

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 02/09/2010

Report No.: AC5007

1. Basic Project Data

Country: Papua New Guinea	Project ID: P110959	
Project Name: PNG Productive Partnerships in Agriculture		
Task Team Leader: Marianne Grosclaude		
Estimated Appraisal Date: December 9, 2009	Estimated Board Date: April 8, 2010	
Managing Unit: EASNS	Lending Instrument: Specific Investment Loan	
Sector: General agriculture, fishing and forestry sector (60%);Agricultural marketing and trade (40%)		
Theme: Rural services and infrastructure (67%);Rural markets (33%)		
IBRD Amount (US\$m.):	0.00	
IDA Amount (US\$m.):	25.00	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
BORROWER/RECIPIENT		6.30
Local Communities		6.60
International Fund for Agriculture Development		9.00
Local Govts. (Prov., District, City) of Borrowing Country		0.60
<u>Local Farmer Organizations</u>		<u>2.70</u>
		25.20
Environmental Category: B - Partial Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

2. Project Objectives

The development objective of the proposed project would be to improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and sustainability of value chains in cocoa- and coffee-producing areas.

3. Project Description

Component 1: Institutional Strengthening and Industry Coordination. The specific objective of this component would be to improve the performance of sector institutions and to enhance industry coordination in the coffee and cocoa sectors. Existing stakeholder platforms for industry coordination would be consolidated to address short- and long-term issues such as sector governance, skills development in the industry, improvement in extension services, industry strategy on threats to quality and quality

promotion, information within the industry, market development and crop diversification. This component would have four sub-components as follows:

Sub-component A: Industry coordination & policy development: This sub-component would build the capacity of industry coordination committees (ICC) to support sector dialogue and steer policy development in the cocoa and coffee subsectors.

Sub-component B: Communication and information management systems. The project would strengthen the information management systems necessary to inform policy development in the coffee and cocoa industries.

Sub-component C: Quality and sustainability management: This sub-component would strengthen quality management systems in the coffee and the cocoa industries and promote, where appropriate, the adoption of sustainability practices (Organic, Fair Trade, Rainforest Alliance, etc);

Sub-component D: Project management and monitoring and evaluation (M&E). This sub-component would support all project management and M&E functions in the PMUs respectively located in the Cocoa Board and the CIC, as well as a small Project Coordinating Unit in DAL. It would also finance the related TA and the operations of the Technical Advisory Committee (TAC) under Component 2.

Component 2: Productive Partnerships. The specific objective of this component would be to foster the integration of smallholder producers in performing and remunerative value chains, by developing and implementing productive alliances in the project areas.

Those partnerships would be demand-driven and would need to be consistent with the specific objectives of the PPAP. During project preparation, strategic priorities for support under the project have been identified as follows:

(a) In the cocoa sector, activities which support CPB management such as training on good farming practices; the production of improved planting material (nurseries and budwood gardens) to increase their availability for replanting; the promotion of and support for rotational replanting; market-driven diversification of cocoa-farming system; and management of quality through the adoption of more efficient and environmentally-friendly post-harvest and processing technology;

(b) In the coffee sector, activities which support the adoption of sustainability practices and the expansion of the production of differentiated coffees; training on good farming practices; the production of improved planting material to increase their availability for replanting; replanting programs; market-driven diversification of coffee-farming systems; and management of quality through the adoption of more efficient and environmentally-friendly post-harvest and processing technology.

Project funding would be channeled through partnerships with legal entities in the private and associative sectors, which have already been successfully working with smallholders on productivity, quality and sustainability enhancement and are interested in

scaling up those activities. Expected results and cost-sharing arrangements will be specified in the partnership agreements. The project will provide assistance for the development of those partnership proposals, as needed, through contracted local service providers. The detailed guidelines on cost sharing arrangements and the rules for the implementation of this component (e.g. eligibility criteria, selection process, evaluation process, etc) will be described in the PIM.

This component would have two subcomponents:

Sub-component A: Productive partnerships in coffee growing areas. This sub-component will cover coffee-growing areas and its implementation will be under the responsibility of the PMU within the CIC with support from a Technical Advisory Committee (TAC).

