

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 11**
AMANAB BLOCKS 5&6 (WEST SEPIK)

AUDIT CONCLUSIONS AND RECOMMENDATIONS:

RESOURCE AND PLANNING ISSUES:

The project is not in compliance with the Act in that it is not listed in the National Forest Plan for development. The sustainable yield is sufficient to support a conventional stand alone log export project. A significant proportion (11%) of the forest is classified by the Office of Environment and Conservation as "fragile". Allocation of this project needs to take into account that access through the project area is needed to get to Amanab Blocks 1-4.

LEGAL COMPLIANCE:

The project may be compromised by the uncertainty surrounding its status as an extension or as a proposed consolidation.

LANDOWNER ISSUES:

Landowner mobilisation was led by a Landowner Company with little supervision by NFS – this is not a sound basis for future landowner decision making and partnership with PNGFA.

RECOMMENDATIONS (INCLUDING CORRECTIVE MEASURES IF REQUIRED):

That subject to the following recommendations, the project should be progressed.

- That the PNGFA update the National Forest Plan.

- That the PNGFA and the Office of Environment and Conservation negotiate a position regarding the harvesting of fragile forests for inclusion in the Logging Code of Practice.
- That the question of the project being treated as an extension for Vanim Forest Products Ltd or being consolidated with Blocks 1-4 be referred to the Board for resolution.
- That the Board address the issue of access to Blocks 1-4.
- That NFS validate existing ILGs and Landowner Companies as a means of awareness raising and empowerment.

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:

Project type:	Forest Management Agreement / Timber Permit
Processing stage:	Formation of Incorporated Land Groups (ILGs) completed. Forest Management Agreement drafted. Vanimo Forest Products Ltd has indicated that it wishes the area processed as an extension to the Vanimo project.
Gross FMA area (a):	297,000 ha
Gross loggable area (a):	272,000 ha
Net sustainable timber yield (a):	182,000 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

<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>No</p> <p>No</p>

<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: 	<p>No. A non-standard reduction of 30% applied to the gross FMA area provides an estimate of 195,000 ha. Application of FIMS data and a standard 15% reduction provides an estimate some 77,000 ha higher at 272,000 ha.</p> <p>No. Whilst a PNGFA field inventory has been undertaken the sample was very small. The resulting FIPS data indicates a mean gross loggable volume of 39.1 m³/ha, whereas a gross volume of 26.9 m³/ha has been applied in the FMA. PNGFA explained this as “human error”.</p> <p>No. A non-standard reduction factor of 15% applied to gross volume per hectare, and the net loggable area was significantly underestimated.</p>

<ul style="list-style-type: none"> • Have “Fragile Forest Areas” (OEC definition) been considered: • Have environmentally sensitive areas been considered: • Have conservation set asides been appropriately implemented: 	<p>No, because there is no agreed position regarding fragile forest areas. Exclusion of Fragile Forest Areas from logging would reduce the gross loggable area by 11% to 242,000 ha, and the estimated sustainable yield to 162,000 m³/a.</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 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. Data presented in the draft FMA indicates a sustainable annual cut of 140,000 m³/a. Review Team estimates indicate 182,000 m³/a, or 162,000 m³/a if Fragile Forests are excluded from logging.</p> <p>Yes</p> <p>Yes</p>

4. CONSISTENCY BETWEEN DOCUMENTS	
<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>Only a draft FMA has been prepared to date.</p> <p>Non found.</p>
5. ANY OTHER MATERIAL NON-COMPLIANCE REGARDING THE RESOURCE	
<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>

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.

- That the PNG Government direct the OEC and the PNGFA to determine a formal position on whether Fragile Forest Areas (OEC definition) may be logged, and incorporate the agreed position into the Logging Code.

2. PROJECT DEFINITION

- That the PNGFA check and amend if necessary the volume data and the calculation of the sustainable yield for this project.

- That the Board address the issue of access to Amanab Blocks 1-4.

3. 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 OF LEGAL COMPLIANCE:

- Survey work appears to have been undertaken in late 1999 and there is evidence that ILG work is currently underway.
- An FMA exists in draft form and the PFMC appears to have been briefed on the progress of the project.
- A letter from Vanimo Forest Products in May of this year indicates that the company will apply for the matter to be treated as an extension. There is no indication on the file that a formal application has been made. There is some confusion evidenced on the file as to how the NFS considers the project should best proceed. It is most often said that Amanab Blocks 5 and 6 will be consolidated with Amanab Blocks 1-4, which are advancing in the allocation process. Access to Blocks 1-4 is in fact through 5 and 6. To consider Blocks 5 and 6 as a possible extension may well impact significantly on the future operations in Blocks 1-4.

Some additional notes are presented in Appendix 1.

