

PNG FORESTRY REVIEW TEAM

AUDITING FORESTRY PROJECTS CURRENTLY "IN PROCESS" FOR COMPLIANCE WITH THE REQUIREMENTS OF THE POLICY, THE FORESTRY ACT AND OTHER REGULATIONS AND GUIDELINES

To: Government of Papua New Guinea
C/- The Interagency Forestry Review Committee
Office of the Chief Secretary to Government

From: Review Team

Date: 12 December 2000

Re: **INDIVIDUAL PROJECT REVIEW REPORT NUMBER 6**
WES (WEST SEPIK PROVINCE)

AUDIT CONCLUSIONS AND RECOMMENDATIONS:

RESOURCE AND PLANNING ISSUES:

The estimated sustainable yield is too small to support a financially efficient logging investment or a conventional stand alone log export project.

LEGAL COMPLIANCE:

Due process appears to have been observed.

LANDOWNER ISSUES:

The landowner awareness and ILG work undertaken by landowners themselves without NFS supervision is unsatisfactory.

RECOMMENDATIONS (INCLUDING CORRECTIVE MEASURES IF REQUIRED):

- That the matter of the proposed consolidation with South West Wapei be considered by the PNGFA Board after it has been referred to the Provincial Forest Management Committee and landowners for their input.
- That the NFS revisit the ILGs conducted so far to establish proper land groups, and at the same time carry out awareness on the status of the project.

That where the potential for a sustainable forestry project is confirmed:

- That the PNGFA seek expressions of interest in domestic processing options before consolidation aimed at a large scale log export operation.

Note: The individual project reports summarise the findings of the Review Team regarding material compliance issues, and present project specific recommendations for the consideration of the Interagency Forestry Review Committee. Separate reports produced at the end of the review process set out in more detail the audit procedures applied, and comments and recommendations regarding existing policies, legal requirements and project development processes.

REVIEW REPORT

SUMMARY PROJECT DETAILS:

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| Project type: | Forest Management Agreement / Timber Permit |
| Processing stage: | Formation of Incorporated Land Groups (ILGs) in progress. PNGFA field inventory undertaken. The PNGFA is considering this area for consolidation with the South West Wapei project area. |
| Gross FMA area (a): | 100,000 ha |
| Gross loggable area (a): | 48,000 ha |
| Net sustainable timber yield (a): | 21,000 m ³ /annum (b) |

(a) Anticipated. To be finalised once it is known which ILGs sign the FMA.

(b) Review Team estimate based on:

- Area information extracted from the PNGFA Geographic Information System (FIMS);
- Gross volume per hectare information from PNGFA field inventory work (FIPS);
- A standard reduction factor of 15% applied to gross loggable area;
- A standard reduction factor of 30% applied to gross volume per hectare; and
- A 35 year cutting cycle.

A. FORESTRY AND PLANNING ASPECTS

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| <p>1. SECTORAL PLANNING AND CONTROL</p> | |
| <p><u>PROVINCIAL FOREST PLAN</u></p> <ul style="list-style-type: none"> • PNGFA Board endorsed Provincial Forestry Plan exists: • Is the Provincial Forestry Plan current: • Is the Project listed in the Provincial Forestry Plan: <p><u>NATIONAL FOREST PLAN</u></p> <ul style="list-style-type: none"> • Is the Project listed in the National Forest Plan as required under s54 of the Act: | <p>Yes</p> <p>No – expired December 1999</p> <p>Yes</p> <p>Yes</p> |

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| <p>2. PROJECT DEFINITION IN FMA DOCUMENT</p> | |
| <ul style="list-style-type: none"> • Is the gross loggable area properly defined: • Has the total gross merchantable volume been properly estimated: • Has the net merchantable volume been properly estimated: • Have “Fragile Forest Areas” (OEC definition) been considered: • Have environmentally sensitive areas been considered: | <p>Not yet finalised. FIMS data indicates gross loggable area of 48,000 ha.</p> <p>Not yet estimated. FIPS data indicates a gross loggable volume of 26.2 m³/ha, but sample was small.</p> <p>Not yet estimated. Application of the standard gross volume reduction factor indicates a net loggable volume of 18.3 m³/ha.</p> <p>No, because there is no agreed position regarding fragile forest areas. There are negligible Fragile Forest Areas within this project area.</p> <p>Yes. Large scale Gazetted conservation areas are excluded from the FMA area. Small scale Gazetted conservation areas are identified and excluded from the gross loggable area. The</p> |