Sub-component B: Productive partnerships in the cocoa growing areas. This component will cover cocoa-growing areas and its implementation will be under the responsibility of the PMU within the Cocoa Board with support from a TAC.

Component 3: Market Access Infrastructure. The specific objective of this component would be to improve smallholder market access in targeted areas under the project. This component would have two sub-components as follows:

Sub-component A: Preparation of market access infrastructure investments. This sub-component will finance the identification and selection of priority investments in support of Component 2 partnerships.

Sub-component B: Market access infrastructure development. This sub-component will finance the related investments in infrastructure rehabilitation and maintenance.

4. Project Location and salient physical characteristics relevant to the safeguard analysis

The geographical coverage would initially be limited to the core cocoa and coffee producing areas, which are Eastern New Britain and the Autonomous Region of Bougainville for the cocoa industry and East Highlands, Western Highlands and Simbu Provinces for the coffee industry, and to selected Districts in each Province where productive partnerships are implemented under Component 2 as well as the related infrastructure rehabilitation under Component 3. In subsequent years, the project may be gradually rolled out to new Districts or Provinces (e.g. East Sepik, Madang or Morobe Provinces) subject to success in the initial project area. The soils in most of these areas are naturally fertile as they are made up mostly of volcanic material. Cocoa and coffee production are rain fed tree crops and given the location of the Provinces where cocoa is grown vis-a-vis the inter-tropical convergence zone (ITCZ) and the altitude levels where coffee are grown, adequate rainfall is assured for both crops. However, with regards to coffee processing, significant water quantities are required and these are obtained from a combination of harvested rainwater and surface raw water.

5. Environmental and Social Safeguards Specialists

Mr James Orehmie Monday (EASER)

Ms Angela Nyawira Khaminwa (EASER)

6. Safeguard Policies Triggered	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)		X
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)	X	
Physical Cultural Resources (OP/BP 4.11)		X
Indigenous Peoples (OP/BP 4.10)	X	
Involuntary Resettlement (OP/BP 4.12)	X	
Safety of Dams (OP/BP 4.37)		X
Projects on International Waterways (OP/BP 7.50)		X
Projects in Disputed Areas (OP/BP 7.60)		X

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: Environmental concerns:

The potential environmental impacts of the project are associated with the following:

Component 2- Productive Partnerships. Some environmental impacts are likely to be associated with farming practices in the cocoa and coffee sectors. For cocoa, the main issue would be the management of the Cocoa Pod Borer pest and the fermentation process of the cocoa beans. The Cocoa Pod Borer would continue to be managed through an Integrated Pest Management approach which involves a combination of effective low technology traditional farming practices and the optional use of chemical insecticides where the issue is more pervasive. Cocoa fermentation processes would also result in the production of acetic acid (vinegar) as the main content of liquid waste which would have to be effectively disposed of. Additionally with regards cocoa as well, some farmers use firewood as a fuel in the drying process for wet beans. The impact from the potential increase in demand for firewood is being determined in the EA process. With regards to coffee, the main environmental issues are associated with significant water use and the subsequent generation of contaminated liquid waste in the processing of the coffee beans. There is a potential threat from the Coffee Berry Borer insect and some management measures may be required should it materialize.

Component 3-Market Access Infrastructure. The infrastructure rehabilitation works which would include mostly minor rural roads, but may also include other small scale infrastructure such as jetties and storage facilities, and assembly and consolidation of loading points. The environmental impact would be minor and mostly associated with the civil works activities during construction.

All of the potential adverse impacts associated with these activities would continue to be low intensity, minor and site specific impacts and lend themselves to readily available and already widely used mitigation measures.

Social Concerns:

The potential social impacts of the project are as follows:

Component 2:

- a. Improved livelihoods for small-scale farmers in the project areas which in turn will contribute to improved social outcomes.
- b. Possible increase in social vice as a result of increased incomes, for example, an increase in alcohol abuse leading to increased rates of domestic violence, STIs, and HIV/AIDS; an increase in the production of home brew leading to violence and sexually transmitted diseases which have a particular effect on women and girls.

Component 3:

- a. Minor loss of, or damage to, assets resulting from road rehabilitation.
- b. Minor land acquisition resulting from road rehabilitation.

