area linked to the mission of the PNGMGCTF and determined by the donor(s). (For example: a protected area - a Park - natural reserve – the GEF forestry donation, other).

2) A new AEF cannot be created under the PNGMGCTF with a similar general or specific purpose and goal as set forth in Recital A, provision 3.1 of the Trust Deed, of the PNGMGCTF. The PNGMGCTF will manage those donations as the ones granted to the PNGMGCTF for the general and specific purpose set forth in its Trust Deed.

3) A new AEF created under the PNGMGCTF must be Non-profit making; it must have a charitable interest, a determined purpose, and a specific area. It must also be related to biodiversity conservation and sustainable development to be created under the cover of the legal entity of the PNGMGCTF in order to profit from the advantages granted to the PNGMGCTF, particularly fiscal ones.

4) The head office of the new AEF is that of the PNGMGCTF. However, if there is a special Board of Trustees of the Fund, it may meet at a place of its choice.

5) The new AEF can have its own special Grants Board of Trustees to make decisions regarding the disbursement of revenue earned during the year by the Endowment. The composition and methods of designation of such special Boards are fixed by the Founder(s) and agreed by the Board of the PNGMGCTF. It must include at least one member representing the PNGMGCTF and be designated by the Board of Trustees of the PNGMGCTF. The management of such AEF is under the exclusive authority of the PNGMGCTF.
6) If a Special Board of Trustees of an AEF is nominated or designated by the Founders, it must comply with provision 23 of the Trust Deed and provision 3.9 of the Constitution of the PNGMGCTF. The special Board of Trustees should comprise no less than 3 persons, including the representative of the PNGMGCTF.

7) **Right of veto**: The Board of the PNGMGCTF or its representative has the right of veto on any decision of such special AEF Board that does not respect one of the clauses of the Trust Deed, the Constitution, this Operations Manual, the appropriate environmental legislation in Papua New Guinea, as well as the agreement binding the PNGMGCTF with this AEF and the donor or Founder(s).

8) When there is no Special Board of Trustees, the AEF is administered by the PNGMGCTF on the Founder's instructions written in the agreement, or if the Founder is deceased, by the PNGMGCTF only, according to all the procedures set forth for this purpose in the Trust Deed, the Constitution and the Operations Manual.

9) The resources of a fund can comprise:

   a. The revenue of the initial endowment of the Fund. This endowment will be a minimum value of 300,000 thousand Kina;

   b. The revenue of the gifts and bequests whose capital will have been decided by the Founders; and/or

   c. The deposits made by corporations or individuals, as well as the net amount of gifts and bequests whose capitalisation will not have been decided by the Board of Trustees or the Special Board of the Fund if they raised money for the specific purpose of the Fund.

10) The PNGMGCTF pledges:

   a. To manage the patrimony of every AEF conscientiously;

   b. To establish an annual budget, cashflow budget and balance;

   c. To execute the decisions of the Founder of the AEF on condition that they
are in compliance with the Trust Deed, the Constitution and the Operations Manual of the PNGMGCTF;

d. To settle bequests or donations consented to the PNGMGCTF with the AEF’s account, on the condition that the charges and conditions are in compliance with the agreement, as well as with the Trust Deed, the Constitution and the Operations Manual of the PNGMGCTF;

e. To accept deposits and remit receipts to the donors; and

f. To make known the targets and means of the AEF.

11) The patrimony of the AEF is managed by the common fund as described in section 4.2.3 of the Operations Manual, unless otherwise stated in the agreement.

If the patrimony is more than 2 million Kina, special management of this Fund may be established if request by the donor.

12) Expenses and charges directly related to the management and operation of the AEF are chargeable to the latter and will be billed pursuant to the conditions provided in the agreement approved between the donor (or the testator) and the Board of the PNGMGCTF.

13) If a Special Board of one of the AEF does not fulfil its stated obligations, the PNGMGCTF will, after consultation with the Board of this Fund and the Founder by registered letter, terminate the AEF in accordance with the agreement between the PNGMGCTF and the Donor or Founder(s).

14) If the resources of an AEF prove to be insufficient (less than 300,000 Kina) the PNGMGCTF will terminate the Fund in accordance with the agreement between the PNGMGCTF and the donor or Founder(s). In the event that there is no such agreement, the distribution of the capital will proceed in accordance with procedures set forth in this Operations Manual.

15) Mail relating to the fund may be set out on a special letterhead as below: (name of the fund)
C/O - PNGMGCTF
3.5 PLEDGES

The PNGMGCTF uses all licit means, particularly with respect to the prescriptions of fiscal legislation related to donations that appear to be the most in compliance with PNGMGCTF's charity status and appropriate in achieving its objectives.

However, the PNGMGCTF prohibits itself:

- In the collection of its resources, from accepting any donation whose nature and conditions are such that it could have been made directly to the final beneficiary without requiring PNGMGCTF's intervention for purposes of management assurance. Exception is made for the NFPO that would be agreed by the PNGMGCTF under and for the purpose set forth in section 3.8.
- In the management of its properties, any operation that has a purely speculative character. It also prohibits itself from any direct management of any commercial or industrial company or institution, and any shareholding that is not a minority to the capital of the same company, except for cases and conditions provided by this Operations Manual.
- In the use of its funds, except for the topics necessary for the accomplishment of its mission (studies, research, etc.), for any direct operation or any action by means other than a competitive approach in selecting third parties or organisations.

Otherwise, the PNGMGCTF pledges:

To comply, with the limits provided by the legislation in force, with the charges and conditions that the author of a donation will assign to the donation and agreed by the PNGMGCTF, more particularly, with regard to their disposition, management, and allocation including the accessory charges to be paid on behalf of individuals, the establishment in the name of the donors of particular Trust Funds, the eventual participation of their representatives in the management or allocation of funds; agreeing that in the absence of an expressly contrary stipulation, the donation consented to the PNGMGCTF will be considered carried out under the clauses and general conditions provided by this Operations Manual.

The PNGMGCTF can enter into any agreement necessary for the accomplishment of its mission, particularly for the management of its properties and the investment of its funds in compliance with the Trust Deed, its Constitution and its Operations Manual, as well as for the organisation or operation of its activities.

The PNGMGCTF solemnly engages itself by this clause to wholly respect the will
and the conditions of the Founder(s) and any donor(s), mentioned in the previous paragraph and throughout section 3, in the management of properties, rights or resources which are codified here under pain of restitution to the Founder(s), donor(s) or persons entitled thereto.

3.6 DISBURSEMENT OF REVENUES

The PNGMGCTF will disburse the revenues from Sinking Fund capital and from the investment of the Endowment, according to the following provisions:

3.6.1 Disbursement of capital managed as a Sinking Fund

The entirety of the Sinking Fund capital is to be disbursed for grant making purposes minus administration fees, in accordance with the agreement between the Parties;

The revenue made from the investment of part of the Sinking Fund capital, will be added exclusively to the amount of this particular Sinking Fund capital unless otherwise prescribe by the agreement between the PNGMGCTF and the donor(s);

The disbursement of the capital provided by a Sinking Fund in hard currency will be made strictly in accordance with the Grant Agreement. The Conservation Trust Fund will, for as long as possible, keeps the money in hard currency in order to diminish the possibility of loss through inflation and devaluation of the local currency. The money will be brought in from an offshore bank account to the specific local PNGMGCTF account for this project, through a cashflow budget that will be determined at the same time as the Trust Fund Budget for this particular Sinking Fund. A specific cash flow budget could also be agreed between the donors and the PNGMGCTF.

The rules and safeguards relating to the operation of the PNGMGCTF foreign currency bank accounts in Papua New Guinea that are used for purposes other than for investment of assets or capital, are set out in section 4 of this Operations Manual. This Section establishes policies and procedures for the financial management and administration within the organisation.

In the case of a gift, the amount that can be used for administrative expenses cannot exceed 20 percent of the total amount of the gift, unless otherwise specified in the agreement pertaining to the gift.

3.6.2 Disbursement of revenues invested as Endowment capital

- The part of the Trust Fund’s gross revenue from its endowment investments that corresponds to the inflation rate must be reinvested into the capital to
maintain its value. This is called “inflation reinvestment”;

- Annual expenses of the PNGMGCTF related to its endowment fund shall not exceed the net revenue remaining after inflation reinvestment;

- No more than 20 percent of the net revenue after inflation reinvestment may be used for administrative costs by the PNGMGCTF;

- The disbursement of the net revenue provided by the investment of the PNGMGCTF Endowment in hard currency will be made strictly in accordance with the agreement between the Parties. The PNGMGCTF will, for as long as possible, keeps the money in hard currency in order to diminish the possibility of loss due to inflation and devaluation of the local currency. The revenue of the endowment will be brought from an offshore account into the local PNGMGCTF account in accordance with a cashflow budget that will be determined at the same time as the PNGMGCTF Budget.

- The rules and safeguards relating to the operation of the PNGMGCTF foreign currency bank accounts in Papua New Guinea for purposes other than the investment of assets or capital will be set out in section 4 of this Operations Manual which establishes policies and procedures for the financial management and administration of the organisation.

3.7 RECEIVING GRANT

The PNGMGCTF acknowledges here that any GRANT awarded by a donor to the PNGMGCTF is not a donation and will not be managed in accordance with clauses contained in sections 3.1 – 3.7. Any grant allocated to the PNGMGCTF will be managed exclusively according to the terms of an agreement negotiated and signed by the two Parties.

3.8 HELPING NFPOS TO SET UP THEIR OWN TRUST FUND

To assist CBOs or Non Profit Organisations (NFPOs) to achieve sustainable financial capacity, the PNGMGCTF intends to initiate a new program to cover management of funds given to CBOs or NFPOs as donations. This program has the sole purpose of facilitating fundraising and management for these organisations but does not confer special status or right to receive grants from the PNGMGCTF.

Due to the PNGMGCTF’s legal responsibilities toward donors and third parties in relation to this program, any Non Profit Organisation (NFPO) wishing to be considered for this program will be required to meet the following criteria:

- The management of the NFPO is impartial and must meet the following three conditions:
The NFPO must meet the Conflict of Interest clause in the PNGMGCTF Trust Deed;

The NFPO must meet the Conflict of Interest clause in section 6 of this Operations manual if the NFPO intends to distribute a Grant to third parties;

The management of the NFPO must not procure any direct or indirect material advantage to its Board members or its employees.

- The organisation must be registered, must have been in existence for two years, and be able to produce financial and activities reports covering the last two years certified by a professional accountant. Exception is made if there is a special agreement between a donor and the PNGMGCTF for a new organisation.

- The NFPO may not distribute any profit. Any surplus of revenue from commercial activities must be re-invested in the activity of the NFPO;

- The activity performed by the NFPO must be strictly within the framework of its impartial general activity and contribute both by its nature and financially, to the achievement of its purpose;

- The new Trust Fund should have a different name to that of the organisation;

- The organisation will give written authority to the PNGMGCTF for the management of the fund for a period of at least three years in the case of a sinking fund. In the case of an endowment, the period will be as long as determined by the donor(s) or as long as the organisation would like to stay in partnership with the PNGMGCTF for the management of the Endowment.

- The organisation will give written agreement that the management of its fund will be in accordance with section 4.2.3 and section 5 of this Operations Manual;

- The organisation will give written agreement to the PNGMGCTF having the right of veto for the disbursement of the fund according to section 3.3 and 3.4, clause 7 of the Operations Manual.

- The organisation will agree in writing to provide annual financial and activity reports for the previous fiscal year. The deadline for receipt of these documents by the PNGMGCTF is 15 May of the year following the fiscal year end.

In the case of a sinking fund, donations and fundraising should be no less than 100,000 Kina per year and the donor(s) must agree to provide their funds for a three
In the case of an Endowment, the amount should not be less than 500,000 Kina.

In the event that the organisation does not fulfil one of the above clauses, or if the PNGMGCTF estimates that the organisation does not fulfil the conditions of the agreement, the agreement may be withdrawn. Withdrawal will be subject to three months written notice to the NFPO by registered letter. The donation will be returned to the donor at the end of the three months notice period.

