
EUROPEAN FOREST INSTITUTE

TENDER SPECIFICATIONS

PROCUREMENT REFERENCE NUMBER (11-15.2-2021-EFITAP)

Forest Sector Economic Diagnostic study in Papua New Guinea

1. TERMS OF REFERENCE

1. Introduction

The UK's Forest Governance Markets and Climate (FGMC) programme is a global programme supporting Forest Law Enforcement, Governance and Trade. It supports sustainable forest governance in the Pacific through a Regional Forest Governance Programme, managed by the European Forest Institute's Technical Assistance Project (EFITAP). The programme supports activities in Papua New Guinea (PNG), the Solomon Islands (SI), Fiji and other Pacific Island countries.

As part of the short-term support activities under this programme, EFITAP is seeking the services of a contractor to construct a 'forest sector economic, social and environmental diagnostic model' in PNG. The model will take stock of the current status of PNG's forest resources and forest industry, and consider a Business As Usual (BAU) scenario, as well as a limited number of new forest management options, within the context of PNG's unique social and traditional land ownership.

Conceptual background to the study

First and foremost, forests in PNG are essential for the life and well-being of the customary landowning communities that are its custodians. Rural communities depend on forest products and environmental services like water, food, building materials, and medicine, and have strong cultural and spiritual connections to the forest. This means forests in PNG have a very large socio-economic value, which to date has not been considered or captured in economic diagnostic studies for the forest sector.

Trees and forests are also a store of **natural capital** from generations of biomass accumulation. Entitlement to the natural capital embedded in trees and forests and to the benefits forests provide (either standing or cut) is subject to customary, legal and contractual rights, rules and norms that are recognized in the Constitution of PNG. The Forestry Act 1991 provides for the alienation of timber harvesting rights, and the Climate Change Management Act (2020 amended) includes alienation of carbon rights. The manner in which timber rights are alienated is often contested, both for its perceived fairness and the legitimacy of the allocation process. The possibility of recognising the alienation of carbon rights is a new concept but has already been the topic of serious debate and controversy.

The **economic value** of trees and forests is multi-fold. Trees not only provide raw materials for industry and domestic purposes but also revenue and royalties for government and livelihoods for those that live in or near forests or are dependent on the raw materials from forests. As well as these immediate revenue values, trees have economic values as stores of carbon, as providers of ecosystem and cultural services and as habitats for biodiversity and scarce non-timber forest products, foods and medicines.

Forest management and usage decisions present **time-preference issues** for different stakeholders and involve inter-generational considerations. The benefits of forests are not limited to current generations; access to future benefits may be foregone to future generations, based on today's management and investment decisions, whether formal or informal. Restoring high value, intact, tropical hardwood forests requires centuries of time, if even possible; however, on the other hand,

ignoring the value of sustainably-managed forests will deprive current generations of the materials on which their livelihoods are dependent.

The economic, social and environmental values associated with forests and timber usually exceed the fiscal and financial values set out in the national legal framework. The exclusion or undervaluing of these “externalities” in the valuation of the natural capital of the forests, results in management and investment decisions that do not fully reflect the true value of forests and nature.

The **distribution of forest benefits** and the **rights to forest capital** are determined by rights, rules and norms. The rights related to the traditional uses of forests, i.e., for livelihood are clearly defined under custom. The rights related to the timber industry are clearly captured in laws and regulations, yet are often contested and challenged by the customary landowning communities and civil society, due to problems with implementation and enforcement of laws and regulations. Various stakeholders, at different levels play a role in protecting, maintain and monitoring activities in the forest sector. Newly recognized and emerging forest benefits bring new claims to the rights to forest capital; customary landowning communities, concessionaires, governments (national and sub national), users of ecosystem services - all have claims. Some of these rights are defined in law; others are traditional or customary rights or norms. As a result, the de facto distribution of economic benefits is likely to differ from the legal framework.

