

# INTEGRATED SAFEGUARDS DATA SHEET

## CONCEPT STAGE

**Report No.:** ISDSC1435

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### I. BASIC INFORMATION

#### A. Basic Project Data

<b>Country:</b>	Pacific Islands	<b>Project ID:</b>	P131655
<b>Project Name:</b>	Pacific Islands Regional Oceanscape Program (P131655)		
<b>Task Team Leader:</b>	John Virdin		
<b>Estimated Appraisal Date:</b>	15-Oct-2014	<b>Estimated Board Date:</b>	22-Dec-2014
<b>Managing Unit:</b>	GENDR	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	General agriculture, fishing and forestry sector (100%)		
<b>Theme(s):</b>	Environmental policies and institutions (25%), Other environment and natural resources management (20%), Other public sector governance (20%), Rural policies and institutions (20%), Regional integration (15%)		
<b>Financing (In USD Million)</b>			
<b>Total Project Cost:</b>	25.00	<b>Total Bank Financing:</b>	25.00
<b>Financing Gap:</b>	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			25.00
Total			25.00
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Is this a Repeater project?</b>	No		

#### B. Project Objectives

The Development Objective of the PROP is to enable the participating Pacific Island Countries to capture greater economic benefits from sustainable management of the region's oceanic and coastal fisheries, and the critical habitats that sustain them. By supporting regional collaboration and the adoption of rights-based approaches to resource access and use, the PROP will directly contribute to the larger goals of regional integration and sustainable wealth creation among PICs.

In order to achieve the PDO, the program will support continued and strengthened collaboration among PICS, and between PICs and other states, to reduce the open access conditions and management inefficiencies that have led to overexploitation of the oceanic and coastal fishery resources, and to build on the experience and knowledge being generated in the region to strengthen institutional capacity and improve management effectiveness. The project will also assist in the development and implementation of more effective management and monitoring, control and surveillance (MCS) tools at national and regional levels, and, in the process, generate significantly increased economic and social benefits for the region that can be sustained over the long term.

### **C. Project Description**

In order to achieve the above objective, the Program will include the following components, sub-components and activities available for all participating countries. These will form a menu of activities the Program could support in each country, which would be chosen based on the specific local context. Some activities will be implemented at the national level, while others will be implemented at the regional level to capture economies of scale. All activities in this menu would contribute to the shared regional objective of the PROP, even if implemented nationally. As such, the Program follows the subsidiarity principle, whereby a common approach is coordinated at the regional level, but implemented both regionally and nationally in order to show concrete results on the ground. The legal agreements with each country therefore reflect the specific activities of PROP Phase I described in Annexes 3 through 7.

#### Component 1: Sustainable Management of Oceanic Fisheries

The objective of this component is to help participating Pacific Island Countries sustainably increase the net economic benefits provided to them by the region's purse seine and long-line tuna fisheries.

Oceanic fisheries hold great economic potential for the Pacific, and particularly the three tuna fisheries: tropical purse seine, tropical long-line and southern long-line fisheries. To date these fisheries are relatively healthy compared to other tuna fisheries throughout the world, due largely to their relative isolation. However, they are now reaching their long-term sustainable limits, and future returns will have to come by earning more from current harvests, rather than increasing them. This is eminently possible, but, because the fish are moving across borders, will require continued collective action from countries to manage the resource.

The tropical purse seine fishery targeting skipjack tuna is a great example (this represents over half of the tuna catch in the Pacific). The PNA countries introduced in 2009 a vessel day scheme (VDS) to manage access to the fishery. It works as follows: each year the PNA countries set the total catch limit needed to maintain healthy fish stock, and translate that catch limit into individual vessel fishing days, which are allocated to countries based on an agreed formula, and then the countries sell the days. The vessels days are valuable because they limit catch to sustainable levels of production and this scarcity has value that can be traded. Prior to the introduction of the VDS, PNA countries captured little of the value of the tuna caught in their waters. As a result of introducing the VDS and subsequently a benchmark price, the price of a vessel day increased from US\$1500 in 2010 to US\$5000 in 2013, and total revenues to PNA countries increased from US\$60 M in 2010 to US\$240 M in 2013 (still less than 10% value of catch). This is only the value of access – and not potential additional benefits from local value added. Nor is this the end of the story – a number of experts believe that the price of vessel days can continue to climb, and this fishery could sustainably return over US\$350 million per year to Pacific Island countries.

For the tropical tuna and southern albacore long-line fisheries, a similar system to the VDS could be introduced to enhance the management of access, significantly enhancing the value of this natural capital asset and the benefits that it can provide to Pacific Island countries.

Building on results to date in the PNA, such a process of enhancing the sustainable management of Pacific Island tuna fisheries and the benefits that they provide the region could be envisaged as follows:

Strengthen both the sustainable management and value of access to Pacific Island tuna fisheries, and the portion of this value captured by the region:

- o Improve compliance with the VDS for the purse seine fishery: Maintain robust limits on fishing (by ensuring compliance with vessel days and associated links to total catch limits) – so total catch stays within recommended limits, allowing the fish stock to stay healthy. Tuna is the region’s natural capital asset, and the bigger the fish stock the more valuable access to it will be – particularly as much of the rest of the world is overexploiting its tuna. Conversely, selling vessel days outside of agreed levels in the VDS, or excessive capital stuffing within vessel day allocations (e.g. using bigger and more efficient vessels to increase catch per vessel day) not only depresses the price of other vessel days on the market but also threatens the long-term sustainability of the natural resource.

