



PARTICIPANT GUARANTEE SYSTEM THE PGS GUIDE

FEDERATED STATES OF MICRONESIA - 2018



VERSION 1.0

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PARTICIPANT GUARANTEE SYSTEM THE PGS GUIDE

Federated States of Micronesia

Module 1

Farmer's Handbook

2018

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Introduction:

This Handbook has been prepared for use by Participant Guarantee System (PGS) groups in association with the Vital Coconut for Life (C4L) Initiative of the Federated States of Micronesia (FSM) Government, under the auspices of FSM Petroleum Corporation (Vital).

The project is a component of the C4L Initiative and the planning, preparation and ultimate construction of an Integrated Coconut Processing Facility (ICPF) on the Island of Tonoas, Chuuk Lagoon.

Initially, the C4L project will extract coconut oil from coconuts obtained from PGS suppliers to its facility In Pohnpei. This will gradually move to wider FSM supplier sources and to organic materials and practices.

The project is critical in establishing the necessary community producer organisations that will supply the organic raw materials to the ICPF. This handbook is part of the toolkit for the Vital C4L team, community Engagement Team, PGS Officers and members, and other stakeholders.

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Published: October 2018.

This is an organic document that is subject to adaptation and change as needs become apparent and circumstances alter. It is an attempt to provide information that is based on experience and has been successful elsewhere and has been adapted somewhat to fit local conditions in FSM. However, the experience locally may suggest further change which should be adopted as appropriate.

Definitions:

1. **Incorporated** – PGS Articles of Incorporation has been legally recognized by the FSM Registrar of Corporations Office.
2. **Incorporated PGS** – An Incorporated PGS Group which may/may not be Registered.
3. **Unincorporated** – A PGS group where the Articles of Incorporation has not been legally recognized by the FSM Registrar of Corporations Office.
4. **Supplier** - an individual who is trading with Vital as member of a PGS Group.
5. **Registered** – Being recorded in the Vital, Petrox-CDU.
6. **PGS / PGS Group** - a group that is Registered and is either Incorporated or Unincorporated.
7. **Registered PGS** - A PGS Group that is Registered but not Incorporated.

What is a Participant Guarantee System (PGS)?

Participant Guarantee Systems (PGS) are **locally focused quality assurance systems**.

“They certify producers based on active participation of stakeholders and are built on a foundation of trust, social networks and knowledge exchange” (International Federation of Organic Agriculture Movements-IFOAM 2018).

A Participant Guarantee System (PGS) in the case of the C4L Initiative includes organic coconut tree products.

A PGS Group is: a group of 7-15 suppliers (initially) owned by suppliers who sell their guaranteed high-quality produce for guaranteed good prices. It is a business, owned by the suppliers, who are members.

There are two parties to the Guarantee System. The **PGS Group guarantee** to provide a certain quantity of produce (coconuts), of a certain quality standard (set by the buyer), and at a certain time, such as every month. The **buyers (Vital) will guarantee** to buy the quantity guaranteed by the suppliers (as a minimum), at a certain guaranteed price, at a certain time.

These guarantees are written in an agreement between Vital and the PGS (which is a Company). This is in the nature of a contract, called a Memorandum of Understanding (Annex 4). There are also guarantees between the members of the PGS and the PGS group in a document called the Supplier Contract (Annex 3).

GUARANTEES:

A. The participants:

The suppliers who are members of the PGS will **Guarantee to the PGS:**

1. Delivery of coconuts to a set place called a pickup point.

2. The amount of coconuts delivered will be no less than a set minimum, each pickup day.
3. The coconuts will be delivery to that place by each member at a time for the scheduled pickup, every month or as arranged in accordance to proposed schedule from Vital.
4. The coconuts must never be contaminated with chemicals, oils, diesoline, etc. No chemical fertilisers or other chemicals will be used to grow the coconuts.
5. The coconuts of the size, quality and standard required as detailed by Vital. No bad or undersized coconuts will be brought to the pickup point.
6. If Vital C4L required the coconuts to be packed in a bag or container, the PGS member will pack them in that container in the right way, and in the right amount in each container.
7. Each member will count the coconuts they bring to the pickup point and be able to provide that information to the Vital C4L pickup team.
8. Other products may be purchased in the future as the project expands. This will be determined by Vital C4L in discussion with PGS suppliers.

B. Vital:

That is the buyer, **Guarantees to the PGS:**

1. To buy the minimum amount agreed and schedule pickup day and time in the Memorandum of Agreement (MOA) of each PGS.
2. To record the amount of coconuts provided by each member each pickup day and the total for each PGS.
3. To pay for the coconuts provided by each member, direct into each member's bank account every month; unless otherwise arranged.
4. To pay any amount as decided by each supplier or PGS Group into the group bank account from the payments due to each member every month.
5. To pay the price (by weight) of nuts as advised to each PGS member for the coconuts they provide each month.

What are the PGS values and principles?

Values: PGS groups are based on the values of high standards, self-help, self-reliance, democracy, equality, and on the ethical values of honesty, openness, and caring for one another and other, and for the environment.

Democratic organisation: The PGS operates as a democratic body, with its office bearers elected by democratic vote of the members. Each member has one vote on the election of each Officer, and on each proposal and action affecting the PGS group.

Principles: These principles are guidelines which PGS groups use to put their values into practice. They involve **commitment (by all members) to PGS standards**. PGS groups aim to produce premium (highest quality) products and sell them for a premium price. These standards will mean the marketing follows the following principles:

- **Consistency:** The products will be graded, packaged in the right containers as required by the Vital C4L project, and be the same every time. Any bad or contaminated coconut (or other produce) will be graded out by the PGS supplier.
- **Reliability:** The marketing arrangements will be made with the Vital buyers or the Agent and will be followed every time. That means if the delivery of coconuts is required to the pickup point by 8:00 AM every Tuesday, it will be done by 8:00 AM every Tuesday, without fail! The pickup schedule will be followed.
- **Quantity:** If it is agreed that 100 pounds of coconuts to be delivered, that will be the minimum that will be delivered, not 90 or 80. The quantity and quality will be part of each members Pledge (Supply Contract Agreement) between the PGS and the member.
- **Voluntary and open membership:** anyone living in the area of the PGS Group, willing and able to accept the responsibilities of membership and to follow the rules of the PGS Group may join as a member – without facing discrimination or prejudice, including (but not limited to): gender identity, age, sexual orientation, disability status, religion, ethnicity, socioeconomic status, migratory status, or political beliefs – up to the maximum number of members specified in Shareholder Agreement of each PGS.

Democratic member control – PGS Groups are registered companies (incorporations) under the FSM Business Organization Act of 2016. Members of the PGS Company are shareholders and actively decide what they will do with the guidance of the elected President and Secretary/Treasurer who are in turn under the direction of the rest of the Members. In PGS groups each member/shareholder, including the President and Secretary/Treasurer, has equal voting rights (one vote per member) without considering the amount of money deposited or their position as an officer bearer in the PGS group.

Non-profit making organisation – The PGS group is a business and a registered company which tries to make money by sales for each member. The shareholders are the PGS members, and the business does not make a profit for the Company. But, some funds are retained by the business in a PGS group bank account or held in trust by Vital for routine operations, Working Capital, and activities agreed by the group within the requirements of the Shareholder Agreement (Annex 2).

Members' economic participation –All members contribute a portion of each sale they make to the PGS money and continue to bring their coconuts for the production of the PGS Group when they join, and together control the money of their PGS group.

Each PGS has a Memorandum of Agreement (MOA) with Vital (Federated States of Micronesia Petroleum Corporation, FSMPC) – Whereby each PGS group specifies the amount of coconuts (or other produce) that will be provided by the supplier members of the PGS and will be purchased by Vital.

Payments to each member for their production – Payments will made to each member such as checks or deposits into their private bank accounts. In some cases such as remote areas, payments

may be held in trust with Vital. Records of coconuts provided by each member will be made and maintained by the PGS (or Vital) with a receipt issued to each member for the coconuts they have supplied at each pickup

Payment to PGS Group - Payments to the PGS Group will be directed to the Group account or by default held in trust by Vital if arrangements for banks have not been made.

Education, training and information – PGS Groups are encouraged to provide education and training for their Members. Part of PGS group's aims is to help build capacity of their communities.

Cooperation among PGS Groups – PGS Groups serve their members most effectively and may strengthen the group marketing movement by working together through local, national, regional and international structures. There may be a peak body which can serve PGS Groups.

Concern for community – PGS groups work for the sustainable development of their communities through policies approved by their Members.

What are the PGS conditions for success?

Trust – The group works on **trust**. If the trust is broken, it is very hard to build it again and the group can fail. Trust is built on openness, honesty and consistent behaviour of the members and the Officers.

Planning – Proper assessment and planning (e.g. business plans, feasibility studies) of the endeavour is encouraged and realistic risk management should be undertaken. The initial business plan will include a planting schedule and every member is encouraged to set up a coconut nursery at the beginning of the PGS group and increase their coconut plantings.

Transparency – Transparency and clear communication is essential, especially in financial activities.

Good management – This is essential, especially good financial management.

Good advice – The group needs sound, experienced advisors and competent guidance especially in the early years of its establishment. This will come from Vital through the MCT Engagement Team, who will be providing PGS awareness, establishment and Business Support Services (BSS).

Adequate capital – Some groups fail because they do not have enough money to finance the sales cycle. This should be addressed, and action taken if necessary. However, care must be taken that loans for farmers do not become a motivation for joining and being a member the PGS.

What are the benefits of PGS groups?

Improved bargaining power for selling and buying – Due to larger amounts of produce for sale, farmers can get better prices. This is called economies of scale.

No Middle Man – The produce will be sold direct to Vital who will guarantee to buy, and pick up on a regular schedule, a minimum amount of coconuts every schedule period such biweekly, for the first three years of the project. This avoids the middleman and results in better prices.

Bulk delivery by the PGS members – This makes access to market easier and cheaper. Transport can be cheaper.

Producing big quantities may reduce costs of production per unit of produce – Due to cheaper costs of labour and transport and thus increase income.

Bigger market opportunities – Potential for value addition by C4L processing in the CIDU or ICPF and offering better grades and quality on international markets.

Improved products/services – Access to improved facilities and equipment owned by the group, such as local transport and warehouses/storage sheds.

Members will have part ownership of a business that aims to make money for the group.

Costs of PGS Groups

A PGS Group is a business and business is not free! Members must agree to give some of the money from the sale of their products to the PGS Group for routine activities and working capital – this is needed to pay for start-up costs, running of the business, for costs transport, buying bags, and paying for service providers, as well as to meet financial goals of the group.

Members must agree and follow group decisions. They must agree to sell product through the PGS Group. Many decisions (e.g. where to buy inputs, at what price and where they will sell their product) will be decided as a group.

The Officers (President and Secretary/Treasurer) as well as members, have to give time for decision making processes such as general meetings, marketing arrangements and other group work. Members may need to give time for conflict management (conflicts are normal but need to be dealt with before they become serious). This all requires work (usually unpaid).

Setting up a PGS – Six steps

Organizing a PGS Inc. can be both hard and easy. It needs patience from the organizers – the C4L Vital and the MCT engagement teams. It can be easy when the following important steps are followed. A summary of the steps can be found in Annex 6.

STEP ONE: Awareness

An **awareness meeting** is held by the Micronesia Conservation Trust (MCT) Engagement Team in a community with the ultimate purpose of encouraging the community's participation in the PGS. The minimum number of adult members required to form a PGS group is seven (7). Less may cause problems with inadequate product and management. They must be FSM citizens or residents over the age of 18. Common problems and needs should be talked about, and ways the problems can be solved.

After the meeting participants should understand:

- what a PGS is,
- what the C4L project about and

- how individuals can participate

Potential members should return to their family and village and discuss whether they want to be involved. There is a lot of hard work involved in running your own business and nobody will force you to join, it is up to you! But if you decided to go ahead, you must realize that it means a lot of hard work, not just for a short time, but every week, and every month for the years into the future. You must be serious about your decision. You need to be committed. If you do decide to go ahead, you will be starting a business that can make you good income for years to come, for yourself, your family and your future. At this meeting the date for the next meeting also known as, the Formation Meeting should be set. Farmers interested to join should come to the next meeting and bring their social security and other identification cards if they have. If they do not have identification cards at this stage, it is not a problem. They will also be made aware of the establishment costs such as the \$100 lodging fee for the Articles of Association, business license fees which are normally around \$35 or the \$10 Tax Identification Number which is necessary for opening a PGS business bank account if necessary.

STEP TWO: Formation & Trial

Activity 1, (Resolution) At the formation meeting, the participants must decide on a name for their group, such as “Daini PGS Inc.”. A resolution must also be signed by the group at this meeting, participants must state their intention to form a PGS Group, state the name of the group, and write their names and signatures to show that they agree with the Resolution Statement.

Temporary officers should be appointed by the group as assistants serving the unofficial roles of the President & Secretary/Treasurer. This will be the first two people listed in the first two lines of the Resolution document; number one being the President and number 2 being the Secretary/Treasurer. These temporary officers should assist the Engagement Team and the members of the group throughout the trial phase of the PGS. This trial phase is meant to ensure the farmers’ commitments on moving forward towards establishing a formal PGS Group. The money from the initial trial trades will help establish the necessary funds for the Articles of Incorporation and other needs such as the Business Licenses and Tax Information Numbers. The Engagement Team can also start collecting information on addresses and any information needed to set up personal bank accounts (if required).

Activity 2. Pre-Registration. The MCT Engagement Team should assist the farmers complete the “Petrox-CDU Group and Supplier Registration” forms and have the information uploaded into Petrox via the CDU Ipad App in order to start trading. An Asterisk* will be added as a prefix to the name of the PGS in the CDU App to mark this as a temporary PGS group within Petrox.

Activity 3. Trade Training. The MCT Engagement Team can now start training the officers and PGS members on the activities involved in trading such as:

- a. quality of coconuts,
- b. use of bags,
- c. scales,
- d. ledgers, receipt books and other trading documents and requirements.

Activity 7. Trading. The Engagement Team and Officers should ensure that all processes and information is clear and should;

- Make arrangements with Vital on bag acquisition and pickup schedule.
- Have Suppliers bring their coconuts to the pick-up point.
- The Interim Officers and selected PGS members should keep the coconuts secure until the trade with Vital/C4L is complete.

The Engagement Team and the Registered PGS group should target to have 3 trades to cover the cost of the Articles of Incorporation, Business Licenses and TIN. The Engagement Team and the group should target have a meeting to collect the funds for example, immediately after receiving payment from a sale of their coconut in order to collect funds for Incorporation. Once this fund is collected, the group should immediately move to have their official election and have all activities in Step 3 completed. If the group wishes, they may provide receipts for each member contribution for these start-up costs.

STEP THREE: Operations

Activity 1. Election An official election must be held for the positions of the PGS President and Secretary/Treasurer. These positions must be filled by calling for nominations, which must be seconded, then a vote taken unless there is only one nomination for each position, in which case the person nominated is elected straight away, unopposed. Formal action to incorporate the PGS will recognize these elected individuals as the official bearers of the new formed company.

Activity 2. Incorporation: The PGS Group should proceed to incorporate. This involves completing and lodging the Articles of Incorporation at the FSM Registrar of Corporation's Office which is normally costs around \$100.

Activity 3. Shareholder Agreement. This is an agreement between the PGS Group and its members. It is a legally binding document. It stipulates the percentage or amount of each farmer's payment for the sale of their coconuts that shall be held in the PGS account. The PGS group may decide to include other deductions such as Gross Revenue Taxation (GRT) for each shareholder (**Annex 2**).

Activity 4. Supplier Contract. Each PGS member must complete a Supplier Contract. This contract includes a guarantee from each member to follow the Shareholder requirements of the PGS group; to bring the coconut tree products to the pickup points every scheduled day, produce only organic coconut tree products, bring only high-quality coconut tree products, attend meetings and do all other things as required to run the PGS business successfully, see **Annex 3**.

Activity 5. Memorandum of Agreement (MOA). Each PGS needs to decide on the quantity of coconuts they can bring to every scheduled pickup day. This information will be listed in the MOA, which contains the guarantees that the PGS makes, and the guarantees that Vital makes and the amount that will be deducted from each payment to the PGS group (**Annex 4**).

Activity 6. Registration. The Engagement Team and Vital should register the PGS name as defined in the Resolution Document. All members should ensure that their bio-data from the Supplier Contract and Shareholder documents are consistent with the CDU App.

Activity 7. Open Bank Account.

- a. The PGS group may open a Business Bank Account (not each member accounts) which should be agreed upon by the group in a General Meeting. The President and Secretary/Treasurer should both sign to operate the account. This may require documents such as the Articles of Incorporation, Business License, a resolution and

copy of Tax Information Number and identification cards to establish. If a PGS group initially had Vital hold their funds in trust, it may now have its contributions paid directly to the Business Bank Account. This shall be done by submitting to Vital;

- i. A completed Supplier/PGS Capital Request Form and,
 - ii. A copy of the minutes approving the group's decision signed by the President & Secretary/Treasurer
- b. If the PGS group is not able to open a business bank account due to remoteness or other reasonable purposes, by default, their funds will be held in trust by Vital. Arrangements can be made with Vital to how to release their funds through;
- i. If PGS funds;
 - a. A completed Supplier/PGS Capital Request Form and,
 - b. A copy of the minutes approving the group's decision signed by the President & Secretary/Treasurer
 - ii. If individual member funds;
 - a. Member should submit a Supplier/PGS Capital Request Form to Vital.

STEP FOUR: Prepare the PGS Group records and books of account

Each PGS Group must maintain the following records and keep them open for members to see any reasonable time, which are then seen as "transparent" or open and honest accounts and records. The officer responsible for these activities is the Secretary/Treasurer.

- A copy of the Articles of Incorporation.
- A register (list) of members.
- The record of the meetings (minutes) of the Officers and General Meetings
- The PGS Group's accounts, books, showing Members payments, expenditure and balances. The details of this must be given as a report from the Secretary/Treasurer at every monthly meeting.

STEP FIVE: Prepare a Business Plan

Most coconut palms are getting old. They need to be replaced and we need to plant more coconuts for the future. At the third (or later) meeting, a plan is drawn up to record from each Member, how many coconuts each one will plant in a coconut Nursery. The Officers should draft the Plan, and they must follow up and be sure that each member has cleared some land, prepare the number of coconuts to be planted in a nursery, and keeps them clean as they grow for 12 months, and then plant them out. Future planting should be in coordination with Vital's RAMP program and other relevant Government plans (see Business Plan template in **Annex 1.**)

STEP SIX: Run the business

Every PGS Inc. is a business and must be operated to give the best return to each member. Everything that the business does must be oriented to do this. Ongoing training will be needed and should be started as soon as possible. Long-term support from BSS may be agreed, which the PGS Group may financially contribute towards. Further information on BSS, training and capacity building can be provided by the MCT Engagement Team.

