

**THE GOVERNMENT OF PAPUA NEW GUINEA**  
**ENVIRONMENT IMPACT STATEMENT (VOL 4)**

**PRODUCTIVE PARTNERSHIPS IN AGRICULTURE PROJECT (PPAP)**

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**ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK**  
**Final**  
**(ESMF)**

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*Part III*  
**COMPENSATION POLICY FRAMEWORK**  
**(CPF)**

**PNG Department of Agriculture and Livestock**

PO Box 2033  
Port Moresby NCD  
PAPUA NEW GUINEA

**PNG Cocoa Board**

PO Box 532  
Rabaul, ENB Province  
PAPUA NEW GUINEA

**PNG Coffee Industry Corporation Ltd**

PO Box 137  
Goroka, Eastern Highlands Province  
PAPUA NEW GUINEA

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# PPAP COMPENSATION POLICY FRAMEWORK

## 1. Background

### 1.1 Project Description

The development objective of the PPAP is: *To improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and the sustainability of value chains in cocoa- and coffee-producing areas.* This would be achieved by: strengthening industry coordination and institutions, facilitating linkages between smallholder farmers and agribusiness for the provision of market access, technologies and services, and through the provision of critical market access infrastructure.

Project support will be initially focused in the main producing areas for the two industries to be supported, namely East New Britain and the Autonomous Region of Bougainville for cocoa and the Eastern Highlands, Simbu, Jiwaka and Western Highlands Provinces for the coffee industry. These objectives are to be realized through three components:

**Component 1, Institutional Strengthening and Industry Coordination:** This component would: (a) build the capacity of industry coordination committees to support sector dialogue and policy development in the cocoa and coffee subsectors; (b) strengthen the information management systems to inform policy development and stakeholder decisions in the coffee and cocoa industries; (c) strengthen quality promotion in the coffee and cocoa industries and support, where appropriate the adoption of sustainability practices; and (d) support project management and M&E functions in the PMUs and the Project Coordinating Unit.

**Component 2, Productive Partnerships:** Through productive partnerships with a range of commercial and not-for-profit organisations, this component would: (a) finance result-oriented partnerships in cocoa-growing areas to increase smallholder cocoa productivity, quality, and sustainability and improve cocoa-farming systems and (b) finance result-oriented partnerships in coffee-growing areas to increase smallholder coffee productivity, quality, and sustainability and improve coffee farming systems. Examples include specialized training, certification, the production of improved planting material through nurseries and budwood gardens, replanting, diversification of farming systems, and investments to improve processing and storage facilities.

It is expected that there will be up to 50 partnerships implemented leading to up to 15,000 smallholder cocoa households receiving support under the project and some 10,000 to 15,000 smallholder coffee households being supported to improve the productivity and quality of their product.

**Component 3, Market Access Infrastructure:** In response to the priorities identified by the partnerships established in Component 2, this component would: (a) finance the identification and selection of priority investments in support of Component 2 partnerships and (b) finance the related investments in infrastructure rehabilitation and maintenance.

The project would be implemented over a six year period, with a starting date around mid-2010.

## **1.2 Project Impacts on Land and Mitigation Measures**

Component 2 project activities will be voluntary in nature and will occur on land already held by individuals or customary groups.

Component 3 subprojects will focus on improving transport links between the farm gate and processors or other buyers in the coffee and cocoa sub-sectors and as such will focus on roads (and other small market access infrastructure such as jetties) between the farm gate and the current trafficable network.

At this level of the transport networks, virtually all infrastructure is located on customary land that landowners have offered to the state for the express purpose of providing transport links to their community.

The identity, location and scope of all Component 2 and 3 project activities will only be defined after the productive partnerships as detailed in Component 2 are agreed. Impacts on land use and compensation plans will be prepared at the subproject level following the provisions laid out in this Compensation Policy Framework.

Impacts on land may include:

- ⌘ **Rehabilitation of existing minor road infrastructure.** In an effort to increase functional capacity of infrastructure or facilitate construction activities, areas adjacent to the road could be impacted. Agreements would need to be reached with landowners on land use and compensation for loss of food crops and economic trees.
- ⌘ **Rehabilitation road works.** Road works could impact sites of social, sacred, religious, or heritage value. “Chance find” procedures would apply when those sites are identified during the design phase or during the actual construction period and the related subproject will not be eligible for financing under the project.
- ⌘ **Access paths.** This may involve upgrading of existing walking tracks or new alignments on customary land that is not currently subject to any agreement for use.
- ⌘ **Temporary use of land.** Road works could require the temporary use of land to place machinery and material necessary for the road works. Agreements on temporary land use will be required.

