

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED  
SAFEGUARDS DATA SHEET (PID/ISDS)  
CONCEPT STAGE**

**Report No.:** PIDISDSC17467

**Date Prepared/Updated:** 15-Sep-2016

**I. BASIC INFORMATION**

**A. Basic Project Data**

<b>Country:</b>	Papua New Guinea	<b>Project ID:</b>	P158807
		<b>Parent Project ID (if any):</b>	
<b>Project Name:</b>	PNG Tourism Sector Development Project (P158807)		
<b>Region:</b>	EAST ASIA AND PACIFIC		
<b>Estimated Appraisal Date:</b>	17-Oct-2016	<b>Estimated Board Date:</b>	07-Feb-2017
<b>Practice Area (Lead):</b>	Social, Urban, Rural and Resilience Global Practice	<b>Lending Instrument:</b>	Investment Project Financing
<b>Borrower(s):</b>	Department of National Planning and Monitoring		
<b>Implementing Agency:</b>	Ministry of Tourism, Art and Culture, PNG Tourism Promotion Authority		
<b>Financing (in USD Million)</b>			
	<b>Financing Source</b>		<b>Amount</b>
	BORROWER/RECIPIENT		0.00
	International Development Association (IDA)		20.00
	Total Project Cost		20.00
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Concept Review Decision:</b>	Track II - The review did authorize the preparation to continue		
<b>Is this a Repeater project?</b>	No		
<b>Other Decision (as needed):</b>	<p>1. Project name to be revised into PNG Tourism Sector Development Project.</p> <p>2. To follow a tentative processing timetable of i) preparation mission in June 2016; ii) appraisal in October 2016; iii) negotiations in mid- November 2016; and iv) Board Approval on February 7, 2017.</p> <p>3. To revise Political and Governance Risk and Macroeconomic Risk as Substantial to ensure consistency of ratings between this and other current pipelined PNG projects.</p>		

## B. Introduction and Context

### Country Context

Eighty seven percent of Papua New Guinea's (PNG) seven million people live in rural areas. Almost all the rest live in small urban centers, the majority of which have well below 30,000 people. Only Port Moresby and Lae have sizable populations at about 360,000 and 155,000 respectively. Average national population density is low at about 14 per km<sup>2</sup>. PNG's population is characterized by a very diverse and fragmented number of social groups, frequently with strong local and clan-based allegiances. There are over 800 distinct languages. PNG has substantial natural wealth, including in forestry, beaches, minerals and fisheries. It also has unique cultural assets, distinctive local traditions and tangible and intangible heritage. Such a wealth of natural and cultural heritage contributes to it being a growing tourism destination among the Pacific island countries. The economy is dominated by two broad areas: (i) the agricultural, forestry and fishing sector, where most of the population are formally or informally engaged in, and (ii) the minerals and energy extraction sector, which accounts for the majority of export earnings. There has been sustained positive economic performance over the past decade, including strong performances driven by a minerals resources boom globally. Recent volatility in the extractive industries markets has contributed to the Governments articulated desire to greater economic diversification.

Despite encouraging economic performance, access to infrastructure and basic service delivery remains very low, particularly in the rural areas, secondary towns and tourism destinations. PNG's human development indicators have lagged behind its economic performance. The country has fallen short of virtually all its Millennium Development Goals (MDGs). Lack of infrastructure facilities, coupled with weak institutions, limited transparency and low accountability, are major constraints to economic development and delivery of basic services to the population and visitors. PNG's Human Development Index (HDI) ranking is 157; the lowest ranked in the Pacific region along with the Solomon Islands. The poverty rate in 2010 was 39.9 percent, with more prevalent poverty in rural areas vis-a-vis urban centers at 42 percent and 29 percent respectively. The level of consumption inequality, measured by the Gini coefficient, was 0.4 in 2010.