Although we will not be concerned about organic certification of the C4L PGS coconuts in the first few months, we will be considering it in the future. We will need to deal with this in detail in the future, but for now we will understand the principles.

There are two ways that farmers can obtain organic certification of their farm products, under the authority of the peak world organic agriculture body the International Federation of Organic Agriculture Movements (IFOAM).

1. The first is to bring a person who is an **Accredited Certifier** to check the farm and issue certification. The Certifiers are usually accredited under the International Organic Agricultural Certifiers (IOAC), which is the IFOAM subsidiary that does this accreditation. This process can be very expensive.
2. There is a second process approved by IFOAM, which is called **PGS Peer Review**. Under this system, a PGS Group (say PGS A) will evaluate another PGS Group (say PGS B), using a detailed IFOAM PGS Evaluation Guide and other documents and guidelines that are available under the IFOAM Group Internal Central System. Further IFOAM assessment is required for the group under the International Requirements for Organic Certification Bodies (IROCES) requirements for equivalence assessment.

A Different Model

The model for most farmers' marketing groups, including Cooperatives, will have the same kind of requirements such as group marketing, election of Officers, transparent accounting and records, members meetings, bank accounts, etc. But our PGS Group is different. We know that Cooperatives often fail after a year or two. We have to learn from these failures. Why did they fail? We know that there are five things that make the PGS system different:

1. It is a recognised body

It is a Body Corporate. That means it is a company recognised by the FSM Government. The ability to hire labour, own assets and to enter into contracts, are all reasons for the Articles registration requirement, as well as the need for a group bank account. This type of organisation is a business owned by the members, which can do all the things a person can do, but as a group. If the PGS Group has a financial failure, members liability (how much they have to pay) is limited to their contributions. That means they can never lose their assets such as their farm.

2. No credit

We know that many groups and cooperatives have failed because the farmers were given loans.

Some farmers joined the group only to get a loan, which was not repaid. This is the wrong motivation. Our PGS Groups are to make a business which will make a profit for a common good and give the farmers better prices for their products. That is the motivation. Not loans or handouts.

3. Business is not for free!

To start a business requires money. The farmer members, who are the owners of the business, will have to put a percentage of sales from payments for their coconuts (e.g. 20%). These contributions pay for things PGS groups need for their business (e.g. bags and transport costs). They also allow the PGS Group to contribute to community development projects (e.g. community hall) or to pay for larger assets (e.g. warehouse).

4. Ongoing Support from Business Support Services (BSS)

We know that often, about half of cooperatives/groups that are formed fail a year or so after donors leave, and support is withdrawn. So, we propose incorporating business support services (BSS) for several years beyond group formation. BSS will come from the MCT engagement team who has great understanding of FSM customs and language, and therefore will be trusted more readily. They will be trained to give support in governance, operations, financial management, etc.

5. Community Audits

We know that many groups fail because there is financial mismanagement, or even stealing. How to prevent this? Transparent reporting is important in every group, but there is one more thing we can do. One way that has helped to prevent such issues elsewhere is by running community audits, if they are required. The C4L Project is fortunate to have their individual farmer payments handled by Vital which means it does not have to be done by the Treasurer of the PGS Group. However, the routine and working capital group bank account has funds from each member and may require a community audit to be done to reassure the members that their money is being well managed and looked after.

What is a community audit? This when a few members go to the Treasurer and check the financial records. They must ask questions and be clear about every amount of money that is in the Books (Cash Book, Minute Book, receipts and other records kept). This will help the Treasurer to be careful with correct book keeping and member's money.

Rights and duties of a member

Any shareholder member of a PGS Inc. has the **duty** to follow the Shareholder Agreement of the PGS Group and the right to:

- Participate in the activities of the PGS Group.
- Be elected as an Officer and to participate in the management of the PGS Group.
- Vote and elect officers.
- Attend and contribute to meetings, study meeting minutes, if necessary call for a special session, withdraw membership, and/or seek re-admission.

Membership termination

Membership in a PGS Group can be terminated by the following:

- By resigning, giving sixty days notice to the Officers.
- By death, or total permanent disability that will prevent participation in the PGS Group.
- Except in cases of death or permanent disability the termination of membership means that the former member forfeits all rights but money due from sales excluding any levies.

The Shareholder Agreement (Annex 2) further detail membership exiting and entering conditions and implementation processes.

Governance

Meetings

The General Meeting (GM) is the main governing meeting of the PGS Group and consists of all members. Members will meet at least once a year in a GM. Special GMs can be called whenever needed. Unless otherwise specified in the Shareholder Agreement, the quorum (minimum number) for any GM is the presence of simple majority plus one member of all qualified Members. Usually the President will call GMs, but ordinary Members may also call a GM.

At the Annual General Meeting (AGM) Members elect all officers, approve their terms of reference (responsibilities), adopt and amend the Articles of Incorporation, review and approve the work of the Officers and (if applicable) their employed staff. It reviews and accepts the annual plan, budget and reports, approves the business plan and in particular any major investments (the limit for 'major' as being defined in the Articles of Incorporation). All decisions taken in an AGM require a two-thirds majority of the Members present and voting.

Officers

The Officers provide leadership of the PGS Group. It should consist of at least two members who are elected by members for three years, with the possibility for re-election. The President, Secretary/Treasurer form the Officers. The Officers works together with members to develop their coconut planting plan, MOA and pledges, manage funds and monitor and evaluate the regular activities of the group. They may make sure an annual audit is done by an auditor if required, although this is not essential. They maintain and increase the member base and ensure proper maintenance of records. They may appoint staff to get and get approval from the simple majority vote in a general or special meeting of the group if and as required and appropriate for respective business activities. The Officers must meet regularly, at once a month. Special Officers meetings can be held.

Other Committees (not essential)

Other Committees for different roles may be established. These are decided by the General Body and listed in the Articles of Incorporation. If they are required by the PGS Group, they may be formed. A short description of their structure, roles and functions is given below. The Articles of Incorporation of any PGS Group may include more detail and specific functions of the committees as needed.

The **Election Committee** consists of three members appointed by the President. It schedules, organises and conducts the election of the office bearers, ensures timely information about elections, monitors and ensures strict compliance with the election procedures, maintains transparency and fairness during elections and in case of doubt, investigates and reassesses the results and conducts a re-election if needed.

The **Education and Training Committee** consists of three members that appointed by the President. This committee identifies training needs and demands of members and staff, plans and/or implements and arranges such training and educational activities through collaboration with and request to the concerned sectors. For this it can make use of 50% of the PGS Group's Education and Training Fund (if one is established).

Elections procedure

All officers of a PGS Group are elected by the GM from amongst its members. Any shareholder member is eligible to be elected as an officer. The Officer has legal responsibility for the running of the Company. The election normally takes place during the GM. An officer can stand for re-election. However, the members of committees shall not be elected for more than two consecutive terms, if so decided and stated in the Articles of Incorporation.

The **election procedures** are as follows:

1. A candidate or candidates are nominated and seconded by members for each of the open positions.
2. Election takes place by secret ballot.
3. One vote per position per Member.
4. Simple majority of votes win.
5. In case of tie between two leading candidates, there will be a second round of voting.
6. In case of second tie, lot(s) will be drawn for the decision.
7. If there is only one candidate after reasonable notice, he or she shall be declared elected unopposed.

Roles and Responsibilities of the Officers

The President

Qualities of the President:

- Literate and numerate
- Trustworthy and faithful
- Able to mobilize PGS Group members
- Honest
- Able to give time to the PGS Group
- Acceptable to the PGS Group Members

Responsibilities of the President:

- Should chair all meetings.
- Undertake mutual consultation to enable the preparation of agendas.
- Sign all resolutions passed by the PGS Group with the Secretary/Treasurer.
- Coordinate the technical and non-technical aspects of the PGS Group, to ensure the business aspects are being properly run.
- Develop PGS Group linkages with markets, other institutes and NGOs where appropriate.
- Maintain a check on records from, especially prior to the monthly meeting.
- Ensure the appropriate laws of FSM are followed during the meeting.
- Encourage unity and joint interest within the PGS group.

Secretary (combined with Treasurer)

Qualities of Secretary:

- Literate.
- Prepared to work for the PGS Group.
- Honest and acceptable to other members.
- Trustworthy and faithful
- Capable of undertaking the requirements of the work of the Secretary.

Responsibilities of the Secretary:

- Every action and decision of every PGS Group meeting must be recorded in the Minutes.
- The financial contributions of the PGS Group members must be maintained in the Account Books.
- Any financial contribution to the PGS Group from whatever source should be made known to all members.
- During each meeting the minutes of the previous meeting must be read out.

Record Keeping Role of the Secretary:

In addition, the Secretary must maintain and hold open for inspection by any Member the:

- Membership Register
- Articles of Incorporation
- Business Plans
- Resolution documents
- MoU with FSMPC
- Supplier Contract
-
- Other such forms as required for the business of the group.

Treasurer (combined with Secretary)

Personal Qualities of the Treasurer:

- Literate and numerate.
- Reputable – i.e. honest, acts with integrity.
- Willing to maintain the PGS Group's financial assets.
- Willing to always keep the financial records up-to-date.

Responsibilities of the Treasurer:

The Treasurer must maintain the financial records and financial control of the PGS Group – and hold them ready for inspection by members at any reasonable time – including but not limited to:

- The Financial contribution Register.
- The group bank account.
- Receipts and invoices and other evidence of expenditure.

Articles of Incorporation

These are required to incorporate as a business under the FSM national law (Business Organization Act of 2016).

Management of funds

Where does the money come from? It comes from sale of members produce, a portion of which is levied as decided by the members at a GM and placed in a PGS group bank account.

Members contributions from sales: It is recommended a deduction is taken out from the sales of each member for his/her product that the PGS Group sells, i.e. 20%. The money goes into the PGS Group bank account to be used as routine activities, working capital and gross revenue taxation but the percentage will be decided by the shareholding members at a general meeting.

Other funding- not from within the PGS Group: Here we have to be very careful. But under careful control we may allow finances coming from external sources even Vital. Prior approval from the PGS group in a GM must be obtained BEFORE obtaining such funds. However, it is quite possible that Donor funds may become available and the group should allow or not allow for this possibility.

Conflict Resolution

Conflicts are a normal part of life in PGS Groups and can happen among members. If handled properly, they can have a positive effect on the development of the PGS Groups and involved parties.

The approach for conflicts at all levels is to try and solve the problem/issue, if necessary with the help of a mediator which can be the MCT engagement team. Refer also to the 'Dispute Resolution' section of the Shareholder Agreement (Annex 2).

Annex 1 (Business Plan)

Business Plan (Planting Schedule – one year)

Replacement of Old Coconut Palms: Many of the coconut palms in FSM are 50 years old and more, and they are declining in production, another 10 or so years and they many no longer produce nuts and die out a few years later. We need to plan for planning many Coconut palms in the first year of the PGS to ensure the future for the ICPF and the PGS business for our FSM Organic PGS Farmers.

1. Planting List: each PGS farmer should decide how many new palms he/she should plant. It is a good idea to double the current palms each one has, if possible, and if sufficient land is available.

Therefore, each farmer should decide how many nuts to place in their nursery to replace the senile palms and build up the plantation for the future. They should gather the best nuts they have, (large size), prepare the land for the nursery, place the nuts and keep it clear for the 12 months requires. It should be checked regularly for rats and insect pests, and to ensure the weeds are kept down every month at least.

Each PGS should prepare their Business Plan showing the number of nuts in each member's Nursery, and arrange for group assistance of one another's nurseries and to assist one another at plant out time. The seedlings will be ready in approximately twelve months and a major planting campaign made after that. The young palms must be kept free of weeds.

2. Resources: Are resources needed? For example:

- Infrastructure (buildings, land, animals);
- Inputs (materials, tools), labour (own, hired);
- Know-how (knowledge, skills and attitudes).

3. Planting Calendar or Planting Schedule

SHAREHOLDER AGREEMENT

For

_____ **PGS, Inc.**

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First Schedule

Second Schedule

This (hereinafter "Agreement") dated the _____ day of _____, 20__

is made
between _____

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____
_____, Supplier No _____.

- AND -

of _____
_____, Supplier No _____.

- AND -

of _____
_____, Supplier No _____.

- AND -

of _____
_____, Supplier No _____.

- AND -

of _____
_____, Supplier No _____.

- AND -

of _____
_____, Supplier No _____.

- AND -

of _____
_____, Supplier No _____.

- AND -

of _____
_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

- AND -

of _____

_____, Supplier No _____.

(each a "Shareholder" and collectively the "Parties")

RECITALS

WHEREAS, the Parties have incorporated _____ PGS, Inc. (hereinafter "PGS") under the Business Organization Act of 2016 (Public Law No. 20-35 yet to be codified at Title 36 of the Code of the Federated States of Micronesia);

WHEREAS, the Parties desire this Agreement to govern the exercise of the corporate powers, the management of the business, and the relationship among the Parties and PGS;

WHEREAS, each Shareholder has executed a Supplier Contract with PGS to supply a guaranteed quantity of coconut tree products on a designated delivery schedule for a guaranteed price; and

WHEREAS, the Parties are all listed as Initial Subscribers for shares of PGS under the filed Articles of Incorporation of PGS;

NOW THEREFORE, IT IS HEREBY AGREED BETWEEN THE PARTIES AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement the following terms shall have the following meanings except where context otherwise requires:

Agreement This as the same may be amended from time to time and as identified in the Articles of Incorporation.

Articles of Incorporation The Articles of Incorporation of _____, PGS, Inc. filed with the FSM Registrar of Corporations.

Contribution The agreed upon payment amount, represented as a percentage of each payment made to the Shareholder by FSMPC, to be paid by FSMPC directly to PGS.

Commencement Date The date on which this Agreement takes effect, namely the date specified at paragraph 13.1 hereof.

Entering Shareholder An individual natural person who is not currently a Shareholder but with whom PGS wishes to sign a Supplier Contract.

Exiting Shareholder	A Shareholder who ceases to have a current Supplier Contract with PGS.
Financial Goals	The Financial Goals of PGS agreed upon by all Parties and listed at paragraph 2.2 hereof.
General Meeting	The annually held meeting during which decisions affecting PGS may be made.
Memorandum of Agreement	The Memorandum of Agreement (“MOA”) signed between PGS and Federated States of Micronesia Petroleum Corporation to supply coconut tree products.
Organic Production Standards	The FSM International Grade Standards to be defined by regulations issued by FSMPC.
PGS Bank Account	The business bank account established by PGS into which Contributions are to be deposited.
Shareholder	The Parties hereto (to include any individual natural person becoming a Shareholder under the provisions of the Agreement).
Supplier	A Shareholder who has executed a Supplier Contract with PGS and to whom a unique supplier number has been assigned.
Working Capital Fund	The funds in excess of those needed for routine operational expenses to be utilized to achieve the agreed upon Financial Goals.

- 1.2. Any reference to any Party to this Agreement shall include his or her successors in title and personal representatives, by and against whom this Agreement shall be enforceable as if they had been originally named as Parties.
- 1.3. Words importing the singular number shall include the plural and *vice versa* and words importing the masculine gender shall include the feminine and neuter and *vice versa*.
- 1.4. Words such as “hereunder” and “hereto”, “hereof”, and “herein” and such words commencing with “here” shall unless the context clearly indicates to the contrary refer to the whole of this Agreement and not to any particular section or paragraph.

2. OBJECTS AND PURPOSE

2.1 The Objects and Purpose of PGS are to enable its Shareholders to practice the quality assurance system known as the “Participant Guarantee System” to produce organic coconut tree products for sale and to provide a mechanism for its Shareholders to pool their Contributions to reach their agreed upon Financial Goals.

2.2 The agreed upon Financial Goals of the Shareholders are the following:

2.2.1 _____

2.2.2 _____

2.2.3 _____

2.2.4 _____

2.3 The agreed upon Financial Goals may be revised at any time by unanimous written consent of all Shareholders or at the annual General Meeting or a Special General Meeting by simple majority vote of all Shareholders.

3. ISSUANCE OF SHARES

3.1 In consideration for the execution of a Supplier Contract with PGS, PGS hereby issues one share to each Shareholder who has executed a Supplier Contract.

3.2 The list of Shareholders as of the date of this Agreement is comprised of those individuals whose names and supplier numbers are written above prior to the Recitals of this Agreement and who are Parties to this Agreement.

3.3 The issuance of shares to Entering Shareholders after the date of this Agreement is governed by paragraph 8.3 hereof.

3.4 Only individual natural persons who execute a Supplier Contract with PGS are eligible to be issued a share in PGS after the date of this Agreement.

4. PROVISIONS FOR CONTROL

4.1 PGS is governed by its Shareholders at an annual General Meeting during which the following officers are to be elected from among the Shareholders by simple majority vote:

4.1.1 President

4.1.2 Secretary/Treasurer

- 4.2 The President and Secretary/Treasurer shall hold office until the next General Meeting.
- 4.3 The first General Meeting shall be held on _____, and on that same date each year thereafter.
- 4.4 The Shareholders agree that until the first General Meeting the following Shareholders will serve as officers until an election for officers can be held:
- 4.4.1 President: _____
- 4.4.2 Secretary/Treasurer: _____
- 4.5 The President shall preside as the Chair of the General Meeting and shall prepare the agenda for the General Meeting.
- 4.6 The quorum for the General and Special General Meeting is a simple majority of Shareholders plus one Shareholder.
- 4.7 Decisions made at a General and Special General Meeting require a simple majority vote of the Shareholders present and voting.
- 4.8 Each Shareholder is entitled to cast one vote for each issue that is brought to a vote at the General Meeting.
- 4.9 At the General Meeting the Shareholders may adopt specific procedural rules to govern the conduct of the General Meeting.
- 4.10 A Special General Meeting may be called upon the request of _____ percent of Shareholders. The request must be in writing, delivered to the President, and contain a simple list of issues to be discussed during the Special General Meeting. The rules that apply to a General Meeting also apply to a Special General Meeting.

5. ACCOUNTS AND ADMINISTRATION

- 5.1 PGS will follow the accounting system and framework specified in the training to be provided by the Business Support Services provider to PGS officers.
- 5.2 All records required by law, contract, or grants shall be kept and maintained at all times.
- 5.3 Proper accounts shall be kept at all times. At the end of each accounting year the following financial documents shall be prepared and considered at the General Meeting:

- 5.3.1 _____
- 5.3.2 _____
- 5.3.3 _____

- 5.4 PGS will establish a business bank account in the name of PGS at _____ Bank in the FSM (“PGS Bank Account”). All Contributions paid from Federated States of Micronesia Petroleum Corporation under the MOA to PGS shall be deposited into this bank account.
- 5.5 The Shareholders agree that for purposes of defining the Contribution amount referenced in the MOA, _____ percent of each payment to be made to each Shareholder shall be paid directly to the PGS Bank Account. This percent may be changed at any time upon written unanimous consent by all Shareholders or by simple majority vote at a General Meeting or Special General Meeting.
- 5.6 Total withdrawals from the PGS Bank Account must not exceed _____ dollars per month for routine operational expenses.
- 5.7 Any withdrawals from the PGS Bank Account in excess of the monthly operational costs amount must be approved in writing by a simple majority of Shareholders.
- 5.8 At no time may any withdrawals from the PGS Bank Account be made by any Shareholder for the Shareholder’s personal or familial use.
- 5.9 Upon presentation of a receipt, PGS is authorized to reimburse individual Shareholders who have paid for PGS start-up costs including incorporation fees if the PGS group agrees to do so in a General Meeting.
- 5.10 Shareholders agree to have Vital-FSMPC hold their contribution and/or other funds in trust if the PGS is not able to establish a business bank account as noted in the MOA.