The Board of Trustees of the PNGMGCTF who signs the agreement decides selection of an organisation under this program. Individual funds will be charged by the PNGMGCTF for the actual cost of management of their fund.

In the event it is agreed that an organisation campaigns to raise funds to finance a particular project, but at the end of the campaign insufficient funds have been raised the organisation and the PNGMGCTF will jointly decide on the allocation of funds raised. Conversely, if the amount raised exceeds the required amount, the PNGMGCTF and the organisation will jointly decide on the use of the surplus. This provision should be included in the document constituting support of the fundraising.
SECTION 4: ADMINISTRATION AND FINANCIAL MANAGEMENT

4.1 GENERAL OPERATING POLICIES & CONTROL

4.1.1 Fiscal year

The Trust Fund’s fiscal year begins on January 1 and ends on December 31, except for the first fiscal year, which begins on the date of creation of the Trust Fund and ends on the following December 31.

4.1.2 Management - Accounting System

Management is subject to the PNG General Accounting Plan rules in force and those defined by the PNG Companies Act when the Trust Fund directly performs a commercial activity. The PNGMGCTF will establish separate accounting for those activities.

The PNGMGCTF will establish an annual financial statement of current assets and liabilities, an income statement and a funding source statement.

4.1.3 Auditor

The Board of Trustees may appoint any accounting firm as auditor according to the section 4.3.1, provided that neither any Board member, officer, member of the Executive Secretariat nor the internal Financial Manager of the Trust Fund is related to or has any interest in the accounting firm.

Any Director or staff members affected by this provision who neglects to inform the Board will be immediately relieved of his or her duties.

4.1.3.1 Auditor Capacities

The auditor has access to all documents of the Trust Fund and has the right to request from any Board member, officer or employee of the Trust Fund, any book, document, information or explanation necessary to the performance of his or her mission as spelled out in the Companies Act.

If the documents addressed to the auditor calls for the auditor’s comments, then they must inform the Board of Trustees in writing.
The auditor can bring to the attention of the Chairperson or members of the Board of Trustees any fact discovered during his/her mission that could jeopardise the continuity of the activities of the Trust Fund. He or she can request that the Board deliberate on the matter with the participation of the auditor. If the recommendations formulated are not observed or if, in spite of the decisions made, the auditor observes that the continuation of the activities remains jeopardised, the auditor will prepare a special report addressed to the Settlor.

4.1.3.2 Stakeholder Capacities

The Settlor, the beneficiaries or any other interested party, can, in spite of any contrary provision, commence proceedings against the Board of Trustees of the Trust Fund to compel it to fulfil its obligations or take any action necessary for the Trust Fund, to direct it to abstain from any action prejudicial to the Trust Fund or to obtain its dismissal.

The Settlor, the beneficiaries, or any other interested party can also sue the Board of Trustees for any fraudulent activity involving the property of the Trust Fund (e.g.: bribes, embezzlement, misappropriation of funds, etc.).

4.1.4 The Books of the PNGMGCTF

The following will be kept at the head office of the Trust Fund:

4.1.4.1 Book of Board members and officers

of the Trust Fund wherein are recorded:

- A copy of the Trust Deed, Constitution, Registration and the Operations Manual of the Trust Fund,
- The names, addresses and phone numbers or other details of all Board members and officers of the Trust Fund, and their start and finish dates.

4.1.4.2 Register of Mortgages

wherein are recorded all mortgages and charges affecting the properties of the Trust Fund, the properties affected by those mortgages or charges, the amount of the debt, the object of the guarantee and the name of the mortgagors or persons entitled thereto.

Any interested party at the head office of the Trust Fund can consult such books and registers during working hours.
4.1.4.3 Book of financial operations

wherein are recorded:

- Revenues and disbursements of the Trust Fund as well as the matters to which they relate;
- Financial transactions; and
- Credits and liabilities.

4.1.4.4 Book of minutes of meetings

of the Board and of the Committees of the Trust Fund as well as the votes taken at such meetings.

4.1.4.5 Book of proposals

that are received at the headquarter of the PNGMGCTF for a grant award.

Every page recorded in these books must be initialled by the Chairperson of the Board and by the Executive Director of the Trust Fund.

4.1.5 Audit procedures

One month before the end of each fiscal year, the Board will, according to section 4.3.1, contract an independent accounting firm to carry out a full audit of the administrative and financial management of the PNGMGCTF using internationally recognised audit standards.

The PNGMGCTF will, according to section 4.3.1 of this manual and clause 13.2 of the Trust Deed, contract with an independent person to conduct a triennial review of the management of its fund. This person must be an experienced and certified accountant with experience in similar types of reviews.

All grantees may be subject to an audit by the PNGMGCTF and/or by an external accounting firm when the PNGMGCTF deems it necessary to do so. In accordance with a donation agreement it may be requested that all Grantees receiving amounts exceeding a pre-determined amount submit their accounts for audit upon completion of the project. Each project subject to an audit should include reasonable auditing costs in its project budget.
4.1.6 Reports
The PNGMGCTF will produce an annual report no later than six months after the end of its financial year. The annual report will provide information on the achievements of the PNGMGCTF during the previous year, its work program for the coming year, the status of the grant program and projects. It will also include the annual financial report and the auditor’s report. This report may also include any other information the Board of Trustees deems necessary to add for the benefit of its stakeholders.

4.1.7 Publication
In compliance with clause 17 of the Trust Deed, the PNGMGCTF must ensure that all official publications and documents of the PNGMGCTF, Operations Manuals, other manuals and guidelines, annual reports, and evaluation reports, are made available to partners, as far as the budget allows.

‘Making information available’ is defined as:
Designating some publicly accessible location(s) (library, public office) where the documentation is available for inspection during regularly scheduled hours;
Posting materials on a Web site;
Providing copies upon request; and/or
Posting or publishing periodic announcements of documentation available with instructions on how to receive these.

The PNGMGCTF may charge reasonable costs for copying and distributing any of these documents.

4.1.8 Spending Limits and Reserves
At the beginning of each fiscal year, the Board will determine the amount of funding to be released for grant-making and operations during the course of the year, taking into account adopted policies on draw-down of funds and replenishment/maintenance of capital.

The Board will direct the Management Unit to make appropriate adjustments in the annual budget to accommodate annual cash flow availability, and will authorise the Management Unit to carry out approved actions and grants within the framework of budgets adjusted for annual cash flow variations.

The Management Unit will include conditions in any agreements negotiated with
grantees, allowing for adjustments in disbursements over the life of multi-year projects as necessary to comply with annual spending limits.

4.1.8.1 Company’s Reserves

The PNGMGCTF will set aside a reserve of five percent (5%) of its net revenue, as provision, to the limit of ten percent (10%) of the value of the patrimony. This reserve or asset kept for the purpose of this reserve will be used exclusively for the payment of:

- Cost of a trial if a Third Party sues the company or if the Company sue a third party;
- For any liability relative to such trial;
- For any civil responsibility it may occur during the life of the Trust such as:
  - Any reclamation over insurance coverage for its employees or Board members in the performance of their PNGMGCTF duties;
- For any liability that may incur in the life of one project finance by the PNGMGCTF:
- Build fund for acquiring depreciated assets.

This Company’s reserve cannot be used at any time to palliate the regressive fluctuation of the rate of anticipated financial returns on investments by the Trust Fund during the year with respect to the financial disbursements made by the Trust Fund.

4.1.8.2 Special Reserve

A special reserve will be established in which the balance of unexpended but budgeted grant funds for a current year will be allocated. The special reserve funds will be used in any year when the returns on investments are insufficient to support the grant projects to the level of grant funds available in the preceding year.

4.2 FINANCIAL MANAGEMENT OF THE TRUST FUND

4.2.1 Treasury

The treasury service of the PNGMGCTF is responsible, under the authority of the Executive Secretariat, for purchases, physical inventory and keeping of account
books; the control of payment requisitions; the adequacy of payments to the
authorisations relating thereto; assuring the appropriate separation of the diverse
accounting duties including the issuance, signature and transmission of cheques and
the exercise of all appropriate controls determined by the Executive Secretariat, or
that are prescribed by a provision of this Operations Manual.

Any purchase of properties and services by or for an Advised Fund, including valid
tickets, needs to be recorded on a prescribed form and must be justifiable against the
need stated. The purchase must also have a prescribed certificate from the treasury,
affirming the existence of funds for payment straight from the budgetary or special
fund appropriation set aside for this purpose.

Any property or asset of an Advised Fund, except assets in cash, securities or shares,
must be included in the centralised inventory of the PNGMGCTF and be physically
identified by an assigned inventory number.

The accounts of the Advised Fund are to be prescribed and must be updated in such a
way as to allow the appropriate supervision and control of the financial affairs of the
Advised Fund.

Requisitions for payment must be prepared on time and must include sufficient
information to ensure managers can comply with the authorisation required to approve
and issue cheques accordingly and to ensure the delivery of the acquired properties
and to perform other services if need be.

Appropriate requisition form, as well as the appropriate supporting documents must
accompany any cheque presented for signature.

The signature of any cheque must lead to the obliteration of the corresponding
requisition by one of the signers.

The ED or DED must endorse the list of all significant cheques to be issued by or for
an Advised Fund.

The list of all significant cheques issued by or for an Advised Fund must be submitted
to the Board of Trustees at each meeting so that the members are informed of the
important disbursements made under their delegated authority. The Executive
Secretariat of the PNGMGCTF will establish the parameters relating to the
preparation of this list, including the definition of the term significant.

4.2.2 Expenses

The treasury will pay, as they become due, all expenses related to the activities of the
PNGMGCTF as well as any activities of all Advised Funds. The expression
“expenses”, without limiting the generality, includes: personnel salaries and related expenses, reimbursement of authorised or prescribed expenses, expenses related to rental of premises necessary for the Advised Fund, expenses related to running an office including office technology, printing, distribution and dissemination of mail, expenses related to campaign fundraising and advertising, i.e. all expenses related to the administration of the Advised Fund, excluding the direct contributions to projects approved by each Advised Fund, in compliance with the statutory provisions and with the norms prescribed and within the agreement and the framework of the Trust Fund’s mission.

The PNGMGCTF will, from time to time and by resolution of the Board of Trustees, determine the equalisation formula applicable to the whole Advised Fund for a period that it determines, for the financial and administrative costs of the Advised Fund and their contribution to maintain the financial balance of the PNGMGCTF.

### 4.2.3 Investments

A common fund of investments (the common fund) management is entrusted to the Financial/Investment Committee of the PNGMGCTF.

The mandate of the Financial/Investment Committee is defined in section 2.4.1.

Any funds which, at any given time, are not required for authorised or prescribed purposes must be invested in the common fund, unless they are subject to a special exemption granted by the resolution of the Financial/Investment Committee of the PNGMGCTF.

The Financial/Investment Committee of the PNGMGCTF will from time to time determine by resolution, the period during which an Advised Fund can keep its funds in a banking institution for current use. In determining this time limit, the Financial/Investment Committee must take into account, the project budget and cash flow of the Advised Fund and the contributions of the Advised Fund to expenses, in accordance with section 4.2.2.

The funds of the Advised Fund when invested or withdrawn from the common fund are reimbursed at the average rate of return obtained on the portfolio of the common fund investments during the period where the amounts have been deposited therein and in proportion of the total amount they represent.

An unplanned request for a *substantial* withdrawal from the common fund by an Advised Fund giving less than four months notice will not be allowed except in exceptional cases, such as:
• The premature liquidation and/or dissolution of an Advised Fund; or
• An opportunity of financing deemed exceptional by the donor and/or a special Board of an Advised Fund in agreement with the Financial/Investment Committee of the PNGMGCTF.

In such exceptional cases, the investment account will only be charged the penalties for breaking the agreement, or the penalties will be deducted from the amount to be remitted to the Advised Fund.

For all other cases, retention fees will be billed to the Investment Account in addition to the penalties that will be charged for breaking the agreement or retention fees and the penalties will be deducted from the amount to be remitted to the Advised Fund.

The financial/investment committee of the PNGMGCTF will establish, by resolution, the definitions and parameters of the terms substantial and retention fees, which can change from one given period to another.

