



PAPUA NEW GUINEA

Mapping REDD+ Finance Flows 2009–2014

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The Wildlife Conservation Society (WCS) saves wildlife and wild places worldwide through science, global conservation, education and management. Together these activities change attitudes towards nature and help people imagine wildlife and humans living in harmony. WCS is committed to this mission because it is essential to the integrity of life on Earth. In Papua New Guinea, WCS is the longest established international conservation NGO. WCS-PNG works with local communities, local and international NGOs including local, provincial and national governments on a wide range of conservation issues and across different landscapes ranging from the country's coral islands to its forested highlands.

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Executive Summary

This report presents the findings from the first round of REDD+ finance tracking in Papua New Guinea (PNG) under the REDDX initiative through Forest Trends. The REDDX initiative is the first comprehensive attempt to track and report on financial commitments and disbursements for REDD+ activities in PNG. REDDX was conducted in PNG through a partnership between Forest Trends and the Wildlife Conservation Society PNG Program, in collaboration with PNG's Office of Climate Change and Development.

Around US\$45.3 million has been invested in PNG for REDD+ between 2009 and 2014. More than 60% (US\$27.2 million) of these total REDD+ funds have been given by donor governments. Important donor countries which provided either grants or technical/in-kind assistance include Australia, Japan, Germany, the United States and Norway.

Multilateral funding agencies such as the UN-REDD Program and the World Bank's Forest Carbon Partnership Facility provided 23% (US\$10.4 million) while supranational institutions, particularly the European Commission, committed 15% (US\$6.8 million) of the total. Other notable donors adding to PNG's REDD+ funding portfolio include the International Tropical Timber Organization, Rainforest Foundation Norway and the Government of PNG (Go-PNG) through its Public Investment Program as well as sub-national support such as through the Madang Provincial Government.

The majority of funds (70%) from donor governments were committed to the Go-PNG as first recipient while international non-governmental organizations received the second largest amount (26%). Multilateral institutions allocated more than 60% of their funding to multilateral implementing agents such as the United Nations Development Program and the Food and Agriculture Organization as first recipients, while 38% was given to the Go-PNG. The only supranational funding from the European Commission was committed primarily to the PNG Forest Authority.

While a national REDD+ strategy for PNG is yet to be developed, fast-start proposals through bilateral and multilateral support are gradually creating the enabling environment for REDD+ implementation. These efforts include national level policy reviews and development and jurisdictional level pilot programs. Although PNG has strong forestry regulations, implementation and enforcement of these regulations are weak. Therefore significant reforms to land and forest management regimes including governance are needed in order to prevent poor governance and enforcement from derailing effective REDD+ implementation.

Any trust fund mechanism that is developed for REDD+ for PNG will need to be designed in a manner that reflects sound management, accountability and transparency. Overall, a positive trend is shown in terms of increased commitments especially from donor governments, multilateral and supranational institutions up to 2014 and beyond. However, the current status of limited engagement from the private sector is discouraging. Private sector financing will become increasingly important in the future as costs for addressing climate change increase. Therefore, creating the enabling environment for private sector investment and fostering meaningful public-private partnerships will be essential.

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Acronyms

DFAT	Department of Foreign Affairs and Trade (of Australia)
EFF	Eco-Forestry Forum (of Papua New Guinea)
EC	European Commission
FAO	Food and Agriculture Organization (of the United Nations)
FCPF	Forest Carbon Partnership Facility (of the World Bank)
GIZ	Deutsche Gesellschaft fuer Internationale Zusammenarbeit [German Corporation for International Cooperation]
Go-PNG	Government of Papua New Guinea
ITTO	International Tropical Timber Organization
JICA	Japanese International Cooperation Agency
LEAF	Lowering Emissions in Asia's Forests
MARSH	Mangrove Rehabilitation for Sustainably Managed, Healthy Forests
NORAD	Norwegian Agency for Development Cooperation
OCCD	Office of Climate Change and Development (of Papua New Guinea)
PNGFA	Papua New Guinea Forest Authority
REDD+	Reducing Emissions from Deforestation and Forest Degradation, including sustainable forest management, enhancement of carbon stocks and conservation
RFN	Rainforest Foundation Norway
R-PP	Readiness Preparation Proposal (of the Forest Carbon Partnership Facility)
TI-PNG	Transparency International-Papua New Guinea
SPC	Secretariat of the Pacific Community
TKCP/YUS	Tree Kangaroo Conservation Program/Yopno-Uruwa-Som (Conservation Area in the Huon Peninsula of Papua New Guinea)
TNC	The Nature Conservancy
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UN-REDD	United Nations Program on Reducing Emissions form Deforestation and forest Degradation in developing tropical forested countries
USAID	United States Agency for International Development
WCS	Wildlife Conservation Society

Glossary of Terms

During the survey design process, the REDDX initiative found there was a need to define commonly-used REDD+ and finance terminology in order to promote greater understanding and overall consistency across in-country partners and between collaborators, including national governments, donors, and recipients. The definitions below are commonly used definitions used by the REDD+ policy community except where noted.

General and Financial Terms

REDD+: REDD+ is a global effort to create a value on the carbon stored in forests, and provide incentives to compensate countries for policies that result in reduced emissions and forest conservation. It is defined by the UNFCCC as “reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries”. REDD+ countries have the flexibility to determine what exact activities they will implement in their countries based on national circumstances and development/conservation priorities.

REDD+ Finance: A working definition of “REDD+ finance” remains heavily debated within the international policy context. For the sake of this project and to promote consistency with other REDD+ tracking initiatives and broader international approaches to REDD+, it was agreed that REDD+ finance will include:

1. **International REDD+ Finance:** Any international financial transfers earmarked to support REDD+ mechanisms or initiatives, as currently defined by the UNFCCC, that are developed with the aim of reducing net GHG emissions from the forestry sector.
2. **National REDD+ Finance:** Monies earmarked and spent for any activities or actions that fall within the scope of the REDD+ definition found within an individual country’s approved REDD Readiness Preparation Proposal or other existing country REDD+ strategy.

Public Finance: Revenue generated through mechanisms (e.g., taxes, carbon markets, etc.) controlled by a public entity such as a national government. Public finance can be international or national in nature, and generally supports REDD+ readiness, policy development and results-based payments.

Private Finance: In the context of REDD+, private finance constitutes funds provided by a private sector entity or business, which tend to support forest management and carbon project development, and can include PES-triggered investments or investments that address drivers of deforestation.

Public–Private Finance: Instances where a REDD+ project or business venture is funded through a partnership between a public sector authority, and one or more private sector companies.

Pledge: Pledges of REDD+ finance are often made as announcements of support from donor governments with no legal or formal indication that this funding will be released, no terms for how this might be spent, and whether this will be fully spent on REDD+ activities. Some donors pledge an amount and actually end up committing less. The REDDX initiative does not specifically track pledges, but if any are known, they are recorded to compare with amounts actually committed.

Commitment: REDDX defines “commitment” as a formal indication from a donor that they will fund REDD+ activities in a country. This “commitment” will be backed up by a legal or formal agreement specifying the total amount of funding for the recipient, a timeline for activities and a schedule for when finance will be spent. (“Commitment” is not to be confused with a “pledge”).

Disbursement: In the context of the REDDX initiative, it is the transfer of funds from a donor to a recipient or from a recipient to an additional recipient further down the funding chain.

Expenditure: In the context of the REDDX initiative, it is when REDD+ finance is actually spent or expended on REDD+ activities on the ground.