The long term development strategy of PNG has been defined in their Vision 2050 document (launched in late 2009) aiming at transforming PNG into a prosperous middle income country by 2030. The PNG Development Strategic Plan 2010-2030 translated the Vision 2050 into specific programs and action plans related to economic policies, public policies and public sector interventions. The rolling Medium Term Development Plans (MTDPs) provide investment plans aligned to the Strategic Plan and Vision 2050. Part 4.9 of the MTDP focuses on tourism stating the main objectives of: "Increase the overall economic value of tourism to the nation by doubling the number of tourists on holiday in PNG every five years and maximizing the sustainable growth for the social and environmental benefits of Papua New Guineans". This reinforces the PNG Tourism Master plan/Strategy, which intends to translate a projected annual growth rate of 12.1% through 2030 to reach the stated goal. Indeed, tourism in PNG has the potential to reduce poverty and improve shared prosperity and living standards of the bottom 40% in tourist destination areas, which are all outside of the Port Moresby, the country's largest urban area. As demonstrated around the world, with careful strategic planning and relatively modest public sector investments, tourism sector activity can be nurtured into a critical source of economic and employment growth at a time when agriculture's share of GDP and employment is limited and the minerals and energy extraction sector cannot sufficiently absorb a large share of the labor force.

## Sectoral and Institutional Context

The location of PNG, slightly south of the equator and 100 miles north of Australia's northern tip, positions the country proximate to one of the region's major tourism generating markets. The main area of the country is the eastern part of New Guinea, demarcated by the Highlands with a scenic, rugged mountain range including peaks of more than 4,000 meters high contributing to PNG's many tourism resources. It is approximately a 6-hour flight to Port Moresby from Singapore, a major connecting hub, while Brisbane is about 3 and Sydney 4 hours flying time. There is now a 5-hour (direct service) flight between Denpasar (Bali, Indonesia) and Port Moresby once per week and daily flights between Cairns and Port Moresby (about 1.5 hours). A ten-year review of total visitor arrivals to PNG (2002-2012) reports annual arrivals growing from 53,670 to 175,203 for an average annual growth of 13%. Total arrivals for this 10-year period were found to be slightly over 1.5 million while the subgroup of total tourist arrivals for the same period is reported at 354,419 growing on average at 9% per annum. In 2013, only 27% of arrivals were on holiday, compared with 38% on business and 28% arriving for employment. According to WTTC, the direct contribution of travel and tourism to GDP in PNG was US\$134 million (1 percent of total GDP) in 2013. It is projected to rise by 4.3 percent per annum from 2014-2024, reaching US\$214 million in 2024. Although difficult to count formal and informal activity, it is estimated that the sector supports 24,000 direct jobs (0.8 percent of total employment), which is expected to rise to 30,000 in 2024.

In addition to PNG's largest single island area on New Guinea, the country has 600 smaller islands and coral reefs totaling more than 17,000 kms of coastline. PNG's geographic diversity easily supports trekking, diving, and bird watching in addition to surfing and fishing. The country is noted for offering one of the most diverse visitor experiences in the region with various levels of diving, surfing, unusual cultural experiences, walking tracks and nature and adventure tourism. Over 1000 tribes speaking 800 distinct languages are an unusual resource for indigenous culture offerings. However, due to a variety of constraints, tourism product development is still nascent with concentration in only a relatively few areas and on-going viability is often a challenge in part due to seasonality, law and order, high factor costs, limited availability of internal transport and underdeveloped tourism services. These practicalities, however, have not deterred the development of festivals and special events valued by locals and international tourists alike, such as the Crocodile Festival (East Sepik), National Mask Festival (Rabaul) and National Canoe and Kundu Festival (Milne Bay).

