

TECHNICAL REVIEW
PAPUA NEW GUINEA
FORESTRY AND CONSERVATION

Alcorn, December 31, 1997, p.2

GLOBAL ENVIRONMENT FACILITY - Comments on Proposal

COUNTRY: Papua New Guinea

PROJECT: "Papua New Guinea: Forestry & Conservation Project"

DATE: 2 January 1998

Summary:

This is an excellent proposal to conserve the globally and locally important biodiversity of Papua New Guinea (PNG). While the project focuses on sustainable forestry and conservation areas to protect PNG's rich treasury of terrestrial forest biodiversity, the project will indirectly contribute to the conservation and sustainable use of PNG's wealth of aquatic biodiversity as well, due to the extensive ecological linkages between the forests and the vast river systems, wetlands, and coastal biodiversity of Papua New Guinea. Proper forest management, to be promoted by this project, is essential for maintaining aquatic biodiversity in a tropical island nation like Papua New Guinea.

The project builds on the World Bank's knowledge and experience from the Bank's longterm support of forestry reform in PNG. It supports the institutional and policy reforms needed for development and implementation of legal options for establishing areas off-limits to industrial logging, as well as the reforms necessary for sustainable industrial forestry. Natural forest management and conservation of PNG's diverse forests will also require forest ecology research, but the project documents do not address this need. The forests of PNG are threatened by more than forest extraction, because vast mineral and petroleum wealth lie beneath the forests. The project's chances for longterm success would be enhanced if the mining and petroleum interest groups were also involved as stakeholders under the GEF components of the project.

The project includes a much needed Trust Fund to finance local people's conservation efforts and other appropriate steps to create enabling conditions for local people to support longterm conservation as a viable economic alternative for development of their resources. Through this approach, the project attempts to deal with two of the hard, globally-shared realities of conservation: (1) the longterm economic benefits from conservation often cannot compete with the financial gains from short-term extraction, and (2) conservation success depends on local people's decisions to forgo shortterm financial benefits from immediate extraction while many of the benefits of conservation accrue to the more wealthy, distant global community. Hence lessons from this GEF project in PNG can be applied around the world.

Alcorn, December 31, 1997, p.3

1.0 RELEVANCE TO GLOBAL AND COUNTRY SPECIFIC BIODIVERSITY ISSUES:

The proposal accurately describes the high global importance of the biodiversity of Papua New Guinea (PNG). Because of Papua New Guinea's historical isolation, high endemism rates, the vastness of its forests, and great elevational gradients, Papua New Guinea's lands and waters support so much biodiversity that it belongs to a small, select set of "megadiversity" countries where concerted conservation could save most of the world's biodiversity. The island of New Guinea supports one of the three remaining great forests on Earth that are globally significant for mitigation of Global Climate Change (GCC) and therefore mitigate against the significant negative GCC impacts on biodiversity globally. In addition, this project is globally important, because it offers an opportunity to test innovative incentives for community-based conservation, the results of which can be applied globally. Thus, from a global biodiversity interests' perspective, the project rates "very high".

On the country-specific side, the proposal does not fully describe the immense, direct importance of biological resources to local people. The consequences of "permanent" land capacity damage from poor forestry practices (p.2) are complemented by severe negative impacts on health and nutrition as well as more general negative impacts on community social fabric and quality of life. Destructive logging pollutes drinking water and destroys forest-based food sources that provide most of the protein for PNG's rural families (80% of the population).

The Constitution of Papua New Guinea recognizes the importance of the country's biodiversity, pledges that the environment should be conserved, and supports Papua New Guinean traditional social institutions and self-reliance. The population is small, and the levels of biodiversity are great. Recent forest sector reforms have created excellent conditions for additional progress. Hence, Papua New Guinea offers one of the best opportunities in the world where conservation and sustainable forest management have an excellent chance of successfully providing longterm and shortterm benefits for both global and local interests.

2.0 Cost Effectiveness

The GEF component of the project will enhance the impacts of the many donor-funded conservation projects in Papua New Guinea by putting into place appropriate "enabling conditions" for conservation in a high-biodiversity country with a relatively small population that controls 97% of the land area through clan landowning groups. The Incremental Cost Analysis provides support for the conclusion that this will be a cost effective addition to the IBRD sustainable forestry project.

Alcorn, December 31, 1997, p.4

3.0 PROJECT DESIGN:

3.1 General:

The project design is pragmatic about what can be accomplished in the project period under current conditions. It builds on World Bank's lengthy experience in the PNG forestry sector, and therefore lays out a realistic plan linked to GOPNG performance. The project is not built around a "grand plan," but rather the project is built around a commitment to "start at the beginning" to put in place the necessary conditions for landowner-based conservation and forest management. It avoids making the mistakes of the earlier UNDP GEF project which plunged in to work at the site level without the necessary preparations. This GEF project proposal is, however, narrowly focused on conservation via forestry and forest conservation areas.