- o Expand the coverage of the purse seine fishery VDS and extend a similar system to the long-line fisheries, to include all tuna caught in Pacific Island countries’ national waters. As a result, a greater portion of the region’s resource would be utilized via this management regime.

- o Increase efficiency and flexibility of the purse seine fishery VDS and similar systems for the long-line fisheries. With a healthy fish stock and valuable asset, many additional opportunities emerge to increase the returns to countries by increasing the efficiency of access to fleets via systems such as the VDS, including: (a) pooling vessel days among countries to allow operators to enter multiple countries’ waters at once, (b) selling days through competitive tenders and auctions, and (c) extending the lifespan of access over multiple years, so operators and investors have more visibility and security. To address any concerns about the stability of revenue flows, adjustments to the VDS and similar systems can be made with better data sharing and more transparency, for example setting aside a reserve of vessel days for countries that need them, to be purchased at the benchmark price.

Ensure an equitable distribution within Pacific Island countries of the benefits of a more valuable natural capital asset:

- o A healthy natural asset and an efficient and robust access regime provide a stable environment for capital investments in value chain improvements and market specialization, increasing the opportunities Pacific Island countries will have to leverage access fees and agreements for local investment in value added and processing, e.g. through preferential sale to joint ventures. With a robust management system for fish supply like the VDS for purse seine tuna fishery, more and more local investments become possible, such as IFC’s recent investment to help expand processing capacity of SolTuna in the Solomon Islands. Of course not all Pacific Island countries are the same and some will have different comparative advantages, so investment in value addition may take different forms in different contexts, and may very likely contribute towards regional hubs for different services. In some cases trade-offs will need to be made at national level between collection of economic rents from access to the resource and investment in local value added activities.

- o Additionally, countries could explore options to create community VDS funds to target the benefits of returns from access directly to coastal communities.

To help Pacific Island countries realize these opportunities, the following activities could be supported by the PROP:

#### 1.1 Strengthen both the sustainable management and value of access to Pacific Island tuna fisheries, and the portion of this value captured by the region

These activities would support strengthening the vessel day scheme (VDS) for the purse seine fishery and extending a similar management system to the long-line fisheries, in order to sustainably increase the benefits to participating countries from access to these fisheries. More specifically, this sub-component would finance the following activities:

- National Activities in Participating Countries
  - o Block grants to national fisheries agencies to build capacity for strengthened management measures. This activity would provide grants directly to implementing agencies of national governments to reimburse against pre-identified eligible expenditures that build capacity for strengthened management of the tuna fisheries. Such eligible expenditures will be tracked, and all procurement carried out would be subject to World Bank procurement guidelines, and PROP safeguard instruments would also apply to these expenditures. Grants would be disbursed annually to national government implementing agencies in each participating country to reimburse these eligible expenditures, based on independent third-party verification that the following indicators have been met (expenditures for each indicator are priced equally):
    - Improving compliance with the VDS for the purse seine tuna fishery:
      - o The number of days fished in a country's waters does not exceed its agreed annual allocation of fishing vessel days (PAE)
      - o 100% of fishing vessel days are recorded annually according to agreed criteria
      - o 100% of fishing vessel days are disclosed annually to the PNAO Fisheries Information Management System (FIMS) as part of a comprehensive verification system for the VDS
    - Expanding the coverage of the purse seine fishery VDS or similar zone-based limit systems for the long line fisheries, to include all tuna caught in the country's national waters:
      - % of tuna catch within a country's national waters that is encompassed within the VDS or a compatible system (specific target set for each country, gradually)
    - Increasing efficiency and flexibility of the purse-seine fishery VDS and similar systems for the long-line fisheries:
      - (Yes/no) more flexible measures are applied, (such as creating multi-zone and multi-year days, development of competitive VDS marketing arrangements, long-term contracts, creation of secondary markets, etc) that increase the value of a vessel day above the baseline (gradually phased in)
  - o Goods, services, training and operating costs to strengthen national capacity for coordinated surveillance and enforcement of the VDS. This activity would provide support to participating countries to strengthen and increase their collaboration for surveillance of fisheries and enforcement of the VDS, such as establishing monitoring centers and observers; and enhanced aerial and sea

patrols.

- Regional Activities:

- o Technical assistance to PNAO to support implementation of the recommendations of a regional review of the VDS & PNAO. This activity would provide targeted technical assistance to support PNAO in the implementation of the recommendations agreed by its members to take actions that will strengthen the VDS in the purse seine fishery and / or across related longline fisheries during the 2014 regional review of the policy framework of the VDS and the accompanying governance and organizational structure to of the PNAO to administer it.

- o Coordinated technical assistance to countries to strengthen the VDS for the purse seine fishery and expanding this system to the long-line fisheries. This activity would support technical assistance provided by FFA in coordination with the PNAO, to participating countries for implementation of the PROP. This activity would support a technical team to lead and coordinate a number of assessments, studies, trainings, mentoring etc. as requested by participating countries, in order to achieve the PROP's objectives. Such assistance is expected to include, among others, conducting economic analyses and preparing briefing materials to increase the understanding among stakeholders of the benefits of a robust VDS, assisting in the development of any revisions or additions to legal frameworks that may be needed (e.g. to enforce the VDS), and a conducting a rolling regional review of the functions and services required to manage tuna fisheries and identify opportunities for regional, sub-regional and national level location and provision of fisheries management services (e.g. management, science, monitoring and surveillance and enforcement hubs, etc.).