Institutions

International Donor Governments: Federal agencies or ministries in the donor country. NORAD (Norway), GIZ (Germany), KfW (Germany), USAID (USA), JICA (Japan), DEFRA (UK), and FORMIN (Finland) are some of the biggest international government donor agencies supporting REDD+ globally. The arrangements that international donors utilize can include traditional bilateral and multilateral funding mechanisms, in-kind technical assistance, or direct financing of civil society or private sector consulting firms.

REDD+ Country Governments: National Governments which are receiving international financial support to implement REDD+ to conserve their country's forest resources. REDD+ countries are increasingly allocating funds for REDD+ activities in their own country, either through self-financing out of central domestic budgets, or as required co-financing of multilateral institutional grants.

Multilateral Financing Institutions and Programs: International organizations that are comprised of members from many countries. Examples include the World Bank, UN-REDD, IDB, ADB, IFAD and ITTO. These multilateral organizations often manage large REDD+ programs such as the UN-REDD Programme, the FCPF, and the Green Climate Fund.

Multilateral Implementing Agents: International organizations which carry-out the directives and work plans of international decision-making bodies and programs. For example, the UN-REDD Programme builds on the convening role and technical expertise of its three participating UN organizations: the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP). These organizations act as multilateral implementing agents when implementing the decisions and work plans of the UN-REDD Programme.

Supranational Institution: An organization that is entirely composed of representatives from member states, but which acts as a collection of the member states. The most common supranational institution providing REDD+ funding globally is the European Union, represented by the European Commission.

Private Foundation: A charity that receives the majority of its support from individual and corporate donations, (not public funds) and whose funds and programs are managed by its own trustees or board of directors.

International NGOs and Academic Institutions: International NGOs or academia includes international, non-governmental organizations (NGOs) such as environmental organizations, or independent academic institutions with headquarters outside the recipient country. Many international NGOs or academic institutions receive donor funding for REDD+ activities to be implemented at the international, regional and/or national level. Their finance is typically spent in the following ways:

- At headquarters on their own staff and operations supportive of donor and/or recipient country objectives;
- At regional or national offices on their own staff and operations supportive of donor and/or recipient country objectives;

- Passed on to other international or domestic organizations through sub-grants or consultancies to implement activities (these may, in turn, pass funding on to additional organizations);
- Passed on directly to local communities or households as payments for environmental services.

National (REDD+ Country) NGOs and Academic Institutions: Civil society organizations and academic institutions based in the REDD+ implementing country.

Firms/Consultancies: This includes both private sector corporations (firms) which occasionally contribute funding or expertise to support REDD+, and consultancies, which are private sector businesses made up of a group of experts (i.e. consultants) that provide professional project management services and implementation for a fee. Firms and consultancies contributing to REDD+ processes and implementation can be based internationally and/or within REDD+ implementing countries.

Consortia: An association of various types of organizations, partnering together to fund or implement REDD+ activities. This designation is given to donors or recipients when REDD+ finance allocated to the consortium cannot be disaggregated to the level of specific participating organizations. A consortium is deemed ‘international’ if one or more of its members is based outside of the REDD+ country, while a consortium in which all participating members are based within the REDD+ country is designated as ‘national’.

REDD+ Activities and Projects

Stakeholder Engagement: Funding aimed at improving participation of non-governmental stakeholders through the design, implementation, and/or monitoring phases of REDD+, and/or funding that promotes media outreach.

Rights and Tenure: Funding directed at addressing issues of rights and tenure – including clarifying land, property and carbon rights.

MRV and Reference Levels: Funding aimed at improving the monitoring, reporting and/or verification of REDD+, including changes in forest cover, forest degradation, biodiversity, or social and governance levels. Funding to define or implement reference levels to measure emissions, co-benefits and governance in-country.

Safeguards: Funding aimed at identifying barriers to forest conservation and enabling social and environmental benefits.

Policy and Law Development: Funding aimed at promoting research, advocacy and outreach to policymakers including policy and law analysis, policy development, REDD+ strategy development & advocacy.

Institutional Strengthening: Funding aimed at developing in-country public institutions, ministries, staffing capacity and resources for REDD+.

Forest Carbon Project Design: Funding aimed at developing project design documents (PDDs) and validation activities. This includes credited projects that go to the market and those that want REDD+ payments through an eventual UNFCCC mechanism.

Improved Forest and Land Management: Funding supporting protected areas, sustainable forest management, and reforestation management activities – including enforcement and compliance.

Carbon Offsets or Performance-Based Payments: Funding aimed at carbon offsets, direct payments, or actual benefits sharing such as incentive- or performance-based payments.

Introduction

Over US\$7.3 billion has been pledged to support REDD+ Readiness globally through 2015 and from these, total US\$4.3 billion was earmarked to be disbursed from 2010 to 2015. Regardless of these high level commitments, information on how much money is actually flowing to REDD+ stakeholders, the specific REDD+ activities supported and the organizations managing and implementing these activities are limited. Perhaps, the most important question for donors and recipients is whether REDD+ financing is actively reducing rates of deforestation in tropical countries.

To address these gaps, Forest Trends developed REDDX, a REDD+ Expenditures Tracking initiative in 2011 to track REDD+ finance from donors to in-country recipients and eventually to REDD+ activities and projects on the ground. The REDDX initiative currently engages local partners in 13 REDD+ countries with the goal to determine:

- Commitments and disbursements of REDD+ finance;
- Timelines between when funds are committed and actually disbursed;
- The types of organizations receiving and implementing REDD+ activities; and
- The types of REDD+ activities supported by the current financial commitments

Through this initiative, REDDX seeks to improve transparency around REDD+ financing mechanisms, identify gaps and needs against national REDD+ strategies, and identify strengths and weaknesses of various approaches to REDD+ financing, including the efficiency with which different financial mechanisms are able to disburse REDD+ finance within reasonable timeframes to support national priorities and programs.

Papua New Guinea (PNG) is one of 13 tropical forest countries engaged in REDDX (the other current REDDX countries are: Brazil, Colombia, Mexico, Peru, and Ecuador in Latin and South America; the Democratic Republic of Congo, Ethiopia, Ghana, Tanzania and Liberia in Africa; Indonesia and Vietnam in the Asia-Pacific). Forest Trends is working with national REDD+ Focal Points and partners to track REDD+ commitments and disbursements at the national, state, and local level in the 13 countries.

Major commitments in PNG are multi-year grants with long disbursement schedules although there are other short-term technical/in-kind assistance. The majority of REDD+ finance in PNG continues to be committed by donor country governments and multilateral financing institutions while private foundations seem to play a less significant role for REDD+ in the readiness Phase One.

REDD+ financing results for REDDX countries are published through the Forest Trends REDDX website and report series available at reddx.forest-trends.org.

This report specifically focuses on the national results for Papua New Guinea.

Methodology

The REDDX initiative started in PNG in 2013 through a partnership between Forest Trends and the Wildlife Conservation Society (WCS) PNG Program as the local partner to track REDD+ financial flows to PNG. Papua New Guinea became the most recent country to join the global REDDX project and initially tracked REDD+ financial flows from 2009 to 2012 and later for 2013–2014.

The REDDX project was endorsed through a formal letter from PNG's Office of Climate Change and Development (OCCD) in July 2013, and since then maintained a close working relationship with OCCD's REDD+ and Mitigation Division as the national REDD+ Focal Point.