While the narrow focus is understandable, given that the GEF project is linked to a forestry loan, the conservation impacts from the investment could benefit from taking a slightly broader view. Unlike the World Bank GEF project in Panama, for example, the PNG proposal does not attempt to plan for future problems, such as supporting incentives for structuring the forest industry's growth and investments in ways that will provide employment opportunities for the rapidly growing population (population growth that will increasingly threaten forests and biodiversity if livelihood opportunities are not diversified). Nor does the project attempt to address the stakeholder interests, or potential contributions, of other extractive industries affecting forests -- such as the threats and benefits from mining/petroleum extraction in a country known to have vast mineral and petroleum wealth beneath its forests.

The project has four components, and GEF funding is proposed for two of the components -- conservation trust fund and landowner forest decision-making. The other two components could have more significant conservation impacts if they provided incentives for forest estates to include small conservation areas or special management options for endemic species found within their borders. PNG has many endemic species with very restricted ranges. Highly local endemic species can only be protected wherever they occur, because the majority cannot be protected by a limited number of large conservation units. The PNG Conservation Needs Assessment identified over seventy areas of high biodiversity and noted that, due to the poor information about PNG's forests, environmental assessments often uncover unique areas of forests, rivers or wetlands that also deserve protection. Options for management of endemics and unique biodiversity within forest estates could be added to the provision for mandated "conservation set asides" selected to ensure forest regeneration within Forest Management Areas (Annex 4).

While a Trust Fund and improved landowner awareness of forestry and conservation options will go a long way toward improving the prospects for conserving PNG's biodiversity,

Alcorn, December 31, 1997, p.5

longterm conservation success in PNG will require collaborative efforts between mining companies, petroleum companies, logging companies, landowners, and government. Given: (a) that high financial benefits from mineral/oil extraction compete with conservation benefits, and (b) that positive examples of petroleum and mining company contributions toward conservation do exist in PNG, and that there are cases where a petroleum company's conservation investments have been undermined by logging companies; I recommend that the project team explore options for including mining and petroleum interest groups in dialogues related to trust funds, conservation area options, and land use planning.

3.2 Participation of Stakeholders

a) Landowning Clans:

Landowner participation is key to this project since it is designed to influence landowners' decisions to conserve and manage forests. The exact mechanisms for the participation of "landowning clans" or "landowners" in designing and evaluating the success of the awareness component, the legal framework options, and the trust fund component are unclear. Such mechanisms for "true participation" (vs. consultation) in substantive project decisions should be designed before the initial stages of project implementation.

b) NGOs:

Given the focus on landowner awareness and options for landowners to participate in conservation and forest management, the project design team clearly understands the importance of enhancing landowner participation. They have already made serious efforts to consult NGOs about ways to ensure landowner participation in the design. It is worth remembering that the interests of international NGOs may or may not coincide with those of national/local NGOs. How will the project avoid supporting international NGOs at the expense of national/local NGOs' growth and participation in national political life? NGOs' interests may not coincide with those of landowners. How will the project support mechanisms for holding NGOs accountable to landowning clans if NGOs play intermediary roles?

c) Logging Interests:

Logging companies and GOPNG agencies that benefit from logging are recognized as key stakeholders as well as posing risks to the project. The World Bank has extensive experience working with the GOPNG actors, but it will be challenging to stimulate compliance with the forestry laws and otherwise engage the international companies as stakeholders with longterm interest in the resource base.

d) Mining & Petroleum Interests:

This interest group should be engaged under the GEF components of the project at least. While adding these interest groups complicates the project, logging and mining companies hold claims to the same forests. Solutions for

Alcorn, December 31, 1997, p.6

sustainable forestry cannot be achieved by only working in the forestry sector.

3.3 Trust Fund

The Trust Fund will provide badly needed funds for local conservation efforts, but without appropriate clan/community governance institutions, the Trust Fund may not achieve its goals. While the project documents discuss in some detail the GOPNG issues associated with appropriate policies and mechanisms, it is not clear how the project plans to address one of the thorniest problems for implementation -- the challenge of ensuring that broad segments of a landowning clan benefit from forestry and conservation, not just a few "big men" leaders. The project document acknowledges this concern on p.14, in the Critical Risks table, where it is noted that "existing landowner company representatives" could "undermine new participatory arrangements," in the lessons on p. 10, para.a, and on p.12 where it notes "representative landowner structures for resource use and revenue sharing, and for utilization of conservation grant funds, will have to be effective."