A request for an unplanned withdrawal from the common fund must be in writing and signed by the applicant and will be approved or dismissed within 15 working days.

When a withdrawal is made from the common fund at a date other than at the end of a month, the value assigned to the sum withdrawn is that of the end of either the previous or subsequent month depending on the norms set by the Board of Trustees.

As soon as possible after the end of each month, the treasury service will produce and deliver to members of the Financial/Investment Committee a summary statement of the shares held in the common fund, the number of units held therein by each Advised Fund and the value of each unit.

The annual report of the financial/investment committee will be communicated as soon as it becomes available to each Advised fund donors when requested.

### 4.2.4 Project

All projects financed by an Advised Fund are approved, ruled by contract and administered pursuant to the regulations and norms applicable to the PNGMGCTF or in compliance with the agreement between the donor and the PNGMGCTF which cannot be inferior to the PNGMGCTF rules and norms.

The presentation of each project must be done to the competent authority pursuant to the norms prescribed by the PNGMGCTF, comprising all the applicable information that is provided therein, as well as any explanation which allows judgement of its opportunity and of its compliance with the norms prescribed or in accordance with the agreement between the donor and the PNGMGCTF when stipulated.
Any cheque issued depending on an Advised Fund project must be in compliance with the provisions included in the “Treasury” section, section 4 of the Operations Manual.

4.2.5 Accounting Controls

Accounting controls are designed to provide reasonable assurance that all transactions are executed only with proper authorisation that all transactions are recorded, and that accountability over assets is maintained.

The PNGMGCTF will maintain a computerised accounting system. Access to this system will be limited to persons authorised by the Board of Trustees and the Executive Director. Other persons may receive reports and review data in the system but may not enter or manipulate data.

4.2.6 Accounting system and control

Financial statements are to be prepared on an accrual basis. Accounting information will be processed by the financial manager/accountant on receipt of approved source documents including cheques, cheque requests, invoices, and other information. Income and expenditure will be classified according to the nature of the transaction and charged to the appropriate account number and activity number in the Chart of Accounts.

4.2.7 Internal Controls

The PNGMGCTF will adhere to strict internal control procedures to accurately account for the receipt and disbursement of funds and to ensure that the funds have been used for the purposes for which they were intended. Those internal control procedures are encompassed in the accounting system that will be installed in the PNGMGCTF by the Accountant Firm selected to draw up and install the internal financial accounting system of the PNGMGCTF.

4.2.8 Signature of documents, cheques & bank account

All bank and investment accounts shall be opened in the name of the PNGMGCTF. By resolution, the Board of the PNGMGCTF can mandate and/or abrogates the Board members and/or employees the power to jointly sign for and in the name of the
PNGMGCTF any contract, deed or particular document. The Board of Trustees can give the proxy of the PNGMGCTF to any broker or stockbroker for the purpose of transactions in shares, if required.

The PNGMGCTF can, for an Advised Fund that it shelters, give general or particular authorisations to the officers of Advised Fund, if any, as stipulated in the agreement between the PNGMGCTF and the said Advised Fund, for any sort of document, cheque, agreement, instrument, deed or contract, including receipt and withdrawal.

The signature of two persons mandated by the Board of Trustees is required for the signature of any cheque or bank document. These signatures shall be comprised of one board member jointly with the designated executive staff.

For the execution of the operating expenses approved in the budget or by resolution by the Board of Trustees of the PNGMGCTF for any Advised Fund, the Executive Director or the Deputy Executive Director may jointly sign cheques and bank documents with the Financial Manager.

4.2.9 Bank account

The PNGMGCTF will maintain both investment accounts, which are to be managed by the selected Asset Manager(s), and an operating account from which operating expenses are paid and payments to grantees disbursed. The Asset Manager will be directed to liquidate funds from the investment account and deposit them to the operating account according to annual and quarterly schedules of cash flow needs approved by the Executive Secretariat. These procedures are subject to approval by the Board through the PNGMGCTF’s normal budget approval process, and to terms and conditions of the Asset Management Agreement.

4.2.9.1 Bank account for the investment

In execution of the investment decisions taken by the Board of Trustees of the PNGMGCTF in compliance with the Investment Policy, bank documents for investment purposes will be signed jointly by the Chairperson and the Executive Director (ED) of the PNGMGCTF.

For the opening and operation of an investment bank account in local or foreign currency in a banking institution inside and outside the territory of Papua New Guinea, the following elements) are agreed upon:

- That these bank account(s) will not have cheques for operations;
That the operation of these bank account(s) will be carried out under the exclusive and joint signature of the signatories mentioned in the first paragraph of this section and in compliance with the decisions and resolutions taken by the Board of Trustees of the PNGMGCTF and solely for the following objectives:

a) To sign all agreements relating to the operation of these account(s), including all merger letters of sub-account;

b) To carry out all deposits and withdrawals of funds and issue all receipts;

c) To sign any credit transfers;

d) To give any exchange order, deposit all securities and shares and sign all receipts;

e) To constitute all shares, certificates, securities and cash, in a general way, to provide all warranty.

That the bank account(s) is used exclusively for the deposit of assets of the PNGMGCTF, or the receipt of any contribution and donation to the Fund;

That the assets or values deposited in these account(s) are exclusively subject to transfer into the PNGMGCTF account in Papua New Guinea for foreign account and to those accounts outside of Papua New Guinea which have been approved by the Board of Trustees, after a selection process. Exception is made for the investment account in local currency where direct investment in local Treasury bond can be made from this account and/or transfer in the operating PNGMGCTF account for the PNGMGCTF operations expenses;

That any withdrawal from those foreign accounts outside Papua new Guinea, other than for financial investment carried out through a selected investment institution and approved by the Board of Trustees, is exclusively subject to a transfer in the foreign currency into the bank accounts of the PNGMGCTF in Papua New Guinea;

That it is prohibited for signatories to withdraw from those bank account(s) for any purpose other than that formally consented to by the Board of Trustees of the PNGMGCTF otherwise the signatories will be subject to immediate revocation and legal action; and

That the rules and safeguards relating to the operation of the PNGMGCTF’s
foreign currency bank accounts in PNG for purposes other than the investment of assets is ruled out in accordance with section 4 of the Operations Manual, which establishes policies and procedures for financial management and administration within the PNGMGCTF organisation.

All accounts should be reconciled monthly by the financial manager/accountant no later than three working days after the bank or investment statements are received. Any discrepancies between the bank/investment statements and the PNGMGCTF’s own records should be promptly investigated and corrected.

One member of the Executive Secretariat should review and sign the monthly reconciliation.

4.2.10 Operating account

Withdrawals from the PNGMGCTF operating account for payment or transfer to a project account for all expenses will be made only by cheque or bank transfer and in accordance with the following procedures.

4.2.10.1 Cash receipt

The PNGMGCTF will receive the following types of funds:

a) Endowment or Sinking funds granted by donors;

b) Operations grants from donors;

c) Interest, dividends, and capital gains earned on invested funds;

d) Payments for services rendered;

e) Miscellaneous refund grants;

f) Fund raising donation

Funds granted by donors will be deposited in the Investment Account, in the case of any endowment or sinking funds; or in the Operations Account, in the case of operations subsidies as well as for any of those donations falling under the determined amount, as set forth in section 3.2 of this Operations Manual.

Returns on invested funds will normally be reinvested through the Investment
Account, except for transfers to the Operating Account requested regularly through approved procedures and according to the approved cashflow budget by the Board. Payments for services rendered and miscellaneous refunds (e.g., employee reimbursements for personal telephone calls, copies, and FAX) will be deposited in the Operating Account within two business days of receipt.

No transfer from the local PNGMGCTF Investment account for administrative or in country project purpose is permitted outside the PNGMGCTF Operating Account. A cash receipt voucher will be prepared for all cash received. The person receiving the cash will sign the voucher.

For incoming cheques and direct transfers to the bank account, the financial manager/accountant will prepare a cash receipt voucher for entry into the accounting system, using the document from the bank as a supporting document in case of wire transfers.

4.2.10.2 Cash Receipt Processing

Cash and cheques paid to the PNGMGCTF will be processed as follows:

a) The financial manager/accountant will log the cash/cheque in a “Cash Receipt Register,” prepare a cash receipt voucher and enter the information from the voucher into the accounting system.

b) The financial manager/accountant will prepare a deposit slip and deposit the cash or cheque into the appropriate account.

c) A validated copy of the bank deposit slip will be attached to the cash receipt voucher.

4.2.10.3 Cash Disbursement Policy (goods and services)

(See also “Disbursement Policy” Section 6.6 Grant Program.)

Cheques for the payment of goods and services will be requested upon using the “Cheque Request” form. The financial manager/accountant will properly complete the “Cheque Request” form and submit it to the Executive Secretariat for review and authorisation to prepare the cheque. No cheques will be processed for payment of goods and services unless the procurement of such goods has been appropriately authorised (see Procurement Policy, below).
All cheques requests must be accompanied by appropriate supporting documentation (receipts or invoices). All receipts or invoices must be original. Supporting documentation must indicate that the goods have been received.

4.2.10.4 Petty Cash

The Petty Cash fund is to be used for small, business-related purchases that may be required on short notice, and miscellaneous expenses incurred by the PNGMGCTF staff in the course of their duties.

All petty cash transactions must be recorded in a petty cash journal. Every transaction must have a corresponding voucher and receipt. The maximum amount per transaction/expenditure is K 150.00, with the exception of travel advances to staff for out of town travel, which has an upper limit of K 500.00.

The Petty Cash fund should be fixed at K 1,000.00 and should be reimbursed when approximately 70 percent have been spent.

The fund is managed by the person designated by the Executive Secretariat, who is authorised to reimburse employees upon presentation of a receipt for a miscellaneous expense of K50.00 or less. A miscellaneous expense in excess of K50.00 must be submitted to the financial manager/accountant for approval before reimbursement. In the absence of the financial manager/accountant, the Executive Secretariat may serve as the custodian of the Petty Cash fund, or delegate another employee to do so.

The Executive Secretariat will periodically authorise unannounced reconciliation by a person other than the custodian of the petty cash.

Any losses or thefts from petty cash must be reported immediately to the Executive Secretariat.

4.3 ADMINISTRATIVE MANAGEMENT

4.3.1 Procurement Policy

4.3.1.1 Procurement of goods

All purchases other than office supplies and miscellaneous expenditures from petty cash must be authorised by the Executive Secretariat, in advance of placing orders, and must be consistent with specific line items in the approved annual budget. The financial manager/accountant will review the budget line item to be charged to ensure that funds are available.
To avoid purchasing unnecessary or duplicated items, the financial manager will be responsible for the purchase of all-routine goods and supplies. Staff may, however, purchase necessary miscellaneous supplies when travelling outside of Port Moresby.

No employee may participate in the decision to purchase goods, services, and contracts when the employee or a relative of the employee stands to benefit. No individual involved in the procurement process shall accept favours, gratuities or anything of monetary value from vendors or potential vendors, contractors or potential contractors or grantees.

All purchases of goods for the administrative expenses of the PNGMGCTF equal or above K500 must be made as a result of analysis of three or more competitive quotations, with a memo written for the file justifying the selection of a particular item based on cost, quality, warranty, compatibility with present equipment, availability of service, etc. As an alternative to the precedent, PNGMGCTF will purchases good under a bidding process when it will be requested by a donation or grant agreement.

4.3.1.2 Procurement of services

All consultants and other contractors will be hired through a public advertising and a selection process or as a result of analysis of three or more competitive quotations. All consultants and other contractors must sign a contract with the PNGMGCTF. Consulting work will not be started prior to having an agreement signed by the consultant and the PNGMGCTF.

Staff requesting a consultancy service will submit a copy of the Terms of Reference for the proposed consultancy to the Executive Secretariat. If the authorisation is granted, this document with the authorisation is given to the financial manager/accountant. The financial manager/accountant will authorise the advertising and the selection process and prepare a consultancy agreement, based on the TOR, for the Executive Secretariat's signature. After the final selection of the consultant or contractor, a contract is signed between the parties where three originals are required, one to be kept by the consultant, the second for the staff overseeing the consulting service, and the third to be kept in a master consultancy file. All consultancy agreements will be assigned a number for control purposes.