In addition, the project will affect indigenous peoples, as there are indigenous peoples# communities present in, or with collective attachment to, the project area.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The EA process identifies the following as the critical environmental problems facing the country today: land degradation, lack of accessible good quality water for urban and rural inhabitants, environmental pollution (e.g. water contamination), loss of biodiversity, habitat and wetlands, deterioration of aquatic systems, and deforestation.

During the preparation of this project, the immediate and root causes of these problems were reviewed, analyzed and incorporated during the EA process. For, instance, an immediate cause of the land degradation in Papua New Guinea is inappropriate agricultural practices leading to decreased soil quality and erosion. This project will help to address this problem by promoting the adoption of good agricultural practices, as well as sustainability practices (such as Organics, Fair Trade, Rainforest Alliance, etc).

The project will contribute to an increase in incomes for households which in turn will provide resources for schooling and other household expenses that will improve social outcomes. In addition, improved livelihoods and better market access in cocoa and coffee growing areas are likely to arrest the increase in law and order and domestic violence that has been reported. However, increased incomes may also contribute to social problems such as increased alcohol abuse, and increased rates of STI including HIV/AIDS.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The project design integrates a number of measures to help avoid or minimize adverse impacts.

Environment - Component 1 and 2 of the project promote good agricultural practices (including the adoption of sustainability practices when benefits for smallholders are expected). Under Component 2, financing is also available to upgrade coffee processing facilities to higher environmental standards. Regarding Component 3, the Environment Management Framework describes the set of measures that will be used to minimize any negative impact from civil works.

Social - Component 2 includes provisions for training of farmers (both men and women) on finance management/financial literacy, as well as options for a range of other training activities (which could include other social issues). A Compensation Policy Framework has been developed to avoid any potential negative impact in particular under Component 3.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. The project will be implemented in core cocoa- and coffee-growing areas of PNG, where coffee and cocoa are an integral part of smallholder farming systems, and it will promote the adoption of good farming practices. Infrastructure rehabilitation works under Component 3 will be small scale (farm to market roads, pathways, jetties) and the focus is on the rehabilitation of existing infrastructure. All of the potential adverse impacts associated with these activities would continue to be low intensity, minor and site specific impacts and lend themselves to readily available and already widely used mitigation measures. For these reasons, the PPAP has been assigned an Environmental Assessment (EA) Category #B#, consistent with the requirements of the World Bank's Environmental Assessment Operational Policy OP4.01. The project triggers the following Safeguards policies:

- i. Environmental Assessment (OP4.01)
- ii. Pest Management (OP4.09)
- iii. Involuntary Resettlement (OP4.12)
- iv. Indigenous Peoples (OP4.10)

The National Department of Agriculture and Livestock (DAL) is preparing an Environmental and Social Management Framework (ESMF) document consistent with the requirements of the GoPNG and the World Bank's own safeguards policy requirements. The ESMF will contain the following documents:

1. Environmental Assessment (EA) of the cocoa and coffee industries;
2. The Project Environmental Management Framework # This contains the Screening Guidelines and the Environmental Management Plan (EMP) for the project activities;
3. Integrated Pest Management Plan (IPMP); and
4. Compensation Policy Framework (CPF).

The draft ESMF contains a detailed description of the geography of the project area and the other bio-physical and social baseline data, an analysis of the potential environmental impacts and corresponding detailed descriptions of the required mitigation measures. The draft ESMF also contains proposed capacity building measures of the relevant institutions with responsibility for environmental management of this project, and the final version will also present details of the consultations held during the Environmental Assessment process.

The Framework section includes a description of the screening process that project activities will undergo to determine their individual environmental and social impacts; which activity would be in-eligible for financing under the project; who will do the screening, review and approval of the screening results and sub-project EMP#s, when and how; and who will carry out the monitoring of sub-project activities, and when.

For public-private partnership activities funded under Component 2, the framework requires that the environmental performance of the private sector partners be subject to a due diligence process to ensure compliance of their activities with national requirements and with World Bank safeguards requirement. Where such compliance is lacking or deemed unacceptable, Government will agree with the private sector partner on a plan with detailed actions to ensure compliance with all requirements, to be developed as part of the screening and appraisal process of the individual public-private partnership proposal. The appraisal will be the responsibility of the PMUs with support from the Technical Appraisal Committee (TAC).