While the project correctly focuses on steps to ensure that landowners have the information they need in order to make informed decisions, more attention should be paid to "who" will make those decisions on behalf of the community. What will be the legal personality of the landowning group making the decisions and being held accountable? How will the project take steps to strengthen/create governance institutions of landowning groups so that the benefits will provide sufficient incentives to affect the behavior/decisions of the community as a group? These questions need to be answered before the Trust Fund begins operation.

In order to benefit more than just the politically powerful families in the community, preparation of conservation projects for submission to the Trust Fund should be a slow process that educates with new information, weighs options, and builds local consensus, but the project document supports "quick means" (p 7). While a quicker resolution than the bureaucratically-slowed Wildlife Management Area (WMA) process is definitely desirable, informed consensus should be allowed the time required. The slower process would likely involve NGOs, Landowner federations, and/or Trust Fund program staff. Communities will be unlikely to have the capacity to write proposals alone. Likewise, time will be required for landowner groups to learn/create ways to monitor the implementation and impact of their projects. The Trust Fund must expect some failed projects and rough start-up periods as part of the communities' learning process. The longterm benefits of taking this approach include the likelihood of improving the livelihoods of more people and thereby enhancing longterm community commitment to sustainable forestry and conservation.

While the project proposal describes a "competitive" process for selecting Trust Fund grantees, I recommend that the project team consider the alternative of following the Ford Foundation approach. Instead of building a program around a competition of

Alcorn, December 31, 1997, p.7

proposals, Ford program officers use clear criteria for building a portfolio of promising groups' projects by selecting strategic places/institutions for achieving country-wide impact, and then making a commitment to invest in and nurturing those groups to achieve their objectives, rather than relying on competitions that can (a) undermine commitment to conservation among the "losers," (b) fail to pick real winners by selecting grantees according to their proposal writing skills, and (c) fail to result in a portfolio of projects that test a range of options and have strategic conservation impact. The Trust Fund design team could also benefit from institutional strengthening lessons from Ford's community forestry programs in Nepal (including a national federation of community groups) and in Orissa & West Bengal in India.

3.4 Accountability:

Annex 1 lays out some very good mechanisms for monitoring and evaluating the performance of this project, but it is not clear how/if biodiversity will be monitored. Shouldn't GEF ensure funding for monitoring the success of the Trust Fund as a conservation mechanism?

It is good to see "independent review" as part of the evaluation process, but it isn't clear whether this includes independent evaluation by NGOs and Landowning clans (both the owners of the forest in question and other interested landowners from other areas), or just by outside consultants. Periodic landowner evaluation of project outputs would provide critical data for monitoring project success; this would build on the current surveys of landowner opinions about their experience with forestry concessions (Annex 1, p.2 top).

Community-based monitoring and evaluation of project impacts would contribute both toward accountability and toward strengthening community commitment to conservation objectives. Mechanisms should be established to enable communities, private sector, NGOs, and other stakeholder groups to offer feedback to project staff and representatives of GOPNG national and provincial agencies.

Good technical information will be the essential basis for developing good regulations to which forestry operations will be held accountable. Yet, the project documents do not describe any research component for developing sustainable natural forest management. How will "sustainable levels of cut" (p.10) be determined? Will the Trust Fund support applied research in order to develop good management plans to meet national and local needs? Existing information about PNG's forests and biodiversity was gathered by DEC's Conservation Needs Assessment in 1992, and at that time major information gaps were also identified at the national level. Very little is known about the ecology of PNG's diverse forests, yet an understanding of the ecology is essential to good natural forest management.

Alcorn, December 31, 1997, p.8

At local levels, the best sources of information are likely to be found among the community members themselves, but it is likely that additional research will be needed to evaluate management options. PNG has some good examples of participatory, applied research through Christensen Research Institute and Wau Ecology Institute.

The Environmental Protection Authority (EPA), if more effective than the current Department of Environment and Conservation (DEC), could play a very important role in holding government agencies, logging companies, NGOs, and landowner groups accountable to environmental and forestry laws. The appropriate major issues related to the EPA (p.7) will be addressed during project preparation.

4.0 FEASIBILITY:

To my knowledge, the project documents recognize and accurately evaluate the primary economic, political and bureaucratic risks confronting this project. The project's chances of achieving longterm success are currently primarily limited by (a) its ability to counter the financial incentives and environmental damage from extractive industries and (b) institutional weaknesses in GOPNG. But the risks of unsustainable forest management due to lack of good ecological information are not mentioned. I do not know if this is an oversight or if the risk is felt to be minimal because other projects will be funding the required forest ecology research.

The Bank's extensive experience in the PNG forestry sector has enabled the project team to make a well-informed assessment of options and design a project that is feasible as designed. The project takes some risks, but the potential benefits merit these risks. It would also be feasible to involve other extractive industry interests in the Trust Fund design and Landowner awareness efforts. I recommend that the project team consider involving mining and petroleum interests, as well as logging interests, in the GEF portion of this project.