All consultants must complete a registry form for the PNGMGCTF’s Consultant Roster.

The consultant must submit time sheets, original receipts for reimbursable expenses, and reports, if required, when requesting payment. The employee responsible for overseeing the consultant's work and the Executive Secretariat must authorise any
payment requests.

The payment for consultancy will be done according to the following rule:
First disbursement up to 35 % of the total amount of the contract for expenses other than salary (mobilisation fee);
The PNGMGCTF will set aside 20 % of the consultant fees until the approval of the consultant final report.
The selection of a consultant or a sub-contractor for projects must be agreed by the PNGMGCTF and must follow the PNGMGCTF requirement procedure or must be hired through the PNGMGCTF Management Unit.

4.3.2 Procurement Processing

Purchases must be authorised by the Executive Secretariat before orders are placed. Purchases will be processed in the following manner:

a) A pre-numbered purchase order will be prepared by the Financial Service to be approved by the Executive Secretariat. The purchase order should describe the item(s) to be purchased, and indicate the quantity and unit cost.
b) The completed purchase order will be initialled by the financial manager to indicate that the purchase is consistent with the budget and that funds are available.
c) The Executive Secretariat will approve the purchase order.
d) Copies of the purchase order will be distributed as follows: original to the Vendor, copy 1 to the financial manager (to be filed by purchase order number), copy 2 to the Office Manager (awaiting receipt of goods and invoice from Vendor).
e) Upon receipt of goods, the Office Manager completes the “Received Report” section of the purchase order, noting any variance from the original order. This copy is attached to the Vendor’s invoice and submitted to the Financial Manager for payment.
f) The Financial Manager prepares a “Cheque Request” form and submits it with appropriate financial documentation for the Executive Secretariat’s signature. The cheque is then prepared for signature.
g) Signed cheques will be given to the Office Manager for distribution. At this point, cheque request forms, invoices, and receipts will be stamped “PAID” to prevent duplicate payments.

4.4 ACCOUNTS RECEIVABLE

4.4.1 Receivables for services rendered

From time to time, the PNGMGCTF will engage in contracts to provide services for which a fee is to be paid. (Examples might include a speaking fee or honorarium paid to a staff member who carries out the assignment during normal working hours; hiring of a consultant who will perform services both for the PNGMGCTF and billable to executing agencies, etc.) These services should be undertaken by written agreement, and an invoice submitted for payment directly to the PNGMGCTF upon completion of the service. Copies of all such agreements and payment processing shall be maintained in master files by the Financial Manager.

4.4.2 Employee Receivables

Occasionally, employees will make personal long-distance phone calls and send personal Faxes. These shall be entered in the telephone log and clearly marked “Personal.” When the monthly telephone bill is received, the Financial Manager will write a memo to each employee owing amounts for personal calls, informing them of the amounts due. Employees may pay by cash or cheque to the Financial Manager within 10 working days from the date of notification.

4.4.3 Travel Advances

Advances for work-related travel can be obtained by completing the “Travel Authorisation & Advance Form.” Air tickets, if needed, will be purchased directly from the PNGMGCTF’s operating account. Advances are normally for lodging, meals and other anticipated expenses only.

Employees are required to reconcile travel advances within three working days upon return.

Additional travel advances will not be issued if there is an outstanding travel advance on the books.
4.4.4 Property Management

All non-expendable property (property having a useful life of more than two years and an acquisition value of K 250.00 and greater) will be recorded in an inventory register. The register will indicate the following:

a) Category (i.e., equipment, vehicles, furniture)
b) Type (i.e., computer, photocopier)
c) Item (i.e., Epson printer, IBM ThinkPad laptop computer)
d) Model Number
e) Serial number
f) Quantity
g) Location
h) Purchase Order number
i) Date purchased
j) Vendor’s name/address
k) Origin
l) Date received
m) Cost

The Financial Service will perform a physical count of non-expendable property once a year. Any updates/corrections should be communicated in writing to the Financial Manager.

All non-expendable property must be insured through a local insurance company against loss or damage.

4.5 ACCOUNTS PAYABLE

Invoices for goods received and services rendered must be paid within 10 working days from receipt. Unpaid invoices will be kept in an “Open Invoice” file until such time as they are paid.
4.6  TRAVEL POLICY

4.6.1  General

Any travel should be conducted with financial caution. Everyone travelling on PNGMGCTF business is expected to exercise the same restraint in incurring expenses that a prudent person of moderate means would exercise if travelling on personal business and expending personal funds.

The Office Manager is responsible for making all travel arrangements for Board members, staff and consultants, and for purchasing air tickets. The PNGMGCTF will reimburse the travelling member for actual costs incurred for lodging, meals, and related travelling expenses, according to the following clauses:

a) Missions of Board members and agents working for the PNGMGCTF and/or Advised fund, whether in PNG or abroad, likely to involve, for some reason, the travelling of personnel or volunteers outside their habitual place of work, must receive the preliminary approval of the Executive Secretariat for the employees, or of the Board of Trustees for the Board members, and must be within the framework of the authorised budget.

b) The members of the Board of Trustees, as well as its officers, employees and consultants will be reimbursed for their travelling and accommodation expenses within Papua New Guinea pursuant to the policy adopted for such matter by a resolution of the Board of Trustees.

c) When travelling outside of Papua New Guinea at the invitation of host organisations, members of the Board of Trustees, its officers, employees and consultants will receive per diem for board and lodging expenses, which are provided by the host organisations. When international travel is the responsibility of the PNGMGCTF, members of the Board of Trustees, its officers, employees and consultants will receive allowance for their board and lodging expenses pursuant to the policy adopted by the Board of Trustees for such matter.

d) Each member of the Executive Secretariat will submit a travel authorisation and advance form for informational and record keeping purposes. For travel within PNG, the form should be initialled by the Financial Manager indicating that the projected expense is within budget allocations and funds are available. For international travel, the form must be signed by the Chairperson or have a copy attached of the Board's agreement for the intended travel.
e) Travel requests must be in writing, on the relevant prescribed forms, and include sufficient information regarding the purpose and objectives of the travel, to allow the Executive Secretariat to give appropriate approval before the disbursement is processed.

f) Any disbursement related to travel is subject to the provisions included in the section “Treasury”.

4.6.2 Prior Approval and Travel Advances

All staff travel should be approved in advance by the Executive Director signing a Travel Authorisation and Advance form.

The form will record the destination, dates of travel, purpose of the trip, and estimated expenses. The Financial Manager and Board Chairperson should be informed of international travel at least 30 days in advance of travel.

All PNGMGCTF travellers are expected to use the lowest available airfare in economy class on all trips. In making travel arrangements, the Office Manager should keep written records of fares offered. Any instance of not accepting the lowest available fare must be justified and the traveller’s supervisor notified.

4.6.3 Non-Reimbursable Items

The following expenses are not usually reimbursable: Entertainment (movies, sports events, etc.), alcoholic beverages, traffic tickets, loss of personal items, and purchase and development of film unless the photographs are to be used by the PNGMGCTF and approved in advance by the immediate supervisor.

4.6.4 Non-Staff Travel

Consultants and other persons authorised to travel at PNGMGCTF expense are subject to the same guidelines as those describe above for the PNGMGCTF travellers when they are inside or outside PNG.

4.6.5 Submission of expenses and clearance of travel advances

The traveller must submit a Statement of Travel Expenses within 5 working days of completion of travel. Any balance of an unused travel advance must be paid by cash or cheque upon submission of the statement. If expenses have exceeded the advance, the statement will be processed as an invoice and remittance made to the employee within 10 working days.
4.7 OTHER OPERATING PROCEDURES

4.7.1 Logs

All photocopies should be logged in a logbook; indicating number of copies made and accounts to be charged (general operations, project number, and personal).

All outgoing international calls and Faxes email and Internet use should be logged in employee phone records or the Fax log book, indicating individual and number called, and approximate duration of call, email or internet use.

4.8 EMPLOYEE MANUAL

The Executive Secretariat will develop a comprehensive PNGMGCTF employee personnel policy. The Board of Trustees of the PNGMGCTF shall approve the policy.

4.9 FORMS

The accounting firm selected to provide the accounting system for the PNGMGCTF will suggest form designs for the following purposes:

- Leave Application
- Travel Order
- Local Travel Claim
- Receipt Voucher
- Petty Cash Disbursement Voucher
- Purchase Order
- Requisition Form
- Advance
SECTION 5: INVESTMENT POLICY

5.1 INTRODUCTION

The purpose of this Investment Policy Statement is to establish an investment framework and provide decision-making procedures for the Board of Trustees and staff of the Papua New Guinea Mama Graun Conservation Trust Fund (PNGMGCTF) for the management of the assets held as sinking and endowment funds. This statement provides clear guidance to any investment advisors whom the PNGMGCTF might engage for the management of PNGMGCTF’s assets.

This policy statement adopted by the Board of Trustees shall bind all asset managers whom the PNGMGCTF may engage to invest its assets in Kina or in hard currency.

5.2 LEGAL FRAMEWORK

The PNGMGCTF is a Private Charitable Organisation, declared as Not Profit Organisation under the Papua New Guinea Companies Act 1997. The PNGMGCTF is governed by its Board of Trustees and guided by the Trust Deed, Constitution, and its Operations Manual.

The purpose of the PNGMGCTF is to provide financial support for charitable, scientific, and educational purposes that promote the long-term conservation and protection of Papua New Guinea’s biodiversity and environment through the financing of conservation-oriented projects and activities.

The resources of the PNGMGCTF are guaranteed by:

- Public or private, domestic or foreign gifts, endowments and bequests, external assistance funds, investment products, products from the sale or disposal of properties and real estate, products of potential services rendered by the Trust Fund, exceptional and other revenues, grants and any other kind of revenues in compliance with the laws in force in Papua New Guinea.

The legal documents concerning the PNGMGCTF impose a number of general requirements related to spending and investment of its assets and endowment, including the non-Kina portion. These are as follows:

- The Trustee Company must adopt an Investment Policy;
• The Trustee Company must engage one or more asset managers;
• The Trustee Company must determine the proportion of the fund income that will be available for expenditure (the spending rule);
• The Trustee Company must determine both the extent to which the fund is to be held in diversified investments and the types of investments the Trustee Company will use;
• No part of the net earnings of the Fund shall inure to the benefit of, or be distributable to, a Director or officer of the Trustee Company or another individual. But this does not prevent the Trustee Company from paying reasonable expenses and reasonable compensation for services rendered and making payments and distributions in furthering the purposes of the Trust Fund;
• No substantial part of the activities of the Fund shall include using propaganda, lobbying, or otherwise attempting to influence legislation, and the fund must not participate in, or intervene in (by publishing or distributing statements concerning, for example any political campaign on behalf of or in opposition to any candidate for public office).

5.3 INTERNAL RULES FOR THE MANAGEMENT OF THE PNGMGCTF ASSETS

The Board of Trustees adopts the following primary rules for the management of the assets and spending revenues. The Board accepts these definitions and provisions:

1) ENDOWMENT: means that the properties, rights and resources irrevocably dedicated to the PNGMGCTF as such cannot be distributed. They are permanently invested and only the net revenue of the investment is available for payments.

2) The Board of Trustees will invest the Trust Fund’s assets in a prudent manner with the general goal of increasing the financial capacity of the Trust Fund and minimising the risk of loss, all while using safe investment vehicles. “Financial capacity” is interpreted here to mean maintaining or increasing the long-term purchasing power of the future endowment of the PNGMGCTF.

• That part of the Trust Fund’s gross revenue from its Endowment investments that corresponds to the inflation rate must be reinvested into the capital to maintain its value. This is called “inflation reinvestment”
5.4 SOUND INVESTMENT

The Board of Trustees must invest the securities of the Trust Fund to reduce the risk of loss to the lowest level in investments presumed to be sound.

Investments made in the following properties are presumed to be sound:

1) Certified title deeds on real estate.

2) Bonds or loan securities issued and guaranteed by the Central Bank of Papua New Guinea, as well as those guaranteed by the States of Australia, New Zealand, the European Community and its individual State, and by the Governments of the United States, Canada, Switzerland, England and Japan.

