

**REVIEW OF FOREST HARVESTING PROJECTS BEING  
PROCESSED TOWARDS A TIMBER PERMIT OR A  
TIMBER AUTHORITY**

-

**OBSERVATIONS AND RECOMMENDATIONS**

*Prepared For:*

**THE GOVERNMENT OF PAPUA NEW GUINEA  
C/- THE INTER-AGENCY FORESTRY REVIEW COMMITTEE**

*Prepared By:*

**THE INDEPENDENT FORESTRY REVIEW TEAM**

**OCTOBER 2001**

**NOTE:**

The output of the Review consists of the following:

1. Thirty-two individual project review reports which include project specific recommendations.
2. A report setting out the background for the review and the methodology adopted.
3. A report setting out overall review observations and recommendations for consideration by the PNG Government. This report may assist in defining the work program under the planned Forestry and Conservation Project which includes provision for a review of forestry sector policy, and planning and control mechanisms.

This report sets out the **Review Observations** and **Recommendations**.

# CONTENTS

	<b>Page</b>
<b>EXECUTIVE SUMMARY</b>	<b>i - vi</b>
<b>1. INTRODUCTION AND BACKGROUND</b>	<b>1</b>
1.1 The Objective of the Review	1
1.2 The Review Process	1
<b>2. POSITIVE FINDINGS</b>	<b>3</b>
2.1 Observance of Sustained Timber Yield Principles	3
2.2 Provincial Forest Plans	3
2.3 Forest Inventory Mapping System	3
2.4 General Administration of the PNG Forest Authority	3
2.5 Overall Processing of Projects by the PNG Forest Authority	4
2.6 Specific Instances of Positive Action During Project Development	6
2.7 Records of Incorporated Land Groups	7
<b>3. OUTCOMES OF INDIVIDUAL PROJECT AUDITS</b>	<b>8</b>
3.1 Objectives	8
3.2 Projects Being Developed Through A Forest Management Agreement and a Timber Permit	8
3.2.1 Methodology	8
3.2.2 Material Review Criteria	8
3.2.3 Summary Of Screening Against Material Review Criteria	8
3.2.4 Practical Harvesting and Marketing Considerations	15
3.2.5 Key Forest Resource Policy Decisions	16
3.2.6 Review Team Findings	20
3.2.7 Kerevat Plantation	31
3.3 Projects Being Developed Through a Timber Authority	31
<b>4. RECOMMENDATIONS</b>	<b>33</b>
4.1 Project Specific Recommendations	33
4.2 Recommendations to the Inter-Agency Forestry Review Committee	33
4.3 Recommendations Regarding the Compliance Audit of the 32 “In Process” Forestry Projects	34
<b>5. PRIORITIES FOR ACTION</b>	<b>38</b>
5.1 Compliance Audit Recommendations for Immediate Action	38
5.2 Compliance Audit Recommendations Requiring Priority Consideration	39
5.3 Compliance Audit Recommendations to be Implemented When Resources are Available	40

## **LIST OF APPENDICES:**

1. Location Map Showing 32 “In Process” Forestry Projects as at September 2001.
2. List of Submissions Received Regarding the 32 Draft Individual Project Review Reports and the Methodology Report.
3. Material Review Criteria.
4. Broad Discussion on Forest Resource and Planning Issues Including Suggested Simplifications and Improvements in the Policy and Procedures.
5. Broad Discussion on Legal Issues Including Suggested Changes and Improvements in the Legal Process and Requirements.
6. Broad Discussion on Landowner Issues Including Suggested Improvements in Dealings with Landowners and their Organisation.

## **ABBREVIATIONS USED IN THE TEXT:**

DLPP	Department of Lands and Physical Planning
EP	Environmental Plan
FCP	Forestry and Conservation Project
FIMS	Forest Information Mapping System
FIPS	Forest Inventory Processing System
FMA	Forest Management Agreement
IAFRC	Inter-Agency Forestry Review Committee
ILG	Incorporated Land Group
LANCO	Landowner Company
LGIA	Land Groups Incorporation Act
NEC	National Executive Council
NFB	National Forest Board
NFS	National Forest Service
OEC	Office of Environment and Conservation
PDL	Project Development Levy
PFMC	Provincial Forest Management Committee
PNGFA	PNG Forest Authority
TA	Timber Authority
TP	Timber Permit
TRP	Timber Rights Purchase
RoT	Registrar of Titles
WMA	Wildlife Management Area

# EXECUTIVE SUMMARY

## 1. PROJECT SPECIFIC ISSUES

### REVIEW OBJECTIVES

With regard to the new forestry projects being developed by the PNG Forest Authority, the **key objectives** of the review were to check that:

- Sensible sustainable timber yield and forest conservation imperatives are being met;
- The projects are being processed correctly in compliance with existing forest policy, laws and regulations, guidelines, processes and procedures; and that
- Forest resource owners are being appropriately informed and organised, and that resource acquisition and allocation contracts have the ability to meet landowner expectations.

The concern was that political pressure during the time of the previous Government aimed at “fast tracking” new forestry projects may have resulted in “short cuts” being taken. The current Government was sufficiently concerned that it imposed a moratorium on the further issuance of new Timber Permits and Timber Authorities pending (amongst other things) the findings of this review.

### MAIN FINDINGS

The **main findings** of the review are that:

- Successive Ministers for Forests have directed the PNG Forest Authority, generally through direct instructions to the PNG Forest Authority Board or Managing Director, to speed up the processing of new forestry projects. The Ministers may be acting at the direction of their political colleagues, and the intent may be to increase Government revenue through log export taxes, or to meet political or personal obligations. Other Ministerial directions to the PNG Forest Authority Board have targeted specific projects, and have supported an increase in the annual permitted harvest or the allocation of a new project to a preferred developer. These decisions are properly the domain of the PNG Forest Authority Board, and the Minister’s “directions” have been interpreted by many as political interference. Although the Minister’s choice of words may be ill advised (“I direct” rather than “I request”), there would seem to be no valid reason why Ministers should not express their or their Government’s wishes – the key issue here is how the Minister’s directions are dealt with.
- The PNG Forest Authority Board has attempted to accommodate the Ministerial directions to the extent possible, but has generally been rigorous in avoiding “short-cuts” or compromising due process. However, by attempting to respond to the political call for “more new forestry projects quickly”, the National Forest Service has initiated far more new project developments than it has the capacity to process properly. This has resulted in a large number of poorly considered and prepared projects, many of which are too small to support a sensible sustainable yield of logs and the delivery of benefits to

landowners. In these instances landowner expectations have been inappropriately raised.

