

MAR. 27. 1998 8:12AM

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WORLD BANK - ENVGC 202-522-3256

NO. 7411 P. 1/10

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FACSIMILE COVER SHEET AND MESSAGE

DATE: March 26, 1998 **NO. OF PAGES:** 10 **MESSAGE NO.:**
(including cover sheet)

TO: Kenneth King **FAX NO.:**
Title: Assistant CEO
Organization: FOR OPERATION AND COORDINATION
City/Country:

FROM: Lars Vidacus **FAX NO.:** (202) 522-3256
Title: GEF Executive Coordinator *Lars Vidacus* **Telephone:** (202) 473-4188
Dept/Div: Global Environment

SUBJECT: PDF Block B Request: Papua New Guinea Forest and Conservation Project

MESSAGE:

Please find attached a PDF Block B request for Papua New Guinea Forest and Conservation Project. We would appreciate receiving any comments by Monday, April 20, 1998.

Distribution:

Messrs./Mmes. A. Duda, GEF Secretariat (Fax: 23240)
R. Asenjo, UNDP (Fax: 1-212-906-6998)
A. Djoghla⁴f, UNEP Nairobi (Fax: 011-2-520-925)
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C. Juma, Convention of Biological Diversity Secretariat
(Fax: 1-514-288-6588)

cc: Messrs./Mmes.

J. Douglas (RDV), G. Barry (EASRD), K. MacKinnon, C. Kimes, R. Broadfield,
ENVGC ISC

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Global Environment Facility
Proposal for a PDF Block B Grant

Country:	Papua New Guinea
Project:	Papua New Guinea Forest and Conservation Project
GEF Focal Area	Biodiversity
Project Cost	US\$59 million
Financiers	IBRD, co-financing and GEF (\$17 m)
Requesting Agency	World Bank
Executing Agency	Office of Environment and Conservation, Forest Authority
PDF Block B Request	US\$300,000
Cofinancing	US\$747,000 (PHRD)
Block A Grant Awarded?	No

Summary of Project Objectives

1. The project's main objectives are to promote conservation and sustainable use of biodiversity and more equitable sharing of benefits accruing from forest resources in one of the world's last remaining extensive tracts of tropical rainforest. The project will improve forest management, promote the environmental sustainability of forest harvests and implement a strategy to promote conservation areas and small-scale sustainable-use enterprises in biodiversity-rich forest areas under local landowner control. In particular it will provide a mechanism for financing landowners to pursue alternative development options that support biodiversity conservation rather than large scale logging.

Project Description

2. The project will be implemented in two phases over 8 years and has four main components:
- a) *Landowner Forest Decision-Making*—Support for development of more effective landholder forest management decision-making processes and consultative bodies will be provided to improve participation of landowners in resource decision making and management. This component will increase capability and formalise procedures for landowners to make better informed decisions on forest utilisation through increasing awareness of multiple options, including conservation and sustainable use. (IBRD and GEF).
 - b) *Sustainable Natural Forest Management*—This component will support institutional reform and development to improve capacity and incentives to plan and implement sustainable forest management. Specific activities will include establishment of an independent audit and reporting mechanism, strengthening planning and monitoring capacity in the Forest Authority to implement the forestry code of practice, and adoption of new incentives and sanctions to promote performance of the timber industry (IBRD).
 - c) *Environmental Protection*— This component will strengthen national environmental

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regulatory capacity in Papua New Guinea. It will provide technical assistance to develop a strong environmental protection and regulatory capability and develop additional environmental guidelines relevant to the forestry and other production sectors. It will assist with the creation of an independent environmental protection agency to carry out these functions and review the potential of environmental levies based on the user-pays principle (IBRD).

- d) *Conservation Fund to Support Clan-Based Forest Conservation Activities*—The project will support development and establishment of a Conservation Fund to provide sustainable funding for landowner conservation and sustainable use initiatives as an alternative development option to large-scale commercial logging. This will include supporting the establishment of clan conservation areas in areas of high biodiversity. The Conservation Fund will be initiated in two phases, an initial demonstration start-up phase with landowner alternative activities supported through a sinking fund and a second phase when an endowment fund would be capitalised. The fund should eventually have a minimum capitalisation of \$30 million, with GEF funds expected to leverage additional funds at a ratio of 2:1 from bilateral and private sources. Funding will be focussed at the landowner and clan levels using NGOs, church groups and government agencies as service providers according to need and expertise.

The greatest challenge to conservation efforts in PNG to date has been the difficulty in providing landowner groups with realistic and viable options as an alternative to development opportunities provided through timber agreements which entail large scale commercial logging. The GEF will be requested to support components a) and d) to ensure that landowners are better informed about options and to facilitate their choice of conservation-orientated landuses.