Data collection followed these procedures:

- A standardized data spreadsheet and guidance provided by Forest Trends and updated where necessary, enabled local partners to fill in relevant details. Main data collected and tracked include:
 - **Key actors in the REDD+ process** including donors, full chain of recipients, implementing agents and co-financiers.
 - **REDD+ financial arrangements** including total commitments, commitment types (grants, loans, performance based payments, in-kind technical assistance, etc.), the schedule for disbursing funds and total disbursements to date.
 - **REDD+ projects and activities** including the start and end date for projects, REDD+ activities supported and the extent to which activities fit within the national definition of REDD+.
- Interviews with key representatives from institutions giving or receiving REDD+ funds to collect more details and clarifications to issues arising from data collection.
- Follow-up communications through emails, phone calls and in-person visits to clarify and verify data with relevant staff from each institution/organization.
- Two validation workshops were held: first on 19 September 2014 to validate 2009–2012 data and to formally introduce the REDDX project to in-country partners. The second national validation workshop was held on 11 June 2015 to validate data up to and including 2015. A combined 32 participants representing government, NGOs implementing REDD+ pilot activities, academic and research institutions and donor agencies attended. Apart from verifying REDDX data for each of the partner organizations, the meetings also provided an opportunity to advocate the importance and relevance of REDD+ finance tracking. It also allowed stakeholders to recommend ways of improving future tracking of financial flows and how this could be integrated into the overall framework for REDD+ development in Papua New Guinea.

It should be made clear that the data reported here is estimated to be between 85–90 percent complete, given that financial flow data were not clear for some institutions or organizations and consequently certain assumptions had to be made. These assumptions including other REDD+ expenditures not captured in this report will need to be verified and or accounted for in future tracking 2015 onwards. Nonetheless, despite their imperfections, the data presented in this report represent the most detailed and comprehensive picture of Papua New Guinea's REDD+ finance landscape currently available.

National Context

Current State of Nation's Forests and Measures in Place for Protection

Papua New Guinea's forests form part of the third largest expanse of tropical rainforests in the world after the Amazon and Congo Basins. The Food and Agriculture Organization (FAO) estimate PNG's total forest cover to be 29 million ha¹ although other sources estimate a slightly higher value of 33 million ha. PNG's forests represent more than 60 percent of the country's total land area of 46 million ha². According to the latter study, forest cover composition includes: lowland rainforest (40%); lower montane rainforest (19%); upper montane rainforest (2%); Dry evergreen forest (2%); Swamp forest (7%); mangrove (1%); scrub (11%); swamp grassland (3%) and combinations of grassland/woodland/cleared/plantation at 14 percent. Despite this high forest cover, forests continue to face acute and imminent threats through land use, land use change and forestry (LULUCF) activities including deforestation and forest degradation. Deforestation rates are somewhat contentious: the FAO's Forest Resource Assessment (FRA) suggests an annual deforestation rate of 0.5 percent from 2005–2010² while others suggest a rate of 2.6 percent per annum from 1972 to 2002.³ The major drivers of forest change in PNG are identified as industrial logging, subsistence shifting cultivation, forest fires, plantations and mining³ while forest conversion to commercial agriculture through granting of special agricultural business leases (SABLs) has been projected to be the fastest driver of emissions.⁴

Papua New Guinea is a small, low-income democracy and more than 80% of its people are rural-based with their livelihoods mainly based around land and forest resources. The country is also culturally and biologically diverse with 814 distinct language groups and contributing about seven percent of the world's biodiversity in just less than one percent of the earth's land mass. Between 85–97 percent of land in PNG is under customary ownership through families and clan groups. This right to land ownership and use by local landowners is recognized in PNG's *Land Act 1996*.⁵ A number of laws and regulations have been developed to guide and sustainably manage the forest resources of PNG:⁶

- *Forestry Act 1991* – regulates the management, development and protection of PNG forest resources and is administered by PNG's Forest Authority (PNGFA)
- *National Forest Policy 1991* – covers forest management, the forest industry, forest research, forest training and education, and forest organization and administration
- *National Forest Plan 1996* – provides a detailed statement on how national and provincial governments intend to manage and utilize the country's forest resources
- *National Forestry Development Guidelines 2009* – provides an implementation guide for provisions included in the Forestry Act, in particular, sustainable production, domestic processing, forest revenue, training and localization, review of existing projects, forest resource acquisition and allocation, and sustainable development

¹ PNG UN-REDD National Joint Program Document. 2011 pp. 11: Based on the FAO Forest Resource Assessment 2010.

² FAO. 2011. State of the World's Forests 2011, Food and Agriculture Organization of the United Nations, Rome.

³ Shearman, P.L., Brian, J.E., Ash, J., Hunnam, P., Mackey, B and Lokes, B. 2008. *The State of the Forests of Papua New Guinea. Mapping the extent and condition of forest cover and measuring the drivers of forest change in the period 1972–2002*. University of Papua New Guinea, Port Moresby.

⁴ Office of Climate Change and Development REDD+ Technical Working Group Analysis

⁵ Ogle, L. 2014. "Papua New Guinea: Legal Framework for REDD+", Report prepared for SPC/GIZ. September 2014.

⁶ Stocks, S.N. 2014. Review of forest and REDD+ related policy in Papua New Guinea. Report by USAID LEAF Program.

- *Forestry and Climate Change Framework for Action 2009–2015* – recognizes REDD+ as a mitigation activity and the potential for PNG to benefit from REDD+, and considers avoided deforestation as a forest conservation and protection measure in accordance with the principles of sustainable forest management

Although PNG has strong forestry regulations, implementation and enforcement of these regulations are weak. Significant reforms to land and forest management regimes including governance are needed to reach the level of sustainable land and forest management in PNG.⁷ In addition, the governance and ineffective enforcement issues affecting the forestry sector need to be resolved to prevent the same problems from derailing effective REDD+ implementation.⁸ Furthermore, the granting of most SABLs on customary forested land for 99 years in PNG without adhering to due processes demonstrates the general lack of effective enforcement of relevant regulations in PNG. SABLs not only present a potential increasing emissions scenario from LULUCF, thus disrupting REDD+ efforts, but also pose numerous unforeseen social and environmental safeguards issues.

Current Impact of REDD+ and Transparency of REDD+ Finance

Papua New Guinea is currently implementing the Readiness Phase of the REDD+ process through OCCD as the coordinating government agency with significant funding support from both donor governments and multilateral funding agencies, in particular the United Nations REDD+ Program (UN-REDD) since 2010. The OCCD was established in 2010 through a decision by the National Executive Council⁹ (NEC Decision 54/2010) to coordinate all climate change related activities in the country. A number of technical working groups were formed within OCCD with members representing a wide spectrum of organizations from government agencies, private sector and civil society including both local and international NGOs. This institutional and management arrangement has enhanced stakeholder engagement, awareness and consultation on REDD+. A number of policy initiatives have evolved and include the development of PNG's Climate Compatible Development Strategy and Action Plan, National REDD+ Guidelines, National Free Prior and Informed Consent (FPIC) Guidelines for REDD+, REDD+ Social and Environmental Safeguards Gaps Analyses, and the country's National Climate Compatible Development and Management Policy endorsed by the NEC in July 2014.

The OCCD as the responsible government agency and its partners collaborate on a number of key readiness activities. These activities relate to stakeholder engagement and management arrangements, strategy and readiness implementation framework, reference emissions levels (RELS) and reference levels (RLs), measurement, reporting and verification (MRV), REDD+ financing and payment mechanism and REDD+ legal framework. The government and civil society partners have also embarked on piloting REDD+ projects and activities in various locations in the country to inform national level REDD+ implementation.