- The PNG Forest Authority cannot perform its duties under the Act in isolation. In particular it requires the support of the Office of Environment and Conservation, the relevant provincial administration, a properly functioning Registrar of Titles, the Solicitor-General and the courts.

Although due process has generally been observed, the quality with which some of the essential steps have been dealt with has been less than acceptable. In particular:

- The quality of the land owner awareness work is being compromised, or sometimes even overlooked, and it cannot be said that landowners are making an informed decision or that their expectations are likely to be met;
- Where Land Group Incorporation has been undertaken by other parties the National Forest Service is too quick to accept this work without adequate checking; and
- The work being done by all parties in incorporating land groups is uniformly poor. The Registrar of Titles does not have the capacity to properly vet registrations.

Ensuring adequate time and resources are spent on these steps is essential given that they set the basis for a very long term contractual arrangement between the forest resource owners and the Government, which will no doubt be tested in due course. Land Group Incorporation is also seen by the Review Team as an approach to the mobilisation of customary land for uses much wider than just the forestry sector, and hence worthy of full Government support.

The review has also found that:

- There has been insufficient forest inventory resulting in unreliable forest resource descriptions; and that
- Insufficient care is taken with the resource descriptions set out in the Forest Management Agreements. In some instances these are wildly misleading.

For the former, it appears that National Forest Service management has not given sufficient priority or resources to adequate inventory. Had it done so it might have been reminded of the immensity of the task of preparing projects properly. The latter cannot be blamed on the pressure of too many projects, but is due to poor communication between the various sections of the National Forest Service Forest Planning Division, poor leadership and a lack of accountability by managers for the work of their staff.

The review further determined that:

- The Provincial Forest Management Committees are often inadequately verifying Incorporated Land Groups and the willingness of landowners to enter into the Forest Management Agreement; and that

- The Provincial Forest Management Committees are often failing to ensure that appropriate and correct landowner representatives from projects being considered are present at the relevant meetings.

Whilst in general policies, laws and proper procedures are being observed, there were four notable exceptions<sup>1</sup>. These are:

- The apparent illegal issuance and extension of the so-called Aiambak-Kiunga Timber Authority by a succession of Ministers since about 1995. Although the PNG Forest Authority has made attempts to close down this project, it has been constrained by a court order which bizarrely prevents the Authority from exercising its powers under the Act.
- Related to the above, the approval in December 2000 by the Minister for Forests, of forest clearing for a 635 km “Trans Island Highway”. This is outside the Minister’s authority. It was revoked by the Minister after receiving advice from the Board.
- The issuance of a permission to “set up base camp and construct advance roading” in the Pondo TRP area in 2001 by the PNG Forest Authority Managing Director in the absence of a Timber Permit or a Timber Authority.
- The issuance of a permission to harvest logs in the Tuwapu area in 2001 by the PNG Forest Authority Managing Director despite advice from the National Forest Service.

The latter three are in direct breach of the Government’s current moratorium on the issuance of logging permits. In the case of Pondo, the Managing Director later revoked his permission, and his action was duly noted by the Board. In the interim some 8,500 m<sup>3</sup> of logs with a value of Kina 1.4 million were exported<sup>2</sup>. In the case of Tuwapu the Board correctly directed the Managing Director (Board meeting 73 of 22 August 2001) to withdraw the permission given. A legal direction to cease operations was issued on 20 September. In the interim an estimated 13,000<sup>3</sup> m<sup>3</sup> of logs were exported. At current log export prices<sup>4</sup> this represents revenue to the log exporter of some K 2.6 million. These are not minor amounts.

Given that any non-observance of existing policy, laws, processes and procedures can be remedied by revisiting and addressing the non-observance, no projects were deemed to be fatally flawed.

The work of the Review Team has identified four “in process” projects which have the potential to become sensible viable log export projects (sustainable annual log yield of 70,000 m<sup>3</sup> or more). However in all cases there is a need to revisit aspects of the project for remedial action. The four projects are East Awin, Amanab Blocks 5 & 6, Kamula Doso and Asengseng Consolidated. These should be priority projects for further development by the National Forest Service.

Depending on the policy decisions made regarding the exclusion of logging from Fragile forests; the adoption of a 40 year cutting cycle (as required by the National

<sup>1</sup> A fifth example identified was outside the Review Team’s terms of reference. This is the Timber Permit for Vailala Block 2 and 3 which appears to have been developed entirely outside of due process, but which was validated by the Court.

<sup>2</sup> Source: SGS data.

<sup>3</sup> 17,800 m<sup>3</sup> was harvested.

<sup>4</sup> FOB for fresh logs as at September 2001 is Kina 200/m<sup>3</sup>.

Forest Policy); and the full implementation of the PNG Forest Authority's right to set aside 10% of the loggable area under a Forest Management Agreement for conservation purposes, then a further six projects may have the potential to be developed into viable log export projects. These are Rottok Bay Consolidated, Amanab Blocks 1-4, Middle Ramu Block 1, East Pangia, April Salumei and Cloudy Bay. All require remedial actions.

The remaining projects initiated by the PNG Forest Authority do not have the potential to become sensible and viable log export projects. Given that there appears to be no genuine interest in medium scale domestic processing projects at this point in time, the remaining projects should be shelved. Should these ever be revived at some future date, they also will require remedial action.

## **2. BROADER FORESTRY SECTOR ISSUES**

As an addendum to the review the Review Team was required to identify, based on the experience of the review, aspects of the forest resource acquisition and allocation process, and the policy legal and regulatory framework within which it operates, which might usefully be reviewed in more depth under the auspices of the Forestry and Conservation Project planned by the PNG Government for implementation beginning 2001.

The Review Team's overall finding is that the forest resource acquisition and allocation process as currently prescribed contains sufficient checks and balances to ensure that major departures from due process are identified and rectified. Whilst the process is often criticised because only one major new project has been developed since the Act was certified in 1993, it is the view of the Review Team that had the resources of the National Forest Service been focussed on a much reduced number of projects, then additional projects would be operational by now.