- o Technical assistance to identify surveillance and enforcement tasks and needs for countries to collaborate to ensure compliance with the VDS, and a network of compliance experts to support countries' in this effort. This activity would build upon the current regional fisheries monitoring, control and surveillance (MCS) strategy and effort at FFA in order to support:(i) a regional identification of the key surveillance and enforcement tasks for ensuring compliance with the VDS, and the comparative advantage of various countries to conduct these tasks in collaboration, as part of sub-regional and regional efforts; and (ii) a regional unit and network of compliance experts that could provide on-demand support to participating countries for surveillance and enforcement of the VDS.

## 1.2 Ensure an equitable distribution within Pacific Island countries of the benefits of a more valuable natural capital asset

These activities would support Pacific Island countries to make informed decisions and investments to ensure an inclusive distribution of the benefits from increased tuna access revenues. This would include collaboration with IFC to leverage access values to a healthy resource, into local investments up the value chain where feasible, that can increase employment. Similarly, this would include piloting local VDS funds to channel access revenues directly to fishing communities.

- Regional Activities

- o Regional technical advisory services for the establishment of hubs throughout the Western Pacific for services and value addition. This activity would support technical advisory services to identify the competitive advantage of participating countries to establish regional hubs for various services and value addition along the chain (e.g. fish quality assurance, processing, distribution and providing services), linked to reforms for strengthening the VDS. Additionally, this activity would

include ongoing support to participating countries to develop the various opportunities identified, and to secure the necessary finance and private partners in order to implement them.

o Pilot Community VDS funds. This activity would support FFA to provide technical assistance to conduct participatory scenario analyses to design pilot community VDS funds whose objectives would be secure a share of tuna access revenues for fishing communities in participating countries, by purchasing vessel days. This would include establishment and capitalization of pilot community VDS funds based on the results of the scenario analyses.

## Component 2: Sustainable Management of Coastal Fisheries

The objective of this component would be to support participating countries to sustainably increase the benefits they receive from defined coastal fisheries, focusing on those with the greatest potential, i.e. coastal fisheries such as *bêche-de-mer* (BDM) that (i) can generate export earnings for the country, and/or (ii) support livelihoods, food security and dietary health.

Coastal and lagoon fisheries throughout the region are critically important to many Pacific island States with few other sources of protein. It is estimated that fish provide 50 – 90 percent of animal protein intake in rural areas and 40 – 80 percent in urban areas. Most of the fish eaten by rural communities (particularly on the coral atolls and smaller islands) come from subsistence fisheries, with little or no cash cost to the consumer. Subsistence fisheries generally employ 10 to 20 times as many people as commercial fisheries.

A diverse range of coastal fishery opportunities exist in the region: in some cases exploitation pressure is low and the management goal is to encourage development of the fishery while protecting resource sustainability for the future. In others, especially where there is easy access to markets, over-fishing has already occurred and the fishery is performing sub-optimally. In these cases there is a need to rebuild resources and effectively control the fisheries based on them to achieve optimal biological or economic yields. This is perhaps most true for the high-value BDM fishery. BDM is a product that is harvested in all Pacific Island countries, almost exclusively for export to Asian markets and Asian communities elsewhere. The BDM fishery is analogous in some ways to the purse seine tuna fishery, in that a handful of Pacific Island countries now control a large share of a global commodity for which demand exceeds supply. A 2013 study estimated the value of BDM exports from 5 Pacific Island countries (Papua New Guinea, Solomon Islands, Vanuatu, Fiji and Tonga) to average US\$17.4 million over the past 10 years, and that this value could have been at least doubled through improved management (Hambrey et al, 2013). An earlier study estimated average annual BDM exports from Australia and the Central Western Pacific islands during 2004–2008 at about US\$52 million (Purcell et al., 2009). That study notes that ‘many of these fisheries are suffering unsustainable levels of exploitation, to the point of local extinctions of some species and consequently impacting the livelihoods of hundreds of thousands of fishers’.

To support sustainable increased benefits from targeted coastal fisheries such as BDM, this component would largely be implemented nationally, with regional coordination activities to link products to markets.

### 2.1 Sustainable Management of Targeted Coastal Fisheries

These activities would be implemented nationally in each participating country by the relevant

Government agency. The agency would provide dedicated technical assistance and small goods and operating costs to communities to strengthen management and value addition around targeted coastal fisheries, in many cases recruiting a partner such as a local non-government organization (NGO). Once the partner is recruited to provide this support, they would conduct the following activities:

- o Identify the coastal fisheries targeted for support, including collection of baseline information, i.e. initial biological and socio-economic assessments as needed to determine resource potential and likely costs and benefits of different scenarios for rebuilding or improved management. This program of extension support to improve management and returns from targeted coastal fisheries will identify those fisheries and sites for support following a period of awareness-raising and wide advertising to give interested communities a chance to come forward. Those sites with valuable coastal fisheries and strong local commitment will be selected based on the following criteria:

- The fishery or fisheries to be managed are well-defined (i.e. within a distinct geographic boundary, for a particular species or group of species, or for a stock);
- Each site must have the potential to accrue positive economic benefits to stakeholders through improved fisheries management;
- Each site must not encompass more than 3 to 4 small to moderate-sized communities, which must be neighboring communities;
- Each site must have strong local leadership, be socially cohesive, and ideally have a stakeholder group or association formed that could be recognized with authority to formulate management measures on behalf of stakeholders; and
- Each site must provide formal confirmation that fishers in the targeted fishery are fully committed to participate in the management and project.