REDD+ Funding in Place or Expected

The UN-REDD support in 2011 kick-started the REDD+ Phased-Approach to support national REDD+ implementation although a number of REDD+ concepts were developed around 2008/2009 through bi-lateral arrangements. Major bilateral funding flows either to the PNG government or directly to implementing agencies such as non-governmental organizations (NGOs) include: the Australia-PNG Forest Carbon Partnership in which the

⁷ Shearman, P.L., Brian, J.E., Ash, J., Hunnam, P., Mackey, B and Lokes, B. 2008. *The State of the Forests of Papua New Guinea. Mapping the extent and condition of forest cover and measuring the drivers of forest change in the period 1972–2002*. University of Papua New Guinea, Port Moresby.

⁸ Ogle, L. 2014. "Papua New Guinea: Legal Framework for REDD+", Report prepared for SPC/GIZ. September 2014.

⁹ The National Executive Council (NEC) is the highest decision making body in PNG comprising cabinet ministers and chaired by the Prime Minister.

Australian Government through the Department of Foreign Affairs and Trade (DFAT) supported various NGOs to conduct trial REDD+ activities; the Government of Japan Technical Assistance Project including Japanese International Cooperation Agency (JICA) and Secretariat of the Pacific Community/Deutsche Gesellschaft fuer Internationale Zusammenarbeit (SPC/GIZ) technical support to PNGFA.

Funds are also being given to local and international NGOs to develop various aspects of REDD+ such as stakeholder engagement and awareness, forest governance and anti-corruption, and community level land use planning. All these different funds supporting the implementation of REDD+ activities are ultimately aimed at informing and developing national REDD+ policies and programs. The UN-REDD funding is anticipated to end in December 2015 and a new funding commitment via the World Bank's Forest Carbon Partnership Facility (WB FCPF) to PNG's REDD+ Readiness Preparation Proposal (R-PP) is expected to begin in 2015. The FCPF funding will continue to support current REDD+ activities under UN-REDD while new or additional activities will be developed between 2015 and 2018. Furthermore, the European Commission (EC) has committed funding to support PNGFA to conduct PNG's national multi-purpose forest inventory (NFI) as part of a national MRV effort.

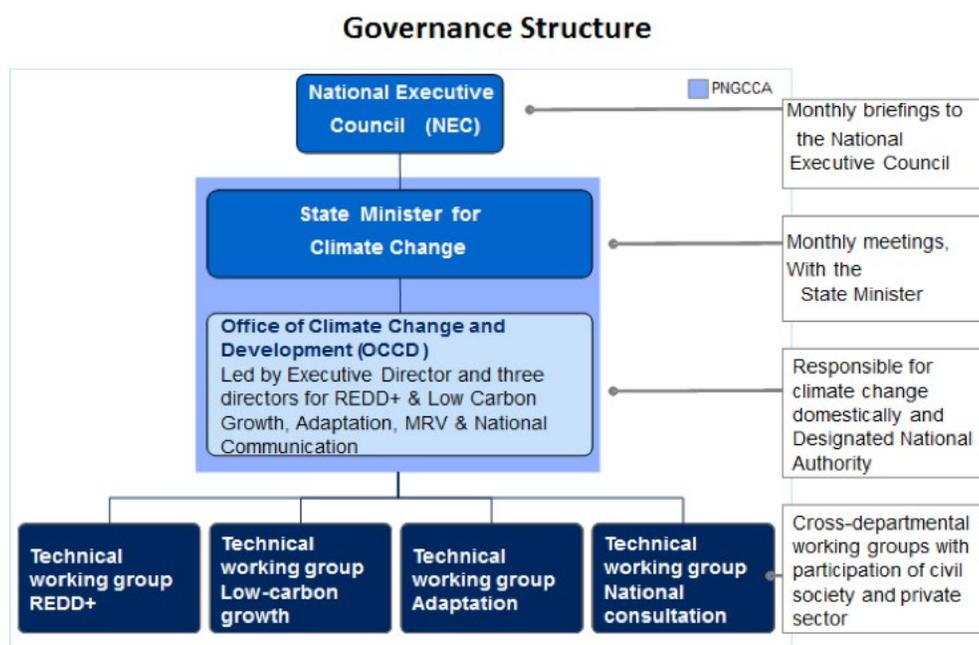
REDD+ Fund Tracking Registry

There is no current fund tracking registry in place although the government intends to contribute relevant data to the Voluntary REDD+ Database and disseminate information to stakeholders. The REDDX project has filled this vacuum and as such, the OCCD has approved and provided support in implementing REDDX in PNG. Data generated through REDDX will also contribute useful information to PNG's national REDD+ information system being set up within OCCD as part of MRV and for monitoring purposes.

Coordination Between the National Government, Local Government, Donors, and Recipients

The coordination of REDD+ programs and associated funding is done at the national level with national government agencies and donors, including international organizations. Sub-national governments (these are the provincial and district governments) and local level governments including local communities' involvement in REDD+ is limited at this stage given the issues of capacity to manage funds and implement REDD+ programs. The OCCD has established climate change units within the provincial governments of five provinces and intends to do that for all 22 provinces. These units, once fully functional, will mobilize the financial, technical and institutional capacity and the coordination structures needed to drive REDD+ implementation within each province. REDD+ implementation currently is conducted mainly by the PNGFA and several NGOs such as WCS and The Nature Conservancy/Lowering Emissions from Asia's Forests (TNC/LEAF). The OCCD plays a coordination and reporting role. The overall coordination and management structure for climate change including REDD+ is shown in Figure 1 below.

Figure 1. National-Level Governance Structure for Climate Change Including REDD+ in PNG¹⁰



Source: R-PP PNG. 2013

The management and disbursements of REDD+ funds in PNG are a function of coordination between the donors and recipient entities. For instance, UN-REDD funds are managed by a multi-donor trust fund. These funds are then allocated to the three UN agencies – United Nations Development Program (UNDP), UN’s Food and Agriculture Organization (UNFAO) and UN’s Environment Program (UNEP) depending on the type of REDD+ activities each agency is responsible to implement. The UN agencies then provide funds to support relevant government agency plans to promote specific REDD+ programs and activities. For example, the UNDP supports OCCD in the development of FPIC guidelines including social and environmental safeguards for REDD+. The FAO on the other hand is supporting the PNGFA in conducting the NFI and developing the REL/RL including the development of a national MRV system.

Bilateral and regional funds to NGOs are managed and utilized by the respective implementing NGOs themselves. For instance, DFAT funding to WCS and TNC as well as regional funds such as the United States Agency for International Development (USAID) funded LEAF Program. For technical/in-kind assistances, money is managed by the agencies providing such assistance as in the case of JICA and GIZ support to the PNGFA. All the funds and programs/activities being implemented at the local and project level are aimed to support PNG’s move towards implementing a national level REDD+ program.

Synopsis of REDD+ Readiness Preparation Proposal

Papua New Guinea’s national REDD+ strategy is yet to be developed, however the country’s REDD+ R-PP provides a good synopsis of PNG’s progress and future strategies for REDD+. The R-PP has identified the following key activities: strengthen institutional and management arrangements, stakeholder engagement and consultations, REDD+ strategy options and implementation framework including social and environmental

¹⁰ Adapted from PNG R-PP pp.12.

impacts, national forest reference emission level and forest reference level, and national forest monitoring and information system on safeguards.¹¹

Specifically, the R-PP will pursue two broad outcomes and several outputs as follows: under outcome 1, capacities will be developed for effective and efficient management of REDD+ with three outputs - national REDD+ management arrangements (output 1.1), communications and information sharing systems (output 1.2), and stakeholder consultation and participation process (output 1.3). Under outcome 2, a national REDD+ strategy will be developed with four outputs - Assessment of land use, forest law, policy and governance (output 2.1), REDD+ strategy options (output 2.2), REDD+ implementation framework (output 2.3), and Social and environmental impacts, including grievance redress mechanism (output 2.4).