Decisions that affect the flow of benefits over time and between both current stakeholders and future generations are inherently political, involving trade-offs that cannot be left to individual actors and must therefore be taken collectively. Such decision-making needs to be underpinned by exploring current data and more analytical studies as to the implications over time of current situations and possible future forest management and related policy options. This study is designed to provide a socio-economic analysis of the sector that values the full range of natural benefits and recognises all stakeholder interests and will deepen stakeholder understanding of the sector as a whole.

2. Objectives of the assignment

The objective of the study is to understand projected socio-economic and economic benefits of PNG’s national forests and the distribution of benefits and services between different stakeholders at all levels under both current and alternative forest management and policy options.

The desired impact of the study is to:

1. **Inform** policymakers and stakeholders as to the outcomes of different forest sector policy, regulatory and fiscal regimes.
2. **Maintain interaction** and stimulate discussions between different stakeholder groups around a better / deeper understanding of forest sector options.

3. Scope, tasks and methodology

The scope of this assignment is defined by the following four expected outputs:

1. A **forest sector model and analysis** comprising an assessment of current and projected future

(over the next 30 to 50 years) of the:

- a. social, economic and environmental values and nature of PNG's forest lands; their current value and significance and projections of social, economic and environmental benefit flows;
 - b. financial flows associated with the current and different fiscal arrangements;
 - c. distribution of socio-economic, economic and financial benefits de facto and de jure: the current distribution and projected distribution under current rules and norms.
2. A series of staged **presentations** to a multi-stakeholder group / panel, allowing space for the group to discuss and present queries and questions that require reruns of the model with results presented back to the group / panel.
3. A **final report** presenting:
- a. the results / outputs of the economic model of the forest sector, clearly setting out the assumptions used to construct the model, the prices and values used to parameterise the model, an analysis of the likelihood of these assumptions holding true for both the current scenario and a limited number of alternative scenarios; and
 - b. the methodology used to construct the model.
4. The **forest sector economic model itself** should be in a format that allows relatively easy access and understanding (MS Excel or similar) and with clear Guidelines on how to access and use it.

The forest sector model should be constructed to:

- Be realistic, reflecting the institutional arrangements (including ownership and other rights) in PNG with parameters that can be adjusted to reflect policy and management decisions made in both national and sub-national governments,
- Include alternative scenarios based on different policy options, assumptions and values. Set out clearly the legal and policy framework and assumptions for each of the scenarios.
- Be high level and general and not overly detailed or unnecessarily accurate (simulation models of this sort are by their nature general and the results often more dependent on assumptions than very accurate base data),
- Provide results in an easily communicable form to a wide range of stakeholders, with clearly stated assumptions underlying the model and an analysis of the key drivers determining the results of the model,
- Provide both financial and economic¹ results based on different values / prices (including testing a range of values for CO₂ and Eco-system services (ESS) - see Dasgupta, 2020 and other studies and different Discount / Time Preference Rates, and
- Use data from readily available or published sources.

As part of their technical proposal, Contractor is expected to propose an approach for the assignment, including a more detailed sequence of activities and tasks, and their timing, taking into account that the assignment must include the following broad tasks:

¹ Economic values include the “true” value of timber, NTFPs, CO₂, ESS, etc. associated with forests. Financial values relate to fiscal rates and market prices.

- Conceptualisation / planning
- Data collection
- Modelling and running scenarios
- Presentations
- Write up of the final report

We estimate inputs of around 100-120 person days in total for the assignment, of which around 45 days would be for modelling and running scenarios.

The phases of the assignment should be designed to ensure national ownership and **stakeholder engagement**. Contractor will be expected to maximise opportunities to engage with the multi-stakeholder group / panel (platform), currently under consideration. The following stages / workshops are indicative of such a process:

- a) **Conceptual framework:** Sharing the background and purpose of the study and agreeing on an outline of the “conceptual framework” to be used and setting out the typology of benefit flows and types of stakeholders.
- b) **Business-as-usual presentation:** Sharing the first run of the model, showing the dynamics of projected benefits over a 30-to-50-year period, under a set of business as usual (BAU) assumptions.
- c) **Current distribution:** An initial analysis of the socio-economic costs and benefits and their distribution as a result of the current (BAU) assumptions.
- d) **Subsequent presentations:** These will respond to issues and queries raised by the group / panel in the initial BAU presentations and present new or revised runs of the model under different scenarios / assumptions, showing gains and losses to different actors under different policy options.
- e) **Final presentation:** This presentation would present the final results from both BAU presentations and any plausible scenarios the group requests the team to prepare.