- o Support the development or strengthening of stakeholder groups and associations to participate in the sustainable management, and in some cases rebuilding, of these fisheries, including: ensuring legal recognition and empowerment of the groups and their management/ use rights, providing extension and training to support organization and operation of the groups

- o Assist these stakeholder groups to develop and implement improved management approaches appropriate to the circumstances and needs of the fishery, relying mainly on the development or strengthening of Community-Based Management (CBM) systems, or on co-management arrangements involving communities, government and other stakeholders. In others, particularly for high-value export products, CBM may not provide all the tools needed for effective management and there may need to be additional fishery monitoring, control and surveillance (MCS) carried out at provincial or national level. The stakeholder groups would be supported assess the current situation and options for strengthening management of the resource and subsequently returns, in some cases developing rebuilding plans for the fish stocks, drawing upon good experiences throughout the region, such as the locally-managed marine area (LMMA) network. Ongoing training and support would be provided to stakeholder groups for development and implementation of management measures (such as identification and development of ecosystem-based management measures, monitoring of fish catch and effort, etc.), supporting restocking or artificial resource enhancement where feasible and justified, and providing any enforcement support needed to ensure compliance (especially at the point of export).

- o Link products from the fisheries managed by stakeholder groups to regional markets, including providing technical assistance and training for skills development, as well as small goods

and works for local value addition. This support would likely focus on development and coordination of processing and packaging technologies, development of value-added products, market diversification including certification and eco-labeling, compliance with food safety and other technical requirements of target markets, sharing of trade and market information, capacity-building in small business and enterprise management, and cooperation in marketing arrangements and information-sharing across communities and countries.

- o Monitoring to assess changes in the status of the resource and the economic status of activities based on it, evaluate the performance of the management strategies adopted, and allow the adaptation and improvement of these strategies.

## 2.2 Linking Sustainable Coastal Fish Products to Regional Markets

These activities would be implemented regionally, via a sub-grant to the SPC:

- o In parallel with national efforts to restore BDM fisheries, mediate the formation of a regional or sub-regional BDM fishery grouping to advance the economic interests of participating PI countries. Regional technical assistance and convening would be provided to harmonize economic and other management arrangements, developing minimum terms and conditions of resource access, establishing a regional register of responsible/ compliant BDM industry participants, maximizing the leverage available through collective bargaining and action, and promoting exchange of technical information in support of national-level management initiatives. The proposed arrangement would mainly be of interest to the main BDM-producing Pacific Island countries (those of Melanesia) but, as with PNA, countries with lower levels of production would also benefit from the bargaining power generated by the larger producers. The proposed BDM arrangement will almost certainly be built on an existing regional or sub-regional grouping of countries, and may ultimately be extended to cover other coastal fishery resources, particularly trochus, another high-value export product.

- o Ongoing technical support to countries with BDM and coastal fisheries management (e.g. a 'BDM task force'), including support to assess potential biological, economic and fiscal management to ols for BDM and other export-oriented coastal fishery products, which could be applied at the national level as part of an integrated suite of management arrangements that involve both CBM and MCS. This would also include periodically updated assessments of BDM production, price and market trends and other industry monitoring and intelligence; and development of fishery monitoring tools that can be deployed at national level to enable performance assessment of fishery management and development activities, and training of national staff from participating countries in their use. These tools may possibly be based in part on the fishery monitoring 'dashboards' already developed by the Bank for other countries/ regions.

## Component 3: Sustainable Financing of the Conservation of Critical Fishery Habitats

1. The objective of this component would be to help strengthen and develop models of sustainable financing for the conservation of critical habitats that underpin oceanic and coastal fisheries in the region, following the guiding principles of the Pacific Oceanscape Framework. Towards this objective, the component would include both regional and national activities that: (i) establish a Pacific Marine Conservation Development Fund to support the establishment of large scale oceanic marine protected areas (MPAs), including financing mechanisms for cost and benefit sharing; and (ii) establish a pilot Pacific Blue Carbon regional program, to support financing for the conservation of small to medium scale marine habitats. This component would be executed by the Oceanscape Unit

within the Pacific Islands Forum Secretariat, with guidance from the Marine Sector Working Group.

3.1 Establish a Pacific Marine Conservation Development Fund to support the establishment of large scale oceanic MPAs, including mechanisms for cost and benefit sharing

The Pacific Oceanscape Framework aims to support integrated ocean management at all scales that results in the sustainable development, management and conservation of island, coastal and ocean services – notably through conservation of key natural habitats that support the oceanic and coastal fisheries targeted in components one and two. This component will contribute to the Framework and these fisheries by helping to establish a regional financing mechanism to help capture the benefits accruing to the international community from the conservation of natural habitats with biodiversity of global significance, as well as support key local and regional fisheries.