Over the past 70 years, there has been significant demand for "War Heritage Tourism". Many of Papua New Guinea's tourists visit war sites and memorials to show respect to those who fought in World War II when approximately 202,100 Japanese military members died through the New Guinea campaign. Over 7,000 soldiers, sailors and airmen from Australia were also lost. Consequently, this has proven to be a particular driver for Australians and Japanese visitors as well as some from New Zealand and the USA. Presently, there are differing opinions as to how long this will remain a travel motivator particularly with each new generation of tourists. The popular Kokoda Trail, which crosses PNG's mainland, is a war heritage and adventure attraction. Initially a route through the jungle to access gold fields and then an important passage during WWII, the Kokoda Trail registers as many as 6,000 hikers annually. This and other trekking routes in the country are noted for their lush scenery and connectivity with local villages. However, in some instances---real and perceived---security has become an issue.

The development of cruise tourism is a positive example of the Government's focused research,

policy definition and implementation. Cruising is now the fastest-growing segment of tourism in Papua New Guinea. PNG embarked on growing tourism through attracting cruise ships following articulation of a cruise ship strategy in 2009. After implementing some strategic infrastructure enhancements and marketing initiatives, international cruise ships are now stopping more often in Port Moresby and other areas such as Alotau (Milne Bay) and Rabaul (East New Britain). Ship arrivals of varying size grew to 240 in 2014 from a base of 20-30 ship arrivals in 2009. This is understood to boost local economies and workforce development as visitors purchase local arts and crafts and participate in destination area activities and tours. However, specific or consistent tracking of expenditures is not in place. While most large cruise ships originate from Australia, cruise passengers come from Australia, New Zealand, European and Asian countries and the US. There is also some locally organized cruise travel such as PNG operators offering opportunities for visitors to island hop or to travel up the Sepik River. The evolving policies and implementation for cruise tourism is shepherded through a Cruise Tourism Working Group with members from transport, national maritime safety, immigration, quarantine, customs and local government entities.

Given its expansive natural and cultural resources, PNG has some intrinsic aspects that could serve as the basis for a globally competitive tourism sector. Although a potentially prodigious location for adventure tourism, this segment is far from fully developed. Diving, in particular, is a significant demand differentiator. PNG is located in the "Coral Triangle", considered the world's oldest reef system containing the highest diversity of tropical fish and coral globally. It is estimated that there are five times as many marine species in PNG's waters than in the Caribbean. Due to WWII battles, there are also numerous underwater wreck sites.

Two of PNG's top five tourism destination areas are in Milne Bay and East New Britain, which are the focus of this Project and have benefited to date from designation by the central government as tourism zones and the development of cruise tourism. The province of Milne Bay is home to about 4% of PNG's population (331,774 in 2011). Its capital city, Alotau, with a commercial port and active fishing fleet, is the hub for tourism activity. Guerney Airport (about 30 minutes from the center of town) is the primary point of access. In town, the main wharf has been extended enabling ships of 2000 passengers to dock. The small but well protected harbor includes Sanderson Bay and a marina providing a scenic setting for expeditionary ships, small boats, fishing/trading vessels and local commerce.

Key attractions in the Milne Bay area include: WWII battle sites, caves, waterfalls, a small market, snorkeling and swimming (Killerton Island), fishing, the Education Milne Bay facility (a multi-use complex for arts, culture performances and education) as well as proximity to Wagawaga on the southern shore (noted for Ullumani Treetops Lodge, birdlife and walks). Closer than any other region of PNG to the major Australian cruise ports (particularly Cairns), Alotau is also not far by sea from Port Moresby. It is part of the Coral Sea loop Favored by cruise itineraries connecting the South Pacific Islands of New Caledonia, Vanuatu and the Solomons. In 2014, Alotau welcomed 7 large cruise ships; in 2015, 11 docked. Numbers are anticipated to grow compelling new efforts to develop tourism services and disperse visitors for expanded economic impact. Public and private sector stakeholders cite the need for improved and more reasonably priced air access, targeted promotion, a streamlined visa policy, signage/information for tourists, tourism product development and workforce training as pressing opportunities integral to growing the sector.