Contractor will liaise and work closely with the FGMC-EFITAP Forest Governance Facilitator based in Port Moresby. The Forest Governance Facilitator is tasked with mapping the institutional landscape and scoping the possibility of establishing a multi-stakeholder platform to deliberate widely on forest sector governance reforms. This process has already begun but has not been finalised. However, it is critical that the economic study is owned by such a national group or a panel representing this group.

Although the TOR emphasises the need to engage with and encourage collective ownership by a multi-stakeholder group / panel, Contractor must remain **professionally independent** of any interest group. This independence will be critical to the validity and usefulness of the results.

5. The personnel for this assignment

The study could be undertaken by a team of 2-3 experts. At least one of the experts must be able to engage in national processes in PNG and attend meetings of the stakeholder group / panel to ensure maximum use of the model.

6. Timetable and reporting

The study will be completed by the end of March 2022.

Within one week of starting the assignment, Contractor will develop a work plan in consultation with the PNG Forest Governance Facilitator which sets out milestones (for intermediate and final products) in line with the stakeholder engagement plan.

Contractor will keep EFITAP lead, based in Barcelona, informed of progress of the assignment. An inception meeting will take place to review Contractor's workplan within two weeks of starting the assignment. Regular weekly meetings will be organised with EFITAP lead, FGMC representative(s) and the PNG Forest Governance Facilitator.

2. TENDER DOCUMENTATION

2.1. Administrative Documentation

The tender shall include the following documentation, properly filled out and signed:

- Cover letter (Annex 1)
- Identification form (Annex 2) including supporting documentation
- Bank identification form (Annex 2a)
- Declaration on Exclusion Criteria and Absence of Conflict of Interest (Annex 3)
- Nomination of Expert form (Annex 4)
- Minimum criteria declaration (Annex 5)

The consortium agreement (Annex 6) shall be included, properly filled out and signed, if the tender is submitted jointly by a consortium of economic operators. The consortium agreement (Annex 6) shall not be included if the tender is submitted by a single Tenderer proposing subcontracting of tasks.

2.2. Technical Proposal

In order to evaluate the tender against the minimum criteria and the award criteria A.I. – A.II. in section 3.1. and 3.2., the Tenderer shall submit a technical proposal consisting only of the following elements:

- 1) A **nomination** of the 2-3 Experts to carry out the tasks in the Terms of Reference. The proposal must clearly nominate a Team Leader who will be responsible for the coordination of the study. The roles of all team members must also be defined in the proposal.

The Technical Proposal shall include CV of the nominated Experts.

The Tenderer shall be able to certify the information contained in the CVs for the nominated Experts at EFI's request.

The CVs shall have all the information as in the EuroPass CV

<https://europass.cedefop.europa.eu/documents/curriculum-vitae>

The Tenderer can use the EuroPass CV template or its own CV template.

- 2) A **description** of no more than three pages, **making reference to the Terms of Reference and the previous experience of the Experts** showcasing understanding of the aims and the context of the tasks, **addressing the following topics:**

- Experience of similar economic modelling developed by the member(s) of the team, including quantitative data management skills and
- Knowledge and access to data on decision-making and rules in PNG on forest land use, management, and trade
- Ability to engage with the (not yet formed) multi-stakeholder group / panel to ensure ownership and use of the model, in collaboration with the FGMC-EFITAP Forest Governance Facilitator

- 3) A presentation** of no more than four pages on the Tenderer's methodology for the assignment – building upon the Terms of Reference and the experience of the Expert – addressing the following elements:
- Approach for development of the economic model and analysis, including:
 - i. Overall study design, detailed timing and sequence of activities and tasks.
 - ii. Approach for stakeholder engagement and to ensuring the professional independence of the experts/team throughout the assignment
 - An analysis of risks and mitigation measures in relation to eventual COVID-19 impact on the implementation of the assignment

2.3. Financial Proposal

The Tenderer shall submit a financial proposal, which shall be completed by using the form in annex 7 and by following the instructions therein.