2. This sub-component will support detailed analysis, technical assistance, and the establishment of financing mechanisms necessary to determine the costs and benefits of proposed protected areas to conserve natural habitats, and enable protected area host States to mitigate any conservation costs through trading of costs and benefits with adjacent coastal States and distant water fishing States, and the development of ecosystem service markets. More specifically, the PROP would support the development of a Pacific Marine Conservation Development Fund to provide Pacific island States with market-based options to avoid, minimize or mitigate any loss in revenue caused by the establishment of large scale marine protected areas, provided that such areas are designed and managed to deliver both ecological and sustainable net economic benefits to the countries. Market-based mechanisms for conservation provide one of the more realistic opportunities for financial sustainability. Other potential options that depend on attracting and administering large initial grants are at the mercy of fundraising/foundation conservation trends and have so far proven highly problematic. Many previous attempts to establish large scale marine protected areas have been challenged by concerns that closures will reduce critical fishing revenue. Given the importance of fishing revenue to national budgets, some Pacific island States may justifiably be concerned that they are taking a risk with high consequences – regardless of the low likelihood of adverse costs. In some cases, marine protected area proposals have relied on the establishment of compensatory funds to mitigate the perceived or actual costs from closing areas to commercial fishing. However, such proposals can be difficult to implement successfully unless a business model can be developed that raises funds from an explicit service or a value that is created from the closure. In this case, a successful business model requires the creation of a service or value, and the existence or creation of a market, or a taxable funding source. For example, a protected area over a reef that provides a high value and accessible diving experience could be funded through a direct fee-for-service or tax on divers, or commercial dive-operators. Similarly, a protected area over an important habitat for juvenile fish could be funded through a tax or licensing fee on commercial fishing vessels which subsequently profit from increased catches. Activities to establish the fund would include:

- o Assessment of existing and potential new regional sites for large scale marine protected areas. An analysis of both the scope and distribution of the ecological and economic costs and benefits to the Pacific islands region from its large oceanic ecosystems, and identification of existing and potential new marine protected areas that could further build the Pacific Islands Oceanscape Framework. The analysis would consider short and long term impacts and focus on the shared interests of the Pacific Islands region (i.e development, food security, sustainability). The assessment would establish clear criteria for measuring costs and benefits of large scale marine protected areas (MPAs) and engage with regional leaders, regional fisheries management organizations, and global institutions to support and recognize these criteria. These criteria will then provide important

reference points for the financing activities of the Pacific Marine Conservation Development Fund.

o Technical assistance for the establishment of a Pacific Marine Conservation Development Fund. This will include the technical assistance necessary to establish a Pacific Marine Conservation Development Fund, including design, establishment and administration of the fund, its governance, etc. A range of options and scenarios for the Fund to transfer benefits to those who bear the costs of conservation would be considered in addition to direct endowment payments for operating costs, including among others:

□ A Regional Conservation Trading Scheme: The purse seine fishery VDS (and its extension to the longline fishery) provide opportunities for participating Pacific Island countries to establish large scale marine protected areas and sell their allocation of fishing days to the Fund so as to avoid or mitigate impacts on fishing revenue. For example, Palau has announced its intention to establish a Marine Sanctuary and close its EEZ to all commercial fishing. By conserving a productive bigeye fishing ground, the country is providing a boost to a transboundary resource and a service to the region, that could be rewarded through the Fund. The Fund could purchase fishing days at a set price for subsequent auction or trade to other PNA members – thereby reducing the risk for States hosting marine protected areas. Other regional options for auctioning PAE will also be explored and developed.

□ Piloting an Ecosystem Services Market. Coastal States, commercial fishing vessels, processors and seafood retailers will likely experience significant benefits through productivity gains that flow on from the establishment of large scale marine protected areas. The Fund could potentially utilize the assessments described previously to identify and value these benefits, and support the development of an Ecosystem Services Market. This will provide financing options for host coastal States to mitigate potential losses caused by the establishment of large scale marine protected areas. Based on technical and institutional support for the development of conservation measures that recognize the regional value of ecosystem services from large scale marine protected areas, and share conservation costs across the WCPFC membership, the Fund could support and subsidize a transfer of benefits to the host state. For example, a host coastal State that contributes significant benefits to conservation goals through the establishment of a large scale marine protected area, could be granted preferential access to high seas fishing grounds for its flagged vessels, or discounts on institutional fees, or exemptions from specific conservation measures, etc.

□ Regional Assurance Funding. Given the importance of fishing revenue to some Pacific island national budgets, governments may be unable to commit to marine protected areas due to the potentially high level of risk during the transition period – regardless of the balance of costs and benefits in the long term. The Fund could potentially insure host coastal States against any loss in revenue in the short term.

o Technical assistance, training and exchange of lessons learned to individual Pacific Island countries hosting large MPAs. This activity will provide technical assistance, legal and regulatory support, and fund institutional strengthening activities that enable host States to establish and manage large scale marine protected areas and participate in the Pacific Marine Conservation Development Fund. This activity would also provide national governments with communication materials, technical assistance and iconic speakers to broaden government and stakeholder understanding of sustainability limitations, ecosystem services, and conservation benefits. The activity will first focus on Ministers and parliamentarians, church and community leaders, and media. It would then provide governments with the capacity and material to promote such messages with industry and distant water fishing Nation partners. Additionally, support would be provided for learning exchanges

between Pacific Island countries and others with experience in establishing and managing large-scale protected areas, e.g. Brazil and its FunBio.