3) Bonds or loan securities of a company in the following cases:
   a) They are guaranteed by a first mortgage on real estate;
   b) They are guaranteed by a first mortgage on equipment and the company has regularly assured the service of interest on those loans during the last seven fiscal years.

4) Bonds and loan securities issued by a loan company governed by Papua New Guinean Law or authorised to perform its activity in Papua New Guinea in line with the Financial Institution of Law, on condition that the company has been especially authorised by the Government and that its usual activity in Papua New Guinea consists of making loan guarantees by a first mortgage on properties and real estate located in Papua New Guinea.

5) Ordinary shares, issued by a company that has satisfied, for at least three consecutive years, the registration and quotation rules in a stock exchange recognised by the Papua New Guinea State.

6) Any investment in commercial or industrial projects (taken here to mean investment in specific entrepreneurial activities sponsored by the Trust Fund) must be supported by a financial projection over five years, prepared and certified by an independent accounting firm.

7) The Trust Fund cannot acquire shares, obligations or other loan securities of a corporation or of a joint stock company that has failed to pay the dividend prescribed on the shares or the interests of bonds or other securities.
8) The Trust Fund cannot invest directly in an industry or company. All investments of the Trust Fund will be made through one or more asset managers engaged for this specific purpose.

5.5 INVESTMENTS OUTSIDE PAPUA NEW GUINEA

The Trust Fund is interested in long-term average returns and recognises that the year-to-year variation in investment returns of the capital of the Trust Fund may at times be large. Nonetheless, if the capital is to be protected from inflation and has also to provide for the annual operating budget, a certain amount of risk must be taken. The Board of Trustees acknowledges that the capital loss over time due to inflation is a risk as serious as capital loss due to any other cause.

5.5.1 Risk tolerance for investment outside Papua New Guinea

The Board understands the following information about risk and returns in the US and European capital markets as well as in Japan, Canada, Australia and New Zealand:

- Capital loss is possible with any investment.
- In the long run, equity investments do better than bonds or cash equivalents, but are subject to the greatest year-to-year variability in returns. There is always a possibility of capital loss in equity and bond investments.
- There is no way to predict when a bear (down) market will occur, or when a bull (rising) market will occur. Market timing has little if any scientific basis. Thus, occasional losses cannot be avoided through timing. Over time however, equity investments give positive returns over inflation.
- Recent research shows that about 90% of the returns to a portfolio of investments in the US are a result of the relative initial allocation of assets among asset classes, not a result of a money manager’s skill or a specific investment style. Hence, the greater the investment in equities, the greater the overall average long-term return.
- Risk can be minimised by investing for long periods of time (buying and holding) so that the probability of getting the average return is very high indeed.
- It is possible to combine investments in asset classes so as to maximise returns and somewhat lower the standard deviation. Portfolios that do so are called efficient portfolios.
• The greater the percentage of assets invested in equities and higher variability assets, the greater the long-term gains.

The Board will search to know the standard deviation in return in any other investment market where the PNGMGCTF asset will be invested and will make its investment accordingly in a prudent manner.

5.6 GENERAL PRECAUTIONS AGAINST EXCESSIVE RISK

The following general precautions are taken by the Board to assure that any Conservation Trust Fund assets are not exposed to excessive risk of capital loss:

• Investments in assets other than cash equivalents will be made only in mutual funds, pooled, combined vehicles or well-diversified portfolios. A good level of diversification involves holding shares in at least 30 different companies;

• The Board, the staff, and Board Finance/Investment committees will not make investment decisions themselves except for investments in Kina cash equivalents and short-term Papua New Guinean bonds (savings vehicles, money market funds, Papua New Guinean treasury bonds);

• The Board will delegate the management of that part of its investment that is not in Kina cash equivalents to one professional asset manager (a firm, a mutual fund company, or a professionally accredited individual) with a verifiable, documented track record in money management and investments and no history of professional misconduct on record with the relevant regulatory authority (in the U.S. this would be the Securities and Exchange Commission). The manager must be located in a country with low inflation and where the legal system provides the Trust Fund with appropriate legal recourse in case of dispute or conflict with the manager. The manager may not reside in a country considered to be a tax haven;

• In all cases, the manager(s) selected to handle the investments outside Papua New Guinea must already have at least $100 million dollars under management and an existing client list that includes other reputable non-profit institutions;

• The Board will not agree to a contractual relationship with any money manager for whom the estimated total fees and costs (expense ratio or total operating expenses) exceed a maximum of 1.5% of the asset or the future endowment under management in equities, 0.75% for assets in bonds, and
0.5% for funds in cash equivalents;

• No more than 25% of assets may be invested in any one sector, and no more than 5% of assets in any one company;

• The Trust Fund may not borrow money for investment purposes of any kind;

• No more than 10% of the total assets of the Trust Fund, whether in Kina or other currency, may be invested in illiquid investments for which there is a limited or very thin market of possible buyers.

5.7 PERMITTED CLASSES OF ASSETS

The Capital of the Trust Fund in Kina may be invested following the same pattern and criteria that the part of the PNGMGCTF capital in hard currency. Both type of capital may be invested in the following classes of assets:

5.7.1 Cash equivalents

• savings accounts

• certificates of deposit

• short-term treasury bills

• money market funds

5.7.2 Bonds

Both public debt and private company debt are acceptable, provided the bond has a rating of BBB or higher (or an equivalent rating). Bond holdings must be of medium duration of no more than an average of 5.5 years.

5.7.3 Equities

Any size capitalisation is acceptable (small, medium and large), but no more than 60% of the Trust Fund’s equity holdings may be in any one capitalisation style.

5.7.4 Location of Investments

The permitted investment classes noted above apply for countries considered by investment professionals to belong to highly developed financial markets with stable political conditions, which are: North America, Europe, Japan, Singapore, New Zealand or Australia. Among these countries, considerable weight should be given to
countries with the lowest transaction costs of investing (at present, this implies that a large percentage of any equity and bond investments should be in the United States).

Investments in what investment professionals consider an “emerging markets” will be forbidden given their high degree of risk and the very high costs of investment transactions in those countries.

At all times the endowment will be invested so as to represent all three-asset classes.

5.7.5 Other Classes of Investments

Other assets such as real estate investment trusts, venture capital partnerships, etc., are acceptable only if they represent a small percentage of the investment portfolio (less than 10%) and only as part of a larger, diversified commingled fund such as a mutual fund and as long as the Financial/Investment committee understands the risks of capital loss that might arise, as explained by the investment advisors.

5.7.6 Excluded Asset Classes

The PNGMGCTF will not invest in:
- Precious metals;
- Equipment leasing;
- Currency speculation other than normal hedging of a larger portfolio;
- Commodity futures;
- any other investment widely regarded as highly speculative by experienced investment professionals;
- Mutual funds with an investment philosophy of market timing or chart reading;
- emerging market investments

5.8 THE SPENDING AVERAGE RULE

With a goal of providing the PNGMGCTF with secure operating revenue to attain its mission, the Board adopts the following guidelines and strategy:

The PNGMGCTF will hold capital in Kina and in different hard currencies. In the event of severe fluctuations in the value of one of these currencies, good management requires the Board to reinvest these funds in a more stable currency.

Considering the recent history of large depreciation of the Kina and a high level of
inflation in PNG, the assets of the PNGMGCTF will be kept, as far as possible, in hard currency in order to maximise the level of net return over the inflation on the investment and gain on capital. Once fully invested, the annual total return on the hard currency portion of the Trust Fund capital will be reinvested each year in hard currency until the value of the Kina in the long run is stabilised. The aim of the PNGMGCTF is to have a well-balanced capital in different currencies to stabilise as well as possible, the flow of its revenue in order to accomplish its mission.

The Papua New Guinean portion of the capital will also be valued using the five-year moving average rule.

Example of a five-year average:

\[
\text{Transfer to Operating Budget} = 4.5\% \times \left( \frac{\text{Yr1 Capital Value} + \text{Yr2 Capital Value} + \text{Yr3 Capital Value} + \text{Yr4 Capital Value} + \text{Yr 5 Capital Value}}{5} \right).
\]

The purpose of a five-year moving average is to smooth out budget allocations over time. The purpose of restrained payout percentage is to avoid jeopardising the endowment’s value over time, while still allowing for a slight increase during sustained periods of prosperity.

5.9 SELECTION OF INVESTMENT ADVISOR OR MUTUAL FUND

A) To select a firm to manage the hard currency portion of the assets and the future endowment of the Trust Fund, the Board will weigh the advantages and disadvantages of a small pool of candidates who meet the following criteria:

1) The firm must manage at least $500 million in assets. B) The firm manages at least K 100 million in assets.

2) A and B: The money manager and the firm must have no history of sanction by the Securities and Exchange Commission or its equivalent in the country of investment;

3) A and B: The money manager and the firm must have an investment philosophy oriented towards risk-conscious long-term capital appreciation.

4) A and B: The manager and firm must have at least 10 years experience in investing and money management.

5) A and B: The firm or manager must provide investment results for the past 10 years that conform to SEC guidelines (for mutual funds) or the Association for
Investment Management and Research (for money managers).

6) A and B: Overall fees for equity management must not exceed 1.5%.

7) A and B: The manager or firm must rank in the top third of its peer group for either a three or five year period, as well as for the previous 10-year period, according to ratings provided by “The Investment Advisory Performance Report”.

8) If the firm is a mutual fund, it must have at least an average four-star risk-adjusted rating from Morningstar and be rated as best of the category in Morningstar for the most recent three-year period and be considered in the upper ranks for its category in the Forbes or Fortune annual rankings for at least one time period. Also, the fund company should have several types of funds (bond, equity, balanced and cash equivalents) and one fund from each type of asset class should have above average rankings in Morningstar.

9) The firm should be located on the West Coast of United States, to facilitate possible meetings with PNGMGCTF Director or member of the financial committee or member of the Executive Secretariat.

B) The same kind of criteria will apply to selecting a firm to manage the Kina portion of the capital when necessary. The selection criteria will consider the specificity of the Papua New Guinea market.

5.10 EVALUATING THE MANAGER

The Investment Manager will produce reports, at least, on a quarterly basis and will be available by telephone or email at any time to explain the investment results. A representative of the company should be available to come to Papua New Guinea at least once to meet with the Board of Trustees.

Total net returns on fees will be compared to the average returns on comparable investment vehicles with similar objectives. (For example, in the US, if the assets are invested in a balanced mutual fund, it is common to see if the returns are falling somewhere between the Standard and Poor’s 500 Index who tracks the biggest 500 equities, and the Lehman Brothers Aggregate Bond Index).

Other widely available published indexes are also available, and their use will depend on the eventual allocation of the hard currency endowment among asset classes. (For example, in the US, if the assets are invested in a small-cap growth fund, an index such as the Russell 2000, which tracks smaller companies’ equities, would be more appropriate).
If a mutual fund is selected, the results of the fund will also be tracked using quarterly Mutual Fund reports in the country where the investment will be done. In the US, this report is title: *Morningstar* (available on the Internet).

If the fund manager underperforms the relevant index by 15% or more for three years in a row, he/she will be put on notice. If underperformance continues through the fourth year, then the PNGMGCTF will change managers. It should have another manager in mind by the end of the fourth year when performance results are available. However, this change should only be made after studying the reasons for underperformance. If the market in general is doing poorly, the manager should at least be getting results that are in the upper half that is, doing less poorly than the majority of managers.

### 5.11 REPORTING AND MONITORING

1) The investment firm shall provide quarterly investment reports to the Board of Trustees. The investment firm will provide an annual analysis of the past year’s investment performance plus recommendations for the coming year. All quarterly investment reports provided by the investment firm will include a segregated summary of the performance of each major asset class (e.g., equities and fixed-income investments) versus the performance of the relevant index.

2) The portfolio will be measured against two indices: the “FT/S&P Actuaries World Index” for equities and the “Salomon Brothers World Government Bond Index” for fixed-income investments.

3) At the end of each calendar year, the investment firm will provide the Board with a summary of all asset management fees including:
   - asset management fees on direct equities and fixed-income investments;
   - an estimate of the asset management fees charged by mutual funds;
   - custodian fees not already included in the asset management fees above;
   - trading commissions and other charges related to the portfolio not included above.