The full general conditions applicable to the payment of fees and per diem as well as the reimbursement of costs can be found in annex 8 (model contract).

3. EVALUATION OF TENDERS AND AWARD OF THE CONTRACT

3.1. Minimum Criteria

Each expert nominated must meet the following criteria:

| N° | Criteria description |
|--------|---|
| M.I. | University (Masters or other post graduate degree) in economics, social science, public policy, governance, natural resources management or a relevant, directly related discipline |
| M.II. | Five (5) years' work experience in natural resource economics and/or natural resource management. |
| M.III. | Understanding, speaking, and writing English as demanded with respect to all tasks covered by the Terms of Reference. |

The team collectively must meet the following criteria:

| N° | Criteria description |
|-------|---|
| M.IV. | <p>Experience of developing an economic model:</p> <ul style="list-style-type: none"> i. that allows different "what-if" scenarios to be easily run by separating: <ul style="list-style-type: none"> a. drivers and other data inputs, b. model relationships and fixed parameters in the model, and c. output reports. ii. that provides a user-friendly interface which allows a competent excel user to be able to make adjustments to drivers and assumptions. |

Tenders not fulfilling the minimum criteria will be rejected.

3.2. Award Criteria

Tenders which fulfil the minimum criteria will be evaluated using the following award criteria:

| A. Technical component (maximum 75 points) | | |
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| N° | Award criteria | Max points |
| A.I. | Understanding of the aims and the context of the tasks | 60 |
| i. | Experience of similar economic modelling developed by the member(s) of the team, including quantitative data management skills and | 35 |

| | | |
|--------------|--|-----------|
| ii. | Knowledge and access to data on decision-making and rules in PNG on forest land use, management, and trade | 15 |
| iii. | Ability to engage with the (not yet formed) multi-stakeholder group / panel to ensure ownership and use of the model, in collaboration with the FGMC-EFITAP Forest Governance Facilitator | 10 |
| A.II. | Proposed methodology for the assignment | 15 |
| i. | <p>Approach for development of the economic model and analysis, including:</p> <ul style="list-style-type: none"> a) Overall study design, timing and sequence of activities and tasks. b) Approach for stakeholder engagement demonstrating ability of the contractor to engage in national processes in PNG and attend meetings of the stakeholder group / panel c) Approach to ensuring the professional independence of the team throughout the assignment. | 12 |
| ii. | An analysis of risks and mitigation measures in relation to eventual COVID-19 impact on the implementation of the service | 3 |

The Technical component (TC) is calculated according to the following formula:

| |
|--------------------------|
| TC = A.I. + A.II. |
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Tenders must receive a score of more than half of the maximum Technical component to be considered qualitatively acceptable.

Tenders not considered qualitatively acceptable will not be considered further.

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| B. Financial component (maximum 25 points) |
|---|

Tenders presenting a total financial proposal (Fo) superior to the maximum contract value of EUR 80,000 will not be considered further.

For tenders being considered, the Financial component (F) is calculated according to the following formula:

$$F = (F_{min} / F_o) \times 25$$

where

F_{min} is total sum in the tender in the evaluation with the lowest total financial proposal; and

F_o is the total sum in the financial proposal being considered.

C. Most economically advantageous tender

A combined score (CS) will be calculated according to the following formula:

$$CS = TC + F$$

The Tenderer with the highest combined score (CS) for Technical component (TC) and Financial component (F) will be awarded the Contract.

Where two or more tenders have an equal combined score the contract will be awarded according to the highest score for the financial component (F).

ANNEXES

| | |
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| Annex 1 | Cover letter |
| Annex 2 | Identification form |
| Annex 2a | Bank identification form |
| Annex 3 | Declaration on exclusion criteria and absence conflict of interest |
| Annex 4 | Nomination of Expert form |
| Annex 5 | Minimum criteria declaration |
| Annex 6 | Consortium agreement |
| Annex 7 | Financial Proposal form |
| Annex 8 | Model contract |