Furthermore, PNG's national MRV system is being fully funded under the existing UN-REDD funding and therefore is not considered for funding through the R-PP.

Total Funding Needed and the Areas of Priority According to the Readiness Preparation Proposal

A total US\$3.8 million was requested through the R-PP and was approved and a national inception workshop was held in early 2015. This money is purely to support the PNG Government in progressing national level REDD+ programs after the UN-REDD funding phases out. Despite the commitment through the R-PP, it is difficult to give an estimate of the total funds needed given the UN-REDD funding is still current and will end in 2015. This means a final project report needs to be produced, identifying what activities need more funds to continue and which activities are completed, or nearing completion. Such an assessment after completion of the UN-REDD Program will provide a much clearer picture of the total amount of funds needed to further progress REDD+. Generally, total funding via the R-PP could be insufficient and more funds may be requested given the high cost of project implementation in PNG. Bilateral funding and other sources such as local co-financing, when added, will obviously increase the total REDD+ funds available to implement REDD+, at least from 2015–2018. Private sector involvement is very minimal and their contributions are yet to be verified and included.

¹¹ Papua New Guinea's REDD+ Readiness Preparation Proposal (R-PP) to the World Bank's Forest Carbon Partnership Facility (FCPF) dated 11 November 2013.

Findings

Overview

About 60% of the total US\$45.3 million in REDD+ finance tracked as flowing to PNG between 2009 and 2014 has been committed by international donor governments. These funds (US\$27.2 million) are a combined total committed from the governments of Australia, Germany, Japan, Norway and the United States. The Australian Government support was made through DFAT under bilateral agreements between the Government of PNG (Go-PNG) and Australia. The first recipients were primarily international NGOs and the UN-REDD Program.

German funding through SPC/GIZ provided technical support to PNGFA to develop the Central Suau REDD+ Pilot Project in Milne Bay Province. The Japanese Government via bilateral agreement with Go-PNG and JICA also provided technical and in-kind support to PNGFA in developing PNG's forest base map including capacity development in GIS/remote sensing capabilities and improving related hardware and software. It should be noted that support from SPC/GIZ and Japan/JICA were technical and in-kind support and not actual cash commitments.

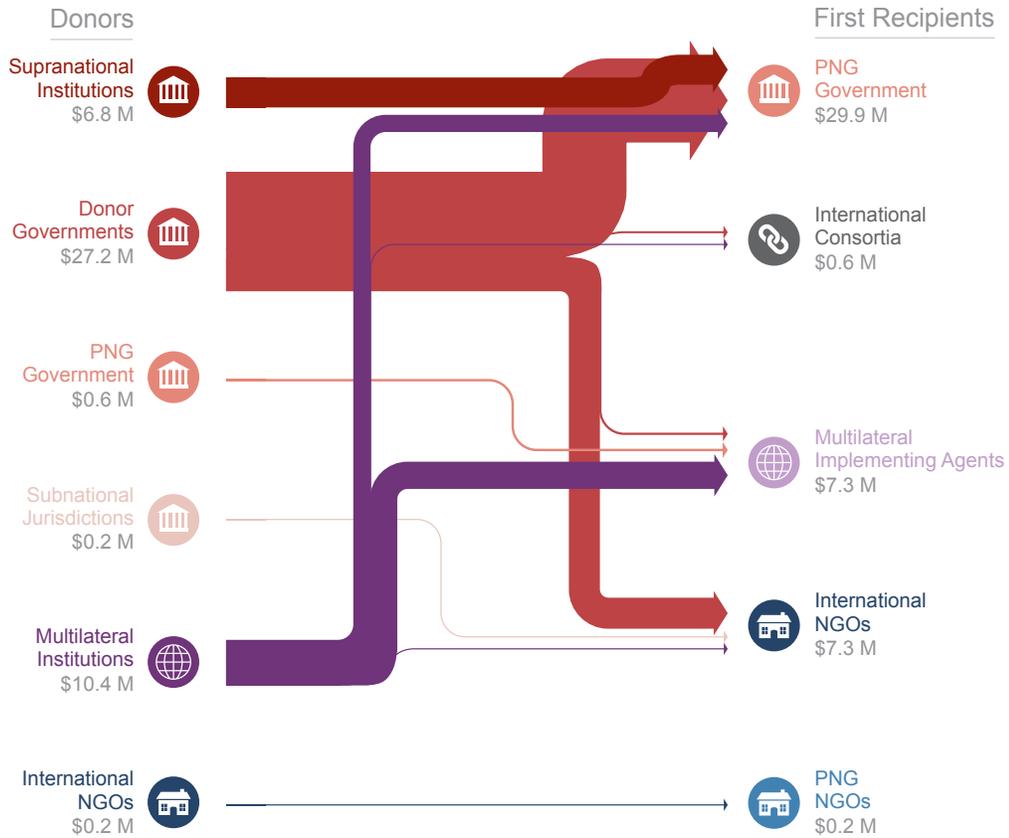
Support from Norway via the Norwegian Agency for Development Cooperation (NORAD) went mainly to Transparency International-PNG (TI-PNG) to implement its programs on REDD+ Governance and Finance Integrity/Preventive Anti-Corruption measures in REDD+. The two main projects under USAID have been the regional LEAF Program and the Mangrove Rehabilitation for Sustainably Managed, Healthy Forests (MARSH) Program.

The UN-REDD support to PNG is the most important multilateral funding which is being further boosted with an additional funding commitment from the WB FCPF. Other multilateral support includes the International Tropical Timber Organization (ITTO) and UNFAO. The EC is the only supranational institution providing funding. Commitments from the Rainforest Foundation Norway (RFN) represent the sole funding from international NGOs, while funding from the PNG government and subnational jurisdictions is limited to specific REDD+ programs and projects. Also, REDD+ funding from private sector sources is limited, and where it exists, information is not readily available and therefore has not been included in this report.

As shown in Figure 2 below, for funding from donor governments, the majority (70%) is going to PNG national government agencies. International NGOs receive the second largest allocation (26%) while multilateral implementing agents and international consortia receive only less than two percent, respectively. In regards to funding from multilateral sources, 60% supports multilateral implementing agencies such as UNDP, FAO and UNEP as in the case of the UN-REDD Program. About 38% of this funding was allocated to PNG national government agencies and less than 2% was allocated to international NGOs and international consortia, respectively.

The only funding from supranational institutions, in this case the EC went to the PNGFA to develop a multi-purpose NFI. All co-financing from Go-PNG and subnational jurisdictions supported multilateral implementing agents and international NGOs, respectively. Only one international NGO, RFN fully supported PNG's local NGO, the Eco-Forestry Forum (EFF) to conduct REDD+ stakeholder engagement and advocacy.