Specific investments in infrastructure under Component 3 will only be identified following the selection of individual Component 2 project activities. Once the scope of a Component 2 investment is agreed, the potential market access infrastructure interventions that will directly impact on the market access of the target beneficiary smallholder communities can be identified and undergo the same environmental and social screening processes as those activities funded under Component 2.

The IPMP will contain an integrated approach to management of pests consistent with national policy requirements and the World Bank#s OP4.09. For cocoa, this includes a Cocoa Pod Borer management approach based on labor intensive methods requiring five steps which are (i) Weekly harvesting, (ii) Pod Burial, (iii) Regular Pruning, (iv) Target Spraying and (v) Shade Reduction. The slogan used to communicate this strategy is called # Every Pod, Every Tree, Every Week#.

OP 4.10: Indigenous Peoples Policy and the Project Design

Because the majority of direct project beneficiaries are indigenous as per OP 4.10, the project has integrated aspects of an IP Plan in its design as follows:

- i) Free, prior and informed consultation leading to broad community support (during preparation): As part of the Social Assessment, numerous meetings were conducted with community representatives, local level government representatives, grower associations and cooperatives, youth and women#s groups, extension workers, the private sector, and other relevant stakeholders in East New Britain and Eastern Highlands Province. There

were two rounds of consultation during project preparation. The Social Assessment notes that:

- a) There was interest and engagement with the team undertaking the social assessment. However, in coffee growing areas (Eastern Highlands Province) the people nearer town were reticent to engage with the social assessment team because they were less willing to spend time on a survey which would yield little personal benefit.
- b) Smallholders and communities were interested in voicing their opinions.
- c) Interviewees were keen to understand the potential that PPAP could have on their agricultural activities. The social assessment notes particularly that in cocoa growing areas, where the cocoa pod borer infestation is widespread growers were keen to understand the potential impacts of the project.

ii) Free, prior and informed consultation leading to broad community support (during implementation): Given the demand-driven nature of the project, DAL has prepared a Beneficiaries Participation Framework (BPF) which lays out the process for community consultation during the project cycle. The BPF outlines participation strategies for implementation and management and monitoring and evaluation.

iii) Measures to ensure social and economic benefits: The project recognizes that there are communities within the project area that may be vulnerable to exclusion from project benefits because of their geographic location and their distance from markets. Indeed, lack of market access is directly correlated with high levels of poverty in the project areas. The PPAP is addressing this challenge by financing infrastructure improvements to facilitate market access through Component 3. The investments under Component 3 will be directed at the rehabilitation of existing transport links that provide access between smallholder farming communities and marketing or processing points.

iv) Culturally-appropriate grievance mechanisms: The project design incorporates a grievance mechanism that is reflective of group cultures and includes key community members as relevant, such as community leaders, local authorities, etc.

OP 4.12: Involuntary Resettlement and the Compensation Policy Framework

The project will not finance any activity that requires involuntary resettlement. However, in exceptional cases there may be need for minor land acquisition when works are carried out under Component 3, or damage to assets. Under Component 2 (productive partnerships), any activities requiring land use, such as rehabilitation and expansion of existing nurseries, the establishment of satellite nurseries and budwood gardens, and the improvement of processing and storage facilities will be voluntary in nature and will take place within existing facilities. The Project Implementation Manual will detail the process for due diligence that will be required as a prerequisite for approval of these sub-projects.

Under Component 3 (road rehabilitation) sub-projects may possibly result in temporary land use, minor land acquisition, or damage of crops and economic trees.

A Compensation Policy Framework (CPF) has been prepared which details the key principles for land use and compensation for damaged assets. These principles include:

- i) Consultations with, and support from, communities as a first step in sub-project preparation.
- ii) Exclusion of subprojects that involve involuntary resettlement.
- iii) The provision of minor land acquisition through voluntary donations only.
- iv) Avoiding and minimizing damage to food gardens and economic crops.
- iv) Protection of sites of social, sacred, or religious value or sites of potential heritage value.

