

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 03/11/2008

Report No.: AC3303

1. Basic Project Data

Country: Papua New Guinea	Project ID: P102396	
Project Name: PG Mining Sector Inst Strengthening TA 2		
Task Team Leader: Graeme Eric Hancock		
Estimated Appraisal Date: December 21, 2007	Estimated Board Date: May 15, 2008	
Managing Unit: COCPO	Lending Instrument: Technical Assistance Loan	
Sector: Mining and other extractive (100%)		
Theme: Other public sector governance (P);Gender (P);Other environment and natural resources management (S);Export development and competitiveness (S)		
IBRD Amount (US\$m.):	0.00	
IDA Amount (US\$m.):	17.00	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
<u>BORROWER/RECIPIENT</u>		1.70
		1.70
Environmental Category: B - Partial Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input checked="" 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 project development objective is to improve the benefits from Extractive Industries (EI) to the national budget and to mining affected communities and to mitigate mining's health and safety risks for ASM miners. This will be achieved through improving effectiveness of key EI sector institutions, supporting EI communities to be better able to monitor the delivery of community programs and services, empowering disadvantaged groups including women and youth in extractive industries affected areas, and improving accountability of the sector and for management and use of mining-related revenues. The primary target groups are the institutions involved in the mining sector, the communities in the vicinity of both large-scale and artisanal/small scale mining operations and the recipients and managers of mining benefits streams.

3. Project Description

The Project consists of five components: (a) strengthening the policy and regulatory frameworks for the mining sector; (b) strengthening mining sector governance, regulation, and sustainable development outcomes; (c) improving revenue collection and

audits of the sector; (d) strengthening the foundations for a conflict-free mining sector in Bougainville; and (e) Project management.

1. Component 1: Strengthening the Policy and Regulatory Frameworks for the Mining Sector. (Estimated Total Cost: US\$2.09 million; IDA: US\$1.90 million). The principal target group for this component is DoMPGM staff, who will be supported to establish and implement an effective policy development forum process for coordination and cooperation with other agencies. Key Outputs will include the completion of several key policies and legislative Acts including a Sustainable Mining Development Policy, with mine closure and resettlement guidelines, and an Offshore Mining Policy and associated legislation; a Small-Scale Mining Occupational Health and Safety Act; a new Mining Safety Act; and a review of and amendments to the Mining Act 1992.

2. Component 2: Strengthening Mining Sector Governance, Regulation, and Sustainable Development Outcomes (Estimated Total Cost: US\$9.01 million; IDA: US\$8.19 million). The principal target group for this component is MRA staff, who will be given support to strengthen MRA's ability to undertake its mandated role in the following areas:

- Strengthen Governance and Accountability in Mining Sector Institutions. Activities in this sub-component strengthen institutional accountability by supporting the development, implementation and monitoring of an Anti-Corruption Action Plan for MRA and by putting in place mechanisms to monitor compliance with and outcomes of the policies and regulations developed by DoMPGM, especially regarding impacts on the most vulnerable groups in mining communities. The sub-component will also support establishment of internal systems for financial management and transparency. To address broader sector governance and accountability, the ongoing dialogue on EITI will be supported through activities in other sub-components in relation to community participation, transparency of benefits management, and use of MRA's web site.
- Promote, License, Control, and Monitor Mining Sector Development. This sub-component focuses on building MRA's capacity to carry out its technical role in promoting PNG's mining sector, licensing, controlling, and monitoring the industry. Activities will support several MRA units, with the objective of establishing a cohesive and functioning institution capable of sustaining its role beyond the Project, and include:
 - o Strengthening Mineral Tenements Management,
 - o Improving the Quality and Availability of Geological Information,
 - o Strengthening Information Management and Marketing
 - o Implementing an Information and Communications Program to keep stakeholders informed, especially on Bougainville, of MRA and MSISTAP II project activities
- Improving Sustainable Development Outcomes from the Mining Sector. Activities in this sub-component include