The key suggestions for further consideration are as follows:

### **FOREST RESOURCE AND PLANNING ISSUES**

1. That consideration be given to a further restructuring of forestry administration through an amendment to the Forestry Act requiring the setting up of a distinct and separately funded Ministry of Forestry (or a broader natural resources Ministry). The Ministry to include the current National Forest Service's Policy Secretariat, and thereby achieve clear separation of the policy development function and the implementation, monitoring and control functions as required by good governance principles. The Ministry to be physically separated from the PNG Forest Authority.
2. That the National Forest Policy be revisited and revised, with particular attention to the inclusion of policies regarding forest protection and conservation, and removal of operational requirements which are more appropriately outlined in the Act and detailed by the relevant institution. In addition the essentially private nature of forest ownership should be better recognised, and plantation forestry and its policy requirements distinguished from natural forests.
3. That the sectoral planning provisions of the Act be reviewed and simplified, in particular the deletion of inappropriate and/or non-effective components of the National Forest Plan. These include:
  - The National Forestry Development Guidelines;

- The annual statement of provincial allowable cut; and
- The National (and Provincial) Forestry Development Program.

The changes to include the establishment of a clear link between the Provincial Forest Plans and the National Forest Plan whereby the National Forest Plan becomes the sum total of the approved Provincial Forest Plans and thus becomes consistent with them.

4. That a formal register be introduced whereby eco-forestry and similar forestry conservation projects supported by the forest resource owners may be recognised subject to a written agreement between the Incorporated Land Group and the agency promoting the project. Such a register will facilitate the identification and exclusion of these initiatives from commercial forestry developments being planned by the National Forest Service.
5. That in the interest of improved transparency and accountability, the required content of the Managing Director's annual report be regulated. The specified details to include:
  - The resource acquisition and allocation activities undertaken by the National Forest Service;
  - A list of all permissions to harvest issued with details of the category of permission, the issuer, the recipient, the allowable cut, and special conditions which may have been imposed;
  - National log production and export data by project; and
  - Any other material issue relating to the forestry sector. Also that the report once tabled in Parliament by the Minister becomes a public document.
6. That to facilitate the sensible and efficient sale and marketing of private plantation logs, that plantation forestry resources be specifically exempted from the requirements of the Forestry Act.

### LEGAL ISSUES

1. That defects noted in many Forest Management Agreements be rectified, and that the effect of the Fairness of Transactions Act must be considered and taken into account.
2. That Provincial Forest Management Committees be briefed on how to properly discharge their obligations under section 58(f) and 28(3) of the Act.
3. That a separate and complete project file be maintained for each "in process" project to ensure full documentation of legal compliance. This should include (amongst others):
  - All the relevant prescribed forms;
  - Provincial Forest Management Committee meeting minutes and resolutions; and

- All other legal and quasi-legal documentation.
4. That the PNG Forest Authority Board oversee the progression of each “in process” project, and that their oversight includes:
    - Definitive decision making concerning consolidations;
    - Proper consideration of “extensions” under the new amendments to the Act;
    - A regular briefing on the exercise of delegated powers by the Managing Director; and
    - The proper conduct of litigation affecting projects.
  5. That amendments to the Forestry Act be considered in relation to the following:
    - Problems concerning the granting of Timber Authorities and the use of the terms “Provincial Minister” and “Provincial Forestry Management Committees”;
    - Requiring approvals under s65 before proponents can undertake “preliminary work” in project areas; and
    - Enforcing a Code of Ethics for registered industry participants and consultants.

#### LANDOWNER ISSUES

1. That the present process of acquisition of forest resources under a Forest Management Agreement be reviewed, with particular attention to more fully involving landowners in planning the use of their land, and the achievement of informed consent.
2. That landowners should be provided with access to independent legal and commercial advice, and information and documents held by the PNG Forest Authority.
3. That consideration be given to the establishment of a Government institution to undertake expertly the incorporation of land groups for all purposes nationally, and the provision of general landowner support.
4. That consideration be given to modifying the Forest Management Agreement to better involve landowners as partners in the development.

**REVIEW OF FOREST HARVESTING PROJECTS BEING  
PROCESSED TOWARDS A TIMBER PERMIT  
OR A TIMBER AUTHORITY  
-  
OBSERVATIONS AND RECOMMENDATIONS**

# 1. INTRODUCTION AND BACKGROUND

## 1.1 THE OBJECTIVE OF THE REVIEW

The key objectives of the review were to check that;

- General sustainable timber yield and forest conservation imperatives are being met;
- All of the new forestry projects being developed by the PNG Forest Authority are being processed correctly in compliance with existing forest policy, laws and regulations; and that
- Forest resource owners are being appropriately informed, organised and consulted.

The concern was that political pressure during the time of the previous Government aimed at “fast tracking” new forestry projects may have resulted in “short cuts” being taken. The current Government was sufficiently concerned that it imposed a moratorium on the further processing of new forestry projects pending (amongst other things) the findings of this review.

A further objective of the review was to examine the policy and legal framework, and the resource acquisition and allocation procedures being followed by the PNG Forest Authority, and to offer comment on possible improvements for further consideration under the planned Forestry and Conservation Project.

## 1.2 THE REVIEW PROCESS

During the periods October – December 2000 and January – February 2001 the Review Team identified and confirmed the forestry projects which were being developed by the PNG Forest Authority, and undertook a range of audit activities culminating in the production of 32 draft Individual Project Review Reports. The methodology adopted for this process is set out in a separate report dated March 2001<sup>5</sup>. The 32 projects are listed in Table 1. A location map is presented in Appendix 1.

---

<sup>5</sup> Review of Forest Harvesting Projects Being Processed Towards a Timber Permit or a Timber Authority – Review Methodology. Prepared for the PNG Government Inter-Agency Forestry Review Committee by the Independent Forestry Review Team, March 2001.