Institutional Arrangements

The institutions with responsibility for environmental management under PPAP are:

- b. The Project Coordinating Unit (PCU) at the national level who would have overall responsibility for environmental monitoring at the project level, which will include monitoring of cumulative impacts;
- c. The two Project Management Units (PMUs) to be housed at the industry (cocoa and coffee) level will have overall responsibility for the implementation of the ESMF and ensuring compliance with its provisions for all project activities. The Component 2 Coordinator in each PMU will be the person responsible for activities under that component, and will be assisted by the Technical Appraisal Committee (TAC) for the environmental and social appraisal of subprojects. The Senior Engineer/Transport Specialist will be responsible for environment management as regards Component 3 activities;
- d. The Cocoa Board is in the process of revising major legislation that governs its operations, and has stated their keen interest to incorporate environmental requirements into the licensing requirements in the new revised act as they work towards securing international certification for the cocoa industry. To this end the Cocoa Board will be provided with TA by the project to support them in the certification process.

The draft EA found that the capacity of the implementing agencies (DAL, Cocoa Board and CIC) will need to be strengthened to ensure that the ESMF is adequately implemented for all PPAP activities. An Environment Specialist (ES) will be recruited by the PPAP in year 1, following TORs acceptable to the Bank, to build the capacity of the PCU and the PMUs to monitor the implementation of the ESMF. The ES will carry out year 1 screening processes with his/her counterparts, provide capacity building for other relevant staff in the implementing agencies and at provincial level (such as provincial environmental officers), conduct information sessions for potential partners under Component 2 and develop a training program to address any further capacity building needs under the project.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. The key stakeholders are the farming communities in those districts that develop and receive support under the project. These include individual farmers and their associations

and farmer groups, the agribusiness dealers, national research and extension service providers, national and local institutions such as the Cocoa Board of PNG, Coffee Industry Corporation etc., depending on whether activities are coffee or cocoa related. The preparation and/or revision of the various plans and documents detailed above is an on-going process and will involve participatory and meaningful consultations on an on-going basis. The incorporation of the ESMF processes into the overall project's implementation and institutional arrangements will create increased awareness and capacity for management of these issues. As the preparation process evolves, the respective stakeholders will be consulted to ensure the plans are relevant and responsive to their needs. Once completed, the revised and/or new plans will be disclosed both at the World Bank's INFOSHOP and locally in Port Moresby, in Rabaul and in Goroka. The plans would also be made available in other project Provinces in the offices of the relevant agencies (CIC and Cocoa Board).

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	11/23/2009
Date of "in-country" disclosure	12/10/2009
Date of submission to InfoShop	12/08/2009
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

Resettlement Action Plan/Framework/Policy Process:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	12/01/2009
Date of "in-country" disclosure	12/10/2009
Date of submission to InfoShop	12/08/2009

Indigenous Peoples Plan/Planning Framework:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	11/23/2009
Date of "in-country" disclosure	12/10/2009
Date of submission to InfoShop	12/08/2009

Pest Management Plan:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	11/24/2009
Date of "in-country" disclosure	12/10/2009
Date of submission to InfoShop	12/08/2009

*** If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

If in-country disclosure of any of the above documents is not expected, please explain why:

There is no separate IPP for the project. Elements of an IPP have been included in the PAD, and would only therefore be disclosed at the time when the PAD becomes publicly available.

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?	Yes
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?	Yes
Is a separate PMP required?	Yes
If yes, has the PMP been reviewed and approved by a safeguards specialist or SM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?	Yes

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?	No
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	N/A
If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Sector Manager?	Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes
Have costs related to safeguard policy measures been included in the project cost?	Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Ms Marianne Grosclaude	12/23/2009
Environmental Specialist:	Mr James Orehmie Monday	01/07/2010
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):	Ms Angela Nyawira Khaminwa	01/11/2010
<i>Approved by:</i>		
Sector Manager:	Mr Charles M. Feinstein	01/12/2010
Comments: As explained in the ESMF, there is no separate IPP for the Project as the whole population is considered IP. Elements of an IPP are included in the design.		