6. WORKING CAPITAL FUND

- 6.1 PGS shall designate any funds in the PGS Bank Account in excess of the amount necessary for routine operational expenses as part of the Working Capital Fund.
- 6.2 The Working Capital Fund shall be used solely to achieve the agreed upon Financial Goals of the PGS.
- 6.3 Any withdrawal or expenditure of funds from the Working Capital Fund must be made in accordance with a written plan approved by unanimous written consent of the Shareholders or by a simple majority vote at a General Meeting or Special General Meeting.

- 6.4 Upon dissolution of PGS, any funds remaining in the Working Capital Fund after payment of all PGS debts and liabilities shall be returned to each Shareholder in proportion to his total Contributions made to PGS. Should PGS hold any assets purchased from the Working Capital Fund at the time of dissolution, the proceeds after costs from a public auction or arm's length sale of those assets shall be distributed to each Shareholder in proportion to his total Contributions made to PGS.

7. TAXATION OBLIGATIONS

- 7.1 PGS shall be responsible for paying any gross revenue taxes applicable to it as a corporation.
- 7.2 The Shareholders acknowledge that they are each separately and individually responsible for paying gross revenue taxes on the income earned as a result of their Supplier Contracts with PGS.

8. TRANSFER OF SHARES AND ISSUANCE OF NEW SHARES

- 8.1 Shareholders are not permitted to sell, assign, or otherwise transfer their shares in PGS.
- 8.2 Any Shareholder who ceases to be a Supplier under an executed Supplier Contract shall surrender his share in PGS. Such a Shareholder is an Exiting Shareholder.
- 8.2.1 Upon surrender of his share to PGS, an Exiting Shareholder forfeits all his Contribution amounts remaining in the routine operation and Working Capital Fund.
- 8.2.2 An Exiting Shareholder is not entitled to receive any value attributable to any asset purchased from the Working Capital Fund.
- 8.2.3 Upon surrender of his share to PGS, an Exiting Shareholder has no further rights or obligations under this Agreement.
- 8.3 By unanimous written consent of all Shareholders or a vote of a simple majority of Shareholders at a General Meeting or a Special General Meeting, PGS may sign a Supplier Contract with an individual natural person who is not currently a Shareholder. Such a person is an Entering Shareholder.

- 8.3.1 The issuance of a share in PGS to an Entering Shareholder is conditional upon the Entering Shareholder agreeing in writing to be bound by the terms of this Agreement.
- 8.3.2 The condition can be satisfied by the Entering Shareholder signing a Supplier Contract that includes an explicit provision that the Entering Shareholder agrees to be bound by the terms of this Agreement.
- 8.3.3 Upon the lifting of the condition, the Entering Shareholder's name, address, and supplier number shall be listed in the Second Schedule along with the date the Entering Shareholder became a Shareholder.

9. OBLIGATIONS OF SHAREHOLDER TO PGS

- 9.1 Each Shareholder shall at all times:
 - 9.1.1 Show the utmost good faith to the other Shareholders and PGS;
 - 9.1.2 Comply with the Conditions listed in the Supplier Contract;
 - 9.1.3 Conduct himself in a proper, reasonable and responsible manner;
 - 9.1.4 Comply in all respects with the law;
 - 9.1.5 _____

- 9.2 No Shareholder shall do any of the following:
 - 9.2.1 Admit a new Shareholder;
 - 9.2.2 Attempt to incur debt in the name of PGS;
 - 9.2.3 Enter into any contract in the name of PGS;
 - 9.2.4 Attempt to borrow funds from the PGS; or
 - 9.2.5 _____

10. DISPUTE RESOLUTION

- 10.1 Any dispute as to the terms and conditions of this Agreement and/or as to the subject matter hereof shall be resolved or determined in accordance with the provisions of this paragraph.

- 10.2 Any such dispute shall in the first instance be referred to a facilitator before it may be referred to conciliation hereunder.
- 10.3 The facilitator shall be _____ or any other person agreed to by the written consent of a simple majority of the Shareholders. The facilitator shall have the power to consult with other individuals possessing skills relevant to resolving the dispute.
- 10.4 The opinion or recommendation of the facilitator shall not be legally binding.
- 10.5 Any dispute, which is not resolved by the facilitator under this paragraph, shall be referred in the first instance to conciliation in accordance with the provisions specified in the First Schedule hereto before being referred to a court of law.

11. DISSOLUTION

- 11.1 PGS shall be dissolved under the Business Organization Act of 2016 (Public Law No. 20-35 yet to be codified at Title 36 of the Code of the Federated States of Micronesia) upon the occurrence of any of the following events:
- 11.1.1 Unanimous written consent of all Shareholders;
- 11.1.2 A resolution to dissolve PGS is passed by a simple majority of votes at a General Meeting or Special General Meeting;
- 11.1.3 Dissolution by operation of law (administrative dissolution, judicial dissolution); or
- 11.1.4 _____
- 11.2 On dissolution of PGS the following shall occur:
- 11.2.1 All PGS debts and liabilities shall be paid and discharged;
- 11.2.2 The Working Capital Fund shall be disbursed as specified in paragraph
- 11.2.3 Concluding financial reports shall be prepared and made available to each Shareholder; and
- 11.2.4 All other actions and steps necessary to wind up the affairs of PGS.

12. APPLICABILITY TO NON-COCONUT CROPS

12.1 The Shareholders may agree to make the terms of this Agreement applicable to crops other than coconut tree products if agreed by unanimous written consent or by a simple majority vote at a General Meeting or a Special General Meeting.

13. MISCELLANEOUS

13.1 This Agreement commences on the date the last Shareholder signs the Signature Page and is perpetual in duration.

13.2 This Agreement shall not be varied or amended except in writing upon the occurrence of either of the following:

13.2.1 Unanimous written consent signed by all Shareholders; or

13.2.2 A resolution passed by a vote of a simple majority of all Shareholders at a General Meeting or a Special General Meeting.

13.3 This Agreement supersedes any previous agreement between the Parties in relation to the subject matter hereof and may be executed in one or more counterparts and all such counterparts each of which constitutes an original taken together shall for all purposes constitute one and the same agreement.

13.4 If at any time any of the provisions of this Agreement is or becomes or is held to be invalid, illegal or unenforceable the validity, legality and enforceability of the remaining provisions shall not be affected but the Parties shall negotiate in good faith in order to agree the terms of a mutually satisfactory substitution provision.

13.5 This Agreement shall be governed by and construed in accordance with the laws of the Federated States of Micronesia.

13.6 Each Shareholder's address for the service of notice shall be the address set out in this Agreement.

13.7 A notice shall be deemed to have been served at the time of service if it was served personally, or if it was served by delivery to the address of the Shareholder set out in this Agreement, 48 hours after it was delivered.

14. SIGNATURE PAGE

IN WITNESS HEREOF, THE PARTIES HAVE EXECUTED THIS ON THE DATES INDICATED BELOW:

Approved by:

[NAME], Supplier # _____

Date

Approved by:

[NAME], Supplier # _____

Date

Approved by:

[NAME], Supplier # _____

Date

Approved by:

[NAME], Supplier # _____

Date

Approved by:

[NAME], Supplier # _____

Date

Approved by:

[NAME], Supplier # _____

Date

Approved by:

[NAME], Supplier # _____

Date

Approved by:

[NAME], Supplier # _____

Date

Approved by:

Approved by:

[NAME], Supplier # _____

[NAME], Supplier # _____

Date

Date

FIRST SCHEDULE

Conciliation Procedure as referred to in paragraph 10.5 of the Agreement.

1. This procedure shall apply to any conciliation requested under paragraph 10.5 of the Agreement.
2. A Shareholder to the Agreement seeking conciliation shall notify the other Parties to that effect and shall at the same time specify the matter in dispute.
3. The Parties shall agree on a conciliator, and failing agreement within 10 days of notice under Article 2, shall request the facilitator referred to at paragraph 10.3 above to appoint a conciliator.
4. The conciliator shall require the Parties to submit, in advance of the hearing, a brief written opening statement and appending the necessary documentation not later than 10 working days after his appointment. The Parties should at the same time notify the conciliator of the names of the persons appearing at the conciliation.
5. The conciliator shall within 10 working days after receipt of statements and documentation establish the order of the proceedings and shall arrange a convenient time, date and place for the hearing.
6. The conciliator may consider and discuss such solutions to the dispute as he thinks appropriate or as may be suggested by any Shareholder. All information given to the conciliator is confidential and shall remain so unless authorized by the Shareholder who supplied the information.
7. The conciliator may, having informed the Parties, consult independent third party experts.
8. The conciliator shall endeavour to commit the Parties to reach a mutual settlement failing which he shall within 10 working days of the hearing, issue his recommendation. He shall not be required to give reasons. It shall remain confidential if rejected by any of the Parties.
9. If none of the Parties rejects the recommendation within 10 working days after its issue, it shall be final and binding on the Parties.

10. Each Shareholder to the conciliation shall pay his own costs. The Parties shall be jointly and severally liable for the conciliator's costs in equal shares, unless the conciliator decides otherwise.
11. Conciliations are settlement negotiations and are without prejudice to the rights of the disputants. All statements, information and material, made, given or exchanged, orally or in writing either during the conciliation or prior thereto or thereafter shall be inadmissible in any legal proceedings to the maximum extent permitted by law. Evidence, which is otherwise admissible in legal proceedings, shall not be rendered inadmissible as a result of its use in the conciliation. The Parties in dispute agree not to summon or otherwise require the conciliator to appear or testify or produce records, notes or any other information or material in any legal proceedings and no recordings or stenographic records will be made of the conciliation.
12. Any agreement reached by the Parties in dispute through conciliation shall be set down in writing and duly executed by them or their authorised representative.

SECOND SCHEDULE

List of Entering Shareholders:

1. _____
of _____
_____, Supplier
No _____.

Date Entering Shareholder became a Shareholder:

2. _____
of _____
_____, Supplier
No _____.

Date Entering Shareholder became a Shareholder:

3. _____
of _____
_____, Supplier
No _____.

Date Entering Shareholder became a Shareholder:

4. _____
of _____
_____, Supplier
No _____.

Date Entering Shareholder became a Shareholder:

5. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

List of Entering Shareholders:

6. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

7. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

8. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

9. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

10. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder: _____

List of Entering Shareholders:

11. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

12. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

13. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

14. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

15. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder: _____

List of Entering Shareholders:

16. _____

of _____

_____, Supplier

No _____.

Date Entering Shareholder became a Shareholder:

17. _____

of _____

_____, Supplier
No _____.

Date Entering Shareholder became a Shareholder:

18. _____

of _____

_____, Supplier
No _____.

Date Entering Shareholder became a Shareholder:

19. _____

of _____

_____, Supplier
No _____.

Date Entering Shareholder became a Shareholder:

20. _____

of _____

_____, Supplier
No _____.

Date Entering Shareholder became a Shareholder: _____

Annex 3 (Supplier Contract)

PGS, Inc.

SUPPLIER CONTRACT

THIS CONTRACT (hereinafter "Contract") is entered into as of the date of execution hereof by and between the _____ **PGS, INC.** (hereinafter "PGS"), whose address is _____, and _____, an individual (hereinafter "Supplier"), whose address is _____, collectively referred to as the "Parties."

WHEREAS, PGS desires to purchase from Supplier a guaranteed number of pounds of coconut tree products on a designated delivery schedule for a guaranteed price; and

WHEREAS, Supplier pledges to provide to PGS a guaranteed number of pounds of coconut tree products on a designated delivery schedule for a guaranteed price; and

NOW THEREFORE, and in consideration of the mutual covenants, promises, and obligations herein set forth and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, PGS and Supplier do hereby agree as follows:

1. AGREEMENT

- a. Supplier agrees to sell, and PGS agrees to purchase from Supplier _____ pounds of coconut tree products to be delivered by the Supplier to the designated pickup point of _____ every week on _____, the designated day.
- b. PGS agrees to pay the Supplier _____ US dollars per pound of coconut tree products delivered to the designated pickup point on the designated day.
- c. The Parties agree that payment will be made directly to the Supplier from the Federated States of Micronesia Petroleum Corporation (hereinafter "FSMPC") under the terms of a separate agreement between PGS and FSMPC. The Parties further agree that a percentage of the payment for each pound of coconut tree products will be paid by FSMPC directly to the PGS to defray minimal administration costs and further the PGS's agreed upon financial goals.

2. CONDITIONS

Supplier hereby promises to comply with the following conditions:

- a. Supplier will follow strictly the organic production standards of PGS;

- b. Supplier will follow strictly the terms of the PGS ;
- c. Supplier will cooperate with other PGS suppliers and attend all meetings and trainings as required by PGS;
- d. Supplier will permit other PGS suppliers and PGS designated inspectors to inspect relevant records and documents and all Supplier's growing areas as well as Supplier's storage area and house, if necessary, without prior notification to confirm organic production standards are being followed;
- e. Supplier will inform the PGS President immediately when there is any change in Supplier's production, including change of crop and fields, as well as any non-compliance with the PGS organic production standards or the PGS ;
- f. Supplier will respect and strictly follow the rules for the use of the PGS label and will sell his/her coconut tree products as "organic" only when they are grown in accordance with the PGS organic production standards;
- g. Supplier will accept the decisions of the PGS with regards to Supplier's certification status as final; and
- h. Supplier certifies that all information provided in the application and during Supplier's farm appraisal is correct and accurate and will be kept up-to-date with any changes.

3. TERMINATION

This Contract may be terminated by either Party with a minimum notice period of 60 days. This Contract may also be terminated at any time by mutual written agreement of both Parties.

IN WITNESS WHEREOF, the Parties have executed this Contract as follows:

FOR _____, PGS, INC.

By: _____ Date: _____
 [PGS PRESIDENT]
 President

SUPPLIER

_____ Date: _____
 [SUPPLIER NAME]

[SUPPLIER NUMBER]

Annex 4 (Memorandum of Agreement)

**MEMORANDUM OF AGREEMENT (“MOA”)
Between
Federated States of Micronesia Petroleum Corporation (“FSMPC”)
And
_____ PGS, Inc. (“PGS”)**

(collectively, the “Parties”)

This Memorandum of Agreement is entered into by and between the **Federated States of Micronesia Petroleum Corporation (“FSMPC”)** and _____ **PGS, Inc. (“PGS”)**

WHEREAS, FSMPC and its associated factory is interested in supporting Micronesian coconut farmers by purchasing high quality organic coconut tree products for processing into virgin coconut oil and other products;

WHEREAS, PGS has been incorporated to enable its shareholders to practice the quality assurance system known as the “Participant Guarantee System” to produce organic coconut tree products for sale;

WHEREAS, PGS has the intention of sustainably producing, supplying and selling high quality organic coconut tree products for sale for processing into virgin coconut oil and other products; and

WHEREAS, the Parties agree FSMPC to hold in trust member contributions and/or other PGS funds if the PGS is not able to establish a business bank account; and

WHEREAS, PGS has or will enter into Supplier Contracts with its shareholders (i.e. suppliers) to meet its obligations under this MOA;

NOW THEREFORE, in consideration of the mutual promises and agreements contained herein, the Parties agree as follows:

1. Items Purchased: PGS agrees to sell, and FSMPC agrees to buy coconut tree products each and every specified delivery date at the minimum quantity and standard, which is specified in paragraph three below, delivered to the pickup points on each specified delivery date below:

Organic Coconut

Quantity Lbs organic coconut	Rate / Day Every	Unit Price	Pickup Point (Village)

Copra

Quantity Lbs Coconut Sugar	Rate / Day Every	Unit Price	Pickup Point (Village)

Coconut Sugar

Quantity Lbs Coconut Sugar	Rate / Day Every	Unit Price \$/lbs	Pickup Point (Village)

2. Additional Quantities of Coconut Tree Products: FSMPC or its agents may buy additional coconut tree products of the same grade for the same price should such coconut tree products be made available by PGS on the specified delivery date at the specified pickup point. FSMPC is not obligated to buy any additional coconut tree products.

3. Product Standards: The products shall be of FSM International Grade Standards to be defined by regulations issued by FSMPC, and shall be of good merchantable quality without fault and without evidence of sprouting, decay, rot, excessive aging, fungus, aflatoxin content or other defects. Products showing any of these defects shall be graded out by PGS and shall be rejected if found by the purchasing agent or officer of FSMPC.

4. Packaging: The products shall be supplied in packaging as provided in the regulations issued by FSMPC that may be varied from time to time.

5. Receipt Issued Upon Delivery: FSMPC or their agents shall record the quantity of coconuts accepted at the pickup points from each PGS supplier, and give that supplier a receipt recording the date, quantity received, value of the coconuts received, and the name and number of the PGS supplier.

5. Payment: Payment shall be made to each PGS supplier within 30 days of the delivery date listed on the receipt; provided that payment in a non-cash form shall be subject to the additional terms contained in any Appendix to this MOU. Payment shall be made by FSMPC to PGS in accordance with the terms laid out in the PGS , which shall specify the percentage of payment to be paid to PGS with the remaining percentage being paid to the supplier. For example, and for illustrative purposes only, the may specify that 80% of the payment be made to each supplier while 20% of the payment will be made to PGS to defray minimal administration costs and further the PGS’s agreed upon financial goals.

7. Force Majeure: If the performance of this MOA or any obligation under this MOA is prevented, restricted or interfered with by causes beyond the reasonable control of either of the Parties (“Force Majeure”), and if the Party unable to carry out its obligations gives the other Party prompt notice of such event, then the obligations of the Party invoking this provision shall be suspended to the extent necessary by such event. The term Force Majeure

shall include without limitation acts of God, vandalism, storm, tempest, cyclone or any similar event, flood, fire, explosion, orders or acts of civil or military authority, insurrection, riots or wars. The excused Party shall use all reasonable efforts to avoid or remove such causes of non-performance without delay.

8. Confidentiality: It is acknowledged that during the course of this MOA, each Party may obtain confidential information regarding the other Party's business. Both Parties agree to treat all such information and the terms of this MOA as commercial in confidence. Both Parties agree they shall not communicate to any person or to any other body corporate or incorporate any confidential information obtained in connection with this MOA about the other Party except with the express authorization in writing from that other Party.