4) Every time that a member of the Finance/Investment committee travel to a remote country where there is investment firm investing money for the PNGMGCTF (America, Europe, Japan) they must try to have meeting
with the investment firm. During such a visit, the person(s) may not make any decisions for the Trust Fund without the Board’s written authorisation.

5.12 BOARD MANAGEMENT OF THE INVESTMENT PROCESS

The Trust Fund will make available to the Finance/Investment committee the resources it needs to master its role. Any technical assistance is, of course, subject to general approval of the Board of Trustees on an annual basis. The chief financial officer of the PNGMGCTF may also be invited to participate to the committee as a non-voting member.

The purpose of this committee is to develop internal Board knowledge of investments and to permit members of the Board to take the time to absorb the vast amount of information necessary to make informed investment decisions, and to evaluate the performance of any money managers hired by the Trust Fund. Other Board members not on the committee will still be obliged to keep themselves informed, regardless of the actual conduct of the Finance/Investment committee.

The Finance/Investment committee will:

- Ensure that the PNGMGCTF follow at all times the investment policy guideline and safeguard for the investment of the patrimony;
- Study the investment program and results on a quarterly basis, gather comparative data, and make the results known to the wider Board at each of the Board’s regular meetings;
- Examine all contractual relationships related to investment management and make its recommendations to the Board concerning any action that ought to be taken;
- Assist other Board members in understanding the results of the investment program and the nature of any decisions that must be made;
- Review in detail the credentials of any investment advisors that the Trust Fund might wish to engage;
- Review any subsequent contract that emerges, and make whatever suggestions or recommendations they wish to the larger Board for decision and action;
- Assure, as effectively as possible, the best return on the funds invested in the common fund, taking into account the dues imposed by the cash flow of each Budget.
- Certify schedule of funds available for grant-making and other PNGMGCTF programs each year; and
• Authorise the release of funds to the Trust Fund’s operating and grant-making accounts.

The committee must examine thoroughly the market conditions for investment to choose the appropriate investment tools and issue instructions, all of which must be in line with the prescribed norms and PNGMGCTF’s treasury service. Finally the committee must report the results of its work and the status of PNGMGCTF’s investments annually and whenever required by the Board.

5.13 BANK ACCOUNT FOR THE INVESTMENT OF PATRIMONY

In order to execute the investment decisions taken by the PNGMGCTF Board in compliance with the investment policy, the bank documents for the investment will be signed jointly by the Chairperson and the Executive Director of the PNGMGCTF.

To open and to operate an investment bank account(s) in local and foreign currency in a Bank Institution inside and outside the territory of Papua New Guinea, the necessary requirements are the following:

a) Such bank account(s) must not have cheques for the operations;

b) The bank account(s) must operate under the exclusive and joint signature of the signatories mentioned above, and in compliance with the decisions and resolutions made by the Board of Trustees of the PNGMGCTF, solely for the following purposes:
   - Signing of all agreements related to the operation of the account(s) including all merger letters of sub-accounts;
   - All deposits and withdrawals of funds and issuing of receipts;
   - Signing of any credit transfer;
   - Issuing of any exchange order, depositing of all securities and shares, re-using of funds, signing of all receipts;
   - Constituting all shares certificates, securities and cash, in a general way, to provide all warranty.

c) Such bank account(s) must be used exclusively for the deposit of assets or values of the PNGMGCTF, the receipt of any contributions and donations that can be made to it;

d) The assets or values deposited in the se account(s) are exclusively subject to transfer into the PNGMGCTF account in Papua New Guinea and to those accounts outside of Papua New Guinea which have been
approved by the Board of Trustees, after a selection process. Exception
is made for the investment account in local currency where direct
investment in local Treasury bond can be made from this account
and/or transfer in the operating PNGMGCTF account for the
PNGMGCTF operations expenses;

e) Withdrawals from those foreign accounts, except for investment
through selected Investment Institutions duly approved by the Board of
Trustees of the PNGMGCTF, are subject exclusively to a transfer into
the PNGMGCTF’s bank accounts in foreign currency in Papua New
Guinea;

f) Signatories are prohibited from making any withdrawals from such
bank account(s) for any use other than those formally consented to by
the Board of Trustees of the PNGMGCTF, under penalty of immediate
revocation and legal action.

  ▪ The rules and safeguards regarding the operation of the
    PNGMGCTF’s bank accounts in foreign currency in Papua
    New Guinea, for purposes other than the investment of assets or
capital are complied with, as laid out in section 4.2 of this
Operations Manual which establishes policies and procedures
for the financial management and administration within the
organisation.

5.14 CHANGES TO THIS INVESTMENT POLICY

Any changes will be approved by the Board and appended to this document.
SECTION 6: GRANT PROGRAM POLICIES & PROCEDURES

6.1 MISSION

Support biodiversity conservation and related sustainable development initiatives for the future of PNG and the World.

6.2 GOALS AND OBJECTIVES

The overall goal of the PNGMGCTF is to provide COMMUNITY resource owners and managers with a long-term source of funding to support biodiversity conservation and related sustainable development of PNG. More specific objectives of the PNGMGCTF are:

- To integrate conservation of biodiversity into sustainable development program and activities;
- To conserve - and when necessary restore – high biodiversity and resource areas;
- To strengthen the capacity of resource owners to conserve and sustainably manage their own biological resources; and
- To enhance the knowledge and information base needed to monitor and achieve sustainable resource management and biodiversity conservation.

6.3 THE PNGMGCTF PHILOSOPHY

- The PNGMGCTF aims to encourage the population to take responsibility for the sustainable management of their ecosystem for their own survival and for the benefit of all humankind.
- Priority will be given to areas where there is organisation and political will, and where the local population is aware of their environmental problems and is already committed to safeguarding their environment;
- The PNGMGCTF will finance those projects that have been conceived and drawn up with significant community participation;
- The Trust Fund will act as an agent of change to promote a new way of thinking and provide complementary support to the existing efforts made by people to address their environmental concerns.
The PNGMGCTF is essentially a financing organisation. It will only give grants when it has viable projects to finance. If there is a lack of viable projects, the PNGMGCTF will set aside the unused funds in a special reserve. These funds will stay in special reserve until such time when an organisation or community produces a sound project, which is in line with the spirit, philosophy and principles of the PNGMGCTF for biodiversity conservation or ecological sustainability of resources.

6.4 OPERATING PRINCIPLES

• Effective biodiversity conservation can occur only when the people who depend on natural resources for their survival participate and are integrated in the effort for conservation of ecosystems around them;

• The concept of conservation encompasses both protection and ecologically sustainable use of the resources in the target areas;

• The PNGMGCTF uses the Integrated Project Approach as a frame of reference. It supports programs that have a comprehensive development strategy to increase the understanding of the value of the ecosystem and ecological services and the need to achieve long term ecological and economic sustainability;

• The PNGMGCTF acts as a catalyst for the promotion of a new way of thinking about the long-term conservation and management of Conservation Areas in PNG;

• The PNGMGCTF operates in all types of ecosystems;

• The PNGMGCTF works only with people and organisations whose goals are in agreement with the mission, principles and approaches of the Trust Fund and who work entirely for the long-term conservation of the Conservation Areas necessary for the stability of the ecosystems;

• The PNGMGCTF supports efforts to bring together or develop organisations with a common interest in biodiversity conservation and sustainable ecological practice;

• In order to promote increased accessibility to the organisation, the PNGMGCTF will only consider one request per organisation per catchment per year should there be insufficient funds from the Trust Fund to accommodate all the valuable requests for Projects.
6.5 THE PNGMGCTF STRATEGIES

- Establishes innovative partnerships between the people using the natural resources in targeted ecosystems, non-profit organisations, the private sector and government agencies working to combine their efforts toward the conservation (including protection and sustainable use) of the ecosystems;

- Promote initiatives by people living in and around selected ecosystems to increase the value and to better evaluate the benefits of the long-term conservation of the biodiversity of their ecosystem for their overall livelihood-strategies;

- Empower people and CBOs to assume responsibility for the long-term conservation of the biodiversity of their ecosystems by recognising the value of traditional methods of natural resource management and by encouraging a wider use of such practices;

- Support the development of the technical, financial and management capabilities of organisations committed to the long-term protection and conservation of the biodiversity of their ecosystem;

- Creates one or more permanent endogenous sources of financing for conservation and/or adoption of alternatives to harmful exploitative practices of the ecosystems under consideration (the PNGMGCTF will be a catalyst for attracting money & partners).

6.6 GRANTS PROGRAM

The PNGMGCTF has two main grant programs: the Core Grant Program (CGP) and the Experimental Grant Program (EGP), which has the same above-mentioned objectives.

- The Core Grant Program is financed by the net revenue from the investment of the Trust Fund Endowment and any unrestricted Sinking and/or Revolving fund. This program aims to establish a long term vision and commitment for biodiversity conservation activities. This program support project and activities that aims to support long term viability of selected Protected Areas.

- The Experimental Grant Program forms part of the grant program in which the financial resources are granted for a limited period of time, and will not necessarily be replenished after this period of time or after a particular grant has been given. This program supports experimental activities that aim to become self sufficient and sustainable.
• The PNGMGCTF shall not, in any given year, allocate more than one-third of the current year’s budget in multiple-year grant agreements with recipients, unless otherwise specified in a donation agreement with the PNGMGCTF. This rule aims to preserve the capacity of the PNGMGCTF to finance new projects each year.

6.7 TYPES OF PROJECTS THE PNGMGCTF WILL SUPPORT

With its two Grant Programs, the PNGMGCTF will support innovative and effective CONSERVATION-ORIENTED PROJECTS/ACTIVITIES in the following general areas:

• Integrating biodiversity conservation with sustainable development;
• Conserving and/or restoring high biodiversity areas;
• Through education and training, developing the capacity of resource owners to sustainably manage their local ecosystems; and;
• Enhancing the knowledge and information available on biodiversity conservation, sustainable resource management and biological monitoring.

Some examples of CONSERVATION-ORIENTED PROJECTS/ACTIVITIES that may be supported are:

Protection of critical conservation areas

• The PNGMGCTF may engage in funding the creation and management of key areas in the country where landowners or the government determines that conservation rather than development is the desired course of action;
• The PNGMGCTF could support planning activities, management programs and the lease of land where appropriate and when funds are available for this purpose.

Special Initiatives

• From time to time, the PNGMGCTF will undertake special initiatives where its status as a private organisation gives it a unique capacity to deliver support for projects consistent with the PNGMGCTF’s mission;
• In some cases these initiatives will be created by special onetime funding from
donor nations or multilateral agencies or will involve the fund in a management capacity for grant activities of another agency.

**Action grant**

Action grants are small grants for short-term initiatives intended to create or open avenues for visible and swift responses to specific needs and issues, and generate deeper or wider scale information, education and action.

**Matching Fund**

- Matching Fund Project/Local Communities and CBOs
- Matching Fund/Non-Profit Organisations

### 6.7.1 CBO/Local Communities / Matching Fund Project

According to the matching fund concept for Local Communities, an amount of money is set aside by the PNGMGCTF to serve as a counterpart fund. This counterpart fund would be either for a fund raising event or for a search by the local community to create a project link with activities financed by the PNGMGCTF in a given area. The PNGMGCTF shall approve the project prior to fundraising by the local community. The total amount available for each project proposal is not to exceed 2,000 Kina. Only the money raised by the local community will be considered as counterpart value. For example, in calculating the communities’ contribution, locally available goods and services will not have any counterpart value. Funds raised will have counterpart value only for the procurement of goods and services that are not available locally, such as a bag of cement or a sheet of corrugated iron. This approach has the basic tools to enable PNGMGCTF to assess the willingness of a community to help themselves.

The total amount set aside per year for the CBO Matching Fund is 30,000 Kina and it is divided into three categories:

1) For each Kina raised, the PNGMGCTF will provide one Kina;
2) For each Kina raised, the PNGMGCTF will provide two Kina;
3) For each Kina raised, the PNGMGCTF will provide three Kina.