Description of Proposed PDF Activities by Component

3. PDF grant funds are requested for further preparation on the following activities.

- a) **Conservation Fund.** Considerable preparation work and consultation has already been done on trust fund preparation, begun under the UNDP/GEF ICAD project and continued by The Nature Conservancy with financing from USAID's Biodiversity Support Program and from the Bank. There is strong support from all sectors of civil society for establishment of a conservation fund independent of government. Further preparation is required to build on this support to resolve issues such as: fund management and governance; criteria for selection of projects and beneficiary eligibility; scale and scope of grants; mechanisms for screening proposals; preparation of investment guidelines; preparation of operational manual; finalisation of requirements for legal establishment of the fund, including drafting articles of incorporation and bylaws. This work will be facilitated by continued involvement of TNC-staff.
- b) **Landowner Organisation and Development Options.** Further preparation, including expert workshop on landowner organisation and representation issues.

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Outputs will include an options paper setting out problems and possible solutions for landowner organisation, appropriate to different tribal groups and cultural settings and a strategy to address policy and legislative issues relevant to landowner incorporation.

- c) **Policy, Institutional and Legal Assessment.** Review of existing legislation and policies related to forest, protected area and wildlife management, to identify opportunities and needs for revised legislation to enable landowner groups to legally designate their lands as clan conservation areas and to set in place an accessible mechanism to facilitate this process.
- d) **Education and Information Management.** Design additional educational materials and activities as needed for dissemination of information on options to landowners, including use of media such as radio, theatre and dance.
- e) **Monitoring and Evaluation.** Design of monitoring and evaluation plans to evaluate the effectiveness of conservation fund activities in supporting biodiversity conservation, including development of biological and social indicators.

Eligibility

Papua New Guinea ratified the Convention on Biological Diversity on 16 March 1993.

National Level Support

4. GOPNG has acknowledged that conservation of natural resources and protecting the environment are critical priorities for attaining sustainable development, and made continued progress in these areas an important part of their development strategy. These priorities are further established in agreements between the World Bank and the Government, with development assistance linked to policy dialogue and forestry policy.

There is widespread agreement in PNG that a new and innovative approach is needed to reconcile biodiversity conservation and the legitimate development needs of local communities. The landowner developments option component and conservation fund are being designed to address this need and enjoy widespread support from all sectors of civil society. During preparation activities to date there has been wide consultation and high levels of participation from diverse stakeholders, including government, civil society, the private sector and especially landowners, whose support and commitment are central to the outcome of the project. This participation will be further strengthened during further project preparation financed by the PDF; NGOs are expected to take a lead role in facilitating preparation activities.

Justification of the PDF grant

2. The project is consistent with the GEF Operational Strategy, especially the Operational program on Forests. Papua New Guinea (PNG) is one of the largest tropical

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rainforest wildernesses remaining on the Earth, with 77% of total land area still covered by closed natural forest. These forests are home to approximately 200 species of mammals, 15,000-20,000 plant species, 1,500 tree species and 750 bird species (53% of which are New Guinea endemics, including 90% of the world's Birds of Paradise). Forests provide the basis of livelihood and cultural life to the 80% of Papua New Guineans who still live in rural communities, in or near forests. Local clans/tribal groups under customary title own all but 3% of this forested land, much of which has potential for commercial timber exploitation.

The project supports *in situ* conservation and sustainable use of biodiversity, and more equitable sharing of benefits, by improving forest management, strengthening environmental monitoring and, through the conservation fund, providing landowners with a mechanism and financing to choose more conservation-oriented development options. The project addresses needs identified in the PNG Country Study (funded by GEF) and on lessons learned from the UNDP/GEF ICAD project, especially in the Lak area. The Lak experience identified the need to engage the support of all stakeholders and to be able to provide realistic development alternatives to landowners considering commercial logging agreements.

The project is consistent with COP guidance as it focuses on conservation and sustainable use of critical ecosystems and threatened endemic species and supports the active involvement of local communities as managers and beneficiaries of better forest management. It responds to COP3 guidance through capacity building; by supporting the use of economic incentives and alternative livelihood opportunities for local communities to promote conservation in biologically important areas; and by incorporating biodiversity issues and improving management in the forestry sector.

Items to be financed

10. The PDF would be used to finance the costs of national and international consultants, workshops and preparation of legal instruments and operational manuals for the conservation fund. The World Bank PHRD funding will support finalisation of preparation for the sustainable forest management and environmental protection components of the project. The World Bank-funded BIORAP project is providing cofinancing to build in-country capacity for making landuse decisions, including identification of areas of high biodiversity importance. Items to be financed are shown in the following table.