9. Amendment: This MOA may be amended only if the amendment is made in writing and the amendment is signed by both Parties.

10. Notices: All notices required by this MOA shall be in writing and shall be hand delivered to an officer of the Party within a reasonable period.

11. Assignment: This MOA may not be assigned by the PGS. This MOA may be assigned by FSMPC without consent by the PGS to an affiliate of FSMPC; provided that the affiliate has the capability to meet all of FSMPC's obligations under this MOA.

11. Term of MOA: This MOA is made effective on _____ and shall continue in force until terminated by either party with a minimum notice period of 60 days. The MOA may also be terminated at any time by mutual agreement of both Parties or by operation of law.

IN WITNESS HEREOF, THE PARTIES HAVE EXECUTED THIS MEMORANDUM OF AGREEMENT ON THE DATES INDICATED BELOW BY THEIR RESPECTIVE REPRESENTATIVES:

Approved by:

Approved by:

Jared Morris, CEO
FSM Petroleum Corporation (FSMPC)

[NAME], President
_____ PGS, Inc.

Date

Date

ARTICLES OF INCORPORATION

OF

_____ **PGS, Inc.**

ARTICLE I

NAME

The name of this Corporation is: _____ **PGS, Inc.**

ARTICLE II

AUTHORIZED SHARES

The number of shares the Corporation is authorized to issue is: _____

ARTICLE III

REGISTERED OFFICE

The place of the Corporation's initial principal office or place of business in the Federated States of Micronesia is:

Mailing address: _____

Street address: _____

The Corporation's initial registered agent is:

Name: _____

E-mail address: _____

Mailing address: _____

Annex 5 (Article of Incorporation)

ARTICLE IV
INCORPORATOR

The name, citizenship and address of the incorporator is:

	<u>Name</u>	<u>Citizenship</u>	<u>Address</u>
1.	_____	_____	_____ _____

ARTICLE V
SHAREHOLDER AGREEMENT

The affairs of the Corporation shall be conducted in accordance with the terms of the Shareholder Agreement as permitted by 36 F.S.M.C. 168.

ARTICLE VI
INITIAL SUBSCRIBERS

The names of the initial subscribers for shares of each class and the number of shares subscribed for are as follows:

No.	Name	Citizenship	Address	Class of Share	Number of Shares	Percentage of Ownership
1						
2						
3						
4						
5						
6						
7						
9						
10						

11						
12						
13						
14						
15						
16						
17						
18						
19						
20						

IN WITNESS WHEREOF, for the purpose of forming a corporation under the laws of the Federated States of Micronesia, I, the Incorporator of the Corporation, have personally executed these Articles of Incorporation on this ____ day of _____, 20__.

Signature of Incorporator _____

Print name in English _____

Annex 6 (Steps to Implement)

Step	Description	Materials required	Personnel and support	Notes
1	Awareness	PGS Group Handbook Frequently Asked Questions PGS summary handout	MCT Engagement Team, Vital rep. (optional)	English and translation for each main language group, will wait until suitable
2	Formation & Trial			
2.1	<i>Decision to form</i>	PGS Group Handbook Resolution document	PGS Group and Engagement Team	
2.2	<i>Decision on group name</i>	Resolution document		
2.3	<i>Decision to open bank account</i>	Resolution document		
2.4	<i>Pre-Registration Petrox</i>	PGS Group Registration & Supplier Registration, IPAD	Engement Team & PGS Group	
2.5	<i>Trade Training</i>	Bags, Scales, ledger, support form to ledger	PGS Group, MCT	Can be a partial payment, minimum funds are required for start up costs
2.6	<i>Collection of contributions</i>	Receipt book	MCT, PGS Group	

3	Operations	PGS Group Handbook	
3.1	<i>Election</i>	Election Document	Engagement Team & Vital
3.2	<i>Incorporation</i>	Articles of Incorporation	PGS Group & MCT
3.3	<i>Complete Shareholder Agreement</i>	Shareholder Agreement	PGS Group & Engagement Team
3.4	<i>Preparation of supplier contracts- determination of individual farmer's supply</i>	Supplier contract	Engagement Team
3.5	<i>Preparation of MOA - determination of Group's supply</i>	Memorandum of Agreement (MOA)	PGS Group and farmers
3.6	<i>Post-Registration</i>	CDU PGS Group Registration & Supplier Registration	PGS Group and Vital
3.7	<i>Opening of bank account</i>	Articles of Association Resolution document Business License (municipal) Certification of Beneficial Owners, Valid photo ID and	PGS Group and shareholders PGS Group and MCT

		copy of SS card for signatories	Engagement Team	
4	Record keeping	Vital ledger (purchase ticket book) & support form Account book (sales) Account book (working capital and tax) Minute book Register of members	Secretary/Treasurer	MCT Engagement team will assist with initial record keeping (from awareness meeting) responsibility should transition to PGS Group as soon as Officers are elected.

5	Future business planning	Business plan Nursery materials	PGS Group, MCT Engagement Team, Vital, College Of Micronesia, government agencies and other stakeholders	
6	Running the business	Monthly and annual reports (e.g. financial, meeting minutes, progress) Coconuts	President, Secretary/Treasurer, PGS Group The President is the key person responsible for ensuring this within the PGS Group	
6.1	<i>Smooth delivery of coconut supply</i>		MCT Engagement Team	
6.2	<i>Ongoing training and support</i>	Handbooks and other training materials		

Annex 7 (PGS Resolution Document)

Meeting held at: _____

Date: _____ **Time:** _____ **State:** _____

Island: _____ **Municipality:** _____

Support Staff Present & Signature: _____

We the undersigned, hereby resolve to form a group to practice the Participant

Guarantee System (PGS), such Group to be known as;

“The _____” (PGS Inc.)

for the purpose of (producing organic coconut tree products), to (incorporate) and open

bank account(s) for the operations and sale to Vital-FSMPC:

No	Name	Signature	Social Security Number
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Annex 8 (PGS Election Document)

Meeting held at: _____

Date _____ Time: _____

Support Staff Present & Signature: _____

The _____ PGS Inc. hereby elects the Office bearers of this PGS Group as follows:

PRESIDENT:

1.Nomination (Name & Signature)

Village _____ Social Security Number _____

Nominator (Name & Signature)

Village _____ Social Security Number _____

Secunder (Name & Signature)
Number _____

Village

Social Security

2.Nomination (Name & Signature)

Village _____ Social Security Number _____

Nominator (Name & Signature)

Village _____ Social Security Number _____

Secunder (Name & Signature)
Number _____

Village

Social Security

VOTING RESULT: Nomination: _____ **Number of Votes** _____

VOTING RESULT: Nomination: _____ **Number of Votes** _____

RESULT: Declare (Name) _____ **Elected President**

Name and Signature of Invigilator _____

SECRETARY/TREASURER:

1.Nomination (Name & Signature)

Village _____ Social Security Number _____

Nominator (Name & Signature)

Village _____ Social Security Number _____

Secunder (Name & Signature)
Number _____

Village

Social Security

2.Nomination (Name & Signature)

Village _____ Social Security Number _____

Nominator (Name & Signature)
Village **Social Security Number**

Secunder (Name & Signature) **Village** **Social Security**
Number

VOTING RESULT: Nomination: _____ **Number of Votes** _____
VOTING RESULT: Nomination: _____ **Number of Votes** _____
RESULT: Declare (Name) _____ **Elected President**
Name and Signature of Invigilator _____

Annex 9 (Petrox-CDU PGS Group Registration)

PGS NAME

DATE OF ESTABLISHMENT

STATE

ISLAND

MUNICIPALITY

PERCENTAGE CUT %

POSTAL ADDRESS

PHONE #

PGS OFFICERS

PRESIDENT NAME: _____ D.O.B. _____ SS #: _____ SEX: F / M
EMAIL: _____ PHONE: _____

SECRETARY/TREASURER NAME: _____ D.O.B. _____ SS #: _____ SEX: F / M
EMAIL: _____ PHONE: _____

COLLECTOR NAME: _____ D.O.B. _____ SS #: _____ SEX: F / M
EMAIL: _____ PHONE: _____

COLLECTOR NAME: _____ D.O.B. _____ SS #: _____ SEX: F / M
EMAIL: _____ PHONE: _____

COLLECTOR NAME: _____ D.O.B. _____ SS #: _____ SEX: F / M
EMAIL: _____ PHONE: _____

COLLECTOR NAME: _____ D.O.B. _____ SS #: _____ SEX: F / M
EMAIL: _____ PHONE: _____

COLLECTOR NAME: _____ D.O.B. _____ SS #: _____ SEX: F / M
EMAIL: _____ PHONE: _____

Annex 10 (PGS Petrox-CDU Supplier Registration)

STATE

ISLAND

MUNICIPALITY

PGS

PRIMARY FARMER #1 NAME: _____ D.O.B _____ SS#: _____

SEX: F / M BANK ACCOUNT #: _____ EMAIL: _____ PHONE: _____

FARMER #2 NAME: _____ D.O.B _____ SS#: _____

SEX: F / M BANK ACCOUNT #: _____ EMAIL: _____ PHONE: _____

FARMER #3 NAME: _____ D.O.B _____ SS#: _____

SEX: F / M BANK ACCOUNT #: _____ EMAIL: _____ PHONE: _____

FARMER #4 NAME: _____ D.O.B _____ SS#: _____

SEX: F / M BANK ACCOUNT #: _____ EMAIL: _____ PHONE: _____

FARMER #5 NAME: _____ D.O.B _____ SS#: _____

SEX: F / M BANK ACCOUNT #: _____ EMAIL: _____ PHONE: _____

FARMER #5 NAME: _____ D.O.B _____ SS#: _____

SEX: F / M BANK ACCOUNT #: _____ EMAIL: _____ PHONE: _____

DISTANCE FROM HOME TO FARM: _____ MINUTES NUMBER OF COCONUT TREES ON FARM? EST. _____

NUMBER OF ABLE-BODIED PEOPLE DOES ON YOUR FARM _____

CHECK HOW YOU WILL TRANSPORT COCONUTS:

- TRUCK
- BOAT
- MANUAL/CARRY

CHECK IF YOU HAVE ACCESS TO:

- INTERNET
- CELL PHONE
- TWO-WAY RADIO

CHECK IF YOU HAVE ANY OF THE FOLLOWING:

- BANK ACCOUNT
- SOCIAL SECURITY NUMBER
- PASSPORT

HOW FAR IS YOUR HOME TO COLLECTION POINT

_____ MINUTES

I HEREBY DECLARE THAT THE INFORMATION PROVIDED IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

PRIMARY FARMER SIGNATURE: _____

Date: _____



Annex 11 (Coconut For Life/PGS Summary)

What is Coconut For Life?

The Coconut For Life Initiative, also known as “C4Life” is one of Vital FSM Petroleum Corporation’s (FSMPC) largest projects to date that was designed as a means to enhance the quality of life throughout the Federated States of Micronesia (FSM). It includes the establishment of an Integrated Coconut Processing Facility (ICPF) and a Power Plant on the Lagoon Island of Tonoas in Chuuk. This state-of-the-art ICPF will have an initial processing target of 50 Metric Tons or 35,000 whole, unhusked coconuts per day and will create 100 full-time equivalent jobs in Chuuk. Additionally, the C4Life project has started upgrades and expansion of the Coconut Industry Development Unit (CIDU) in Pohnpei which will target to provide least 140 farming opportunities in Pohnpei. With the increased processing capacity of these two facilities, Vital FSMPC is proud to assist in the introduction of an 10,000 employment opportunities to coconut farmers throughout the FSM. It is of critical importance that coconut producing communities organize themselves and work with Micronesia Conservation Trust (MCT) in such a way that will assure the quality of their coconuts, and that each farmer voluntarily commits to the long-term goals and efforts of their *PGS*.

What is a PGS?

A Participant Guarantee System (PGS) is a quality assurance system promoting production of premium quality produce, and market arrangements that are reliable, consistent and volume requirements.

A PGS Farmers Group is: a group of 7-15 farmers (or more) run as a registered group and may be a registered Limited Liability Company with shareholding owned by a group of farmers that sells their collective produce for good prices. It is a business, owned by the farmers, who are the members.

Values: PGS Groups are based on the values of high standards, self-help, self-reliance, democracy, equality, and on the ethical values of honesty, openness, and caring for one another and others.

Principles: These are guidelines which PGS Groups use to put their values into practice:

- **Has a set of PGS Standards which are a commitment of every member:** PGS Groups aim to produce premium (highest quality) products such as coconuts, and sell them for a premium price. And the standards will mean the marketing follows the following principles:

Consistency: The products will be graded, packaged in the right containers, and be the same every time;

Reliability: The marketing arrangements will be made with the buyers, and will be followed every time. That means if the delivery is required at 8am every Tuesday, it will be done at 8am every Tuesday, without fail!

Volume: If it is agreed that 100 lbs will be delivered, that is what will be delivered, not 90 and not 110 lbs (but, we will have to allow for wastage).

- **Voluntary and open membership** – anyone living in the area of the PGS Group, willing to accept the responsibilities of membership and to follow the Rules of the PGS Group can join as a member without gender, social, racial, or political barriers.
- **Democratic Member Control** – members have a Company structure and actively decide what they will do with the guidance of the elected executive members who are in turn under the direction of the rest of the members. In PGS Groups each member including the President, Treasurer and Secretary, has equal voting rights (one member, one vote) without considering the amount of money deposited or their position as an officer bearer or Director in the PGS Group.
- **Non-Profit Making Organisation** – the PGS Group is a business and a registered company which tries to make additional profit for each member. But the business does not make a profit for the company. Any funds that are retained by the business are used for what the PGS Group members decide within the requirements of the Rules (Articles of Association). Surplus funds may be distributed to members or may be retained in the accounts of the PGS Group for the purposes stated in the Rules.
- **Members' Economic Participation** - all members contribute to the money and the production of the PGS Group when they join and all members together control the money of their PGS Group.
- **Education, Training and Information** - PGS Groups can provide education and training for their members.
- **Cooperation among PGS Groups** - PGS Groups serve their members most effectively and may strengthen the group marketing movement by working together through local, national, regional and international structures.
- **Concern for community** - PGS Groups work for the sustainable development of their communities through policies approved by their members.

Conditions for Success

- **Trust** - The group works on **trust**. If the trust is broken, it is very hard to build it again and the group can fail. Trust is built on openness, honesty and consistent behaviour of the members and the Executive Committee.
- **Planning** - Proper assessment and planning (business plan, feasibility study) of the endeavour is essential and realistic risk management must be undertaken.
- **Transparency** - in actions and clear communication is essential, especially in financial activities.
- **Good management** - is essential. Especially good financial management.
- **Good advice** – the group needs sound, experienced advisors and competent guidance especially in the early years of its establishment. This will come from the PGS Project, BSS and Coordinators.

- **Adequate capital** – many groups fail because they do not have enough money to buy the crop and finance the sales cycle.

Benefits of Getting Involved as a farmer:

1. You will secure a stable income for you and your family's future.
2. You will be part of a business system that is not dependent on aid.
3. You will be part of a local owned company that is mandated to ensure improved livelihood of your communities and selling your products to a local vendor with the same vision.
4. You will have access to improved methods and help needed for your farms.
5. Increased production capacity of your farms.
6. Guaranteed sell of any quantity you agree to sell.
7. Chances of increased prices for your products.
8. Gain recognition of your products as a group in larger markets.
9. You will have a share in a company.

Costs of Getting Involved:

10. More work to ensure your coconuts are of great quality and quantity.
11. Less freedom of selling your coconuts to other vendors.
12. Lose a small percentage to the group for every sale.

Annex 12 (PGS Frequently Asked Questions-FAQ's)

1. What is a PGS? Participant Guarantee System
2. How much is a mature husked coconut? 15 Cents
3. Will the price get better? Yes, after Vital enters into Organic product market
4. Who will pick up my coconut? Vital
5. Where will my coconuts be picked up from? Vehicle accessed road. You or your PGS decides
6. How will I get paid? By bank account/check (arranged for pickup/or delivered) or account deposit within 30-days of delivery.
7. When will I get paid? After the 1st & 15th of every month.
8. Who can join? Anyone who is willing and able
9. Why is the price so low? This is an above fair price in the international standard. We have a plan for organic and once we get there, prices will go up.
10. How far off are we from getting into the organic market? About a year and a half at least.
11. How often will you come to pickup my coconuts? Based on what the arrangements between your PGS group and Vital decides.
12. What are the benefits of joining the PGS? You will have access to a sustainable source of income; involved in bigger community goals; access to financial and farm benefits.
13. Can my family join? Yes, but at least 18-yrs old
14. Can I buy coconuts then resell it to Vital? No.
15. Why can't I buy and resell coconuts to Vital? Your coconut tree will be surveyed in order to become organically certified.
16. When will there be an awareness meeting in our village? You should contact your municipal office or Micronesia Conservation Trust to find out.
17. I am far from a registered group, can I register? Yes, but will have to be part of a group.