- o Establishing High Standards for Mitigating Negative Environmental and Social Impacts of Mining.
- o Improving the Health, Safety, and Effectiveness of Small-Scale Miners.
- o Coordinating and Improving the Management of Mining Benefits including recruitment of community facilitators by MRA at each of the mine sites
- o Monitoring Social and Environmental Outcomes from Mining Activities including preparation of a Strategic Environmental and Social Assessment (SESA)
- o Keeping all stakeholders and especially Bougainville communities informed, so that they understand both MRA's role and project objectives and activities

Key Outputs will include internal systems for MRA, an MRA Anti-Corruption Plan, an MRA e-commerce system, a fully computerized mineral tenements management system, reduced time for issuing mining and exploration licenses, a national Geological Information System (GIS), an ASM data base, an ASM registration and identity card system, safer and more environmentally friendly ASM mining practices, environmental and social guidelines including resettlement and community consultation, a Measurement and Evaluation (M&E) Framework for EI community-related services, EI community participatory planning procedures, Local Level Mining Community Development Plans, Benefits Streams Reports for mining communities, a national Women in Mining (WIM) Action Plan, a youth internship program to be implemented by MRA, a review of all mining Memoranda of Association (MoAs), publication of EI-related payments by companies to government, a Strategic Environmental and Social Assessment (SESA) and an information dissemination and communications program.

3. Component 3: Improving revenue collection and audits of the sector (Estimated Total Cost: US\$4.65 million; IDA: US\$4.22 million). The principal target group for this component is IRC's Resources Monitoring Division staff, who will be supported to review and draft mineral tax legislative amendments, conduct revenue risk assessments, and carry out mining and petroleum project audits. The component will support the establishment of four EI tax audit teams, two with a main focus on high priority, complex audits and two for less complex audits with a strong focus on staff training. Key Outputs will include for the EI sector tax legislation amendments, tax-related risk assessments, tax audit reports, tax assessments and tax collections.

4. Component 4: Strengthening the foundations for a conflict-free mining sector in Bougainville (Estimated Total Cost: US\$2.21 million; IDA: US\$2.01 million). The principal target group for this component is ABG's future DoM staff, who will be supported to establish the organizational framework for the department and implement an effective policy and regulatory environment for mineral exploration and development in Bougainville. Key outputs include transitional arrangements (to facilitate granting of exploration and mining licenses until mining powers are transferred to ABG), issuance of exploration and mining licenses for Bougainville, a Bougainville Sustainable Mining Policy, operation of a functioning ABG Department of Mining, a Bougainville Mining Act, a Bougainville Mining Safety Act and enabling regulations, hiring of professional staff for the ABG Mining Department, twinning of ABG Mining Department staff into

MRA and DoMPGM or other appropriate organizations, and development of ASM support services and outreach on Bougainville.

5. Component 5: Project Management (Estimated Total Cost: US\$0.74 million; IDA: US\$0.67 million). The principal target group for this component is MRA’s Special Projects Unit (SPU) staff, who will be supported to monitor, supervise, and provide technical and administrative management control of the Project. Key outputs will be project procurement documents, financial accounts, and project-related reports.

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

The project is a Technical assistance project and will be located and implemented mainly in Port Moresby.

5. Environmental and Social Safeguards Specialists

Ms Gillian M. Brown (EASSO)
Ms Adriana Maria Eftimie (COCPO)

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: The project is rated as category B for environmental purposes. The project is a Technical Assistance project and will not involve direct investment in mining activities but through its policy and regulatory strengthening it could have indirect environmental impacts by encouraging increased commercial scale mining and ASM activities in the future.

The project will support a Strategic Environmental and Social Assessment of the mining sector in order to identify policy and regulatory gaps which may need to be addressed in consultation with the Government.

During project implementation, procedures will be developed for on-going consultation processes that involve NGOs, landowners, and industry representatives in dialogue on

mining sector environmental and social issues. Under the sustainable development subcomponent, an Education, Information and Communication (EIC) strategy will be prepared, including preparation of information materials, booklets, etc for promoting community development and good governance of mining benefits in mining impacted communities and integrating gender into the activities and materials of MRA. In parallel, a communication strategy for the project will be developed.