<b>TABLE 1 : LIST OF “IN PROCESS” FORESTRY PROJECTS</b>		
<b>BATCH 1</b>	<b>BATCH 2</b>	<b>BATCH 3</b>
1. Musa Pongani 2. Rottok Bay Consolidated 3. Mukus Tolo 4. Kulu Dagi TA 5. Trans Vanapa 6. Wes 7. Vailala (Meporo) 8. Kerevat Plantation 9. Morobe South Coast 10. Nungwaia Bongos 11. Amanab Blocks 5 & 6	12. East Awin 13. Josephstaal 14. Semabo 15. Amanab Blocks 1-4 16. Kamula Doso 17. Ioma Block 5 18. Aitape East Coast 19. Middle Ramu Block 1 20. East Pangia 21. East Collingwood 22. Asengseng Consolidated	23. Rai Coast TRP 24. Pondo TRP 25. April Salumei 26. Cloudy Bay 27. Tuwapu 28. South West Wapei 29. Wipim Tapila 30. Hekiko (Gulf) 31. Aiambak-Kiunga TA 32. Hekiko (SHP)

The 32 Individual Project Reports and the Methodology Report were formally submitted to the Government Inter-Agency Forestry Review Committee with a request for the Committee to identify any possible errors and omissions. At the direction of the National Executive Council (NEC Decision 84/2000), the Committee sought submissions on the 32 reports.

The Review Team reconvened in September 2001, and based on the submissions received, reviewed and where appropriate updated the 32 Individual Project Reports. In some instances further dialogue with environmental NGOs was undertaken to clarify points raised in their submissions. No errors or omissions were identified by the Government Inter-Agency Forestry Review Committee. A list of the submissions received is presented in Appendix 2.

The Review Team also examined any further processing of the 32 “in process” projects during the time between the production of the 32 draft Individual Project Reports and the reconvening of the team in August 2001. Further the team reviewed the Board papers prepared for the three meetings of the Board held in May 2001 (Board meeting No 71) and August 2001 (Board meetings No 72 and 73). These included new Provincial Forestry Plans for Madang, Oro and Southern Highland Provinces. The minutes for these three meetings are yet to be confirmed. The team found that activity had taken place in relation to the Pondo, Tuwapu and Josephstaal projects.

Following consideration of the submissions received, and a review of recent developments in relation to Pondo, Tuwapu and Josephstaal, the 32 Individual Project Reports were updated and finalised. These are presented in a separate volume.

## **2. POSITIVE FINDINGS**

An often quoted finding of the 1989 Barnett Inquiry into the Forestry Sector was that the sector was out of control, and that unsustainable logging was the norm of the day. Since that time the PNG Government, with donor assistance through the National Forestry and Conservation Programme, has approved a new Forest Policy (1991) and introduced a new Forestry Act (1993). These instruments set out a “sustainability” objective for the logging sector; centralised forestry administration under a new PNG Forest Authority responsible to a Board; and introduce new resource acquisition and allocation procedures.

During the course of this review the Review Team noted a number of components of the arrangements put in place in the early 1990s which the team felt worked well and were worthy of note. These are briefly described as follows:

### **2.1 OBSERVANCE OF SUSTAINED TIMBER YIELD PRINCIPLES**

A corner-stone of the 1991 Forest Policy is the introduction of the sustained timber yield principle. It is the observation of the Review Team that this principle has been strongly adopted by the National Forest Service as the basis for project planning, and by the PNG Forest Authority Board in its deliberations.

### **2.2 PROVINCIAL FOREST PLANS**

The intent of the Forestry Act to empower the Provinces through the requirement for Provincial Administrators to produce a Provincial Forest Plan has worked well in most cases. There have been some problems regarding the sensible requirement for consistency between the Provincial Forest Plans and the National Forest Plan, but this can be remedied with minor amendments to the Act.

### **2.3 FOREST INFORMATION MAPPING SYSTEM**

The Forest Information Mapping System (FIMS) of the National Forest Service is an excellent tool for sectoral and project specific planning. Responsible staff were able to efficiently produce project maps and area information for the Review Team on which estimates of the net loggable area were able to be based.

### **2.4 GENERAL ADMINISTRATION OF THE PNG FOREST AUTHORITY**

#### **KEEPING OF FILES, RECORDS AND LEGAL INSTRUMENTS**

The PNG Forest Authority should be commended for the manner in which it maintains files, keeps minutes of meetings and stores legal documentation. This observation is however subject to the clear need for a comprehensive project file to be maintained for each project to document full compliance with each step of the acquisition and allocation processes.

#### **PNG FOREST AUTHORITY CORRESPONDENCE**

It is clear from the files that letters directed to the PNG Forest Authority and the National Forest Service are generally replied to appropriately and within an acceptable time-frame. The Review Team has noted instances where replies on material issues were not forthcoming, but these were rare. The quality of PNG Forest Authority correspondence is generally very good.

## TRANSPARENCY OF PNG FOREST AUTHORITY DOCUMENTATION

The Review Team is of the view that the files and records made available to it constituted the full extent of the relevant documentation. There was no suggestion that any records were withheld from the team or that any attempt was made by anybody to do so.

The files and records are a full and frank record of the deliberations and the workings of the PNG Forest Authority. Officers of the National Forest Service appear willing to make notes of their personal and professional views both on correspondence prepared by their colleagues and in memorandums written by themselves. Minutes of meetings seem to reveal the full extent of the deliberations and the final resolutions. Board Papers are generally well prepared.

## FORESTRY INDUSTRY PARTICIPANT DATA BASE

The Review Team was given a printout of this data base which proved to be an extremely useful resource. The team regularly requested further details of directors and shareholders of relevant companies and these were provided by National Forest Service staff in a timely and professional manner. These details greatly assisted the team in its work.

National Forest Service staff also undertook more comprehensive searches of the companies records maintained by the Investment Promotion Authority at the request of the team. This provided more detailed information that was important for cross-checking some of the team's conclusions. Again these tasks were performed by officers of the National Forest Service efficiently.

## PROJECT TENDER ADMINISTRATION

Forestry projects are required by section 64 to be advertised, and project proposals are then submitted in accordance with section 66. This is perhaps not a tender in the strict sense but it regarded as a tender of projects by the PNG Forest Authority.

The Review Team was given access to the records kept by the PNG Forest Authority of the receipt of project proposals. These records were well maintained and the "tender" process appeared to have been handled in an appropriate manner at every stage.