Annex 13 (PGS Maturity Index Score Sheet)

Part I: General Information		
Name of Interviewer:	Signature:	Date:
Name of Interviewee:	Signature:	
Name of PGS:		
Name of Executive:	1.President: 2.Secretary/Treasurer:	
Contact Details:		
State:	Municipality:	Village:

S#	Indicators	Score	Remarks
Part 2 : Verification of Documents			
Remarks: If document does not exist, mark 0, if draft is available mark 1, if written documents are available of high quality and signed by its members, mark 2.		Do all members understand the content? If not, Mark 0, if some 5, If all, mark 10 (mark then add remarks)	
I. Governance and Structure			
1.1	Does the PGS have a formation resolution document signed by its initial members?	0	0
		1	5
		2	10
1.2	Has the PGS an election report signed by election committee showing elections of Officers?	0	0
		1	5
		2	10
1.2	Has the PGS a full Officers of President Secretary/Treasurer?	0	0
		1	5
		2	10
1.3	Is the PGS registered as a Company and does it have a registration certificate?	0	0
		1	2
		2	5
1.4	Does the PGS have business license?	0	0
		1	5
		2	10
1.5	Has the PGS a written MOA with Vital/C4L showing prices, amounts of coconuts to be purchased, standards required including organic assessment?	0	0
		1	5
		2	10

S#	Indicators	Score	Remarks
2. Minutes Book / Registers			
2.1	Has the PGS an up to date shareholding/membership register?	0 1 2	0 2 5
2.2	Has each member pay their shareholder contribution?	0 1 2	0 2 5
2.3	Has the PGS up to date minute of each of meeting on the meeting file?	0 1 2	0 2 5
2.4	Is there a full meeting of members and executive held every month (reaching a Quorum of simple majority plus one member)	0 1 2	0 2 5
3. Stock Control Information			
3.1	Is the record of stock of coconuts bought by Vital C4L properly maintained for each member? Are members supplied any documented evidence (receipts) for coconuts they supply?	0 1 2	0 5 10
3.2	Has responsibility for recording stock incoming and outgoing been clearly arranged by the PGS and members are satisfied with the system?	0 1 2	0 5 10
Part 3: Systems and Operations			
4. Financial Control and Management			
4.1	Does the PGS receive product sale amount through barter system, or through bank payments to individual member's accounts?	Brter 0 Bnk 1 Both 2	5 10
4.2	Does the PGS Secretary/Treasurer maintain records of each Total Monthly payment to the PGS, and report this to members every Month?	0 1	0 10
4.3	Has each member received training from Bank of Guam about investment opportunity (Interest bearing deposits) and wealth management?	0 1	0 10
5. Training, Capacity Building and Experience			
5.1	Has each member received training in all relevant aspects of organic production of coconuts?	0 1 2	0 5 10
5.2	Has each member been given training in the PGS structure, duties, activities and rewards?	0 1 2	0 5 10
5.3	Have the members been given training in the	0	0

S#	Indicators	Score	Remarks
	roles of members and Executive including democratic process and governance?	1 2	5 10
5.4	Has the PGS Treasurer been trained to maintain confidential records of sales and distribution of revenues of each member and the total for PGS?	0 1 2	0 2 5
6. Organic Practices & Production			
6.1	Has each member had a peer review assessment which confirms that his/her coconuts are grown organically?	0 1	0 10
6.2	What quantity of coconuts was sold each month on average per member? < 300 score 1; >300 score 2	0 1 2	0 5 10
6.3	Does PGS ensure packing and labelling of its product before sending it to Vital Factory?	0 1	0 5
6.4	Does PGS grade to the Vital/C4L coconut standard?	0 1	0 5
6.5	What percent of your coconuts are rejected as waste (post-harvest losses estimate)?	0 5% > 5%	10 5 Report this 0 Report this
6.6	Are all coconuts produced under signed organic guarantee by all farmers in the PGS?	0 1	0 10
7. Bank Accounts			
7.1	Has each member of the PGS opened their bank account? Is it operated regularly?	0 1 2	0 5 10
7.2	Is each member receiving his payments of cash directly into his account? Or is his payment received by barter goods? Score 0 for all barter, 5 for all cash?	0 1 2	0 5 10
7.3	Has the PGS opened its bank account? Are transactions reported to the PGS by the Treasurer every Month?	0 1 2	0 5 10
7.4	Does PGS reconcile its bank statement with bankbook in every season (6 month) (any record register)?	0 1 2	0 5 10
7.5	Does the closing balance of cashbook date wise balance with cash in hand?	0 1 2	0 5 10
8. Accounting System			
8.1	Does the PGS use a manual or computerized accounting system for stock control and cash? Computer score 1 or 2.	0 1 2	0 2 5
8.2	Does the PGS have the record of share capital and any levies from members verifiable from bank account/cash book?	0 1 2	0 2 5

S#	Indicators	Score	Remarks
9. Supplier Contract			
9.1	Has each member agreed to a Supplier Contract as per the required content?	0	0
		1	5
		2	10
9.2	Is each member being supported in maintaining his/her pledge by the rest of the PGS.	0	0
		1	5
		2	10
10. Agreements			
10.1	Does the PGS have a signed MOA with Vital/C4L giving PGS Members guarantee on delivery of quality, quantity and day/time for receipt at designated pickup point and Vital guaranteeing to pick-up these delivered products and paying?	0	0
		1	5
		2	10
10.2	Does the PGS have Shareholder Agreement specifying the conditions and terms references for members such as amount contributions to the PGS? Is the written agreement available to every member at any reasonable time?	0	0
		1	5
		2	10
11. Values and Principles Score (0-10)			
11.1	Do the PGS members uphold the principles of consistency, reliability and volume delivered?	Score	After discussion, check how much these principles are practiced in the PGS: 0 = rarely; 10 = always
11.2	Do the PGS members uphold the values of democratic member control, inclusive membership, cooperation and self reliance?	Score	After discussion, check how much these principles are practiced in the PGS: 0 = rarely; 10 = always
11.3	Do the members regularly participate in education and training on general matters aimed at improving their lives?	0 - 10	After discussion, check how much these principles are practiced in the PGS: 0 = rarely; 10 = always
11.4	Are the members invited to set private goals for financial and lifestyle fulfilment, and review them regularly?	0 - 10	After discussion, check how much these principles are practiced in the PGS: 0 = rarely; 10 = always
12. BSSP (Business Support Service Provider) Services (2018)			
12.1	Name of BSSP?		Micronesia Conservation Trust
12.2	How many times did you receive services of BSSP in the last year?		
12.3	Did BSSP help you in formation of PGS?	Score	0 5
12.4	Did BSSP provide help in financial matters?	Score	0 5
12.4	Did BSSP provide information regarding organic practices?	Score	0 5

S#	Indicators	Score	Remarks
12.5	Has BSSP facilitated transport requirements?	Score	0 5
12.6	Has BSSP provided training and support in matters such as Governance, transparent reporting, post-harvest, packaging, financial management etc.	Score	0 10
13. Any other Comments			
<p>Total possible Score (PGS & BSSP) = 350 Total possible Score (BSSP alone) = 30</p> <p>Mature PGSs >=75% Semi Mature PGSs >= 50% && <75% Initial < 50 BSSP 30 required plus minimum 12 visits pa preferably 24.</p>			

Annex 14 (PGS/Supplier Capital Request Form)

Section 1: Applicant Details

- a) Supplier Name or PGS Name: _____
- b) Vital Account #: _____
- c) Position: _____
- d) Signature: _____
- e) Date: _____

Section 1. Nature of Request:

- a) Vital shall release portion of my/our funds (go to Section 2)
- b) Vital shall transfer all my/our existing and future funds into new a bank account (go to Section 3)

Section 2. This amount shall be released for the purpose of;

- a) Payment of Articles of Incorporation
- b) Payment of Business Licenses
- c) Payment of Tax Information Number
- d) Other: _____
- e) Directions for Payment:
 - a. Amount:

- b. Payable to:

- c. Receiver; (if applicable):

- i. Receiver Name: _____
- ii. Account #: _____
- iii. Bank Name: _____
- iv. Bank Details: _____

Section 3. Vital shall transfer my/our funds and continue future banking transactions into;

- a) Account #: _____
- b) Account Type: _____
- c) Bank Name: _____

Section 4. Signatures;

_____	_____	_____	_____
Applicant Signature	Date	Signature Vital, CEO	Date

PARTICIPANT GUARANTEE SYSTEM THE PGS GUIDE

Federated States of Micronesia

Module 2

Book Keeping Handbook

2018

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This Handbook has been prepared for use by PGS Farmers Groups in association with the Federated States of Micronesia (FSM) Coconuts for Life Initiative (C4L). This project is supported by the FSM Government owned enterprise Vital FSM Petroleum Corporation (FSM Vital PC). This activity has been authorised by the FSM Coconut Tree Act 2013.

Author: Dr Rob Erskine-Smith – Consultant to Vital FSMPC.

Published: Revised version October 2018.

This is an organic document that is subject to adaptation and change as needs become apparent and circumstances alter. It is an attempt to provide information that is based on experience and has been successful elsewhere and has been adapted somewhat to fit local conditions in FSM. However, the experience locally may suggest further change which should be adopted as appropriate.

Introduction

This module on single-entry book keeping has been developed to meet the needs of Participant Guarantee System (PGS) Farmers Groups, with a limited turnover level, limited transaction volume and limited administrative capacity. The module is generated specifically for the farmers' context in Micronesia only and particularly PGS Inc farmers groups marketing coconuts. It contains a conceptual framework of accounting, the practical aspects of single entry in the Micronesian PGS Farmers Group context and accounting procedures aimed at enhancing transparency. It is understood that it conforms with the requirements for a Company under Micronesian Legislation. The likely users of this material are Secretary/Treasurer of the Groups, Agents of Vital C4L and possibly some Municipal and Government Staff in various parts of Micronesia and farmers operating in these PGS Farmers Groups.

Objectives

The module intends to achieve the following objectives:

To enable Project Coordinators, Extension Workers and others to teach PGS Farmers Groups to write and

maintain cash books, members accounts, and a stock control book.

To enable Secretary/Treasurer/Secretaries and others to ensure PGS Farmers Groups keep a record of coconut sales and financial transactions and hold open for inspection the Information about the PGS Working Capital Accounts, and suppliers commitments and stock sales transparently.

To enable support providers and others to teach PGS Farmers Groups how to calculate surpluses, make appropriate payments to members and suppliers and to record members initial contributions and later contributions of 20% out of the operations of the group.

To enable Secretary/Treasurer/Secretaries and others to draw up a simple statement of the financial affairs of their PGS Farmers Group's.

To assist maintain high standards of stock and financial management of the PGS Farmers Group.

Why Keep Records?

Records are very important so that everyone in the PGS Farmers Group is clear about all the actions of the Group, and so that all the members will get paid correctly for sale of their produce. Each member must be very clear that the amount of produce (coconuts and maybe other commodities later etc) that they put in is exactly the amount for which they are paid. Also any costs for bags or transport are clearly costed and paid for, and all money is dealt with transparently. This means that book keeping must be done promptly and well, and if required community audits are carried out to help ensure the system is followed properly.

What is Book Keeping?

Book keeping is mainly the recording of financial data and data about the assets and produce held and sold which helps to ensure the business operations are run in a careful and orderly manner, and that financial management is carried out well. This is vital for the long term success of a PGS Farmers Group.

What is Stock Control?

The checking in and out of the produce that each member brings in to the PGS Farmers Group. It must be covered by a book entry, and the balance in store recorded. Every time there is a change, by a member bringing in their produce, or by the PGS Farmers Group sending produce out, it must be recorded in the stock control book. In addition, the amounts of produce, payments made and other details of each member's account must be written in each member's Personal Account.

How Do We Do It?

Using an example of a PGS Farmers Group marketing apples and keeping the books in a correct and orderly manner, we see actions taken as follows:

Farmers and entrepreneurs we will call Manoa, William Dina, Isoa, Lorenzo, Estaphan, Joshko, Ramika, and Jone from Folle decided to form a PGS Farmers Group to sell their Coconuts and other vegetables and try to get a better price. Most could not read and write well except for William Dina, Lorenzo and Ramika who had some secondary education. They resolved in their General Meeting that Estaphan should take care of the PGS Inc. accounts, and he was elected Secretary/Secretary/Treasurer.

Estaphan brought his Coconuts to the PGS Farmers Group. The Agent, Lorenzo took up the receipt book and did the following:

1. For the produce supplied by member Estaphan, Estaphan first checks that the delivery of the coconuts is correct and then issues a receipt from a carbon copy book with two copies. He gives one copy to Estaphan, and keeps the other one in the carbon copy book. The receipt looks like this:

<i>RECEIPT</i>
<i>11/6/13 From Estaphan</i>
<i>220 Coconuts</i>
<i>Received (Signed) Lorenzo</i>

2. And immediately after this, he enters the following into a book and on the cover is written: **“Stock Control Book”**. (There will be one book like this for each type of produce in the PGS Farmers Group – Coconuts, Noni etc).

STOCK BOOK - coconuts			
Date	Name of the member	Quantity No. coconuts	Balance
11/6	Estaphan	72 coconuts	-
11/6	Ramika	92	-
11/6	Jone	105	-
11/6	Manoa	55	-
11/6	William Dina	125	-
11/6	Total in store	75	
12/6	To Pickup Point		179
	Total to Store	273	0

3. After filling in the Stock Control book and handing over the receipts to the member/s supplying the produce, Lorenzo takes the second copy of the receipt and puts it in a receipt file. This is the evidence that the stock has been received.

Transport Delivery Docket

4. When the Barge has been arranged by the PGS Farmers Group, Lorenzo will prepare a delivery docket

which is a summary of all the coconuts which will be sent in the barge to the market for this consignment. It will look like this:

Delivery Docket				
Date	Name of the Member	Item Supplied	Quantity Coconuts	Delivered to
12/6	Estaphan	Coconut	72	Agent
12/6	Ramica	Coconut	96	Agent
12/6	Jone	Coconut	105	Agent
12/6	Total		273	Agent
Received by (Agent) Lorenzo (Name) (Signed).....LorenzoDate 12/6/13.....				

BOOK KEEPING – CASH BOOK

9. The Secretary/Treasurer Lorenzo then fills in the book on the cover of which is written “Cash Book” which will look like this: INSERT TABLE

10. Next morning (5/7) Estaphan brings in his receipt and Lorenzo checks it and finds the total is for 72 kg at \$7.20. Then from the total, Estaphan works out the costs to be deducted. He deducts the transport cost, which is \$0.50 per Kg (36.00), and takes 10% of the gross payment (10% of 298 = \$29.80) as members' contribution to working capital. He then gives Estaphan \$232.20 (or transfers it from the Groups' bank account). He writes in Estaphan’s Member Account Book as follows:

MEMBER ACCOUNT – Estaphan				
Sl.No	Date	Details	Amount (\$Fj)	Balance
1.	1/6/13	Total cash balance (Membership contribution) Working Capital by Estaphan) Paid into Group bank account.	100	0
2.	5/7/13	Net payment for 72kg Coconuts received in Stock 11/6	232.20	232.20

3.	5/7	Contribution from consignment to		
Micronesia an 12/6	29.80	0		

11. Lorenzo has a another part of the Cash Book for share capital and member contributions, which shows the share capital (\$100 per member), and the 5% contributions from sales.

MEMBERS SHARE AND CONTRIBUTIONS ACCOUNT				
Date	Name of the Member		Gross Amount	
	Balance			
1/6/13	Estaphan	1 Share	100.00	100.00
1/6/13	Ramika	1 Share	100.00	200.00
1/6/13	Jone	1 Share	100.00	300.00
5/7/13	Estaphan	10%	29.80	329.80
5/7/13	Ramika	10%	38.40	418.20
5/7/13	Jone	10%	42.00	460.20
End of Month				
Total	-	-		\$460.20

12. For all the payments, in and out, Estaphan does the same, including payment to the truck driver for transport costs. And after he finishes all the calculations, he totals all the payments OUT and then deducts them from the cash income IN and the balance he sees is the amount in the group bank account as membership contributions and balances for the month of June 2013.

13. When the auditor comes and asks how much money the society has, Lorenzo shows the bank account book. The auditor then totals up the receipts, payments and checks the other books and writes:

"In my opinion, the books kept by the PGS Farmers Group represent a true and a fair view of the operations of the Company".

FINANCIAL YEAR

Every business or organization has a financial recording yearly period though it can differ in dates. For example the financial year for all Government organizations begin from 1 July and end on 30 June. For companies registered under the Companies' Act of Micronesia, the financial year begins on 1 July and ends on 30 June. For PGS Farmers Groups like "Nadarivitu PGS Farmers Group" the financial year will be the same. But some organisations go from 1 April to 31 May as their financial year.

The date of the financial year can vary, but it always covers a period of 12 months. The financial year provides a time period that is agreed when the year will start and end. Without a time frame, many activities cannot be tracked, reviewed, monitored or evaluated. For small organizations it is useful to have a yearly financial period to be able to track the performance of the business and to understand its net worth over a period of time.

ACCOUNTS

Member Accounts

This includes the accounts of persons with whom the business deals. For PGS Farmers Groups it means the accounts of real persons and is identifiable by the physical presence of an official account, i.e. our previous example of Ramika's account. Every Member will have an account.

Systems of Accounting

Cash System of Accounting

The accounting records are maintained on a cash basis, meaning actual transactions executed are written into the Cash Book. It covers receipts - money in; and payments - money out.

What is Single-Entry bookkeeping?

It is an accounting practice that can be employed by any type of small organization without the application of the double-entry principles.

The basic accounts maintained under the single entry-system are the cash accounts and Member (personal) accounts.

In the single-entry system, only the Member account is maintained along with the Cash Book. In our case, we will also maintain a Member contribution account.

Single-entry system

Of the system of maintaining the books of an enterprise, on a single-entry basis there are three types practiced.

1. Pure-single entry system

Under this system, only personal accounts are kept. No records are kept for the trading organisation, such as a Cash Book for the PGS Farmers Group.

The Cash Book is not maintained; hence if we use this system we will not be able to determine the cash position of our enterprise or to trace the application of cash in our enterprise.

2. Simple single-entry system

Under this system, personal accounts and Cash Book are kept.

With this system of practice, we are not able to determine the profitability of our enterprise and will not be able know the exact worth of our enterprise operations. This means the periodic assessment of the operations of the enterprise cannot be made, i.e. profit and loss or the net worth of the enterprise.

In line with the nature of business of the clientele Group (farmers), this system is the most relevant system for keeping the books so as to track the transactions of the business/operations.

3. Quasi single-entry system

Under this system we run a series of books including:

- i) Cash Book
- ii) Personal accounts (Member accounts)
- iii) And some other subsidiary books may be kept.

With this system we can determine the profit of the business with the net-worth system.

Characteristics of the single-entry system

Suitable for small businesses where the proprietors or members can directly control the affairs of the business (such as PGS Farmers Groups).

In general, personal accounts are kept but real and nominal accounts are ignored, with the exception of the cash account.

MAKING THE SYSTEM WORK – ONE MORE TIME!

Cash Book

The Cash Book is the principal book maintained for business enterprises following the simple single-entry system. The maintenance of the cash book tracks the movement of the application of the cash and cash sources. All transactions that require either cash payment or the receipt of cash are recorded on the particular date when the movement of the cash actually takes place.

Description of the cash book

CASH BOOK					
Receipts Side			Payments Side		
Date	Details	Amount \$	Date	Details	Amount \$
30/6/11	Cash received from the		11/6/11	Payment to Estaphan	-----
	Market for sales	210.00		for delivery	-----
				100Kg Coconuts	190.00

The receipts side of the cash book is the left-side page of the cash book

1. The first column is the Date column where the specific date of the receipt of the cash is recorded. As in the previous example, \$1,092.00 is received from the sale of Coconuts on 30 June 2013, and the date should be 30/6/2013 (actual date of the receipt of the cash).
2. The second column is the Details column where a brief description about the transaction is given. With the same example of the receipt of the cash from the market, we should write “Cash received from the market for sales”,
3. The last column is the Amount column where the actual amount received is recorded. In the above example the amount \$1,092.00 should be written as \$1,092.00 (not in words or another form).

The payment side of the cash book is the right-side page of the cash book

1. The first column is the Date column where the specific date of the payment of the cash is recorded. For example as in the previous example, money is paid to Estaphan on 5 July 2013, then the date should be 5/7/2013 (the actual date of the payment of the cash).
2. The second column is the Particulars column where a brief description about the transaction is given. With the same example of the payment of the cash to Estaphan, we should write “payment to Estaphan for sale

of 72 kg Coconuts.”