### 3.2 Establish a pilot Pacific Blue Carbon regional program for the conservation of small to medium scale marine habitats

In complement to support for rebuilding or strengthening coastal fisheries (see component two), this sub-component will provide technical assistance to help pilot a Pacific Blue Carbon regional program that would create conservation incentives for coastal communities to conserve the mangrove habitats that support so many fisheries. Such mangrove forests sequester significant amounts of carbon, which can potentially be bundled and sold for credits on various voluntary and other carbon markets – i.e. ‘blue carbon’. Blue carbon provides some opportunity for funding lost-cost small/medium scale marine protected areas in some circumstances, and may provide more efficient carbon sequestration potential than terrestrial habitats. The funding streams could be channeled directly to the communities, providing them with a valuable asset. However, while there are exciting future blue carbon opportunities in the long term, there are currently a large number of uncertainties and gaps that must first be overcome before communities may see any benefit, including: a very small market base, uncertain and/or inconsistent rates of return, significant gaps in supporting scientific information, potentially high transaction costs, and a lack of supporting legal and policy frameworks in place. In combination, these conditions currently represent too much of a risk for private investments in blue carbon. In order to build blue carbon financing opportunities, the PROP will support the pilot trial of a Pacific Blue Carbon Regional Program that will address these obstacles and aim to create opportunities for communities to finance small and medium scale marine protected areas. This sub-component will develop a methodology to explore opportunities to pair up with established, standards-based mechanisms like the terrestrial framework to pay for carbon stored as a result of avoided deforestation (REDD+), and develop opportunities in the voluntary carbon market, with a long term strategy to ultimately develop regulatory compliance markets. Following the design of the methodology, the activity will help identify pilot trial communities in participating countries for blue carbon, where clear tenure and stakeholder benefits are ensured in order to avoid implementation and enforcement issues that are associated with top-down regulation, uncertainty over tenure, and lack of engagement by stakeholders. Even if blue carbon projects become financially successful, conservation of habitats is not guaranteed unless community stakeholders see a significant, direct benefit. With pilots identified, significant amounts of baseline scientific research on carbon sequestration capacities and habitat mapping will be conducted as a pre-requisite for any blue carbon projects to become viable. This sub-component will include the technical assistance, scientific and survey expertise, and legal and regulatory support in order to enable participating countries to pilot trials to assess their blue carbon potential, limitations and opportunities and participate in blue carbon markets. This work will be carried out in collaboration with stakeholder communities, relevant governance agencies and regional technical expertise to identify and assess potential blue carbon sites for marine habitat conservation. Analysis would assess costs and benefits and potential blue carbon values, and work with communities to identify key stakeholders, decision making frameworks and management requirements. Analysis would build on existing blue carbon projects where possible (i.e Palau, Solomon Islands and Vanuatu). Activities would be implemented in an approach that strengthens and broadens national capacity in community consultations and community based approaches to natural resource management, and creates an understanding of ecosystem services and public goods aspects of critical habitats. In some cases, additional technical assistance may be needed for participating countries to strengthen and expand their policy, legislative and regulatory frameworks for habitat conservation, tenure, and participation in blue carbon markets.

#### Component 4: Regional Coordination, Implementation Support and Program Management

The objective of this component is to provide regional coordination, implementation support and program management, to ensure a coherent approach to program implementation within the wider context of the Pacific Oceanscape Framework and wide dissemination of results and lessons learned; as well as regional and national implementation support and training as needed for the program to achieve its objectives. Towards this objective, this component would include the following activities:

- Regional Activities
  - o Program management unit located within FFA. This unit would provide ongoing implementation support to participating countries for financial management and procurement. This unit will also support monitoring and evaluation, working closely with the participating countries to collect, compile, analyze and disseminate the results of the PROP as measured by the key results indicators.
  - o Global outreach and knowledge sharing by FFA. This would provide funding for FFA to exchange lessons learned and share results on behalf of the countries with other highly migratory fisheries around the world.
  - o Oceanscape unit located within the Pacific Island Forum Secretariat. This unit would be responsible for program monitoring and evaluation, and coordination with other country, regional and development partner initiatives in support of the Pacific Oceanscape Framework. This support would be provided in collaboration with the Government of Australia, and would include financing for a full-time staff person in the Secretariat's Oceanscape Unit, as well as support for convening meetings and learning exchanges around implementation. The PROP and other initiatives in support of the Pacific Oceanscape Framework would form a regional learning portfolio which could have a demonstration effect throughout the islands in regard to shared challenges and opportunities. This could also include support for a sub-committee of Finance Ministers from the region to monitor implementation progress of the PROP, and report annually to Forum leaders.
- National Activities (Implemented by relevant Government agency in each participating country)
  - o Program management, monitoring and evaluation in each participating country, including technical advisory support and support for fiduciary management and controls, and data collection, analysis and evaluation for progress according to the key results indicators. Opportunities to collaborate and coordinate with existing World Bank program management and technical support or that provided by bilateral donor agencies will be pursued to help ensure coherency and effectiveness of project implementation.

#### Summary .

Table 1 provides an indication of some of the specific investments envisaged under the program in each of the components and sub-components described below. These indicative investment areas from which participating countries would select according to country priorities and ability to leverage regional IDA will be developed more fully during the program design.

Table 1: A Regional framework, or a menu of activities eligible for financing under Component 1: Sustainable Management of Oceanic Fisheries

- Capacity building/institutional strengthening at both national and regional levels in VDS

- Increased monitoring, control and surveillance to enforce tuna access rights regimes
- Increased local value added to tuna products

#### Component 2: Sustainable Management of Coastal Fisheries

- Management of export/ high-value fisheries
- Rights for Stakeholder-Managed Fisheries
- Linkages to Markets, and Local Entrepreneurship/ Skills Development

#### Component 3: Habitat Conservation

- Support to Marine Protected Areas and Marine Management Areas (e.g. through establishment of Pacific Marine Conservation Development Fund and a pilot Pacific Blue Carbon regional program)

These options will need to be assessed and further developed during the country visits, bilateral discussion and regional consultations that will be carried out as part of the program design process, investment/business plans in some of these countries.