## **2.5 OVERALL PROCESSING OF PROJECTS BY THE PNG FOREST AUTHORITY**

### PROFESSIONALISM OF THE NATIONAL FOREST SERVICE

The Review Team observed instances where officers of the National Forest Service clearly gave proper and professional advice in relation to projects despite apparent attempts to influence their views. In some cases this advice served to correct instances of breach or non-compliance within the system. In other cases it has remained a matter of record.

It should be specifically noted that the National Forest Service has continually advocated against the abuses of the system perpetrated in relation to the Aiambak-Kiunga TA project. This project is clearly the most significant example of the current system being compromised. The responsibility for this unfortunate episode does not lie with the PNG Forest Authority or the National Forest Service. In fact the Managing

Director was convicted of contempt of court for attempting to regularise this project within the ambit of the Forestry Act.

### NO EVIDENCE OF ACTUAL “FAST TRACKING”

There is much talk of projects being “fast tracked”. The time lines for each project reveal no general evidence of this. However the team did report that directions to “fast track” the Mukus Tolo and Hekiko Gulf FMAs did have some adverse effect on the development of these projects. In all other respects this notion of “fast tracking” should be laid to rest. In the Cloudy Bay project the National Forest Service specifically resisted a Ministerial direction to “fast track” the project in 1997. The Musa Pongani project has not proceeded with any undue haste despite a direction to “fast track” it in 1995.

### OVERSIGHT BY THE PNG FOREST AUTHORITY BOARD

Projects have generally proceeded better where the PNG Forest Authority Board has been regularly briefed and actively involved.

There are a number of instances of the PNG Forest Authority Board asserting control by requiring relevant inquiry and sensible process:

- It deferred the April Salumei project until a comprehensive environment impact report was done.
- It applied the sustainable timber yield principle to resist a request by the Provincial Forest Management Committee to increase the allowable cut in the Rai Coast project.
- It required a consideration of the high bio-diversity within the Asengseng Consolidated FMAs and directed that consideration be given to the Kandrian Glouster Integrated Development Project and European Union projects being undertaken in that area. Later it deferred the whole process until the machinations of certain landowners and their companies ceased.
- It directed that certain checks be undertaken in relation to the East Awin project in relation to landowner consent, resource volume and boundaries. It later required that a cost/benefit analysis be done and that consultations with landowners take place.
- It has acted to halt recent illegal logging in the Tuwapu project area.

### CONTROLLING PROSPECTIVE DEVELOPERS

It is not surprising that the files reveal attempts by prospective developers to influence landowners and the acquisition and allocation processes.

Some of the Review Team’s Individual Project Review Reports commend the manner in which the National Forest Service acted to “warn off” some developers prematurely positioning themselves in the early stages of a number of projects.

## PROVINCIAL FOREST MANAGEMENT COMMITTEE MINUTES

The Review Team has noted many deficiencies in relation to the manner in which Provincial Forest Management Committee's have discharged their responsibilities under the Forestry Act.

However it should be noted that where the team has reviewed Minutes of Provincial Forest Management Committee meetings these have been found to be well drafted and informative. This was particularly the case in relation to the Rottok Bay, Josephstaal and South West Wapei projects.

## THE USE OF PRESCRIBED FORMS

The 1998 Forestry Regulations make comprehensive provision for the use of Forms to document nearly every stage of the resource allocation process. The use of Forms is a reliable and readily auditable approach to ensuring that all the necessary steps are observed. The National Forest Service files indicate that the Forms have been used in most instances. The only area where there has been regular non-compliance relates to applications for projects to be treated as extensions. This must be remedied.

The Review Team has recommended that a complete project file be maintained for every project so that the continued use of prescribed Forms will create an easily accessible record of the processing of each new forestry project, and its compliance with the Act and Regulations.

## **2.6 SPECIFIC INSTANCES OF POSITIVE ACTION DURING PROJECT DEVELOPMENT**

Some noteworthy action taken by the National Forest Service in relation to various steps of the acquisition and allocation processes include:

- Even though the Review Team has consistently reported that Provincial Forest Management Committee's held meetings without relevant landowner representatives being present, there are a number of documents on the files indicating that the National Forest Service reminded Provincial Forest Management Committee's to comply with this requirement.
- In the only instance where an application for permission to conduct a feasibility study was made under section 65, the approval was made subject to appropriate conditions. This related to the Musa Pongani project.
- The National Forest Service prepared commendable Development Options Studies in relation to the Aitape East Coast, Tuwapu and Wipim Tapila FMAs. These took into account the development aspirations of the landowners.
- The National Forest Service prepared revised project guidelines to take into account the fact that the Semabo and Loma Block 5 projects are to proceed without a log export component.
- The National Forest Service devised and implemented an effective process to negotiate the East Awin and Josephstaal project agreements.

- Logging has not commenced in the doubtful Hekiko (Gulf) project area as the Environment Plans have been rejected twice and the Managing Director rejected the Five-Year Working Plan. This is a rare instance of the process having reached such an advanced stage. It demonstrates that approvals are not a foregone conclusion in the later stages of the allocation processes.
- The National Forest Service conducted a detailed and lengthy field investigation in the Hekiko (Gulf) project area in an attempt to sort out Incorporated Land Groups which may have signed multiple agreements (with two different Forest Management Agreements and the Kutubu Petroleum Development Project). However only limited success was achieved mainly due to the lack of landowner co-operation and insufficient support from the Registrar of Titles.

## **2.7 RECORDS OF INCORPORATED LAND GROUPS**

The National Forest Service has established and maintained a good record-keeping system regarding Incorporated Land Groups (current estimate 5000) despite the serious shortage of manpower in the Division that deals with landowner issues. Usefully this includes information on Incorporated Land Groups facilitated by other parties including Landowner Companies and in some cases landowners themselves. The filing system itself makes a very honest attempt to maintain a paper trail of the projects with regard to the various issues.

The National Forest Service also maintains a good working relationship with the Register of Titles in the Lands Department. This has made it possible for both parties to cross-check Incorporated Land Group records and to initiate corrective measures where required.

It must be remembered that although the record system is good, the information contained in it reflects the generally poor quality of the ILG work on the ground.