The following examples will assist in determining the category into which a project will fit:

Projects/activities with a clear link to an ecologically sustainable purpose will
fall into category 3. (For example, projects creating a plant nursery or a fishery farm.). A project such as building a school for the community would fall into category 2, and a project such as building a public toilet would fall into category 1.

6.7.2 Environmental NFPOs/Matching Fund

According to the matching fund concept for Non For Profit Organisations, an amount of money is set aside by the PNGMGCTF to be used by a counterpart for a local, public fund raising event (not with national or International organisation) by an NFPO working in a field approved by the PNGMGCTF, with the purpose of helping NFPOs to promote their activity and their capacity to mobilise funds in their local community, in order to promote their environmental project. This aims to promote local sustainability of NFPOs in their communities and to help to build trust in them among the people they are working for.

Each project must be approved by the PNGMGCTF prior to commencement of fund raising by the approved NFPO. The funds raised must only support environmental projects.

The total amount available for each project proposal shall not exceed 3,000 Kina. Only the cash value money raised by the NFPO will be considered as counterpart value.

The total amount set aside per year for this NFPO/Matching Fund is 50,000 Kina, which is divided into two categories:

1) For each Kina raised, the PNGMGCTF will provide one Kina
2) For each Kina raised, the PNGMGCTF will provide two Kina

Projects/activities, which have a clear link to an ecologically sustainable purpose, will fall into the second category.

6.8 FORM OF SUPPORT

- Single action grants
- Multi year projects grant
- Matching fund
- Single year projects grant
- Pilot projects
- Leveraging fund
- Loans
- Seed money
- Start-up cost
- Technical assistance

6.9 FIELD OF APPLICATION FOR PROJECT

6.9.1 The PNGMGCTF bio-geographic zones of Papua New Guinea

The PNGMGCTF adopts the existing divisions of Papua New Guinea into seven (7) catchment areas as its zones of intervention.

The seven (7) Catchment Areas of Papua New Guinea are:

- The Sepik River Basin
- The Fly River Basin
- The Kikori – Purari River Basin
- The Ramu – Markham
- The Central
- The Eastern Papua
- The Islands

6.9.2 Focus Areas for the PNGMGCTF

Endangered habitat, very high and high priority of biodiversity conservation areas in:

- Coastal ecosystem (territorial and economy zone)
- Marine (reef, Mangrove, lagoon, delta, others)
- Terrestrial (coastal hills, lowland, highland, mountain, Island);
- Watershed (lowland, estuaries, delta)
- Wetland (lakes, rivers, coastal wetlands)

6.10 NON-ELIGIBLE PROJECT

Considering the limited sources of funds available through the PNGMGCTF, unless a specific donation has been granted to the PNGMGCTF to cover one of the areas described below, projects with the following characteristics will normally be ineligible for a grant by the PNGMGCTF.

- Projects related to natural catastrophes;
- Projects related to the decontamination of toxic or nuclear substances;
- Projects related to conventional large scale urban management;
- Projects related to the stabilisation of large catchment or large marine erosion;
• Projects related to the general fight against national bush fire and reforestation actions not linked to activities financed by the Trust Fund;
• Projects involving the financing of environmental impact study projects for the establishment of industries or a civil/governmental project such as dams, waste water, sawmill etc.;
• Projects involving the financing of a national environment education program. Nevertheless, a participation for the development of such a program could be eligible if it is related to the PNGMGCTF's Biodiversity conservation program and sustainable development program;
• Projects linked to a legislative program or public project with a development component related to the environment (agricultural, fisheries or forestry projects);
• Projects not included in one of the components of the Grant program of the PNGMGCTF;
• Projects involving an isolated intervention in a village or area that does not comprise an agreed and defined area financed by the PNGMGCTF as an integrated area of intervention;
• Project which require financing on a multi/year basis with no alternative source of financing;
• Projects presented by a company exclusively for the purpose of profit, even though the project may be an environmental project;
• Projects for individuals, for their own profit or benefit (e.g.: scholarship);
• Projects or groups requesting only capital to build or purchase equipment (vehicles, boats, etc);
• Projects where a conflict of interest has arisen that has not been made known by the interested party;
• Activities that should be part of the regular costs of doing business, such as environmental protection equipment, treatment facilities, and conservation practices associated with development that should be borne by the shareholders of the developer;
• Activities that should rightfully be funded by the business enterprise as part of the cost of protecting the environment impacted by a proposed development;
• Projects that are rightfully the responsibility of government for funding, such as required monitoring and regulatory activities under PNG Laws;
• Administrative and recurrent costs of organisations that receive grants on a long-term basis. Only bridging funding could be considered for funding.
6.11 **ELIGIBLE RECIPIENTS**

- Non For Profit Organisations (NFPOs) (associations, schools, colleges and university, religious organisations, research organisations, other institutions);
- Community-based organisations (CBOs);
- Specific biodiversity conservation projects from specific Government agencies (national, regional, municipal);
- Specific Projects of local groups or organisations working with legally recognised or registered Environmental International Non Governmental Organisations (INGOs) in PNG; and
- Specific Project of business enterprises and individuals: Only when the proposed activities contribute to biodiversity conservation and sustainable development.

6.11.1 **Criteria for grant application**

Organisations applying for assistance should meet the following criteria to be eligible for consideration by the PNGMGCTF:

1) They should be registered and have been in existence for two years or have two years of experience and be registered;

2) If they have not yet been in existence for two years, they must be sponsored by another organisation that has been registered for 2 years. The PNGMGCTF must be familiar with the organisation and approve its project management and monitoring capacity;

A non-registered CBO will be allowed to receive up to a fixed ceiling amount, which will be determined by the Board of Trustees of the PNGMGCTF.

3) They should have project management experience, particularly in the field of conservation or natural resource management and/or in a development context where environmental concerns are incorporated in the project objectives;

4) They should possess expertise in the specific fields covered by the project. The PNGMGCTF prefers that organisations submitting grant proposals specialise in a particular area (For example: training, research, NFPO management, organisational structure, conservation, biodiversity survey, delineation of boundaries, community-based expertise, creation of eco-enterprise and cooperative, creation of second level of organisation and decision making, creation of conservation areas, others);
5) They should have the human resources and institutional capacity to manage and/or implement the project;

6) They should establish and work within budget guidelines and follow a management plan according to models required by the PNGMGCTF;

7) They should be able to produce activity reports and financial reports for previous financial periods;

8) They must agree to produce activity reports and financial reports required by the grant review and evaluation procedures of the PNGMGCTF;

9) They should be prepared to accept to be a sponsored CBO so that they may become a registered NFPO and be able to operate independently;

10) They should be integrated (presently working or having worked previously) in the area where the project will take place and the project beneficiaries must have a positive opinion of the project and the organisation or organisations that will implement the project.

6.12 THE GRANT CYCLE

The steps in the grant cycle are as follows:

1) The Board will determine the amount of funding available each year for a cycle of grants, and set general parameters for the grant portfolio (i.e. the amount available to be committed, whether it will be made available to all eligible activities and recipients and types of funding, or a selected sub-set);

2) Upon direction from the Board, the Management Unit will prepare an announcement of funding availability ("call for proposals") and make it available to potential grantees and other stakeholders;

3) All the concept paper proposals must be addressed to the Executive Secretariat. The Grant Technical Committee or scientific committee assess each proposal. Applicants meeting initial criteria are invited to submit a full proposals;

4) There may be workshops and technical assistance made available to applicants throughout the cycle, as discussed below;

5) The Grant Technical Committee will review all full proposals, in consultation with whichever other technical experts or groups they deem appropriate to involve. They will submit a recommendation to the Board on proposals to be funded;

6) Base on the recommendation of the Grant Technical Committee, the Board
will finalize the granting process and make recommendations for Executive Secretariat to follow for reaching an agreement with the applicant;

7) The Executive Secretariat will finalize the negotiations and sign a Grant Agreements with the successful applicants;

8) Implementation and supervision will proceed;

9) Monitoring and final evaluations of projects will be carried out in accordance with the terms of Grant Agreements;

10) The Executive Secretariat will disseminate best practices and lessons learned via the implementation, monitoring, and evaluation process.

### 6.13 CALL FOR PROPOSAL AND SUBMISSION OF THE PROPOSAL

The Board will set annual priorities for grant program, based on forecasts of fund availability. It will approve the eligibility criteria and selection process. It will review awards and disbursements proposed by the Grant Technical Committee and the Executive Secretariat, authorise disbursements for approved activities and it will review annual reporting and monitoring data to assure that grant-making programs meet targets and benchmarks in line with the objectives.

The Executive Secretariat will solicit and receive all concept papers and full proposals. All proposals will be registered in a Grant Book and classified by Catchment Zone. The Management Unit will proceed to the initial screening process according to the grant management flow chart to verify if proposal meet the basic requirement. Then, proposals will be dispatched to the Grant Technical Committee.

The Executive Secretariat will make disbursements to successful applicants, monitor project performance and assist the organisation in any changes necessary, report periodically to the Board on disbursements and progress of funded activities, and assure that all reporting and audit requirements are met.

The PNGMGCTF will accept proposals submitted in one of two standard formats: a Project Concept Paper (PCP) and a Full Project Proposal (FPP). [Note: in most cases the Call for Proposals will specify which of these formats will be accepted.]

### 6.13.1 Assistance to Implementing Organisations in the Preparation of Proposals

In order to assist communities, some CBOs or NFPOs in preparation of sound project proposal, the PNGMGCTF will fundraise to create a capacity building fund that will be used to provide for local consultant to assist the proponent organization when deem
appropriate. These consultants will come from various disciplines and background and will be registered in the local consultant rooster of the PNGMGCTF.

6.14 EVALUATION OF PROPOSALS

6.14.1 Conflict of Interest

At the time of submission, all project applicants must disclose any familial, organisational, or financial relationship with any member of the PNGMGCTF’s Board, Management Unit or Scientific Committee. Any PNGMGCTF director, staff, or advisor having, or potentially having, such a relationship, will excuse him/herself from the evaluation process.

A conflict of interest occurs when anyone in an advisory or decision-making role comprising PNGMGCTF Board members, staff, consultant or member of the Grant and Scientific Committee making recommendations, meets any of the following conditions:

- The person is directly involved in the project, contract, agreement, or conflict to be dealt with, or the person has a direct interest in the matter under consideration;
- The person’s spouse, parent, child, brother, sister, cousin, or the spouse of any of those relatives, is involved in the project, activity, or decision;
- There is a blood or marriage or clan relationship with any person involved in the project, activity, resolution or matter under consideration;
- There is clear friendship or enmity with parties involved in the project, activity, resolution or matter under consideration;
- There is or has been a professional relationship with any natural or juridical person involved in the project, activity, resolution or matter under consideration;
- A conflict of interest exists with a third party involved in the project, activity, position, or matter under consideration (e.g. a competing project, activity, or position).

There is also a conflict of interest when a proposal comes from a Substantial Contributor. Substantial contributors are all individuals, organisations or corporations who have made a gift to the PNGMGCTF of more than 5,000 Kina.

6.14.2 Evaluation Process

Projects will be evaluated according to the following process and criteria
The Grant Technical Committee conducts a detailed evaluation of all proposals according to the used of the scoring system for ranking proposals.

The Grant Technical Committee and, when required, Scientific Committees acting as a sub-committee of specific disciplines, will review each proposal taking into consideration the following:

- Involvement of the community in the conceiving, designing and planning of the project;
- Consistency with the mission and goals of the Trust Fund;
- Coherence (the goals, strategies and interventions selected are in agreement);
- Clarity of objectives; quantifiable expected outcomes and results; and probability of success;
- Strategies to ensure that activities and project outcomes are self-sustaining after PNGMGCTF support ends;
- Community commitment, and active involvement in generating matching community contributions to the project;
- Project leadership and management;
- Threat analysis;
- Projects that complement and do not duplicate other assistance available;
- Monitoring and evaluation process are included in the proposal to measure the output and impact of the project;
- Overall quality of the proposal, innovation, and feasibility, including the capacity of the applicants to implement the activity;
- Technical soundness and feasibility;
- Social soundness and feasibility;
- Degree to which it meets the established criteria;
- Cost estimates which are reasonable and within accepted levels for the type of project;
- Availability of funds for the project;

The Grant Technical Committee will submit their recommendations to the Board.