**Any temporary land use and minor land acquisition will be voluntary and based on the informed consent of the community.**

**The project will not finance projects that are likely to result in voluntary or involuntary resettlement and that will result in destruction of housing.**

## **2. Legal Review**

### **2.1 Relevant Legal Framework and Procedures**

The laws relevant to the PPAP are those related to customary land and the compensation for assets.

### **2.2 Tertiary Road Networks on Customary Land**

The roads at the level targeted by the project is located on customary land that landowners have offered to the state for the express purpose of providing transport links to their community.

Customary land in PNG generally refers to land that is under the communal ownership of traditional social and kinship groupings like tribes, clans, sub-clans and lineages. The constitution of PNG and the *Underlying Law Act 2000* recognize customary land tenure principles and practices, but as yet there is only a limited legal framework for dealings in land. Those that exist are primarily related to the acquisition of land by the Government for public use and the formal registration of customary land by individuals.

In the project target areas, communal landowners had previously offered their land to the administration in order to facilitate the construction of access roads to their communities for the purpose of improving access to markets. However, these roads were, and are, still considered to be on customary territory.

## **2.3 Compensation for food crops and economic trees**

The Land Act (1996), Section 14 (1) and (2) provides for compensation claims when a notice of acquisition is applied to land or chattel. However, the Act does not include any provision on compensation for food crops and economic trees.

The Valuer -General's office, under the Department of Lands and Physical Planning provides guidelines for compensation of economic plantings – "*Valuer-General's Compensation Schedule for Trees and Plants, All Regions*" which is updated periodically. The schedule is used as a guide for assessment purposes.

It is against PNG law to cut, bark, or destroy trees; cut, saw, removes or sell timber; or excavate any minerals or stone, sand gravel or other material from Government land or customary land without authority. Section 144 states that:

*(1) A person who, without authority–*

- (a) injuries, fells, barks or destroys a tree growing on Government land or customary land; or*
- (b) cuts, saws, removes or sells timber lying or being on any such land; or*
- (c) removes or takes away or severs, excavates, quarries or digs for, with intent to remove or take away, any mineral or any stone, sand, gravel or other material from any such land, is guilty of an offence.*

*Penalty: A fine not exceeding K500.00 or imprisonment for a term not exceeding three months.*

## **2.4 Compliance with Bank Requirements**

The main areas where current GOPNG practice and policy does not comply with World Bank requirements are detailed below:

1. There is no accommodation to protect vulnerable groups. PPAP will include measures to ensure that vulnerable groups are not adversely impacted by the project.
2. In practice payments to project affected people can be delayed for a considerable period. Any compensation to be provided through PPAP will be provided promptly.

## 3. Compensation Policy Framework

### 3.1 Objectives and principles

The Compensation Policy Framework provides guidelines for addressing land use and destruction of economic trees and crops under the PPAP. It is expected that these impacts will be limited.

The following key principles will guide the implementation of the project:

1. **Participation in PPAP activities will be voluntary.** Road rehabilitation and infrastructure development will be undertaken only after consultations with communities and other stakeholders.
  - a) **Consultations with communities will be required as a first stage in sub-project preparation.** These consultations will:
    - i) Include a representative cross-section of the community and will be structured in ways that maximize input from community members.
    - ii) Provide communities with information on the sub-project goals and impacts (both negative and positive), including impacts on land use or potential damage to food and economic trees (see section 4.3 below).
    - iii) Provide communities with an opportunity *to reject or accept the implementation of the sub-project.*
    - iv) Provide communities with an opportunity to provide input in the design of the sub-projects.
    - v) Will, through the processes in (i) to (iv) above, ascertain whether or not there is broad community support for the sub-project.
  - b) **PPAP will not finance sub-projects which do not have support from the community.** Community support will be documented with copies kept with the community and with the PMU. Any agreements on sub-project design will be included in the consent form.
2. **PPAP will not finance any sub-projects that have the following impacts on the use of land and property:**
  - a) Proposed sub-projects that involve involuntary resettlement.
  - b) Proposed sub-projects that involve involuntary land acquisition.
  - c) Proposed sub-projects on land where customary landowners wish to have the land corridor purchased by the State.
  - d) Proposed sub-projects that involve the destruction of physical infrastructure.
3. **Infrastructure rehabilitation (component 3) will rely on previous arrangements for land use.<sup>1</sup>**

In practice:

  - a) **Due diligence (a Land Investigation Report) will be conducted to ensure that there are no outstanding land disputes or claims to the land.**
  - b) **Consultations (as per 1 above) will ascertain community support of the continued use of customary land for rehabilitation of roads.** This support shall be indicated by signed agreements by the landowners.
4. **Where additional land is required to implement sub-projects and communities offer land for use, the PMU would be required to ensure the following principles:**
  - a) **The beneficial nature of the donation.** Offering of land would be limited to situations where communities would be clear net beneficiaries from the services offered by the sub-project, resulting in long-term improvements in their economic security.