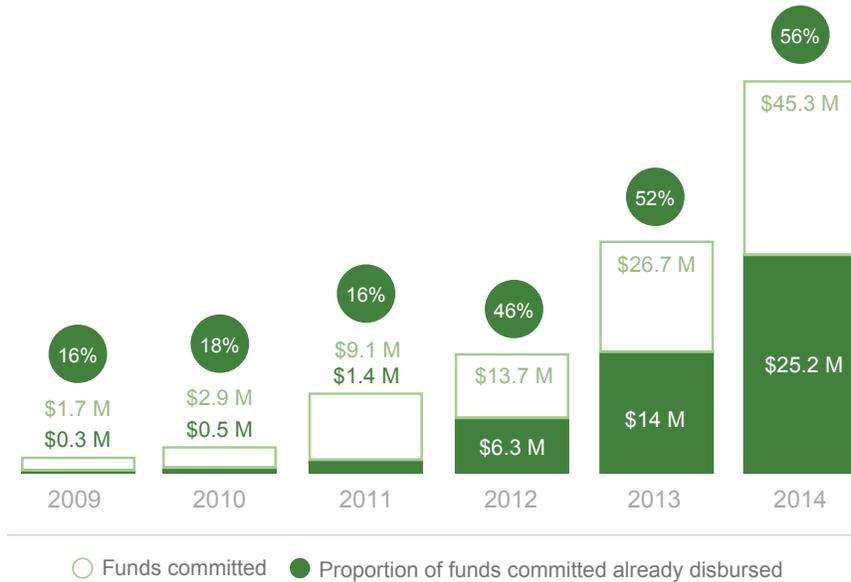
Figure 2. Total Donor Commitments to First Recipients: Sector-to-Sector Correlation



Levels of REDD+ Finance

Figure 3 below shows a slow start in commitments between 2009 and 2010, but commitments increased gradually by 2011. Major disbursements did not start until 2011, consistent with the inception of the UN-REDD Program. More commitments were made as of 2012, and commitments grew significantly in 2013 and 2014, while disbursements gradually increased between 2011 and 2014.

Figure 3. Cumulative Commitments and Disbursements by Year



Donors

Figures 4 and 5 provide an overview of total commitments and disbursements by donors between 2009 and 2014 including a donor map, aggregating by donor country and continent (Figure 5). All donor governments have timely disbursements with over 50% of funds already being disbursed. This includes Australia (96% disbursed), Germany (100% disbursed), Japan (approximately 70% disbursed), Norway and USAID (56% disbursed each). Germany has fully disbursed its funds and technical support through SPC/GIZ to PNGFA and also to the Tree Kangaroo Conservation Project (TKCP) and YUS Conservation Area. The Japanese Government's grant support to PNGFA including the first JICA technical cooperation project was completed in 2014. Please note that it was assumed the total committed from Japan for technical/in-kind assistance was fully disbursed since the project was completed in 2014, although actual disbursement details were not provided by JICA, despite multiple attempts. A second JICA project began in 2014 and will end in 2019.

Norway's support to TI-PNG through NORAD is somewhat behind schedules due to new disbursements being dependent on completion and submission of project reports. For USAID funded projects, the LEAF Program will be completed towards the end of 2015 while the MARSH Project pre-maturely ended. Consequently, better data on disbursements through the full chain of in-country recipients should become clearer in future tracking.

Overall, 40% of funding was made available from the Asian Continent, 23% via international commitments such as the UN-REDD Program, 21% from Europe, 10% from Oceania and about 6% from North America.

Figure 4. Donor Commitments and Disbursements

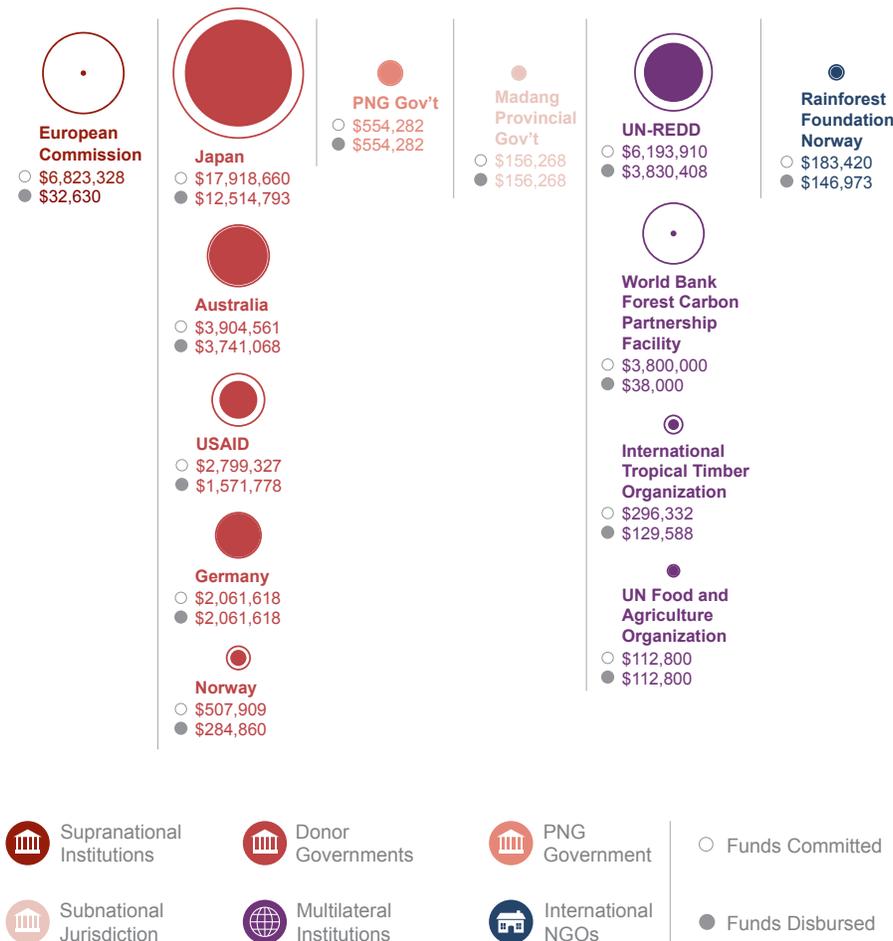
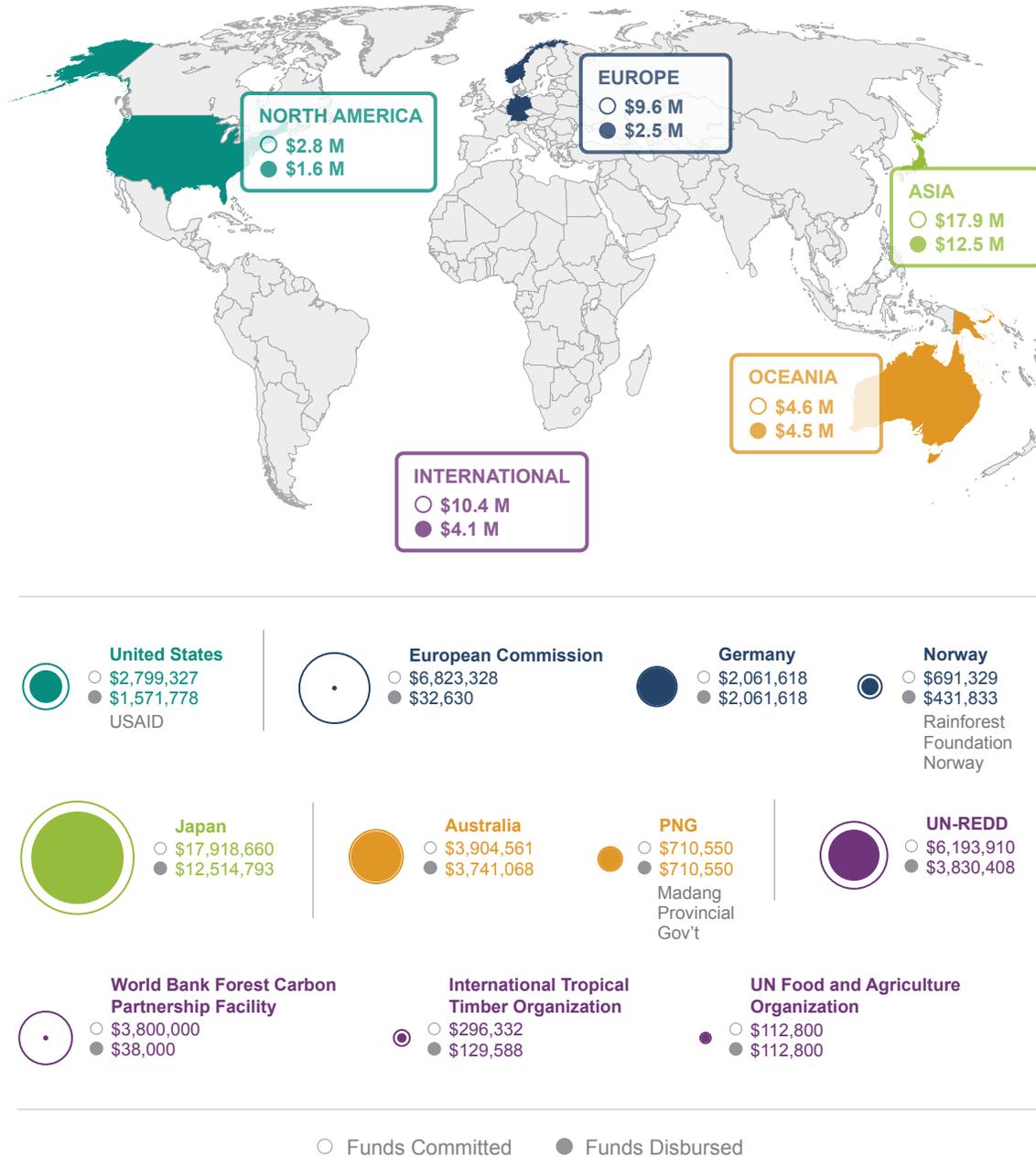