The Board will review the recommendations of the Grant Technical Committee, Scientific Committee, and from any other advisory bodies or individuals it may wish to consult, and then will act on each proposal. This action may result in total or in part acceptance of the proposal, or in complete rejection, or in a request to the proposing organisation to re-submit with modifications. All applicants should receive acknowledgement for the reception of their proposal by mail, fax or electronic mail.
All applicants should receive information of their project’s status regardless of the subsequent steps, within two weeks of the decision, in areas where normal communications exist.

The Executive Secretariat will finalise the agreement according to the Board’s recommendations and negotiate the conditions with the successful applicants.

### 6.14.3 Internal check and balance to control the review process.

The Executive Secretariat receives all concept papers and other proposals. All proposals are registered in a Grant Book and classified by Catchment zone. The proposals are given to the Grant Technical Committee after they meet the basic requirement requested in the call for proposal.

The Executive Secretariat reports on the status of every proposal that the PNGMGCTF had received at each Board Meeting.

### 6.15 RANKING CRITERIA FOR GRANT AWARDS

Due to the fact that grants will be awarded on a competitive basis, project promoters seeking to obtain technical, organisational or financial support from the PNGMGCTF must demonstrate a strong commitment and a will to ensure that the proposed project will be successful.

Should there be insufficient funds from the Trust Fund to accommodate all the valuable requests for projects, the following criteria will be used to determine the order in which projects will receive funding:

* In addition to the contribution of the project to the overall goals of the PNGMGCTF:

1. Whether the project requests only one-third of its financing requirement from the PNGMGCTF;
2. Whether the project’s costs will be supported at the rate of 50% by participating organisations or local population, except for administrative costs;
3. Whether only two-thirds of the project’s total cost will be requested for financing from the PNGMGCTF;
4. Contribution to the cost of undertaking the project by the organisation submitting the proposal;
5. Contribution to the costs of undertaking the project by the project beneficiaries;
6) Level of partnership existing between the organisations and interested groups participating in the project;

7) The degree to which the project fits into development activities already under way in the project area; and

8) Assurance that the actions undertaken by the project will be self-sustaining.

6.16 GRANT CONTRACT

The PNGMGCTF will enter into a legally binding Grant Contract with the project implementor before disbursing project funding.

6.17 FUND DISBURSEMENT

The disbursement terms for each grant will be spelled out in the grant agreement and agreed to by signature of both parties. In no case may a one-year or a multi-year grant be disbursed in a lump sum.

Disbursement for each project longer than three months are made on a three-month basis and subject to a financial and technical report. The system of disbursement will be made according to a fixed amount agreed to in the beginning between the Parties and it will be replenished every three months according to the expenses amount proved by receipts or vouchers made during the period.

6.17.1 Financial and technical report

As agreed in the grant contract, normally, a three months period for financial and technical reporting will be the pattern.

In no case should subsequent disbursements be made in full without adequate technical and financial documentation.
6.18 MONITORING & EVALUATION PLAN (M&EP) FOR MEDIUM TO LARGE PROJECT AS MAY BE REQUIRE IN A CALL FOR PROPOSAL *

The monitoring and Evaluation plan will be made available to applicants. Applicants are required to include provisions in their proposed activities for collection and monitoring data necessary to comply with this monitoring and evaluation plan. The PNGMGCTF will provide technical assistance to assist recipients in complying with this section.

All projects must have a monitoring and evaluation plan that is appropriate to the type of project to be financed.

6.18.1 Monitoring & Evaluation in a context of project cycle

Biodiversity conservation projects are prepared primarily to conserve the biodiversity of selected sites, especially the long-term survival and viability of those sites.

Projects are designed on the assumption that the project interventions will lead to conservation of biological resources.

Monitoring and Evaluation are the tools to determine if biological diversity is being maintained as a result of the project activities.

The following are the steps to prepare a monitoring and evaluation plan for the project in a given area.

6.18.1.1 Clarify All Groups’ Missions

Group long-term desired purposes, group strategies for achieving these, and the values that will guide their work.

When there are two or more different groups working in the same project, it is important to have each group define its mission and share it with the other group and especially if one Group is an external group to the area. Without a clear understanding of what each group wants to accomplish and an understanding of what your partners are trying to do, it is difficult to design, manage, and monitor projects.

* This monitoring and Evaluation plan has been inspired by the Biodiversity Support Program (BSP) and the Guidelines for Monitoring and Evaluation for biodiversity projects paper by the W.B.
6.18.1.2  Design a Conceptual Model Based on Local Site Conditions

A conceptual model is basically a diagram of a set of relationships between certain factors that are believed to impact or lead to a target condition. Mainly it is to:

**State biodiversity project objectives**

The model must describe the pre-project situation and record baseline information of the key direct and indirect threats to the targeted object(s). The outputs or the success criteria must describe the finished results i.e. the state or condition of the target objectives at the end of the project. For example, if the objective(s) is Conservation of biodiversity or protection of an endangered species or its habitat the model must record the factors or indicators that impact on biodiversity or the species. The model must illustrate what the situation will be at the end of the project of the biodiversity or endangered species using the recorded information or indicators.

6.18.1.3  Develop a Management Plan:

Goals, Objectives & Activities designed to address the threats identified in the conceptual model.

a) Goals, which are derived from the project’s target condition, are a broad statement of the desired state toward which the project is directed
   • State the assumptions upon which the outcomes are based, as example:
     - Long-term viable hunting
     - Long-term viable logging
     - Long-term viable population
     - Control migration
     - other

b) Objectives are more specific statements of the desired outcomes or accomplishments of the project
   • State expected outcomes, results and accomplishment;
   • Identify impacts expected as a result of outcomes or results

c) Activities are specific actions undertaken by the project participants designed to reach each of the project objectives, which, in turn, should lead to the achievement of project goals.
• Identify inputs and outputs;
  – All activities need to be linked to specific objectives that target critical threat factor identified in the conceptual model;
  – These linked chains of activities and factors are the project’s assumptions.

6.18.1.4 Develop a Monitoring Plan

a) A monitoring plan describes how you will assess the progress of your project intervention.
• Initial identification of the extent and quality of existing knowledge of biodiversity value of the project area (including important gaps in that knowledge);
• The geographical boundary of the monitoring activities;
• The nature of existing impact on biodiversity

b) The plan must also identify the internal and external audiences, what information they need, what monitoring strategies will be used to get the data to meet each of these needs, and the specific indicators that will be measured. The list below provide for aspects to be addressed in the plan:
• These aspects of biodiversity likely to be impacted (positively or negatively) by the project activities;
• State clearly for whom and for what local purpose the monitoring is needed;
• The questions which will need to be answered by monitoring and evaluation;
• Knowledge of the Balance Point* for threatened and endangered species including human communities in the selected area;
• State clearly what indicators will be chosen;
• The stakeholder group who should be involved in the M&E activities and their ability to carry out monitoring tasks;
• The replacement cost for the monitoring activities by the local stakeholder if any;
• Incentive for personnel or local communities

* The BALANCE POINT is the knowledge of the threshold point in a selected area beyond which there will be an imbalance amongst the essential interdependent needs for survival of all the species including humans.
c) Determine when, by whom and where data will be collected.

- Specify how often monitoring will be done and by whom;
- Specify how data will be stored and process and the incremental cost if any;
- Specify how often the evaluation will be made and by whom;
- Outline the necessary training that is required for M&E to be carried out;
- Specify how information will fed back into management decisions;
- Reporting and dissemination costs.

Below is the description of each project objective. There must be a response against each question.

Objectives of the project: .................................................................

<table>
<thead>
<tr>
<th>WHAT</th>
<th>HOW</th>
<th>WHEN</th>
<th>WHO</th>
<th>WHERE</th>
<th>COMMENT</th>
</tr>
</thead>
</table>

6.18.1.5 Implementation Management and Monitoring Plans

Putting into action the work that has been done in the previous steps.

a) Implement management plan;

b) Implement monitoring plan.

6.18.1.6 Analyse Data and Communicate Results

The challenge here is to take the data that will be collected and turn them into useful information that you can make available to your project partners, internal and external

6.18.1.7 Used Results to Adapt and Learn

Means to repeat a process or sequence of steps that brings you successively closer to a desired result. Push you toward the ADAPTIVE MANAGEMENT

The monitoring must also be used to improve the project by incorporating the results and information collected to adapt the project plan base according to the monitoring results.

6.18.2 Identification and preparation phase for M&E in a sequence

1) Compile an inventory of all existing information
2) Clarify the questions that need to be answered by the M&E plan in relation to the project areas and the projects goal, taking into consideration:
   - Availability of human and financial resources;
   - Availability and knowledge of technologies; and
   - Degree of understanding of the issues to be considered.

3) Propose specific indicators or class of indicators to provide a continuous and long-term assessment of changes of trends that show or suggest alteration of biodiversity in the project area.

4) Propose process indicators to monitor whether the project has met its performance objectives.

5) Identify an information management system to support M&E according to proposed indicators;
   - Data collection and methods;
   - Analytical methods for data evaluation;
   - Information dissemination;
   - Equipment and technology.

6) Propose institutional responsibilities and or organisational arrangements for M&E to cover:
   - Management data;
   - Technical skills, training and labour requirements; and
   - Co-ordination between agencies.

7) Estimate the cost of implementing the M&E
   - Cost of specialists for training and evaluating if necessary;
   - Cost of specific personal and equipment if needed; and
   - Cost for compilation of the data, reporting and dissemination.

8) Preparation of the implementation schedule: with a clear time plan and assigned responsibilities for the implementation or activities.

6.18.3 Essential factor to achieve and sustain the desired result

The above process of Monitoring and Evaluation in a Context of a Project is to embrace the two factors that are essential for sustainability: (1) elements to achieve results and (2) elements that will permanently sustain the desired result.

1) Adopt an Adaptive Management for each project; because the intrinsic conditions are always changing;
2) **Impact Assessment;** all stakeholders internal and external must be kept informed to date about the efforts made to achieve sustainability and reach the Balance Point.

### 6.18.4 Appraisal of the proposed M&E plan by the PNGMGCTF

The PNGMGCTF will assess the adequacy or the proposed M&E plan or the terms of reference for M&E plan in relation to:

- Responsiveness to project objectives;
- Technical feasibility;
- Institutional capacity and human resources needs;
- Stakeholder and NFPO involvement in design and implementation;
- Mechanisms for feedback and dissemination and lessons learnt;
- Cost effectiveness; and
- Sustainability;

### 6.18.5 Evaluation process by the PNGMGCTF

As monitoring data becomes available the PNGMGCTF will proceed to periodic evaluation of project performance relative to stated objectives. These evaluations should attempt to:

- Determine if the objectives for addressing threats to biodiversity are being achieved by the project;
- Evaluate any ancillary benefits achieved by the project, and
- Assess the technical and/or institutional reasons why anticipated targets where either met, missed or exceeded.

**Assess and improve the relevance and effectiveness of the M&E plan by:**

- Validating the relationship between indicators and objectives for biodiversity protection;
- Verifying the rapidity, quality and quantity of information transfer within the information system;
- Reviewing the extent to which implementation of the M&E plan has facilitated project management; and
- Providing feedback to project implementers so that management can be adapted to better serve conservation objectives.
6.18.6 Post evaluation process

The PNGMGCTF will make the best practices and lessons learnt available to all NFPOs during the course of projects and on a yearly basis. (Information to be gathered from workshops, midterm and end-of-project self-evaluations and external evaluations);

6.19 FORMS

The Management Unit staff will develop and print forms appropriate to each purpose of the grant program in the following areas:

- Call for Proposals
- Format for Presentation of Concept Papers. PCP
- Format for a Full Project Proposal. FPP
- Contract
- The standard clauses to be included in each contract
- Standard Format for Preparing PNGMGCTF Community Projects
- Application Form for Community-Based NFPOs and User’s Group Committees
- Proposal Review and Selection
- Consultant Registry
- [(form for consultant database)]
- Monitoring Format
- Evaluation Format
- Grant Administration
- Technical report format
- Financial report format