## **3. OUTCOMES OF INDIVIDUAL PROJECT AUDITS**

### **3.1 OBJECTIVES**

The objective of the individual project audits was to screen the projects for proper and full observance of the relevant policies, laws, processes and procedures, and further to indicate which projects were deemed to have fully complied, which required remedial action, and which were deemed to be either fatally flawed or to not warrant further investment in development at this point in time. Projects being developed by means of a Forest Management Agreement and a Timber Permit are considered separately from those being developed under a Timber Authority.

### **3.2 PROJECTS BEING DEVELOPED THROUGH A FOREST MANAGEMENT AGREEMENT AND A TIMBER PERMIT**

#### **3.2.1 METHODOLOGY**

The approach taken by the Review Team has been to identify “Material Review Criteria”, being those aspects of the existing policies, laws, processes and procedures which in the view of the Review Team are critical to the proper development of new logging projects, and which if not properly observed are judged to be of sufficient importance that remedial action is required before the project should be allowed to be processed further. These defined Material Review Criteria have been used to screen each of the 30 “in progress” projects being developed through a Forest Management Agreement and a Timber Permit.

#### **3.2.2 MATERIAL REVIEW CRITERIA**

The Material Review Criteria and an explanation of why each criterion is deemed to be material is set out in Appendix 3.

#### **3.2.3 SUMMARY OF SCREENING AGAINST MATERIAL REVIEW CRITERIA**

The result of screening the 30 projects being developed under a Forest Management Agreement and a Timber Permit against the Material Review Criteria is shown in Table 2.

**TABLE 2 : SCREENING OF PROJECTS BEING PROGRESSED TOWARDS A TIMBER PERMIT FOR COMPLIANCE WITH MATERIAL POLICIES, LEGAL REQUIREMENTS, STANDARDS, PROCESSES AND PROCEDURES**

**BATCH 1**

Project Number  
Project Name

	1 Musa Pongani	2 Rottock Bay Consol	3 Mukus Tolo	5 Trans Vanapa	6 Wes	7 Vailala (Meporo)	8 Kerevat Plantation	9 Morobe South Coast	10 Nungwaia Bongos	11 Amanab Blks 5&6
<b>(a) Forestry and Planning Issues</b>										
1. Listed in Approved Provincial Plan	Pass	Fail	Fail	Pass	Pass	Fail	NR	Pass	Pass	Fail
2. Adequate Inventory (1% min)	Fail	Fail	Fail	NYA	Fail	Fail	Fail	Fail	Fail	Fail
3. Gross loggable area based on FIMS data	NYA	Fail	Fail	NYA	NYA	NYA	NR	Fail	Pass	Fail
4. Status of Fragile Forest (if >5%)	Hold	Hold (a)	Pass	Pass	Pass	Hold	NR	Pass	Pass	Hold
5. Conservation set-aside Rights in Project Guidelines and Agreement	NYA	Fail	Fail	NYA	NYA	NYA	NR	NYA	NYA	NYA
<b>(b) Legal Issues</b>										
1. FMA Documentation	NYA	Pass	Fail	NYA	NYA	NYA	Fail	NYA	NYA	NYA
2. PFMC Certification	NYA				NYA	NYA		NYA	NYA	NYA
- Verification of ILGs & Landowner Consent		?	Fail	Fail			Fail			
- Landowner Attendance at PFMC		Fail	Fail	Fail			Fail			

3. Proper Consultation - Development Options Study - Project Guidelines - Project Agreement	NYA	?	?	NYA	NYA	NYA	Fail	NYA	NYA	NYA
4. Board Approval as Extension	NR	Fail	Fail	NR	NR	NYA	NYA	Fail	NR	Pass
5. Negotiation of Project Agreement	NYA	NYA	Pass	NYA	NYA	NYA	NYA	NYA	NYA	NYA
6. Use of Prescribed Forms	NYA	Pass	Pass	NYA	NYA	NYA	NYA	NYA	NYA	NYA
7. Overall Observance of Process	Pass	Fail	(Pass)	(Pass)	(Pass)	?	Fail	Fail	Pass	Pass
<b><u>(c) Landowner Issues</u></b>										
1. Adequate Landowner Awareness	Pass	Fail	Fail	Fail	Fail	Fail	Fail	Pass	Fail	Fail
2. Proper Procedures for ILG Work	Pass	Pass	Fail	Fail	Fail	Fail	Fail	Pass	Fail	Fail
3. Landowners Informed of FMA conditions	NYA	Fail	Fail	NYA	NYA	NYA	Fail	NYA	NYA	NYA
4. Landowner Participation in DOS	NYA	Pass	Fail (b)	NYA	NYA	NYA	?	NYA	NYA	NYA
5. Landowner Consent of Environment Plan	NYA	Fail	Fail	NYA	NYA	NYA	NR	NYA	NYA	NYA

NYA = Not Yet Applicable

NR = Not Relevant

? = Open to Question

(Pass) = Qualified Pass

(a) Inland Rauto Miu portion has 13% Fragile forest.

(b) WMA being proposed in the area.

**BATCH 2**

Project Number  
Project Name

**(a) Forestry and Planning Issues**

1. Listed in Approved Provincial Plan
2. Adequate Inventory (1% min)
3. Gross loggable area based on FIMS data
4. Status of Fragile Forest (if >5%)
5. Conservation set-aside Rights in Project Guidelines and Agreement

**(b) Legal Issues**

1. FMA Documentation
2. PFMC Certification
  - Verification of ILGs & Landowner Consent
  - Landowner Attendance at PFMC

	12 East Awin	13 Joseph- staal	14 Semabo	15 Amanab Blks 1-4	16 Kamula Doso	17 Ioma Blk 5	18 Aitape East Coast	19 Middle Ramu Blk 1	20 East Pangia	21 East Colling- wood	22 Aseng- seng Consolid
1. Listed in Approved Provincial Plan	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Pass	Fail (d)	Fail
2. Adequate Inventory (1% min)	Fail	Pass	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
3. Gross loggable area based on FIMS data	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail	Fail
4. Status of Fragile Forest (if >5%)	Pass	Hold	Hold	Hold	Hold (c)	Hold	Hold	Pass	Pass	Hold	Pass
5. Conservation set-aside Rights in Project Guidelines and Agreement	Fail	Fail	Fail	Fail	Fail	Fail	Fail	NYA	NYA	NYA	NYA
1. FMA Documentation	Pass	Fail	Pass	Fail	Fail	Fail	Fail	NYA	?	Pass	Fail
2. PFMC Certification								NYA	NYA		
- Verification of ILGs & Landowner Consent	Fail	Fail	?	?	?	?	?			Fail	?
- Landowner Attendance at PFMC	?	Fail	?	?	?	?	?			?	?