East New Britain province covers over 15,000 square kilometers (more than 6,000 square miles) with a population of 271,250 in 2011 (7% of PNG's total population). The capital city of Kokopo is about 45 minutes from Rabaul, the primary site impacted by the 1994 volcanic eruption. They are separated by a barely passable road along the shoreline. The economy of the province is driven by agricultural activities (especially exportable copra, coffee and cocoa) and, increasingly, tourism. Proximity to Australia with Cairns just a 3-hour flight away, is seen as a valuable advantage. Cairns Airport, which received 1.8 million domestic arrivals and nearly 273,000 international arrivals in 2013, is a major proximate gateway for the region. East New Britain province includes extensive natural and cultural assets throughout its districts. Rabaul's smoking volcano and historic town area has given rise to the nickname of the "Pompeii of the Pacific". A growing focus on tourism by government and the private sector has fostered some community-based tourism development although, to date, only a fraction of its potential.

### **Relationship to CAS/CPS/CPF**

The proposed Project is aligned with the current CPS (2012-2016). It contributes to two of the three pillars of the strategy: (i) providing increased access to inclusive physical infrastructure across gender and age; and (ii) improving livelihoods and quality of life for communities (both women and men) through the development of resilient and diversified physical infrastructure and the access to markets, technology and services. The Independent State of Papua New Guinea requested this IDA assistance to support development of the tourism industry in order to contribute to economic diversification, growth and productivity. The PNG's Medium Term Development Strategy 2010 to 2015, and the revised Strategic Plan 2010-2030 includes a focus on tourism, which is to "Increase the overall economic value of tourism to the nation by doubling the number of tourists on holiday in PNG every five years and maximizing the sustainable growth for the social and environmental benefits of Papua New Guineans".

## **C. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

17. The proposed Project Development Objective is to improve tourism services and infrastructure in select project areas and increase capacity of the government of PNG for enabling the provision of tourism services.

### **Key Results (From PCN)**

The implementation of activities to be supported by this Project will achieve the following key results in the Project areas:

#### PDO Level Results Indicators:

- Increased tourism-dependent jobs in targeted destinations
- Increased tourism spending in targeted destinations by 15 percent aggregate
- Increased number of registered tourism-related SMEs by 15 percent (disaggregated by gender of entrepreneurs)
- Number of Project beneficiaries (disaggregated by gender)

#### Intermediate Indicators:

- Improved road accessibility in project areas
- Improved sanitation services for tourists and communities in project areas
- Increased number of lodging beds
- Increased capacity of the TPA to prepare and implement tourism product development plans
- Establishment of Destination Management Organizations (DMO) in the targeted destinations (2)

## D. Concept Description

The Project is proposed to have the following 3 components:

### Component 1: Strengthening of PNG's tourism development framework (US\$4.0mln)

Tourism delivery requires an institutional framework and capacity to develop and steer policy, planning and tourism destination development. This component will seek to raise the standard of government entities integral to establishing and growing an effective tourism sector and facilitate the passage and implementation of the new Tourism Act currently under review.

1.1: Strengthen the enabling environment for tourism destination and product development. Public sector policies and regulations require updating to improve the business enabling environment for tourism. National and destination level capacity building and tourism product planning and development interventions will support a streamlined and attractive business and investment environment. Quality of services in the tourism industry needs to be improved in order to meet the growing demand from the private sector. Enhancing skills to deliver quality tourism experiences is a key aspect of sector competitiveness that needs to be addressed for the Government to reach its goals in terms of improving tourism competitiveness.

### 1.2: Strengthening institutions and programs for tourism sector development.

Sustainable tourism development and viability requires collaborative institutions and entities across the public and private sectors. Activities in this component will work to raise awareness and capacity across relevant government ministries and agencies to understand the dynamics of tourism and to facilitate its growth. Strengthening will enable entities, including SMEs, to carry out improved destination management; marketing and promotion; skilled workforce development and capacity building; feasibility studies, design and sustainable site management of tourism assets; and performance monitoring and evaluation activities.