RECOMMENDATIONS REGARDING LEGAL ASPECTS:

- A firm and considered position on the status of the project as a consolidation or as an extension should be finally made by the Board. The access questions relating to Blocks 1-4 will have to be given due consideration. Vanimo Forest Products can then be told with certainty whether its application to treat the project as an extension to its current operations will be entertained.

C. LANDOWNER ISSUES

RESOURCE ACQUISITION	
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>Formal awareness patrols not signified. The following activities have occurred in the project area.</p> <ul style="list-style-type: none"> • Resource inventory in early 1990's completed about 1994. • Agrim Pty Ltd a Landowner Company (LANCO) purports to "own" Amanab Imonda Timber Area. • Moma LANCO wants Vanim Forest Products (VPF) as operator. Moma Resources discounted by PEC decision 2/95. • PEC wants tender in 1995. Sandaun Gov't funded the "acquisition" • Block 5 resource inventory Oct 1998. <p>In spite of these activities the isolation of the villages means that only LANCO officials are really aware of what is going on and what options are available.</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 	<p>Very uneven documentation. Some files show membership lists and property lists and others do not. Some admit to making decisions to incorporate with many and sometimes most of the clan members being absent. This a function of isolated areas and unwillingness of PNGFA officers to spend time in the field as facilitators.</p>

<p>project consultations and negotiations.</p>	
<p>3. Forest Management Agreement</p>	
<p>Must Specify:</p> <ul style="list-style-type: none"> • Monetary benefits for the customary group • Area in agreement by map • 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 	<p>Draft prepared. Standard terms. The only question would be the ability of the PFMC to authenticate tenure and willingness of the landowners given the poor level of consultation.</p>

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.

CONCLUSIONS REGARDING LANDOWNER ASPECTS:

Degree of landowner involvement is hard to gauge. Landowner companies for each area take a dominant role claiming to represent landowners. There is no way of knowing whether such LANCOS are set up in a representative manner. They are embroiled in deals and counter deals with existing and potential operators.

RECOMMENDATIONS REGARDING LANDOWNER ASPECTS:

- If LANCOS conduct ILG work then NFS must vet the LANCOS and the ILGs to validate representation.
- Also see general comments on LANCOS and ILGs for all projects reviewed.

APPENDIX 1 : NOTES ON LEGAL ASPECTS

Project Background

A request made in September 1999 for two botanists to participate in the survey work indicates that a survey was proposed for the period 12-31 October 1999.

In October 1999 a letter was sent to the Secretary for Lands enclosing documents relating to the incorporation of 9 ILG's. Other files confirm that ILG work is well underway.

In June of this year it appears that the PFMC was briefed on the progress of this project.

There are many indications on the files that the project will be consolidated with Blocks 1-4, which are well advanced in the allocation process. In recent times this has become less clear. Vanimo Forest Products indicated in May of this year that it would apply for the project to be treated as an extension to its current operations. This raises matters of real concern that require serious consideration by the Board.

Consolidation or Extension

It is clear from a Minute in August 1997 that the landowner awareness was to highlight the need for the project to be consolidated with Blocks 1-4. A subsequent letter confirmed that the consolidation was needed to "achieve sustainability and viability..."

In 1998 the Land Leasing Officer was told to "re-affirm the National Forest Service's commitment that all Amanab Blocks will be consolidated under one timber project".

In May 1999 the Provincial Forest Officer wrote to the Managing Director pointing out the access problems that Amanab Blocks 1-4 have and the need to acquire Blocks 5 and 6 to ensure that they would provide access to the other blocks. He asked for the survey work in Blocks 5 and 6 to be expedited.

In a sudden turn-around the General Manager (Dike Kari) advised that the survey work for Blocks 5 and 6 was not a priority. He noted that Blocks 5 and 6 might be consolidated or might be treated as an extension. He confirmed to the Provincial Forest Officer that all options would be left open.

This was properly a decision for the Board to make. The power to treat projects as an extension is a power that lies only with the Board. It was an appropriate time for the Board to limit options rather than for them to be opened up. The leaving open of options has an impact on the future operations in Blocks 1-4 due to the access difficulties, and also on the PNGFA's tendering of those Blocks. The Project Guidelines for Blocks 1-4 make no reference to the access problems or to the matter of consolidation with Blocks 5 and 6. A Board decision at this time will provide some real direction and certainty for all Amanab areas and for any persons interested in their development.

In May 2000 Vanimo Forest Products indicated that it would be making an application for Blocks 5 and 6 to be treated as an extension. There is no evidence that the application has been made. The issue should be referred to the Board now so that the company can

be given a clear answer and so that the access problems in Blocks 1-4 can be clarified and resolved before they become problematic.