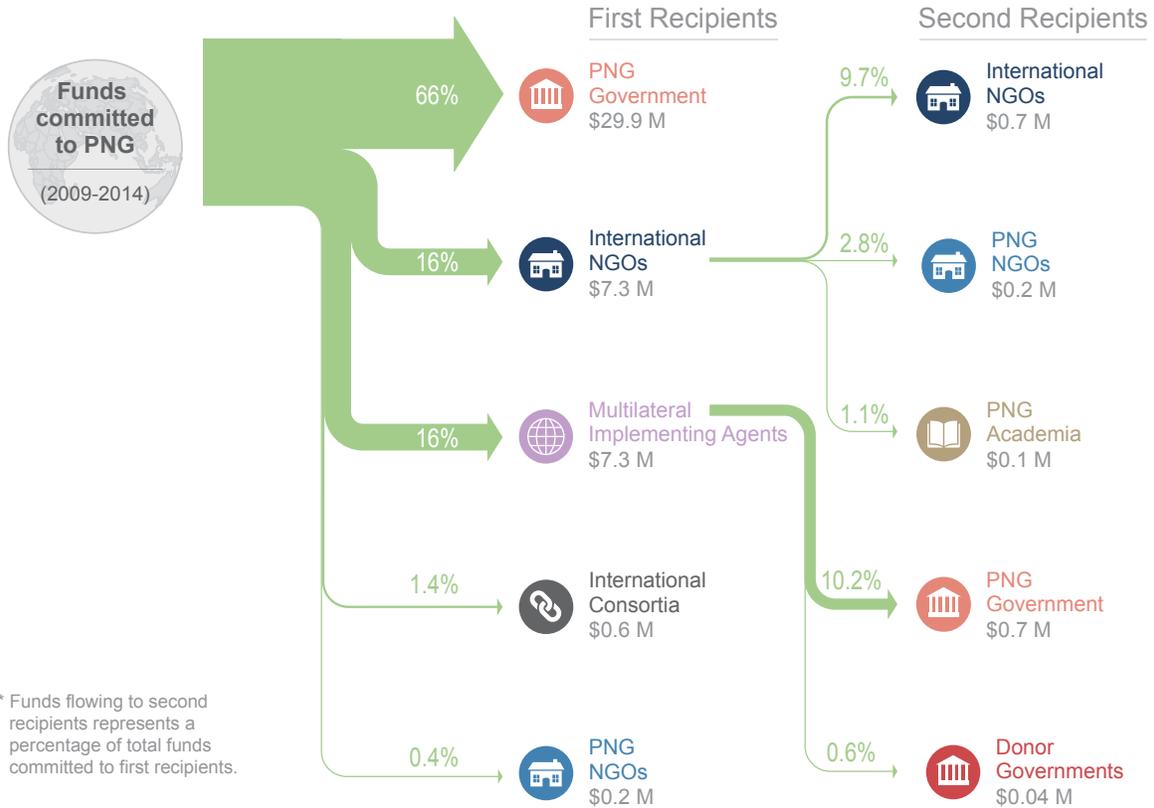
Figure 5. Donor Map: Total Committed and Total Disbursed



Recipients

Figure 6 shows that by 2014, Go-PNG was committed to receive over US\$30 million (66%) as first-tier recipient followed by international NGOs and multilateral implementing agents both equally receiving US\$7 million (16%) while international consortia and national NGOs received funds that amounted to less than 2%. Total second-tier commitments totaled about US\$1.8 million. From these, 10% respectively was committed by multilateral implementing agents to Go-PNG, and international NGOs to other international NGOs. Total second-tier commitments from multilateral implementing agents to donor governments, international NGOs to national NGOs, and international NGOs to national academia were each less than 3%. It should be noted that second-tier commitment and disbursement details are likely not fully accounted for in this report as this information is difficult to obtain, and it is possible that more information can be made available through future tracking.

Figure 6. Funding to Primary and Secondary In-Country Recipients



In Figure 7 below, commitments by recipients generally show an increasing trend from 2009 to 2014, although less overall commitments were made in 2012. This increasing trend is reflected in the commitments made by donor governments as shown in the years 2010 (US\$1.2 million), 2013 (US\$11 million) and 2014 (US\$17 million). Multilateral agencies made the highest commitment in 2011 with more than US\$6 million while international NGOs made commitments across all the years except in 2010 and 2011, with the highest commitment (US\$3.8 million) made in 2012. National NGOs and international consortia have made very little commitments at about US\$0.2 million and US\$ 0.5 million, respectively.

Figure 7. Annual Commitments to Recipients (Not Cumulative)



REDD+ Activities

Figures 8 and 9 depict the type and number of REDD+ activities supported by donor initiatives. Stakeholder engagement and institutional strengthening are supported by all donor types while none of the donor initiatives have supported carbon offsets and performance-based payments. This could be due to PNG being at the initial REDD+ Phase One: Readiness stage, even as it gradually transitions through to advanced readiness and into Phase Two: Piloting, in which REDD+ policies, laws, strategies and programs are being developed and tested. Phase Three is when actual payments for verified performance should eventuate via full national REDD+ implementation.