### Component 2: Infrastructure investment (US\$12.0mln)

Focusing on the two destination provinces of Milne Bay and East New Britain, this component will support the following activities:

2.1: Destination regeneration and local economic development. Basic infrastructure and key natural and cultural tourism assets will be supported to enhance communities and areas of tourist visitation. Upgrading of assets such as museums, historical sites/walkways, upgrading of markets and natural areas (with signage, sitting areas, walkways, etc.) as determined by public and private sector prioritization will support facilitate local economic development and contribute to the creation of attractive and functional destinations.

2.2: Provision of public infrastructure to attract private investment in the tourism value chain. To encourage private sector investments in the region, this component will support a selected number of private sector entities in project areas that demonstrate interest and capacity to invest in tourism, fisheries or agribusiness activities through investing in complementary public infrastructure that is necessary to ensure the viability of these components in the tourism value chain (e.g., public facilities within vicinity of the investments, roads/sidewalks, basic sanitation services, communications, etc.)

Component 3: Project Implementation Support and Performance Monitoring (US\$4.00mil) Interventions and investments supported through this project would be monitored and related impacts measured through this component. Give PNG's history with implementation and the multiple locations of sub-projects, the use of an international firm to support implementation, safeguards compliance and timely disbursement will be in place.

## II. SAFEGUARDS

### A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project interventions are planned in three locations: (i) Port Moresby-policy, planning and capacity building activity; (ii) Alotau in Milne Bay Province-planning and tourism product development including basic infrastructure rehabilitation and upgrading; and (iii) Rabaul and Kokopo in East New Britain Province-planning and tourism product development including basic infrastructure rehabilitation and upgrading. A number of first year investments are proposed.

### B. Borrower's Institutional Capacity for Safeguard Policies

The PNG Tourism Protection Authority (TPA) has very limited safeguards capacity. TPA staff will be dedicated to safeguards tasks for the duration of the project and their skills will be developed progressively through various capacity building activities. Specifically this will include consultants engaged in preparing safeguards instruments working closely with the TPA counterparts to provide knowledge-sharing on safeguards policies and instruments. TPA will also be supported by a project management company (PMC), which will assist with the implementation of project activities at the national level and provincial level.

### C. Environmental and Social Safeguards Specialists on the Team

Nicholas John Valentine (GSU02)

Ross James Butler (GSU02)

### D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The project is proposed as Category B. The proposed investments are small-scale and potential adverse environmental impacts on human populations or environmentally important areas are less adverse and impacts are site-specific with few if any of them being irreversible. A Strategic Environmental and Social Assessment (SESA) is to be prepared under the project to ensure that potential cumulative and induced impacts of the project are assessed and that environmental and social considerations are integrated into TPA policy, planning and tourism destination development initiatives.</p> <p>This policy is triggered due to the potential induced impacts under Component 1 through attracting more tourists into the project areas and in PNG as a whole as a result of strengthening PNG's tourism sector</p>