3. Proper Consultation - Development Options Study	Pass	?	?	Pass	?	?	Pass	NYA	NYA	NYA	?	
- Project Guidelines	Fail	?	?	Fail	?	?	Fail				?	
- Project Agreement	Pass	NYA	NYA	NYA	NYA	NYA	NYA				NYA	
4. Board Approval as Extension	NR	NR	NR	NR	Fail	NR	NR	NR	NR	NR	NR	
5. Negotiation of Project Agreement	(Pass)	Pass	Pass	NYA	NYA	NYA	NYA	NYA	NYA	NYA	NYA	
6. Use of Prescribed Forms	Pass	Pass	Pass	Pass	Fail	Fail	Pass	NYA	NYA	NYA	Pass	
7. Overall Observance of Process	Pass	Pass	Pass	Pass	Fail	Fail	Pass	Pass	Pass	Pass	Fail	
<b><u>(c) Landowner Issues</u></b>												
1. Adequate Landowner Awareness	Fail	Hold	Pass	Fail	Pass	Fail	Fail	Fail	Fail	Fail	Pass	Fail
2. Proper Procedures for ILG Work	Fail	Fail	Fail	Fail	Fail	Pass	Fail	Fail	Fail	Fail	Pass	Fail
3. Landowners Informed of FMA conditions	Fail	Hold	Pass	Hold	Fail	Pass	Hold (f)	Hold	Fail	Fail	Pass	Hold
4. Landowner Participation in DOS	Fail	Fail	Pass	Pass	Hold	Hold (e)	Fail	Fail	Fail	NYA	NYA	Hold (f)
5. Landowner Consent of Environment Plan	Fail	NYA	NYA	NYA	NYA	NYA	NYA	NYA	NYA	NYA	NYA	NYA

NYA = Not Yet Applicable

NR = Not Relevant

? = Open to Question (Pass) = Qualified Pass

(c) Block 2 has 7% Fragile forest. (d) No approved plan exists.

(e) Consultation with Landowners re DOS.

(f) Landowner awareness and ILG issues to be resolved first.

**BATCH 3**

Project Number  
Project Name

**(a) Forestry and Planning Issues**

1. Listed in Approved Provincial Plan
2. Adequate Inventory (1% min)
3. Gross loggable area based on FIMS data
4. Status of Fragile Forest (if >5%)
5. Conservation set-aside Rights in Project Guidelines and Agreement

**(b) Legal Issues**

1. FMA Documentation
2. PFMC Certification
  - Verification of ILGs & Landowner Consent
  - Landowner Attendance at PFMC

	23 Rai Coast	24 Pondo	25 April Salumei	26 Cloudy Bay	27 Tuwapu	28 South West Wapei	29 Wipim Tapila	30 Hekiko (Gulf)	32 Hekiko (SHP)
1. Listed in Approved Provincial Plan	Fail	Fail	Pass	Pass	Pass	Pass	Pass	Fail	Pass
2. Adequate Inventory (1% min)	Fail	Fail	Fail	Fail	Pass	Fail	Fail	Fail	Fail
3. Gross loggable area based on FIMS data	Fail	Fail	Pass	Pass	Fail	Pass	Fail	Fail	Fail
4. Status of Fragile Forest (if >5%)	Pass	Pass	Hold	Hold	Pass	Hold	Hold	Hold	Hold
5. Conservation set-aside Rights in Project Guidelines and Agreement	No FMA	No FMA	NYA	Fail	Fail	Fail	Fail	Fail	NYA
1. FMA Documentation	Fail	Fail	Pass	Fail	Fail	Fail	Pass	Fail	Fail
2. PFMC Certification									
- Verification of ILGs & Landowner Consent	Fail	Fail	?	?	?	?	?	Fail	Fail
- Landowner Attendance at PFMC	Fail	Fail	?	?	?	?	?	Fail	?

3. Proper Consultation - Development Options Study	Pass	?	NYA	?	Pass	?	Pass	?	NYA
- Project Guidelines	NYA	?		?	?	?	Fail	Fail	
- Project Agreement	NYA	NYA		NYA	NYA	NYA	NYA	Pass	
4. Board Approval as Extension	NYA	Fail	NR	NR	NR	NR	?	NR	NR
5. Negotiation of Project Agreement	NYA	NYA	NYA	NYA	NYA	NYA	NYA	Pass	NYA
6. Use of Prescribed Forms	Pass	Fail	NYA	Pass	Pass	Pass	Pass	Pass	NYA
7. Overall Observance of Process	Fail	Fail	Pass	Pass	Fail	Pass	Pass	?	Fail
<b><u>(c) Landowner Issues</u></b>									
1. Adequate Landowner Awareness	Fail	Fail	Pass	Pass	Pass	Hold	Fail	Hold	Pass
2. Proper Procedures for ILG Work	Fail	Fail	Hold (g)	Pass	Pass	Fail	Fail	Fail	Pass
3. Landowners Informed of FMA conditions	Fail	NYA	Hold	Pass	Pass	Fail	Hold	Fail	Hold
4. Landowner Participation in DOS	NYA	Fail	Hold	Pass	?	Fail	Fail	Fail	Hold
5. Landowner Consent of Environment Plan	NYA	NYA	NYA	NYA	NYA	NYA	NYA	Fail	NYA

NYA = Not Yet Applicable      NR = Not Relevant      ? = Open to Question      (Pass) = Qualified Pass  
(g) ILGs require final verification.

### **3.2.4 PRACTICAL HARVESTING AND MARKETING CONSIDERATIONS**

When considering those projects which do not warrant further development effort by the PNG Forest Authority at this point in time, it was evident to the Review Team that it was insufficient to consider only proper observance of policy, law, processes and procedures. There are also practical considerations relating to harvesting and marketing which must be taken into account before scarce PNG Forest Authority resources are committed to the formal resource acquisition process, and landowner expectations are perhaps unrealistically raised.