3. The last column is the Amount column where the actual amount of payment made is recorded. In the above example cited the amount should be written as follows:

CASH BOOK					
Receipt Side (IN)			Payment Side (OUT)		
Date	Details	Amount \$Fj	Date	Details	Amount \$Fj
30/6/13	Cash received from the Micronesia for sales	\$1092.00	5/7/13	Payment made to Estaphan	\$232.20

The value of fixed assets

There may be assets that the Group has bought, such as plastic crates, and scales for weighing the produce.

Lorenzo maintains a list of assets. This is called an Asset Register. It is set out as follows:

Sl.No	Asset	Date	Price	Remarks
1.	20 Plastic Crates	1/6/2013	480	Tax Officer Said that the value of all the assets will be reduced by 15% of the cost every year, at the end of the financial year.
2	1 Scale	1/6/2013	48	
3				
4				
5				
6				

--	--	--	--	--

Value of stock should be checked

At the end of the year, the closing balance of any stock which is held should be worked out valued at the either current market price or the cost price whichever is lower.

CALCULATION OF PROFIT

In a simple single-entry system, the method to work out the profit of a business operation can be through the **net- worth method.**

Under this method, the profit/loss of the operations of the business is calculated by comparing the net-worth (capital) of the business on two different dates. This is usually at the beginning and end of the financial year, and is used for the Company accounts to calculate a profit or loss for the year. For example, the amount of capital (say \$100) on the beginning of the period say (1/7/12) is compared with the capital (\$462) at the end of the period (31/6/13). The difference will result in either in profit or loss (\$362 profit).

However, certain adjustments have to be made to the above calculation since payment from the business and capital injections inbetween are an inevitable part of the business process.

STATEMENT OF AFFAIRS

The Statement of Affairs is a statement depicting the current financial situation of the business. The assets and receipt (money in) side of the statement which is the left side, shows how much cash and other things the business owns, such as stock, furniture or equipment such as crates.

The liability (money out) side of the statement reveals the amount the business owes to creditors and stake holders i.e. the members in the case of our example and the owners in case of sole proprietorship businesses.

To calculate the profit for the period in operation, a Statement of Affairs should be prepared at the beginning and at the end of the period. Preparing a Statement of Affairs helps us understand the capital position at the beginning and the end of the period (balancing figure). It is used to obtain the profit and loss statement as below (this will also be covered in training).

Once the two Statement of Affairs are prepared, then it is easy to calculate the profit for the year.

Following this, adjustments for drawings and fresh capital introductions are made. Drawings are added back to the capital of the end period and the fresh capital introduced are subtracted from the capital at the end of the period.

FINANCIAL MANAGEMENT

Budget – Part of the Business Plan

The Business Plan should have a budget which shows how much money the PGS Farmers Group will need to have for its operations. This is its working capital.

Working Capital

Where does this money come from?

Because we are going to try not to borrow any money (credit) money will have to come from the Members. That means it will need to be from share capital subscribed by the Members through contributions from Member's sales. We will need to retain something from the gross sales (10% would be a good figure).

But it may be necessary to raise some money by contributions from Members to get enough working capital to

run the business. This may be especially necessary when the business is starting up, because there will be no retained contributions.

So the budget that is worked out in the Business Plan, before the business begins, will be very important.

There must be enough money available to run the business in the first year, or the business will not succeed. If the money is short, the size of the business will have to be reduced, and perhaps the PGS Farmers Group will only deal with part of the Members' produce.

BANK ACCOUNT

One of the first actions that needs to be taken after formation of the PGS Group Company is to open a bank account. It is necessary to have a tax identification number to open an account, and this can only be obtained after the Company is registered. If the PGS Farmers Group can open a bank account in its own name, that is best. Otherwise the Secretary/Treasurer may have to hold the account in his name, which is not desirable. In any case, the account should have at least two signatories, and all the money of the PGS Farmers Group should be held in the account. It is a good idea to aim for a savings account with a cheque book.

TRANSPARENT ACCOUNTING

The Secretary/Treasurer will run the books of account and will be authorised by the **Officers** to make payments up to a certain amount. This could be as high as \$2,000 to allow payments for the produce to be made to each Member.

The bank passbook, and the books of account (and the other records of the PGS Farmers Group) should be available for Members to view at any reasonable time.

And the Secretary/Treasurer, together with the President and Secretary, should regularly make a report of the financial state of affairs, at least every month, when the PGS Farmers Group is active in the trading season. At the end of the trading season, a Officers meeting should be held and a State of Affairs report presented by the Secretary/Treasurer.

COMMUNITY AUDITS

PGS Farmers Groups are strongly encouraged to conduct regular **Community Audits** where Members arrange with the Executive to meet and discuss the financial actions that have taken place recently. The President, Secretary and Secretary/Treasurer should meet with representatives of the Members (not more than six) and will be shown the books of accounts (which must be up-to date) and all transactions relevant at the time are explained to the Members.

If there are not sufficient Members who are literate or educated enough to understand the accounts, a Facilitator (a Project Coordinator or Extension Officer) should be present to explain financial management to the Members. If they are not satisfied with the explanations, the Members may call a General Meeting. Action may be taken at the meeting to suspend the Executive Officers, freeze accounts or other serious action if the situation requires such measures.

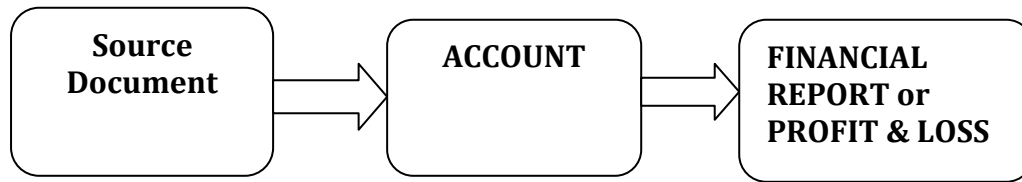
MONITORING

Since it is a very big temptation for the Secretary/Treasurer and other members of the Executive and PGS Farmers Group generally while dealing with large amounts of money, perhaps for the first time in their lives, it is essential that the PGS Farmers Group and staff of the project take steps to minimise the risk that the Group will fail through stealing. Project Coordinators should arrive without previous notice and check the books, and talk to members. Meetings should be conducted (and Community Audits) on a regular basis, when the Secretary/Treasurer will explain the financial situation and details of activities.

This work is possibly the most important part of the Coordinator and Support Provider's role in the PGS Farmers Group.

ATTACHMENTS

Definition of Accounting:



Measure your Performance:

Compare Budget and Actual Financial Performance

Budget/Plan

1. Cash sales
2. Credit Sales
3. Cash Purchase
4. Credit Purchase

Example 01: Cash Sales

01/08/17 Estaphani Sold Noni to Vital \$100.00 for **cash**

Hint:

1. Receive cash same day or once goods(Noni) delivered
2. Two accounts effected Sales and Cash

Account:

Sales A/C				
Date	Description	DR	CR	Balance
1/08/2017	Cash		100	100

Cash A/C				
Date	Description	DR	CR	Balance
1/08/2017	Sales	100		100

Example 02: Credit Sales

02/08/17 Ratu Estaphani deliver his Coconuts to The Fijian Resort and was being advise that he will receive his payment after 30days of \$200.00

Hint:

1. Receive payment after 30days-credit sale
2. Two account affected Sales and Debtor(Agent)

Sales A/C				
Date	Description	DR	CR	Balance
1/08/2017	Cash		100	100
2/08/2017	Fijian Resort		100	200

Fijian Resort A/C				
Date	Description	DR	CR	Balance
2/08/2017	Sales	200		

Example 03: Cash Purchase:

03/08/2017 Estaphani bought packet of seedlings from Sigatoka Chemical worth of \$30.00 for cash.

Hint:

1. Cash transaction
2. Two accounts affected Cash at Bank (Reduce-CR) and

Sigatoka Chemical				
Date	Description	DR	CR	Balance
3/08/2017	Cash	30		30

Cash A/C				
Date	Description	DR	CR	Balance
1/08/2017	Sales	100		100
3/08/2017	Purchase		30	70

Example 04: Credit Purchase

04/08/2017 Ratu Estaphani purchase spray tank of \$80.00 and will pay 2 weeks time.

Hint:

1. Credit purchase
2. Two accounts affected Purchase and creditors (Sigatoka Chemical)

Purchase A/C				
Date	Description	DR	CR	Balance
4/08/2017	Sigatoka Chemical	80		80

Sigatoka Chemical				
Date	Description	DR	CR	Balance
3/08/2017	Cash	30		30
4/08/2017	Purchase		80	50

FINANCIAL REPORT as at 05/08/2017				
Income	\$	\$		
Sales		200		
Less purchase	80			
Less Cost of good sold		80		
Gross Profit		120		
Expenses				
Sigatoka Chemical	50			
Total Expenses			50	
Net Profit		70		

Balance Sheet as at 05/08/2017					
Cash at Bank	70		Creditors		50
Debtors	200		Capital		221
	<u>\$ 270.00</u>				<u>\$ 270.00</u>

Delivery Docket				
Date	Name of the member	Item Supplied	Quantity	Value(if appropriate)
Received by (Driver/member).....(Name)				
(Signed).....Date				

PARTICIPANT GUARANTEE SYSTEM THE PGS GUIDE

Federated States of Micronesia

Module 3

Business Support Services Handbook

2018

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Introduction:

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Author: Dr Rob Erskine-Smith – Consultant to Vital FSMPC.

Published: Revised version October 2018.

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What are Business Support Services?

In the Federated States of Micronesia (FSM), we are expecting to use the services of the Micronesian Conservation Trust (MCT) as the providers for the BSS for the PGS Movement.

Services to support the operations of Participant Guarantee System Groups (PGS's) are provided by suppliers of Business Support Services (BSS). Specific services are supplied in governance, book keeping, organisation and management, marketing and post-harvest, and in financial management and control.

The service is aimed at helping to harness the ability of the rural community to help themselves, and grow in control of their own development and improvement in standard of living, while promoting sustainability. They do this by doing work like book keeping, and by capacity building.

*Coming from experience in Fiji and in several other countries (such as Pakistan and South America) and from the author's personal experience in the Pacific Islands and SE Asia, Farmers Marketing Groups frequently fail after support is withdrawn at the end of a project, especially if the initial experience building has been rushed. It takes time to consolidate the experience of each PGS Group and for the mind-set of each farmer to change to "business" and the culture shift to be established. Often within a year 50% have closed down. Why is this, and what can we learn? It seems from this experience and studies done that **support is needed on a continuing basis** for sustainability, particularly in areas like book keeping, and market cycle management. This may be necessary for up to five years.*

Requirements for BSS Providers (See Annex 1 for more)

Integrity: *As the BSS Providers (BSSP) will be assisting and guiding the Treasurer in dealing with large amounts of money, and advising the members about the Community Audits, it is critically important that they should be people of high integrity and known honesty. While this is difficult to guarantee, the local community will know about any defaulters.*

From Local Area: *Recruiting the (BSSP) from the local area is essential (sometimes local teachers make good BSSP). BSSP from the same community they are working in will fit into the culture better, understand the fine points of the local language and customs, and more easily build the trust of the members of the PGS.*

Partnership is Essential: *Establishing formal and/or informal partnerships between BSSP's and PGS's is an essential step in building consensus, credibility and accountability in BSS projects. And since they are paying for the BSS services, we should be sure that they feel they own them. This in turn increases the prospect of project viability as the PGS's are more likely to maintain the activities beyond the point when any donor funding finishes, if they believe they own them.*

Skilled: *It is essential for the BSS providers to be skilled and offer a range of basic, as well as more advanced services. We will need to train our BSS providers. Projects normally involve training BSS providers to deal with issues such as: business planning, marketing, book keeping, accounting, stock control, financial management, wealth management record keeping, PGS Governance and other generic BSS skills. However, beyond a short period of time entrepreneurs often become increasingly unwilling to pay for basic services, thus impacting directly upon viability and sustainability. Over time, entrepreneurs'*

emphasis may shift to value adding services and other products than coconuts such as post-harvest quality control, export standards, etc.

Four Conditions for Success of PGS's that the BSSP Support:

1. No Credit (unless essential and repayment is guaranteed)

We know that many farmers groups and cooperatives have failed because the farmers were given a loan. They join the group only to get the loan, which was not repaid. This is the wrong motivation.

Our PGS Groups are to make a business which will make a profit and give the farmers better prices for their farm products. That is the motivation. Not loans or handouts.

2. PGS Organic Certification - Peer Review

There are two ways that farmers can obtain organic certification of their farm products, under the authority of the peak world organic agriculture body the International Federation of Organic Agriculture Movements (IFOAM). The first is to bring a person who is an Accredited Certifier to check the farm and issue certification. The Certifiers are usually accredited under the International Organic Agricultural Certifiers (IOAC), which is the IFOAM subsidiary that does this accreditation. This process can be very expensive.

There is a second process approved by IFOAM, which is called PGS Peer Review. Under this system, a PGS Group (say PGS A) will evaluate another PGS Group, (say PGS B), using a detailed IFOAM PGS Evaluation Guide and other documents and guidelines that are available under the IFOAM Group Internal Central System.

Further IFOAM assessment is required for the group under the International Requirements for Organic Certification Bodies (IROCES) requirements for equivalence assessment.

3. Business is not for free!

One of the first principles that we must tell the farmers who want to get into the PGS, is that if you want to get into your own business, it will cost you money! This money must come from farmer's as contributions and is used to pay for things like transport, boxes and yes, Business Support Services. The farmer members, who are the owners of the business, will have to put money into the PGS Bank Account. Business can make a profit, but it can make a loss if it is not run well. But without enough money it will surely fail. Where does the money come from? From the farmers who are members!

4. Ongoing Support from Business Support Services (BSS).

We know that about half of the Farmers Groups fail a year or so after the donors leave and the support is withdrawn. So.....we have Business Support Services that will be provided not for 6 months or one year, but for many years ahead. These people will come from the

community where they work, so they will know the customs and language, and will be trusted more readily. They will be trained to give support in book keeping, management and community audits. (See PGS Handbook).

Community Audits

We know that many farmers groups fail because there is financial mismanagement, or even stealing. So how to prevent this? Transparent reporting is important in every group, but there is one more thing we can do. One way that has helped to prevent it elsewhere is by running community audits.

What is a community audit? It is where the BSSP will get say 6 of the members, and they go to the and check the financial records and stock Control Book, and the BSSP can explain the Book Keeping matters. They must ask questions and be clear about every amount of money that is in the Books (Cash Book, Members Accounts, Delivery Dockets, and every record that is kept). This will keep the Treasurer careful with member's money.

Commitment

*The members of the PGS will need to be committed to their job of providing the coconuts so the operation will be successful and sustainable. History in the Pacific Islands indicates that many projects fail from loss of interest after an initial burst of enthusiasm. It is critically important that the coconut farmers, members of the PGS, take ownership of the PGS and are committed to collecting and bringing the coconuts to the pickup point on the designated day **without fail!***

Sustainability – Long Term Success

To get long term success, we need Technical work (on things like packaging and grading); Institutional Sustainability (making sure that the PGS is running well with the President, Secretary, Treasurer and Members) and Financial Sustainability (making sure the financial management is good, with community audits, good book keeping and transparent reporting). It is like this:



Financial sustainability will be obtained only if we have the technical aspects and PGS organisation running well. That also means the risks will be reduced.

Key Points for Institutional and Technical Sustainability

Some Principles: Trust is the key to institutional Success

The BSSP Must:

- ***Build up Trust;*** *trust of the PGS with the BSSP is the key to be successful in BSS in under-serviced rural areas and particularly if the target group is poor. In this respect strong links with the target group are built up by working closely with them over time. If the target group sees this kind of intervention as a long-term commitment, trust will emerge.*
- ***User pays principle;*** *meaning that the user may pay for the services provided by the BSSP at market price, with a subsidy. The provision of services could be subsidised.*
- ***No subsidies on product prices;*** *in new market developments such as PGS's, the project can subsidise marketing, product development and evaluations but not the money for buying the coconuts from the farmer, nor the price. The transport to the pickup point should also be funded by the farmer members of the PGS. This working capital should be collected according to the business plan. The PGS will fail right here if the farmers do not provide their produce for bulk marketing.*
- ***Customer centred delivery approach;*** *taking into account that to survive, farmers have to carry out operations like collecting coconuts and therefore may not be available for training at peak collecting times. The project therefore should focus on taking the services to the target farmers group when they are available and not conflict with farming operations, and minimise the cost of travel if there is a need to travel to centers for training.*
- ***Self-Reliance;*** *The development is based on the PGS principles of self-reliance and independence, participatory development – involving the farmers in the identification, planning and implementation of the business operations on a self-funding basis, with the exception of the BSS services which will be on a cost-sharing basis. USABBA will provide some support through C4L TEAM's in the early stages.*
- ***Practical and Theory;*** *The learning undertaken by the PGS members will be both on a process basis (learning by doing) and on a presentation series basis, particularly about organic agriculture, provided by technically skilled BSS Providers subsidised/employed by the Project. There is a greater likelihood of sustainable success with such an approach. This handbook and Modules 1-4 will be available in English and FSM Languages.*
- ***BSS Monitoring and PGS Auditing;*** *It is intended that PGS's and the quality of performance of the BSS providers would be monitored by the Project staff*

member/s who is/are nominated to facilitate the PGS in that Municipality This would be documented and reported on a regular basis.

Similarly the financial management, including keeping of records by the Treasurer of the PGS, and the transparent holding of Community Audits and General Meetings, as well as requiring the BSSP to be fully involved, would be monitored by the C4L or other project staff responsible. A well designed financial management system will be required to be put into place. And a critical component is Community Audits – by the members themselves.

A Step-Wise Progression

The more demanding requirements of a registered organisation were seen as a step too far in the initial formation of a marketing group, so it was decided that:

- 1. The **first step** will be to create the **Participant Guarantee System Group**. This would allow farmers to learn how operate a successful group owned business marketing their own Coconuts and later other crops. Improvements from bulk selling, transport arrangements to take the coconuts to the pickup point and associated cost savings will be first benefits for the Collective. The movement from a semi-subsistence farmer to a business farmer who works every day is a culture shift, and a mindset shift. It will take a long time. The beginning should be small, and build up as knowledge and capital were accumulated. Any external demand on the business should be reduced to a minimum. The BSSP will also be developing their expertise during this period.*

To Make BSS Sustainable

*It has long been known that to be **sustainable**, these BSS Providers must either be paid for throughout by the donor, or, **charge** fees for their services from the outset. If their customers are used to getting services from the Project for free, it is very difficult to persuade them to suddenly begin paying for them. Under these circumstances BSS can and do fail.*

It has been proposed that the BSS Provider in FSM will be the Micronesia Conservation Trust and this is part of the strategy of creating a resource for the Country for the long run, not just for farmers but perhaps later for small businesses generally.

Annex 1 Key Competency for BSS Providers for Vital C4L Project.