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

#### Project Location:

The Project will operate over the Pacific Islands Ocean Region some 40 million square kilometers in area in 11 IDA-member countries: Federated States of Micronesia (FSM), Fiji, Kiribati, Palau, Papua New Guinea, Republic of the Marshall Islands (RMI), Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

These are areas characterized by the diversity of their marine ecosystem. They are also among the most vulnerable to effects of sea level rise. There are several hundred islands spread over this vast area and populated by a mere 9 million people.

The APL would be developed along the following lines:

- A menu of investment activities common to the interests of all Bank-member PICs, drawing from those presented in Table 1, will be further developed during preparation. Some of these areas will concern regional/sub-regional issues that require multi-country response, while others will address national-level issues common to several countries;
- To participate in the PROP, countries will need to meet certain eligibility criteria demonstrating their readiness and commitment to the regional program; they would then select from the program activities according to their national interests and priorities;
- The program will be implemented initially, in Phase I, in a small subset of few countries plus one regional institution (most likely the Forum Fisheries Agency, FFA), with other countries joining in successive phases according to their national requirements and capacities.

APL I: The most likely candidates to participate in the PROP in Phase 1 are FSM, RMI, Solomon Islands and Tuvalu. Other countries meeting readiness criteria will be able to join the program in subsequent phases.

Examples of the type of the proposed activities (salient physical characteristics relevant to the safeguard analysis), which have the potential to incur adverse environmental or social impacts:

#### Component 1:

- Component 1, Subcomponent 1 specifically for Solomon Islands might include the construction of an operational center for surveillance of the fisheries, and two outlying enforcement centers for fisheries surveillance. The construction work may generate minor site-specific and time-bound adverse environmental impacts that can be readily mitigated through standard mitigation measures, if screened properly.

Component 2:

- Component 2, Sub-component 2 may include support to restock beche-de-mer if it is deemed a viable method to sustainably restore stocks. If so, hatchery facilities based on native brood stock would be used. And, support would include supplying fishers with juveniles to restock near shore habitats. This activity will not involve introduction of non-native species nor involve the purchase, distribution, use or disposal of bactericides during implementation. However, investments in the area of small enterprise development associated with bêche-de-mer valued added processing may include installation of small scale civil works (e.g., solar dryers) for drying.

Component 3:

- Component 3 investments related to the TA for sustainable financing of MPAs, and potentially blue carbon. Activities under Component 3 Subcomponent 1 will support research to assess the unique physical and ecological aspects of the MPAs that would generate ecosystem services (like spawning or feeding grounds for tuna which migrate beyond EEZs of host nations) and that could be incorporated into a system of payment for environmental services. Subcomponent 2 will include TA in order to assess blue carbon potential and participate in blue carbon markets, and will help identify potential blue carbon sites. Small scale infrastructure works are not expected to be financed by the project.

### **E. Borrowers Institutional Capacity for Safeguard Policies**

In Phase 1, Program implementation will involve a single agency as the national focal point entity and one or two regional agencies involved in implementing regional activities and overall program coordination and monitoring.

These include:

- Fisheries Ministries, Departments, Authorities or Agencies ,
- Regional organisation involved in fisheries (FFA in the first instance, and SPC, SPREP and others later on);
- The Pacific Islands Forum Secretariat in regard to coordination and monitoring of regionally executed activities.

There are 11 Pacific Island Countries eligible to join PROP. Each possesses differing levels of familiarity with Bank Safeguards Policies and Procedures; however the level of institutional capacity across the region as a whole is quite weak. An assessment will be conducted for each country as it joins the PROP to ascertain the Borrower's institutional capacity for applying and complying with Bank safeguard policies, and a program of training and technical assistance devised to build appropriate capacity and provide ongoing implementation support.

### **F. Environmental and Social Safeguards Specialists on the Team**

Valerie Hickey (GENDR)

Ross James Butler (GURDR)