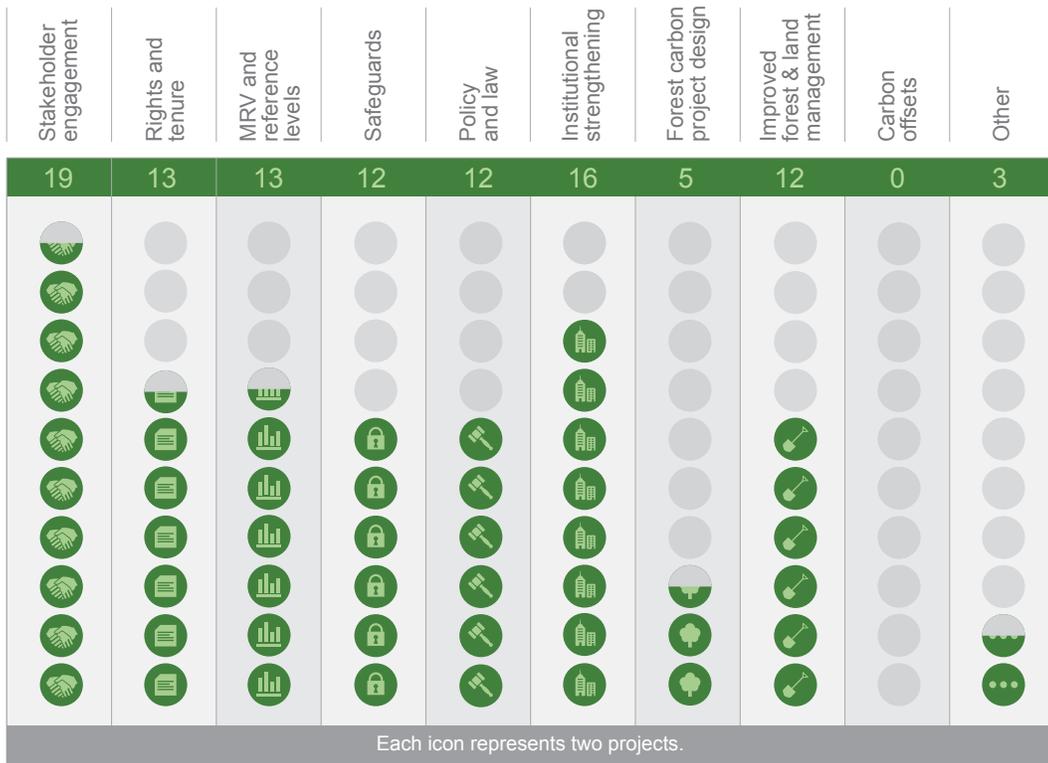
Policy and law analysis is supported by all donor types except by supranational institutions; MRV and reference level development is supported by all donor types except international NGOs; and rights and tenure is supported by all donor types except supranational institutions. Funding from donor governments and the PNG Government support all REDD+ activities except carbon offsets/performance-based payments.

Figure 8. REDD+ Activities Supported by Donor Sectors

	Stakeholder engagement	Rights and tenure	MRV and reference levels	Safeguards	Policy and law	Institutional strengthening	Forest carbon project design	Improved forest & land management	Carbon offsets	Other
 Supranational Institutions	✓	✗	✓	✗	✗	✓	✗	✗	✗	✗
 Donor Governments	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓
 PNG Governments	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓
 Subnational Jurisdictions	✓	✓	✓	✗	✓	✓	✗	✓	✗	✓
 Multilateral Institutions	✓	✓	✓	✓	✓	✓	✓	✓	✗	✗
 International NGOs	✓	✓	✗	✓	✓	✓	✗	✗	✗	✗

As Figure 9 shows, stakeholder engagement is supported by 19 of the 20 total donor initiatives, and institutional strengthening is supported by 16 donors. Thirteen donor initiatives support MRV and reference level development, and rights and tenure, while 12 donors support policy and law analysis & development, safeguards, and improved forest and land management to reduce deforestation and degradation. Only five donors support forest carbon project design, while three donors support other types of REDD-related activities.

Figure 9. Number of Donor Initiatives Supporting Various REDD+ Activities



Challenges

The REDDX initiative through Forest Trends is the first REDD+ finance tracking initiative in PNG and as such, the initial attempts at data collection required more time than expected. Consequently, two validation workshops were held in which the first meeting, held in 2014, served firstly to provide awareness about the REDDX project to stakeholders and secondly to validate the 2009–2012 data. A second meeting, held in the summer of 2015, allowed stakeholders to evaluate and inform the 2009–2014 updated data. Generally, conservative assumptions were made in instances where information on REDD+ financial flows was not readily available. In future tracking efforts validating data that relied on assumptions should be prioritized.

Relatedly, different donors characterize activities differently, and expenditures (e.g. indirect costs, overheads and administration costs) can be difficult to compare. Consequently, the funding amounts initially allocated do not always remain the same during actual implementation and when measuring against set objectives.

Tracking second or third tier recipients and specific activities was not possible during this project and needs to be captured in future tracking. In addition, funding through the Go-PNG under the Public Investment Program arrangement is important, and therefore needs to be thoroughly accounted for in future studies. While the private sector is regarded as an important potential source of funding, its involvement has been limited; and, if projects were developed, very little information is publicly available. Current REDD+ planning and strategies need to ensure appropriate mechanisms are integrated that encourage greater private sector involvement with REDD+ in PNG.

In terms of disbursement rates, most donor commitments are currently managed through Trust Funds and disbursements may be slow due to regulatory or administrative requirements of the donors or host institutions that are managing funds. This is especially true when dealing with large sums of money where the transfers or disbursements to recipients can take longer periods of time. In addition, a robust REDD+ or overall climate finance fund management mechanism for REDD+ in PNG is yet to be developed.

A national REDD+ strategy for PNG still needs to be formalized and in its absence, the UN-REDD Program Document and the WB FCPF R-PP are the only REDD+-specific documents that outline national plans and programs including a national phased approach to REDD+. From the outset, there are obvious gaps for bridging jurisdictional or project-level REDD+ initiatives with national level policies and strategies. For instance, a national MRV and forest reference emission level that links to subnational and project scale forest monitoring is yet to be developed. There is still a lot of uncertainty on REDD+ benefits, especially interim ecosystem-based incentives for local communities to maintain local interest in forest protection in light of increasing pressure from extractive industries. An increased and well-coordinated engagement of stakeholders and capacity building including the development of REDD+ safeguards, particularly at the provincial and community levels as well as between and amongst different key sectors, is important. Further funding may be needed to drive activities in some of these key areas and swiftly propel PNG into Phase Two of the REDD+ process.

Recommendations

A formal REDD+ financial reporting system for PNG is highly recommended and should become part of a national REDD+ database and information system. Under this system which ideally will be managed by OCCD as the responsible national government agency, all donor agencies and recipient organizations will be required to provide detailed data and reports on the status of their respective REDD+ financial expenditures including the specific programs or activities being supported. This will assist in easily tracking REDD+ financial flows and generate insight on trends in REDD+ development. In addition, tracking can also enhance effective coordination and streamlining of various donor initiatives with ongoing national REDD+ plans and programs, and identify potential gaps where new funding would be needed.

The issue of trust and transparency around managing donor funds is important and can affect the efficacy in which REDD+ activities are implemented. It is recommended that any trust fund mechanism that is developed for REDD+ be designed in a manner that is accountable and transparently managed.

In conclusion, future REDD+ tracking should validate expenditure data for specific activities, although conservative estimates have been made where detailed information was not available. A positive trend is shown in terms of increased commitments especially from donor governments, multilateral and supranational institutions up to 2014 and beyond. However, the current status of limited engagement from the private sector is gloomy. Private sector financing will become increasingly important in the future as costs for addressing climate change will likely increase. Therefore, creating the enabling environment for private sector investment and fostering meaningful public-private partnerships will become indispensable.



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Business and Biodiversity Offsets Program, developing, testing and supporting best practice in biodiversity offsets



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Communities and Markets

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