	<p>and associated legislation and due to the proposed physical interventions under Component 2.</p> <p>The types of sub-projects to be funded will facilitate local tourism developments and will include small infrastructure projects such as upgrades to handcraft market places, improved reliability for service provision to visiting cruise ships (eg. water supply) and improvements to site management at discrete tourist destinations (eg. parking, handcraft kiosks and public toilets).</p> <p>Regardless of the subproject detail available prior to appraisal an Environmental and Social Management Framework (ESMF), Indigenous Peoples Planning Framework (IPPF) and Resettlement Policy Framework (RPF) will be prepared. These documents will guide the environmental and social assessment for future investments under the project. Sub-project specific Indigenous Peoples Plans (IPPs) will be prepared if needed.</p> <p>The safeguards instrument for the proposed first year projects will be a Limited ESIA, incorporating an Environmental and Social Management Plan (ESMP) and an Abbreviated Resettlement Action Plan (ARAP) where relevant. These instruments will be prepared in accordance with guidance in the Environmental and Social Safeguard Instruments for the Pacific Island Countries (ESSIP). These specific safeguards instruments will be prepared and disclosed prior to appraisal.</p> <p>The impact assessment of the subprojects will assess direct impacts but indirect, cumulative and induced impacts of tourism in the project areas (particularly on the influx of tourists and impacts on basic infrastructure, environmental and sanitation services) and in PNG more generally need to be considered. Hence, it is proposed that the project will fund the preparation of a Strategic Environmental and Social Assessment (SESA). The SESA objective is to assess the cumulative and indirect impact of increased tourism in the two provinces in light of the provincial tourism master plans, development plans and the urban Master Plans of the main cities in each province. The SESA will include consideration of</p>
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		particular issues, impacts and risks concerning indigenous peoples as per OP 4.10. The SESA will be prepared during implementation with a target completion date of end 2017.
Natural Habitats OP/BP 4.04	Yes	This policy is triggered to ensure that any interventions into the natural habitats and the areas in their immediate vicinity consider potential impacts and are fully harmonized and supportive of the habitat conservation goals. Site-specific ESIA reports and ESMPs will be developed for individual sub-projects and will explain how the above principles should be integrated into the design and implementation arrangements of each sub-project.
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	Yes	Interventions are likely to support to cultural heritage sites/attractions as well as basic infrastructure such as the upgrading of markets and museums. This policy is triggered to ensure that no element of cultural heritage is affected negatively neither during construction nor operation of the infrastructure provided under the project. Site-specific ESMPs will cover cultural heritage preservation and carry relevant mitigation measures, as well as arrangements for monitoring their implementation.
Indigenous Peoples OP/BP 4.10	Yes	OP 4.10 would be triggered as indigenous peoples (IP) communities may exist within sub-projects (areas of influence). Sub-projects under Component 2 may include areas where the majority of beneficiaries are IP. Screening for the presence of IPs will be undertaken in accordance with the IPPF and a social assessment (SA) undertaken for subproject ESIA. Where IPs are the vast majority of beneficiaries no separate Indigenous Peoples Plan (IPP) will be prepared with IPP elements instead incorporated into overall subproject design. The SA will be undertaken for each sub-project as part of the Limited ESIA to establish the presence, or otherwise, of IP communities in the respective project areas. This SA will be undertaken as an initial task under each Limited ESIA. If present, IP communities will be provided with equitable and culturally-appropriate benefits from the subproject. A process of free, prior and informed consultation with IP communities will

		be undertaken to establish broad community support. An Indigenous Persons Planning Framework (IPPF) will be prepared to govern these requirements and IPPs will be prepared if needed for specific sub-projects.
Involuntary Resettlement OP/ BP 4.12	Yes	While the specific sites and nature of civil works under the Project are not yet known, small-scale permanent or temporary land acquisition may be required and livelihoods may be temporarily impacted (for example during establishment, upgrades or relocations of handcraft markets). A Resettlement Policy Framework (RPF) will be prepared. Abbreviated Resettlement Action Plans (ARAP) will be prepared for the proposed Year 1 investments if required.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/ BP 7.60	No	

### E. Safeguard Preparation Plan

#### 1. Tentative target date for preparing the PAD Stage ISDS

01-Sep-2016

#### 2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS.

This project is fast tracked with a targeted negotiation date of mid November. Studies as determined will need to be completed no later than September 1, 2016.

### III. Contact point

#### World Bank

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#### V. Approval

Task Team Leader(s):	Name: Ahmed A. R. Eiweida, Andres F. Garcia	
<b><i>Approved By</i></b>		
Safeguards Advisor:	Name: Peter Leonard (SA)	Date: 15-Sep-2016
Practice Manager/ Manager:	Name: Abhas Kumar Jha (PMGR)	Date: 15-Sep-2016
Country Director:	Name: Michel Kerf (CD)	Date: 16-Sep-2016

1 Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.