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
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Environmental Assessment OP/ BP 4.01	Yes	<p>The aim of the program is to help improve environmental and resource quality in the Pacific Islands Region in order to increase the economic benefits generated by the goods and services from healthy ocean ecosystems. As such, the overall impact of the program is expected to be highly positive and none of the eligible investments on the menu of options include activities that would generate significant risk or irreversible adverse impacts in the coastal or oceans fisheries targeted by the program. However, some investments under Components 1 and 2 may generate minor to moderate site specific and time bound adverse environmental impacts that can be readily mitigated through standard mitigation measures, when screened properly.</p> <p>At this stage in program design, the specific investments that may generate minor to moderate adverse impacts include: small scale infrastructure works to allow for inspection of fish catch at landing sites and restocking of beche-de-mer and establishment of the associated small scale drying facilities. Potential adverse impacts will be limited to waste management, construction noise, and health and safety of workers.</p> <p>To identify, manage and mitigate potential adverse impacts, an Environmental and Social Management Framework (ESMF) will be prepared to guide investments, and will include a screening framework, table of mitigation activities, implementation arrangements, M&amp;E framework, budgets and the program of proposed training for each EA. The ESMF developed for the project will be following the template ESMF from the Simplified Procedures and Instruments for the Pacific.</p> <p>The project also envisages TA for sustainable financing and potential of protected areas, which may lead to the potential minor environmental impact downstream. The Interim Guidelines on the Application of Safeguard Policies to TA Activities in Bank-Financed Projects and TFs Administered by the Bank will be applied. As such, the safeguard documentation prepared for the project will apply equally to the TA component(s).</p>
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Natural Habitats OP/BP 4.04	Yes	<p>Program activities will not involve significant loss or degradation of natural habitats. Most of the program activities will be in the marine areas (coastal and ocean) of the Pacific Island which are known sites rich in biodiversity. All program activities are designed to enhance positive and sustainable returns to these important habitats.</p> <p>The Program level ESMF will contain measures to properly manage the risk of any unforeseen adverse environmental impact on natural habitats, including critical natural habitats, as well as measures to enhance the program's positive environmental outcomes.</p>
Forests OP/BP 4.36	Yes	<p>As the project (sub-component 3.2) will include the technical assistance, scientific and survey expertise, and legal and regulatory support in order to enable participating countries to pilot trials to assess their blue carbon potential, limitations and opportunities and participate in blue carbon markets, and would create conservation incentives for coastal communities to conserve the mangrove habitats, the policy is triggered.</p> <p>The program level ESMF will include a screening form to ensure that the negative impacts on mangrove forests of any downstream activities under Component 3.2 are addressed, and any positive impacts are enhanced. TOR for the studies proposed under sub-component 3.2 will integrate policy requirements of OP 4.36.</p>
Pest Management OP 4.09	No	The project will not purchase, distribute, apply or dispose of pesticides, including bactericides.
Physical Cultural Resources OP/ BP 4.11	No	The project will not involve any major civil works. It will support the construction of an operational center for surveillance of fisheries, and two outlying enforcement centers for fisheries surveillance (under Component 1) in Honiara, Solomon Islands. Additionally, small scale infrastructure works are foreseen to allow for inspection of fish catch at landing sites and restocking of beche-de-mer and establishment of the associated small scale drying facilities. Given the small scale works involved, the

		policy is not expected to be triggered. A chance finds procedure will be included in the ESMF.
Indigenous Peoples OP/BP 4.10	Yes	<p>The project will trigger OP 4.10 on Indigenous Peoples. As Indigenous Peoples (IPs) are the sole or the overwhelming majority of direct project beneficiaries, the key elements of an Indigenous Peoples Plan (IPP) will be included in the overall project design.</p> <p>Resource restrictions and involuntary (top-down) natural resource management measures/plans risk infringing upon customary rights of Indigenous Peoples. Complex and diverse customary systems of natural resource governance and land/coastal tenure exist and shape the cultural identity of Indigenous societies. As such, the potential impact of project activities can only be determined once a comprehensive understanding of customs (including decision-making about resource access and use) has been established from a free, prior and informed consent consultation undertaken with communities.</p> <p>Existing social arrangements can be disrupted when a large number of women trade traditional lifestyles for formal employment. There is a risk that indigenous women employed in factories could be mistreated through inadequate pay and working conditions. The nature of the fishing industry exposes women to the risk of sexual exploitation and prostitution with its social and health consequences, including risk of exposure to HIV/AIDS. In addition to gender-based social implications, the ESMF will focus on the broader project-related impacts on vulnerable indigenous groups.</p> <p>Although a separate IPP is not required, an Indigenous Peoples Planning Framework (IPPF) will be prepared and appended to the ESMF. The main element of IPPF will be a free, prior and informed consultation process to ensure that IPs are not adversely affected by project activities (e.g. siting of infrastructure and construction work related to Component 2) and that they are not excluded from project benefits.</p>

Involuntary Resettlement OP/BP 4.12	Yes	<p>Project activities may require small-scale coastal land acquisition through market-based or voluntary donation to establish fisheries-related facilities, which have the potential to result in a loss of fixed assets or access to assets. Small community based projects such as those which may form part of PROP rely heavily on the engagement and ownership of the community. Any voluntary land donations will need to meet World Bank requirements.</p> <p>Resettlement Policy Framework (RPF, to be appended to ESFM once developed) will be prepared to address safeguard issues related to the potential loss of fixed assets including structures, crops, trees, etc. during implementation if required.</p> <p>Since certain program activities may involve the restriction of access to natural resources and/or marine protected areas which local people may depend upon for their livelihood, or potential loss of assets, the policy will be triggered. In such cases, the type of access restrictions will need to be carefully determined in consultation with those who depend on such resources, and an agreement will be negotiated with relevant communities.</p> <p>A Process Framework (PF, to be appended to ESMF once developed), will be prepared in compliance with requirements stated in OP 4.12.</p>
Safety of Dams OP/BP 4.37	No	Neither this project nor the possible downstream investments from project's TA will involve building dams nor depend on an existing dam.
Projects on International Waterways OP/BP 7.50	No	Following discussion with LEGEN and the RSA, it was agreed that there will be no impacts from this project or its possible downstream investments on international waterways as described under OP 7.50.
Projects in Disputed Areas OP/BP 7.60	No	Any project activities in areas which may be disputed will be declared ineligible and not included in the project.

### III. SAFEGUARD PREPARATION PLAN

#### A. Tentative target date for preparing the PAD Stage ISDS: 31-Jul-2014

<sup>1</sup> 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.

**B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

A Program-level ESMF – which will include PF, IPPF and RPF as annexes - will be prepared, consulted on and disclosed in the Phase I countries and at the InfoShop prior to Appraisal, currently scheduled for August 2014.

**IV. APPROVALS**

Task Team Leader:	Name: John Virdin	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: Surhid P. Gautam (RSA)	Date: 07-Aug-2014
Practice Manager:	Name: Iain G. Shuker (PMGR)	Date: 07-Aug-2014