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<sup>1</sup> That is, arrangements where landowners have agreed to provide land for community purposes without the land being acquired by the state.

- b) **The voluntary nature of the donation.** The offer of land use would be entirely voluntary with no evidence of individual users and communities pressured to offer the land. Voluntary offering of land will be documented and filed by both community members and the PMU.
  - c) **Protection of vulnerable groups.** Individuals vulnerable to adverse impacts from loss of land use will not be impacted under PPAP.
  - d) **The documentation of the agreement.** The offer of land would be documented and validated by communities and the PMU. Copies of the agreement would be filed with communities and with the PMU.<sup>2</sup>
5. **Infrastructure rehabilitation (component 3) should avoid and minimize the destruction of food gardens and economic crops.** If the destruction of food gardens and economic crops cannot be avoided, compensation will be provided to the owners of the food gardens and/or economic crops. Compensation rates will be guided by the guidelines set forth by the Valuer-General. The use of 'replacement cost' may also be considered as a guide.

### ***3.2 Procedures: Preparing Compensation Plans***

Once the sub-projects have been identified and asset loss (damage to food and economic crops) is recognized as an impact of the sub-project, the PMU will be required to document the agreement on compensation in a Compensation Plan. The Compensation Plan will include the following:

1. Confirmation that consultations with community members has occurred and the impacts on land use have been discussed (see guidelines on consultations in section 4.1 above).
2. A census survey to identify project affected peoples (i.e. those suffering from the impacts of damage to food or economic crops). The survey will identify project affected people and assess the value of impacted assets.

The census should include: the number of individuals and households affected; details on the affected assets; and PAP income sources such as farm-based income, labor, and informal sector activities.

3. Specific details on compensation for economic trees and food crops per project affected person.
4. Detailed procedures for delivery of compensation (including a timeline) and the institutional responsibility for delivering compensation.
5. Arrangements for monitoring and implementation, including a timetable and detailed cost estimate.
6. A description of grievance redress mechanisms available to project affected people.

## **4. Management Arrangements and Responsibilities**

### ***4.1 Institutional responsibilities***

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<sup>2</sup> Documenting these agreements is necessary in the event that compensation claims emerge after the agreement.

The Project Management Units (PMU) will be responsible for enforcement of the Compensation Policy Framework, preparing Compensation Plans, planning and preparing the inventories, and for liaising with customary landowners over land issues. The responsibility for these activities will lie directly with the Community Liaison Officer (CLO) and Provincial Lands Officer (LO) at provincial level.

The CLO and LO will also be tasked with addressing any institutional problems or conflicts or directing them through proper channels, and overseeing the implementation of compensation.

## **4.2 Costs and Funding Arrangements**

All operational costs and payments relating to compensation for the loss of economic trees and food crops should be funded by the GOPNG. A special fund for compensation will be established within the PMU as part of Government counterpart funding for the Project.

## **4.3 Monitoring**

The monitoring should verify/assess the following:

1. Verify that the baseline survey of project affected peoples is carried out, damaged assets have been valued, and compensation has been paid in accordance with the provisions of the Compensation Policy Framework and Compensation Plan.
2. Assess the delivery of compensation to ensure timely and fair payments.
3. Assess the implementation and functioning of grievance mechanisms. This will include monitoring the nature of grievances lodged to identify trends, monitoring stakeholder satisfaction with outcomes, and tracking the responsiveness to grievances.

## **4.4 Grievance mechanisms**

The PMU will be responsible for explaining to PAPs their rights and procedures for resolving grievances. This information should be widely distributed in the project area in a form and manner that is accessible to community members.

Complaints and grievances related to any aspect of the project such as damage to assets and compensation payments should be handled as follows:

1. PAPs should present any complaints and grievances to their clan leaders/village committees involved in decisions relating to land donation and asset damage. Formal customary grievance procedures should be followed to resolve complaints.
2. The nature of the complaint and the solution agreed upon should be presented in written form to the PMU within 14 days of the decision. The PMU will record the grievances and the proposed solution.
3. If the grievances cannot be solved through customary grievance procedures or if the complaint is directed towards the PMU then parties can submit a complaint to the District Administrator. The District Administrator will seek to resolve the grievance using the resources of his office. Should the District Administrator not be able to resolve the grievance within 14 days the matter will be forwarded to the courts.