Please understand this:

- **The BSS provider must be able to “fit in” or adapt to the farmers. The best way to communicate with poor farmers must be understood, such as examples and picture language must be something they can easily accept. And he must understand the level of the target group, and meet that level. It is best if he/she comes from the same area as the PGS.**
- **Poor people are not lazy, they just need motivation and need business concepts and the requirement for continued work every week explained differently, The BSS person must be confident of their own skills, and make examples and use language that is easily understood. If the trainer does not fully understand these concepts and the culture of the farmers, too many times the result is that the target group also does not fully understand, and the impact is limited. The PGS may not succeed, unless the BSS is skilled at this.**

A. Technical Know-How: Must be skilled in one or more of these:

BSS providers should have this skill, or undertake training in the three categories of technical competence:

1. **Accounting/Bookkeeping:** The competence level is a matter of checking a) Qualifications; and b) Past experience. The candidate must be able to deal with farmers who don't have much education and may not be literate. The PGS records will not need to be understood in detail by these farmers, but they need to understand that the records of the money transactions of the whole PGS are being kept and are available.
2. **Business Operation: We need hands-on businessmen/women.** Ideally the candidate will have run a successful small business or two and thus be able to demonstrate entrepreneurial experience.
3. **Governance:** The requirement is for the candidate to know how to run PGS Meetings, elections, and voting and proposing actions and work for their PGS, which is their own small owner-operated group business organisation.

B. Dealing with People – Should be skilled in these.

1. **Communication:** The ability to connect with people, and the group, and stimulate two way flow of feelings, ideas and information. Ability to talk and write well in the local language and/or in Urdu.
2. **Team Building :** As a team supporter, the ability to get people to work together and desire to work to get success; as a team facilitator, the ability to build interest, skill, and success in getting the farmers as a team to achieve their goals.

3. **Empowering Others:** The ability to build confidence in office bearers and PGS members ability to be successful. Giving freedom to decide by themselves how they will get their job done
4. **Developing Motivation:** The ability to build motivation in the PGS to build enthusiasm and commitment to the work.
5. **Establishing Focus:** The ability to help members to commit to goals in support of the PGS's business.
6. **Managing and Promote Change:** The ability to demonstrate support for culture shift, mindset change to do the work every week, not just for a few months, but for the years ahead. for organizational changes needed to improve the PGS's effectiveness;
7. **Developing Others:** The ability to build the office bearers skills and understanding, particularly to take responsibility and to work with members and coach them to develop their capabilities.

C. Competencies Dealing with Organic PGS Business

1. **Organic Agriculture:** The understanding of organic agriculture practices like mulching, companion plants and encouraging good bugs that kill the bad bugs (predators) may become important when the PGS diversify into other crops (such as Kava or vegetables) and opportunities and a willingness to take calculated risks to help the PGS to achieve its business goals.
2. **Find Key Information:** The ability to identify and obtain the information needed to solve problems, and clarify the situation.
3. **Analytical Thinking:** The ability to tackle a business or management problem by using a logical, systematic, sequential approach.
4. **Forward Thinking:** The ability to look ahead and anticipate the implications and consequences of situations plan activities and take appropriate action to be prepared for possible contingencies.
5. **Marketing Expertise:** The candidate must be able to demonstrate some knowledge and skill in marketing and aspects of the value chain.
6. **Taking Initiative:** Identifying what needs to be done and doing it, or arranging with others for it to be done before being asked or before the situation requires it.
7. **Inspire Success:** The ability to motivate members to succeed, to focus on the desired goals and results of the PGS, setting challenging goals, and meeting or exceeding them. This especially applies to getting the cultural (mindshift) change and commitment to the long term, supplying the coconuts every week without fail. Sustainably.

D. Local Cultural Fit

1. **Local Origin:** As mentioned in the Handbook, the BSS provider should ideally be part of the community in which the PGS is located. Trust will be easier to build up where the BDS provider is known in the area to be a person of integrity.
2. **BSS Providers' Qualifications and Experience;** The BSS should have the training to be confident to do basic book keeping, and help with management and marketing.
3. **Cultural Adaptation of The PGS Model:** As explained in Farmers Handbook, we need to have commitment for continuing the business activity without interruption. Otherwise the situation might arise where the supply of coconuts is not enough for the factory to be viable, and the economic future of the overall business comes under threat. But we know certain cultural requirements will tend to interfere with this continuous work demand. We need some insurance against the possible shutdown, and this needs to be built into the PGS Model for Micronesia. Two areas are addressed:
 - A. **Need for certainty in delivery (quantity, quality, and on time):** Some events in the society like weddings and funerals, and the sheer weight of having to work every week without fail, (which requires a culture shift to business orientation), can result in work stopping and no supply. This is dealt with in the Micronesian model by two mechanisms:
 1. **A Pledge and a Support Committee:** This is one way we can enhance commitment and motivation. The farmers, members of the PGS Inc swear a supply contract/pledge to supply a defined number of coconuts to the pickup point every week (or other period as decided) of the required organic status, and other quality matters. A "Support Committee" of one or two members are elected/nominated on a 6 month rotational basis by the PGS at a general meeting can help maintain motivation by checking that deliveries by each PGS member are as they have pledged, and encourage any defaulters. The job is not likely be popular, so the nominees might need to be rotated after six months.
 2. **Separate Bank Accounts for Each Member & Direct Payments:** The problem that is identified is the social pressure to share with one's extended family and clan, so that if the farmer PGS member has cash delivered the clan/family might pressure the farmer to hand over the money that they receive for their coconuts and hard work. This can be tied to funding weddings and funerals etc. This can be dealt with by payments being made by C4L directly into each members' bank account, and held in the normal confidential manner. Relatives cannot access this information, and therefore may not be aware of the money that has been paid. This must be undertaken by the C4L purchasing officer ("C4L Agent"?) who does the pickup and issues a receipt to each farmer for his/her delivery. Payment can be

made in two ways; by direct purchase of goods such as groceries supplied at the pickup point by the Area Manager, charged against each member's account, and; by electronic transfer of money for the purchase of the coconuts from each member, directly into the members individual account. The information is of course confidential and only accessible by the owner of the account. This payment system has been seen to work well in another Pacific Island Country.

B. No cash payments should be made to the Farmers/PGS Members for purchase of coconuts by the Area Managers.

In addition, a levy of 10% or 20% (as agreed and specified in the PGS Rules) can be deducted from the proceeds of each farmer's sales, directly to a PGS Group Account for community development or to purchase PGS assets such as a tractor and trailer.

These adaptations are designed for Micronesia PGS's to help mitigate against these risks.

Annex 2: Need for Vigilance Against Rhinoceros Beetle

The Rhinoceros Beetle is creating serious damage to Coconut Palms in many Island of the Pacific. A recent outbreak of this pest in the Solomon Islands is reported to be causing a loss of coconut production of around 50%.

As far as authorities are aware, the Beetle has not yet reached the FSM, but there is a serious risk of infestation reaching FMS since Palau and Guam infested, and regular ship and air traffic occurs between these neighbouring Islands.

It is very important that PGS Coconut farmers maintain a high state of awareness about this dangerous pest and pheromone-based cage traps in strategic locations to catch any Rhinoceros Beetles that may arrive in the country.

Also, to make sure that any pests that are in the FSM Island Group do not spread to create fresh outbreaks in uninfested areas, quarantine methods must be practiced to prevent movement between Islands. The Department of Resource and Development can provide information on Biosecurity and methods for practicing safe practices in relation to moving any Coconuts between Islands. PGS Farmers must swear as part of their pledge to maintain these quarantine practices, and monitor traps on a regular basis.

ALERT

**Protect us from the
Coconut Rhinoceros Beetle (CRB)**

STOP

The Coconut Rhinoceros Beetle is a serious pest to coconuts and it is not present in FSM but present in Guam, Palau and PNG.

The beetle bores into the crown, when the leaves grow out and unfold, the damage appears as V-shaped. If you see this V-shape please report it immediately.

The beetle damages the palm by boring holes into the center of the crown and feed on the sap.

If you see the damage symptoms or a beetle please report to Agriculture, Phone 320-2400 or Quarantine Phone 320-4969

Photos courtesy of Dr. Aubrey Moore, University of Guam



Figure 1: isTOP CRB AWARENESS POSTER

Annex 3 Capacity Building

The BSS (and C4L staff) must have a full knowledge of the five Modules used in PGS Training and be able to train others in the content of these Modules:

Participant Guarantee System (PGS) Farmer's Handbook

- *What is a Participant Guarantee System (PGS)?*
- **GUARANTEES:**
 - A. *The participants:*
 - B. *Vital:*
- *What are the PGS values and principles?*
- *What are the PGS conditions for success?*
- *What are the benefits of PGS groups?*
- *Costs of PGS Groups*
- *The Memorandum of Agreement (MOA)*
- *Setting up a PGS – Six steps*
 - *STEP ONE: Be organised and have an awareness meeting*
 - *STEP TWO: Formation meeting(s) and election of Office Bearers*
 - *STEP THREE: Begin Operation*
 - *STEP FOUR: Prepare the PGS Group records and books of account*
 - *STEP FIVE: Prepare a Business Plan*
 - *STEP SIX: Run the business*
- *PGS organic certification – peer review*
- *A Different Model*
- *Rights and duties of a member*
- *Membership termination*
- *Governance*
- *General Meetings (GM) and Annual General Meetings (AGM)*
- *Officers (Officers of Directors)*
- *Other Committees (not essential)*
- *Office Bearers (Directors) – Including election procedure*
- *Roles and Responsibilities of the Directors*
- *Articles of Association*
- *Management of funds*
- *Conflict Resolution*

Book Keeping and Financial Management

- *Why Keep Records?*
- *What is Book Keeping?*
- *What is Stock Control?*
- **ACCOUNTS**
- *Cash Book*
- **CALCULATION OF PROFIT**
- **FINANCIAL MANAGEMENT**
- **BANK ACCOUNT**
- **TRANSPARENT ACCOUNTING**

- *COMMUNITY AUDITS*
- *MONITORING*

Running a Business Handbook

- *What is a Business?*
- *What is Involved in Running a Successful Business?*
- *1. Management*
- *2. Money*
- *3. Role of Executive*
- *4. The Business Plan*
- *5. Stock Control*
- *6. Organics Training*
- *7. Capacity Development*

Running a BSS

- *Running the Participant Guarantee System Group*
- *Responsibilities and Tasks of the PGS Organisation*
- *Roles and responsibilities of PGS People, President, Secretary Treasurer and members*
- *Office Bearers*
- *BSSP responsibilities*
- *Executive Committee*
- *Governance and Functioning*
- *Financial management and Financial Powers*
- *Executive Committee- The President*
- *Governance and Functioning*
- *Financial Management*
- *Special events*
- *Qualities of PGS Office Bearers, Responsibilities and Record Keeping*
- *The President*
- *Secretary*
- *Record Keeping*
- *Treasurer*
- *Importance of Planning, regular pickup timetable.*

Annex 3 Maturity Index & Peer Review

Participatory Guarantee System Self-Evaluation

This questionnaire can be downloaded from the IFOAM website at:

http://www.ifoam.org/about_ifoam/standards/pgs.html

INTRODUCTION

There are now many Participatory Guarantee Programs serving thousands of small farmers around the world. While there is enormous diversity in how these programs have implemented the various functions of a PGS, the key characteristics (including inclusivity and participation of stakeholders at all levels of operation, transparency and peer appraisals of farms) just to name a few, have proven to be consistent around the world.

This is not an attempt (or even a proposal) to harmonize the way PGS programs are run internationally. The great strength of PGS is that the mechanisms are regionally appropriate and under the full control of the local stakeholders.

The purpose of this voluntary questionnaire is to provide PGS programs around the world with a “Self-Evaluation” tool to see how they are meeting the key PGS characteristics. It is also hoped that, very much in the spirit of PGS transparency, we share our answers with each other. In this way, we will end up both with a comprehensive list of Participatory Guarantee Systems as well as notes on operational procedures that we can use to strengthen the global PGS movement.

The order of these questions generally tries to follow the order of the “PGS Concept Document” which formed the basis of these questions. That document can be found on the www.ifoam.org and Ecovida websites.

Though only one final submission should be made for each PGS program, your group may find it educational to have as many stakeholders as possible answer the questions including farmers, consumers, facilitating NGOs as well as national or regional level coordinating staff.

The results from any groups that wish to share their self-evaluations will be maintained and kept updated online at the www.ifoam.org website.

HOW IT WORKS

The questions are phrased so that “YES” answers align with the characteristics of PGS. That beings, said, not all questions require YES answers. Based on the “PGS Concept Document” and observations of PGS groups around the world, some questions do align with KEY CHARACTERISTICS of a PGS. For those questions, it seems more important that all PGS are able to answer those questions affirmatively. To make them easier to identify, those questions are marked as “IMPORTANT CHARACTERISTIC”.

The IFOAM PGS Task Force hopes that this self-evaluation document will inspire PGS groups to learn from and share with each other, as well as to educate other groups new to PGS about the many ways that PGS groups around the world have implemented core PGS values in ways that are culturally appropriate to their region.

Maturity Index & Peer Review Form

PGS NAME and CONTACT INFORMATION

Name of the PGS:

Contact Person:

Year program launched:

Country(ies) Being Served:

Region(s) Being Served:

Number of producers involved in the SGP:

Number of producers currently certified by the SGP:

Address:

Phone:

Website:

Email:

SHARED VISION AND AGREED UPON NORMS

1) Is our program based on generally recognized organic principles?

Yes

No

(Important Characteristic)

2) Is it based on a national, regional or international Organic standard (International examples include the IFOAM IBS and Codex. National standards include USDA Organic, JAS, Indian NPOP, regional standards include the EU regulation, the East Africa Organic Product Standard), or on national private standard?

Yes

No

Please elaborate especially where it goes beyond organic:

3) Did all our stakeholders have an influence in the choice and adoption of our Organic Norms?

Yes

No

(Important Characteristic)

Please list key stakeholders:

4) Are our norms easily available and accessible to all stakeholders or other interested parties?

Yes

No

(Important Characteristic)

Please elaborate on how people can access them:

5) Do we have mechanisms in place to ensure farmers fully understand what they are agreeing to (Examples may include short summary of the standards, regular trainings, regular meetings or place they can contact for more information about practices or allowable materials)?

Yes

No

(Important Characteristic)

6) Are Social Justice Principles including gender equality and fair wage embraced by our PGS?

Yes No

Please elaborate:

PROCEDURES TO VERIFY PRODUCERS' COMPLIANCE AND UNDERSTANDING

7) Is information created and maintained for each farm?

Yes No *(Important Characteristic)*

Please elaborate the type (paper application, video, etc.):

8) Does this information include specific questions about farm operations to ensure procedures on the farm are in accordance with our accepted organic standards?

Yes No *(Important Characteristic)*

9) Do our producers take a pledge, declaration, oath, or promise that they will follow the standards (written, verbally stated or documented in some culturally appropriate way)?

Yes No *(Important Characteristic)*

Please Elaborate:

10) Are annual on-site reviews/inspections carried out for every farm in our PGS?

Yes No *(Important Characteristic)*

11) Do producers take part in the annual on-site review/inspection process?

Yes No *(Important Characteristic)*

12) As a policy, can consumers or other stakeholders visit the producers (Open Gate Policy)?

Yes No

DOCUMENTED MANAGEMENT SYSTEMS

13) Is the following information maintained by our PGS:

a) General Information about each farm / operation
 Yes No *(Important Characteristic)*

b) Producer's Pledge (or record if Verbal Pledge)
 Yes No *(Important Characteristic)*

c) Record of onsite review/inspection
 Yes No *(Important Characteristic)*

d) Record of attendance at local meetings
 Yes No

e) Record of certification for each farm / operation
 Yes No *(Important Characteristic)*

f) Is this information accessible to members of the public?
 Yes No *(Important Characteristic)*

Please elaborate:

14) Have efforts been made to minimize paperwork necessary to certification
 Yes No

15) Are the steps to certification process publicly available to all stakeholders?
 Yes No *(Important Characteristic)*

16) Can stakeholders easily find out who is certified?
 Yes No *(Important Characteristic)*

HORIZONTALITY

17) Is decision and policy making about PGS procedures made by either producers or regularly elected producer representatives?
 Yes No *(Important Characteristic)*

18) Are there mechanisms in place to regularly review and improve PGS procedures and policies?

Yes No *(Important Characteristic)*

19) Are our PGS Procedures appropriate to the cultural context in which they are used (for example verbal pledges and video documentation in areas of low literacy)?

Yes No *(Important Characteristic)*

20) Are producers the primary decision makers about which producers are to be certified? (as opposed to a third party or separate organizational group)?

Yes No *(Important Characteristic)*

Please Elaborate:

21) If it's a national program, is there room for local and regional variations to the rules and operational procedures of the PGS as long as main functional points are maintained? (For example, maybe the on-site inspection can be changed or added to as long as they stick to agreed basic standards)

Yes No Not applicable

Please elaborate, give examples:

CONSUMER INVOLVEMENT IN THE PGS

22) Do consumers have the option of being active members of the PGS Group?

Yes No

23) Are consumers able to be included in the Regional and National decision making bodies

Yes No

24) Are consumers able to be included in the Certification Process?

Yes No

25) Is our PGS program endorsed by any consumer group? This could include environmental organizations, health advocacy organizations, etc

Yes No

SYSTEMS FOR MANAGING NON-COMPLIANCE

26) Are there prescribed consequences for non-compliance?

Yes No *(Important Characteristic)*

27) Is there a system for managing non-compliance?

Yes No *(Important Characteristic)*

28) Are producers in the PGS involved in the system for managing non-compliance?

Yes No *(Important Characteristic)*

MECHANISMS FOR SUPPORTING PRODUCERS

29) Is there a system for producers to participate in trainings or sharing meetings with other local member-producers of the PGS?

Yes No *(Important Characteristic)*

30) Does our organization offer agricultural technical advisory (or economic or social) services to producers?

Yes No

31) Does the PGS program have mechanisms in place to avoid conflict of interest?

Yes No *(Important Characteristic)*

Please explain:

SEALS AND LABELS

32) Is there a seal or logo available for our farmers to use?

Yes No *(Important Characteristic)*

33) Does the PGS own or control the seal?

Yes No

34) Does each producer receive an individual certificate or some proof of their certification status?

Yes No *(Important Characteristic)*

Optional: Additional Questions on Sustainability of the Program

35) How is our PGS program funded now? Can the program be entirely self-funded in the future?

36) If producers pay a fee to be certified, do they feel it is a fair fee? What fee is charged?

37) Do producers and other stakeholders participate in the operation of the PGS to keep costs and overhead down? In what ways do they participate?

PARTICIPANT GUARANTEE SYSTEM THE PGS GUIDE

Federated States of Micronesia

Module 4

Running a PGS Company Handbook

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Introduction

These notes are not sufficient to enable running a Company in the Federated States of Micronesia. Comprehensive information is not readily available, and guidance has been sought in establishing the PGS Groups as Companies, or under the ambit of a Company as a collective. But the notes below are generally applied for PGS Companies.