The diverse ethnic make up in PNG, and the importance of the clan allegiances, often results in conflicts between clans. There is no majority group and several hundred different minority groups. In this context, the implementation of the Indigenous People's safeguard policy could be said to revolve around "prior and informed consultation" and having adequate systems in place for dispute resolution. The laws in PNG dictate that prior and informed consent are given prior to project approval which is a higher bar than the Bank's OP. Powerful landowner associations ensure that this law is implemented and PNG's history of mine disturbances (including the Ok Tedi environment disaster, and the conflict resulting from Bougainville) has raised awareness and ensures that people's rights are upheld. Mine Wardens are charged with resolving mining license related disputes.

There will be no construction in the project and hence no resettlement or acquisition of land or assets will take place. Hence the resettlement policy is not triggered. However, the project will include activities to set a process in place to develop standard resettlement guidelines for implementation in mine affected areas.

No other safeguards policies are triggered by the project.

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

NA

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

NA

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. As a technical assistance initiative, the project will not finance any direct exploration or exploitation of mineral resources. However, the project is being implemented in a sector which is known to be controversial with respect to environmental and social issues. The environmental problems associated with mining in PNG relate to river and ocean based mining waste and tailings disposal and pollution resulting from mineral processing. An update review of environment issues in the mining sector was prepared by the government and was submitted to the Bank.

The PNG mining sector regulatory framework for Environmental Safeguards is well developed. Implementation capacity problems remain. The project will provide training

and capacity building activities to strengthen enforcement of environmental legislation requirements, to both MRA and DEC.

Environmental legislation was reviewed and updated in accordance with international good practice in 2000 and subsequent regulations prepared and approved in 2002. The environmental legislation recognizes the mining sector of as one of the main sectors with impact on the environment. The mining sector is categorized into three different impact levels (with Level 1 low impact and Level 3 high impact) based on the size of production and activities carried out. There is a legal requirement to prepare an EIA for mining projects that are categorized into level 2 or 3 activities. In the approval process for the EIA, public reviews are routinely carried over. The Environmental Act also provides grievance mechanisms which are accessible to interested parties. There is still a need to strengthen the DoEC capacity to coordinate and ensure that environmental legislation is implemented properly.

During discussions with DoEC, cooperation between environmental specialists of DoEC and MRA was highlighted as a priority. The project will help provide additional institutional strengthening which is expected to have a positive impact on the environment. This includes project support for workshops with major stakeholders and professional development training for MRA staff. These activities will improve skills and capabilities of MRA staff to conduct field audits of mining projects, to investigate mine safety and environmental compliance, and to work with mining companies to improve the environmental and social sustainability of the operations.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. During project implementation further consultation will take place with NGOs, landowners, and industry representatives regarding mining sector environmental issues.

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	12/17/2007
Date of "in-country" disclosure	12/17/2007
Date of submission to InfoShop	12/21/2007
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?	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

Indigenous Peoples Plan/Planning Framework:

Was the document disclosed prior to appraisal?	
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Date of receipt by the Bank
Date of "in-country" disclosure
Date of submission to InfoShop

Pest Management Plan:

Was the document disclosed **prior to appraisal?**

Date of receipt by the Bank
Date of "in-country" disclosure
Date of submission to InfoShop

*** 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:

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?	No
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	N/A
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	N/A

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?	N/A

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	N/A
Have costs related to safeguard policy measures been included in the project cost?	N/A
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	N/A
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	N/A

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Mr Graeme Eric Hancock	12/05/2007
Environmental Specialist:	Ms Adriana Maria Eftimie	03/11/2008
Social Development Specialist	Ms Gillian M. Brown	12/07/2007
Additional Environmental and/or Social Development Specialist(s):		
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Mr Panneer Selvam Lakshminarayanan	03/11/2008
Comments:		
Sector Manager:	Mr Paulo De Sa	03/11/2008
Comments:		