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SUMMARY OF PROJECT PREPARATION BUDGET (US\$)

ACTIVITY	GEF Financing	PHRD	Bank- funded BIORAP
Further Conservation Fund Preparation	210,000	51,500	
Landowner Incorporated Land Group and Development Option Study Work	30,000	45,000	
Policy, Legal Framework Analysis		44,000	
Education and Information Management	30,000	45,000	
Monitoring and Evaluation	30,000	37,500	
Audit of Landowner Benefits & Social Assessment		374,000	
Sustainable Forest Management		150,000	
Identification of high biodiversity areas			400,000
TOTAL	300,000	747,000	400,000

Outputs

The expected outputs of this PDF Block B grant would be:

- 1) Preparation of the Conservation Fund instrument, by-laws and operational manual and an M&E plan for monitoring the impact of fund activities.
- 2.) Best practice paper on options for landowner organisation.
- 3) Strategies to address legal and policy issues relevant to landowner incorporation and establishment of conservation areas by landowners.
- 4) Fully defined and costed education and information strategies for delivery of development options to landowners.

These components will flesh out the full GEF proposal and investment package and enable the project to move quickly into the implementation phase.

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Expected Date of Preparation Completion

It is expected that project preparation will be completed by October 1998.

Preparation Implementation

GoPNG has requested the World Bank to act as executing agency for preparation implementation.



DEPARTMENT OF ENVIRONMENT & CONSERVATION
OFFICE OF THE SECRETARY

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PAPUA NEW GUINEA.

Mr Jim Douglas
Forestry Advisor
The World Bank Group
1818 H Street
Washington DEC 20433
USA

Date: 02/03/98
Our reference:
Action Officer:
Designation:
Your Reference:
Date:

Dear Sir

SUBJECT: Application To The Global Environment Facility for a PDF B Grant for the Forest and Conservation Project

I would like to reiterate our support for the proposed Forest and Conservation Project, which will help to promote conservation and sustainable use of biodiversity within Papua New Guinea, especially in the forestry sector. This is a national priority and identified as such in the National Country Study.

On behalf of the Government of Papua New Guinea, I am asking the World Bank to submit a PDF B grant request to the Global Environment Facility to complete preparation of this project, especially the necessary preparatory activities associated with the components for Landowner Forest Decision making and the Conservation Trust Fund. I would also like to request that the World Bank act as executing agency for this further preparation work.

I would assume that my Department would be fully involved in the selection of appropriate consultants and drawing up of terms of reference.

Yours faithfully

DR. WARI IAMO
Secretary

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**PERMANENT MISSION OF
PAPUA NEW GUINEA
TO THE UNITED NATIONS**

DATE: 16 January, 1998

REF. NO.:

Mr Glen Barry
PNG Forest Specialist
The World Bank
1818 H St., NW
Room S8-149
Washington, D.C. 20433

Dear Mr Barry

Greetings and Happy New Year to you.

In response to your letter of 15 December 1997, and your subsequent fax message dated January 15, 1998, concerning my endorsement of the World Bank Proposed Project on the Forest Conservation, including a Conservation Trust Fund to support landowner and community initiated projects in PNG, I wish to sincerely apologize that I was unable to respond to both your letters due to my absence from New York on a private trip to Papua New Guinea.

I would like to thank you nevertheless for your confidence and trust in me for asking my input to your project proposals for Forest conservation in Papua New Guinea.

As a focal point representative for the Government of Papua New Guinea on GEF related programmes, I wish to indicate to you with much pleasure that I endorse your proposals since it would be of direct benefit to the people of Papua New Guinea.

As indicated to you, I will be extremely pleased if some of the funding of this project may be extended to support the proposed Biodiversity Project involving the University of Technology which directly relates to the promotion of agro-industrial products as a way of promoting alternative income generating activities based on the sustainable use of biological resources. This approach focuses on agro-industrial developments involving the majority of rural communities - based on sustainable use of environmental resources as oppose to purely resource extractive industries through de-forestation and mining - which may contribute to the demise of environmental resources and thus limit the long-term development prospects for PNG.

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I look forward to working closely with your good-self and the World Bank to support these collaborative efforts for the development of capacities at all levels in the country to assist the people of Papua New Guinea to develop their own resources for the benefit of the current and future generations.

My best wishes to you and your family and hope that your endeavours will bear fruit throughout 1998.

With kind regards.

Sincerely yours



Utula U. Samana, CMG