Responsibilities and Tasks of Directors

Governance and Functioning

The PGS is run by the Officers (that is the President, Secretary/ Treasurer) and by the General Meeting of all of the members joining together in a meeting.

The PGS is a business, owned by the members.

The General Meeting is the members meeting together, to get the reports of the Officers and to decide what they will do and decide on giving authority to the Officers to do the things that are required. They make decisions as a group by voting on plans, resolutions and proposals. The vote will be passed by a simple majority, and the resolution or proposal can then be adopted and be put into practice.

General Meeting (GM) of the members:

The GM is the supreme authority over the Participant Guarantee System Groups management structures (Officers and any Committee) that monitors and ensures that:

- The PGS management: does not practice a discriminatory membership policy and that the Participant Guarantee System Groups policies are good for the farming community.
- The PGS is carrying out all required matters and especially financial control and Community Audits.
- The PGS is meeting its primary purpose and objectives (making a profit).

These roles and practices are carried out in regular meetings of members (GM) and through reviews of the accounts, annual performance and audit reports

The General Meeting has responsibility to:

- Elect the members of the Officers
- Approve the terms of reference (the duties of) of office bearers
- Adopt and amend the Shareholder Agreements in general and in particular:
- Set the limits for investments (if any) that can be approved by the Officers (beyond which the investment must be approved by GM, item by item).

Responsibilities of a PGS Group

- Set the limit for the amount of money that the Treasurer can authorise (make payment).
- Decide on amount of share capital to be raised and the contributions to be made by the individual members.
- Review and approve annual reports and other reports.

- Approve annual work-plans and business plans.
- In case of dispute between members and office bearers, discuss and if necessary appoint a committee of members to mediate and reconcile disputes/conflicts.

Financial Management /Financial Powers of the Members

- Decide on amount of share capital/membership fees to be raised and the costs to be paid by the individual members.
- Approve the Financial Plan and Annual Budget.
- Approve the use and management of the Working Fund (if any) by the Officers as specified in the Shareholder Agreements.
- May declare the PGS insolvent by two-thirds vote of present members in a General Meeting - following a proposal by Officers.
- Set limits for the amount that can be paid out of the PGS funds by the Treasurer. Above that amount will require the authorisation of the GM.

Qualities of a PGS Farmer's Group

Qualities of a well-run and well-ordered PGS:

- Reflects unity among members and ability to resolve communal issue by consultation
- The President and Secretary/Treasurer ensure the operations of the PGS are effective and efficient.
- There should be regular open and needs based discussion among members
- A general meeting (of all members) is conducted regularly, ideally once in a month.

Officers – President, Secretary/Treasurer

The Officers gives direction to, plans, monitors and evaluates the activities of the PGS. It is made up of the office bearers including at least the President, Secretary/Treasurer. The Officers also meets at least monthly. It ensures proper management of the PGS.

Responsibilities and Tasks

Related to Governance and functioning. The Officers:

- Ensures that from within the members of the PGS, a President, a Secretary/Treasurer are elected and assume their responsibilities within one week of their election. They should not be elected for more than two consecutive terms.
- Conducts the business of the Participant Guarantee System Groups to the best of their knowledge and capacity, with loyalty, dedication and sincerity.
- Receives, accepts and invites applications for PGS membership
- Prepares and implement business plans.
- If required, prepares annual work plans for submission to and approval by the General Meeting.
- Proposes and mobilize funds for the PGS, kept in the PGS Bank account.
- Prepare an annual performance report of the PGS activities for timely submission/presentation to the Annual General meeting and to other relevant agencies/ authorities as and when required; reporting all PGS activities for the year under consideration.
- Calls special sessions of the General Meeting as and when required.
- Determines requirements for professional personnel required to assist the management of the Participant Guarantee System Groups based on the scale, scope and area of operations of the PGS concerned;
- Ensures proper maintenance and security of PGS records including Directory of Members, Shareholder Agreements, Minutes of the General Meeting and Officers, financial records and Annual Reports.
- Ensures provision of legal advisory services to the Participant Guarantee System Groups if required by liaising with the relevant agencies of Government and MCT Engagement Team Members as appropriate.
- Ensures equal voting rights among all members.
- Conducts timely monitoring of election procedures and results.
- Ensures that Community Audits take place at least six monthly, where members meet with the Officers and question them and receive information about financial and trading activities of the PGS.

Financial Management / Financial Powers. The PGS Officer:

- Ensures that the PGS pursues prudent financial management practices and there is proper utilization of PGS resources for the common benefit of its members.
- If there us trading in cash, ensures that proper books of account are kept and that there is complete recording of the financial activities of the PGS. These books are to be made available for any member for perusal at any reasonable time.
- Designs and operates an appropriate system of receiving and recording

membership/share contributions and membership fees as provided in the Participant Guarantee System Groups Shareholder Agreements.

- Operates and uses the PGS Training and Education Fund (if any) following a program approved by the General Meeting.
- Has power to approve operational costs up to the maximum ceiling fixed in the Rules of the PGS concerned.
- Sets the upper limit for the Secretary/Treasurer to make payments with the specific approval of the GM.
- Ensures that an Annual Audit is carried out of the Participant Guarantee System Groups financial operations by a qualified Auditor, if required.
- Promotes, provides a venue for and makes themselves available and cooperate fully with any Community Audits that are held.

Special Situations that May Arise

- In case of consideration of potential division, merger or consolidation with other PGS's and the MCT Engagement Team, prepares a feasibility study (for merger and consolidation with the relevant Officers of any other Participant Guarantee System Groups) and give recommendations to the General Meeting for approval or rejection; if GM approves, the Officers finalizes the necessary details and signs the respective agreements.
- Undertake mediation /conciliation of disputes and conflicts between members of a PGS (relating to the policies and operation of the PGS) or if this is not possible, referral of the case to court.
- If required to do so, clear all outstanding issues and dues within following two months of a motion of dissolution, and if required proposes the voluntary dissolution of the PGS to its General Meeting and, if agreed, arrange the necessary distribution and winding up activities.
- If required, applies for a protection order under the Bankruptcy Act or seeks liquidation.

Officers – but specific to the President

The President is a member of the Officers and as such involved in all the activities specified there under. She/he also bears specific roles and responsibilities as follows:

Governance and Functioning

- The President will undertake the chair of Officers and GM meetings.
- In case of dismissal or death of a member of the Officers the remaining Officer may assign interim responsibilities to another member of the Officers until a replacement member is elected (at the next General Meeting)
- In case of termination of membership of any member, record details and reasons in the Minutes following the meeting which undertook the termination.
- If the membership of a PGS falls below the minimum specified in the Shareholder Agreements, the Officers must consider either extending the membership or winding up the PGS, and act in accordance with their considerations within one month.

Financial Management

- As representative of the Officers, the Secretary/Treasurer presents the (audited or unaudited) financial statements to the General Meeting

Special Events. The Officers:

- In case of division- make all the arrangements necessary and hand a copy of the records of the former PGS to each new PGS Presidents.
- in case of merger or consolidation , sign an agreement with other PGS
- in case of disputes between members: mediate between the parties involved, or arrange mediation or a court action as required.
- In case of involuntary dissolution/or danger of it occurring: prove the viability for continued existence and functions of the PGS within two months from the date of receipt of any notification of such action; if this is not done in time or cannot be done (because PGS is not actually operating), the President, together with Officers must clear all outstanding issues and dues within following two months and prove viability, or take dissolution action.

Conflict Resolution

Means of Resolution of an issue: the Officers shall:

- Seek clear identification of the issue or problem which is the source of the conflict.
- Clarify the background of the issue and endeavour to establish a proposed solution in writing.
- Seek the maximum assistance of PGS and MCT Engagement Team in seeking a resolution.

Importance of Resolution of conflict. Required to:

- Assure the continued participation PGS members.
- Promote growth and maturity.
- Ensure recording and filing of the resolution in documentary form.
- For disputes between members the Officers may act as mediators and, if the conflict cannot be resolved, seek mediation by the Engagement Team, and if that does not resolve the issue, a case may filed with an appropriate court.
- In disputes between the PGS and outside Organizations, the Members may act as mediators and/or may seek further assistance of the MCT Engagement Team, and may refer the case to court, as required.
- Refer to the Shareholder Agreement for further information.

Qualities of PGS Officer Bearers, Responsibilities, Record Keeping

The President

Qualities of the President: Must, by reputation and presentation;

- Be literate
- Be trustworthy and with a high standard of probity
- Be suitable to mobilize PGS member
- Be honest
- Be well informed and active
- Able to give time to PGS
- Be acceptable to all PGS members

Responsibilities of the President

- Should chair all PGS meetings in normal and in emergency condition.
- Be capable in consultation to undertake the preparation of agenda of PGS meetings.
- Sign resolutions passed by the PGS, together with the Secretary/Treasurer.
- Coordinate with the technical and non-technical PGS members for better understanding.
- Develop PGS linkages with other Institutions.
- Maintain a check on the PGS records from time to time especially prior to the monthly meeting, and confirm their status as satisfactory records.
- Ensure that Shareholder Agreements and regulations are followed during meetings.
- Create unity and joint interest among the PGS members

Secretary/Treasurer

Qualities of Secretary/Treasurer:

- Must be Literate
- Displays interested in the work for PGS
- Is known as honest and acceptable to other PGS members
- Is trustworthy and reliable
- Capable of undertaking the work concerned

Responsibilities of the Secretary/Treasurer:

- Should record every action and decision of each PGS meeting in the PGS Minutes.
- Record the financial contribution of PGS members in the Cash Book and members Accounts.

- By speaking at each meeting. Give the minutes of the previous meeting.

Record Keeping:

The Secretary/Treasurer must maintain:

- PGS Shareholding and Membership Register, Attendance Register
- Copy of all PGS records,
 - PGS BY Laws, and appropriate Memoranda and Articles of Association if any,
 - PGS Shareholder Agreements
 - PGS Business Plans
 - Terms of Reference or any other institutional records of the PGS
 - Resolution Forms.
 - Business Plans.
 - Reports and Financial Statements;

And

- The Membership Payments/ shareholding Register,
- The Cash Book (if any)
- Minute Book
- Members Accounts (if any)
- Stock Control Books (if any)
- PGS Bank Account
- Receipts and accounts

All office bearers should undertake as far as possible to be transparent in all their private as well as PGS affairs.

PARTICIPANT GUARANTEE SYSTEM THE PGS GUIDE

Federated States of Micronesia

Module 5

Running a Business Handbook

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Introduction

This Handbook has been prepared for use by PGS Farmers Groups in association with the Federated States of Micronesia (FSM) Coconuts for Life Initiative (C4L). This project is supported by the FSM Government owned enterprise Vital FSM Petroleum Corporation (FSM Vital PC). This activity has been authorised by the FSM Coconut Tree Act 2013.

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Published: Revised version October 2018.

This is an organic document that is subject to adaptation and change as needs become apparent and circumstances alter. It is an attempt to provide information that is based on experience and has been successful elsewhere and has been adapted somewhat to fit local conditions in FSM. However, the experience locally may suggest further change which should be adopted as appropriate.

What is a Business?

A business is an organization which is engaged in the sale of goods or services or both, for a profit.

Management of a business is about making decisions which will make a profit. We are trying to make the best long- term profit.

The key point for our PGS Groups to understand is that business is intended to be for a profit of their individual members. While businesses can and sometimes do make a loss, they cannot continue to operate if losses continue, and for our PGS Groups, we intend to do everything possible to make a profit, but not for their shareholders, but by making sales and channelling revenue directly to their members, from sales of their produce. The PGS itself is a non-profit business.

What is Involved in Running a Successful Business?

1. Management

We need people to organise themselves. They will allocate resources, work out what needs to be done, and get it done, or make sure that someone gets it done.

We need people to lead. To take responsibility and make decisions, and tell everyone what is needed and get their assistance to make sure it happens. There is a need for an entrepreneur to make decisions that are good for the business. This takes skill, experience and clear judgement of the situation and an understanding of the business environment.

We need people to take control. The control of the PGS Group is really in the hands of the Members, but they will elect an Executive to make things happen. In the end, it will be up to the President to take control. His leadership is important.

We need people to plan. In our case In FSM, the plan is very simple, we need to collect a certain number of coconuts every week or agreed time and bring them to a certain pickup point. But as time goes on, we may diversify into other products also to be produced by the PGS farmers, such as sakau or vegetables. The Business Plan is an important thing for every business. Every business will have a plan, even if it is in the businessman's head, and is not written down.

So it is best in the long run for each PGS Group to have a clear, brief Business Plan in writing, complete with a budget that shows how much money we will need to operate, and how much we expect to make (profit).

We need people to monitor and keep accounts. This doesn't mean writing reports, it means keeping an eye on sales and activities and progress, and anticipating problems before they become serious, and speaking with decision makers to take action when problems are anticipated, and ensuring problems are solved and action is taken to keep progress and operations on track.

2. Money

We need working capital to pay for operating costs (rent, transport), and to buy the things the PGS Group uses (boxes and fertilizer for resale) and assets like an office table, and other assets like a structure to hold buffer stocks is required (storage shed), or a tractor and trailer to take the coconuts to the pick-up point.

Financial management is the area where many marketing organisations fail, and we must be sure that it will be done carefully and well, with the control being exercised by the members. Community Audits must be conducted by the Members with the

Executive regularly to help to avoid problems with financial management.

And when we make sales, we need to build up reserves to be used as working capital. This can be the capital that has been provided by the Member's shares in the first instance. But it is also needed for expansion, to buy things that the PGS Group needs like grading equipment, and to allow for bulk purchase of things like bags. This money comes from the contribution of 20% of the sale price of Members' coconuts. 3% of this 20% will be set aside for taxation.

As well as the working capital, members of each PGS Group may decide to put aside 10% or 20% of their sales money into a community development fund.

3. Role of Executive

The Module – Running the PGS Group Company – will give detail of the rights and responsibilities of the Executive of the PGS Group. The Officers, the President and Treasurer and Secretary. They undertake the management of the PGS Group.

4. The Business Plan

(Also covered in the PGS Handbook - not needed Initially)

Support for the Development of the Business Plan

The Business Plan should be as short as possible and as long as needed. For a very simple venture, some of the sections suggested below might not be needed. However, never cut short on the section about economic analysis and Financial Plan!

Content of a Business Plan

1. General description of the proposed business as an overview – use the description of the business that was written in the Business Formulation Workshop and add goal and long-term vision and a strategy.

2. Resources - firstly determine what resources are needed? How and where, at what price and under what conditions will the Group attain them?

- Infrastructure (buildings, land, animals)
- Inputs (materials, tools), labor (own, hired)
- Know-how (knowledge, skills and attitudes)
- Money (working capital).

3. Production Plan and Cost of Production – What does the Group intend to produce and when?

The Group will need to develop a Planting Calendar or Planting Schedule – If every farmer plants all their land at the same time, we will have too much production to sell. So we need to plan how many beds or plants will be planted by each farmer and what size each farmer will plant intervals such as each fortnight. This will help prevent undersupply and oversupply.

4. Marketing Plan – This answers the questions how, where and to whom the Group intends to sell their product and at what price.

- Market analysis (which market has the best demand? How will it develop? Is/will there be competition? What potential for adding value – e.g. packaging, drying). And for our PGS Groups, can we sell directly to Supermarkets in Pohnpei or Weno?
- Product (what, in what form and how packaged).
- Place (where is the product sold at present/in the future? What are transport costs to get there? Is there a need for sales people?).
- Price (expected highest and lowest price).
- Promotion (how to advertise, if needed).

5. Management/Organisation Plan – Who will manage the business? There are numerous skills required, i.e. records, accounts, marketing contracts. Are skills for production and management available within the Group Members or do we need to get business support service (BSS) providers (MCT)? What kind of development of the business is foreseen in the future?

6. Financial Plan/Budget - How much money/funds does the business need to start up and to run, where does the PGS Group get it from? (Members' contributions - individual savings?) On what conditions? How is the liquidity of the business?

Cash-flow budget – how much cash do we expect to have at hand at every month of the year. How much is needed? Is this enough to pay the bills/expenditures in the respective month/period of the year? How much working capital do we

need to be able to do so?

Capital investments needed for buildings, equipment, etc. (including one-time investments and reserve savings needed to replace equipment etc. after some time)?

We will do an example of a Business Plan for our case study during training.

The main Business Plan for PGS at start-up will be the nursery and planting of new coconuts to make sales in the future. This will also be for the long term future and for the member's children.

5. Stock Control

As well as the control of the physical stock by counting the numbers of coconuts, there is the management aspect of ensuring that the stock is kept safely under lock and key, and is kept free from damage by insects and rats. The Executive must see to it that there is adequate control of these pests during the time that the stock is under their control, from the time of handover from the Member, until it is delivered to pickup point.

The aspects of packing and transport will be covered in the organic agriculture training, but for coconuts will be the use of clean bags.

6. Organics Training

The requirement to have the finished product, the virgin coconut oil, certified as organic is essential to ensure that FSM secures a market share in our destination markets, means we must produce our coconuts following organic agriculture requirements.

The PGS principles, values and operations are designed to fit seamlessly into organic agriculture. And for FSM, it seems the organic production, that is using no chemicals such as pesticides or chemical fertilizers, is already going on and has been for many years. This is organic agriculture "by default" It should therefore be a simple matter to obtain organic certification for our coconuts, if the peer review system of PGS organic certification is used. However there may be requirements of our target markets such as the USA which could cause this to be changed.

7. Capacity Development

There is an important task to develop skills and know-how in the PGS Group. The members will not have knowledge for example, in how to run their meetings and make decisions that affect their business. These matters must be taught by an experienced and well trained BSS Provider.

The PGS Group Manual contains a number of sections of information that is aimed to provide PGS Group members and Executive with skills and know-how. Every member of the PGS Group team, both private BSS providers and Project Staff should consult the Manual for reference material on capacity development. The Training Modules are also very helpful.

The areas that should be given training are:

- Business Operation
- Financial Management and Book-Keeping
- Running a PGS Farmers Group
- Stock Control
- Marketing
- Organic principles and production

7. Conclusion

For a business to be successful, we need the elements above, and we need the full commitment of each of the members. We also need to ensure honesty and integrity, and fair dealings in all the business undertakings of the PGS Group. We wish the PGS Group great success in its endeavours!

Annex 1 (Business Plan)

Business Plan – Forms for PGS Farmers Group

1. Description of the Business

Objective: _____

Description: _____

Resources Required and What is Available

Production Plan: (See indicative Plan overleaf)

Planting Schedule	May	June	Etc		

Planned Activities _____

Marketing Plan: _____

Management & Organisation Plan: _____

Financial Plan: _____

Cash Flow

Month	July	July	Etc				
Source 1							
Source 2							
Etc							

Revenue Calculation: _____

Submitted to a General Body Meeting on(Date)

Result: Approved/Not approved (Signed by President)... ..