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| <ul style="list-style-type: none"> • Have conservation set asides been appropriately implemented: | <p>Logging Code prohibits logging in defined environmentally sensitive areas which are excluded when the gross loggable area is defined</p> <p>The standard FMA document reserves the right for the PNGFA to exclude up to 10% of the gross loggable area from logging for conservation purposes.</p> |
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| <p>3. ESTIMATE OF SUSTAINABLE CUT</p> | |
| <ul style="list-style-type: none"> • Has the sustainable annual cut been properly calculated: • Is the estimated sustainable yield sufficient to support a financially efficient logging investment (min 30,000 m3/a): • Is the estimated sustainable yield sufficient to support a stand-alone log export operation (min 70,000 m3/a guideline set by PNGFA Board): | <p>Not yet estimated by PNGFA. Preliminary data suggests a sustainable cut of 21,000 m3/ha.</p> <p>No</p> <p>No</p> |

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| <p>4. CONSISTENCY BETWEEN DOCUMENTS</p> | |
| <ul style="list-style-type: none"> • Is the area and volume data consistent between the FMA, the Development Options Study and the Project Guidelines: • Any other material inconsistencies regarding the resource: | <p>No documents prepared yet.</p> <p>Non found.</p> |

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| <p>5. ANY OTHER MATERIAL NON-COMPLIANCE REGARDING THE RESOURCE</p> | |
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| <ul style="list-style-type: none"> The standard cutting cycle assumed in the sustainable annual cut calculation. | <p>The National Forest Policy specifies a 40 year cutting cycle. In practice a 35 year cycle is applied. No explanation is available.</p> |
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RECOMMENDATIONS REGARDING FORESTRY ASPECTS:

1. SECTORAL PLANNING AND CONTROL

- That the PNGFA pro-actively assist the West Sepik Provincial Government update their Provincial Forest Plan (s49), and facilitate the inclusion of the updated Provincial Forest Development Programme (s49(2)(b)) into the National Forest Development Programme (s47(2)(c)(ii)) as required under the National Forest Policy (Part II (3)(b)) as the basis for the PNGFA's acquisition and allocation programme.

2. ANY OTHER MATERIAL NON-COMPLIANCE REGARDING THE RESOURCE

- That the PNGFA either base their sustainable cut calculations on a 40 year cutting cycle (as required under the National Forest Policy) or provide justification for adopting a 35 year cutting cycle.

B . LEGAL COMPLIANCE

SUMMARY

- A survey has been done and ILG work has commenced.
- There is a Minute on the file that suggests that the Board has resolved to acquire this resource and consolidate it with South West Wapei. No Board resolution to this effect has been sighted but the concept is a sensible one, if it meets with landowner acceptance.

RECOMMENDATIONS REGARDING LEGAL ASPECTS:

- That the work proceed as planned and that the prospect of consolidation with other adjoining project areas be explored with proper sensitivity to the wishes of landowners.

C. LANDOWNER ISSUES

| RESOURCE ACQUISITION | |
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| 1. Landowner Awareness | |
| <p>The Review Team was looking for evidence of an awareness package containing information explaining the purpose, benefits and otherwise to be expected from the project. This could include general conditions that could be used for all prospective projects.</p> | <p>No form of awareness was carried out in the area. The project is being negotiated on behalf of land owners by those who claim to be representing landowners.</p> |
| 2. Landowner Mobilisation | |
| <p>Landowners are required to be mobilised by means of the Land Groups Incorporation Act. The Review Team was looking to find evidence of full participation by landowners in the ILG process particularly with regard to:</p> <ul style="list-style-type: none"> • Recognition that the resources are owned by individual land groups and not collectives of land groups • The formation of representative bodies for project consultations and negotiations. | <ul style="list-style-type: none"> • ILG work in progress. • 74 ILGs have been set by landowners themselves, but are yet to be Gazetted. • Samples of ILGs sighted appear to be based on family units rather than clan groups. • It appears that forms were simply handed out to leaders to share and there was no supervision, let alone explanation. |
| 3. Forest Management Agreement | |
| <p>Must Specify:</p> <ul style="list-style-type: none"> • Monetary benefits for the customary group • Area in agreement by map | <p>Not yet drafted.</p> |

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| <ul style="list-style-type: none"> • PFMC certificate as to <ul style="list-style-type: none"> - Authenticity of the tenure of the customary land - Willingness of customary owners to enter into FMA • Review level of consultation with landowners | |
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This project is not yet at a stage where the resource allocation process has been initiated. Consequently no landowner issues relating to the allocation process have yet arisen.

Additional notes are presented in Appendix 1.

CONCLUSIONS REGARDING LANDOWNER ASPECTS:

The ILGs set up so far by landowners themselves have been ill conceived and should be verified before the area is progressed as an FMA.

That no awareness on the proposed status of the project was conducted.

RECOMMENDATIONS REGARDING LANDOWNER ASPECTS:

1. That the PNGFA revisit the ILGs set up so far to establish proper land groups.
2. At the same time PNGFA carry out awareness on the status of the project.

APPENDIX 1 : NOTES ON LAND OWNER ASPECTS

- Correspondence sighted give unclear statements as to whether Wes will be an extension to the South West Wapei, or Siau Batai or other areas. Can NFS manage the expectations of the land owners?