#### **HARVESTING**

To have the potential to become a successful logging project, the loggable forest resource must be able to support an annual sustainable log production of sufficient scale to facilitate financially efficient harvesting operations. To achieve this the annual sustainable yield needs to be sufficient to allow full time operation of harvesting equipment. Idle equipment quickly increases unit production costs, and the ability of the logging operator to produce sufficient financial surpluses to meet the cost of landowner payments, the cost of log export taxes, and retain a reasonable profit margin. There is little point in the PNG Forest Authority investing the resources required to progress a potential forestry project to the point of complete acquisition if it is too small to support financially efficient harvesting, and consequently to attract responsible commercial interest.

The minimum sustainable annual log yield required to support a financially efficient harvesting has been determined to be 30,000 m<sup>3</sup>/annum. This is generally supported by statements made by logging companies in proposals submitted to the PNG Forest Authority. Whilst there may be logging operators who choose to submit a proposal for a project offering less than a 30,000 m<sup>3</sup>/annum production level, unit logging costs will be high typically leading to attempts to cut costs, perhaps at the expense of safety, proper operational planning and supervision, the observance of the Logging Code of Practice, proper equipment maintenance, or prudent financial dealings.

#### **MARKETING**

It is clear from the proposals submitted to the PNG Forest Authority, and the frequency with which requests to increase the allowable annual cut are received, that the only viable commercial scale market for PNG logs is the export market.

Whilst there are regular calls for the promotion of domestic processing, the domestic market for sawn timber is very small and is currently serviced by a number of small sawmills located near population centres and by numerous mobile sawmills located in rural areas. The multiple species nature of the PNG forest resource does not readily support sawing for export markets.

A current (September 2001) separate study of the Forest Revenue System in PNG is expected to shed some more objective light on this issue.

Representations made by industry representatives to the PNG Forest Authority Board resulted in the Board setting a guideline that the minimum annual log production required to sustain a viable and efficient log export operation is 70,000 m<sup>3</sup>/annum.

## SCREENING OF PROJECTS AGAINST HARVESTING AND MARKETING CONSIDERATIONS

Table 3 shows the outcome of screening the potential sustainable annual log yield of the 30 projects being developed under a Forest Management Agreement and a Timber Permit against the minimum yield required to support a financially efficient harvesting operation (30,000 m<sup>3</sup>/annum), and against the Board determined minimum to support an efficient log export project (70,000 m<sup>3</sup>/annum).

### **3.2.5 KEY FOREST RESOURCE POLICY DECISIONS**

There are three key decisions which need to be made before reliable forest resource descriptions can be finalised. These are as follows:

#### 1. POLICY DECISION REGARDING FRAGILE FORESTS

A decision needs to be made as to whether or not Fragile forests (as defined by the Office of Environment and Conservation) may be logged. Fragile forests are those which exist in environmentally sensitive areas such as wet soils at high altitudes, or which are likely to convert to grasslands if they are logged. Consequently they cannot be considered to be loggable in a sustainable manner within the standard 35 or 40 year cutting cycle. The exclusion of Fragile forests from logging will materially affect the viability of some projects, and will materially reduce the forest resource available for harvesting in others.

#### 2. POLICY DECISION REGARDING CONSERVATION SET-ASIDES

A decision whether or not to properly implement the conservation set-asides provided for in the standard Forest Management Agreement is required. The decision will materially affect the forest resource available for harvesting for all “in process” forestry projects by decreasing it by up to 10%.

#### 3. POLICY DECISION REGARDING THE SUSTAINABLE TIMBER YIELD CYCLE

A decision to retain the current 35 year cycle to calculate the sustainable annual allowable cut, or to observe the 40 year cycle specified in the National Forest Policy needs to be made. The decision will materially affect the forest resource available for harvesting for all “in process” forestry projects. Adopting a 40 year cycle will reduce the annual cut for each project by 12.5%.

## SCREENING OF PROJECTS AGAINST THE COMBINED EFFECTS OF THE THREE POLICY DECISIONS

Table 3 shows the cumulative effect on each “in process” project of decisions made to exclude logging from Fragile forest areas; to fully implement the PNG Forest Authority’s right to set-aside 10% of the loggable area for conservation purposes; and to implement a 40 year cutting cycle.

**TABLE 3 : SCREENING OF PROJECTS BEING PROGRESSED TOWARDS A TIMBER PERMIT FOR COMPLIANCE WITH PRACTICAL HARVESTING AND MARKETING CONSIDERATIONS, AND KEY FOREST RESOURCE DECISIONS**

**NOTE:** Timber Authorities and Plantations (Project 4 Kulu Dagi TA, 8 Kerevat Plantation, and 31 Aiambak-Kiunga TA) are separately addressed in the text.

**BATCH 1**

<b>Project Number Project Name</b>	<b>1 Musa Pongani</b>	<b>2 Rottok Bay Consol</b>	<b>3 Mukus Tolo</b>	<b>5 Trans Vanapa</b>	<b>6 Wes</b>	<b>7 Vailala (Meporo)</b>	<b>9 Morobe South Coast</b>	<b>10 Nungwaia Bongos</b>	<b>11 Amanab Blks 5&amp;6</b>
Sustainable Financially Efficient Harvesting Possible (>30,000 m3/a)	Yes	Yes	No	No	No	No	Yes	Yes	Yes
Sustainable Commercial Log Export Potential (35 year cycle, >70,000 m3/a)	No	Yes	No	No	No	No	No	No	Yes
Sustainable Commercial Log Export Potential (>70,000 m3/a) If: <ul style="list-style-type: none"> <li>- Fragile Forest Excluded From Logging</li> <li>- 10% of Loggable Area Set-Aside for Conservation</li> <li>- 40 year Cycle Implemented</li> </ul>	No	No	No	No	No	No	No	No	Yes

**BATCH 2**

Project Number Project Name	12 East Awin	13 Joseph- staal	14 Semabo	15 Amanab Blks 1-4	16 Kamula Doso	17 Ioma Blk 5	18 Aitape East Coast	19 Middle Ramu Blk 1	20 East Pangia	21 East Colling- wood	22 Aseng- seng Consolid
Sustainable Financially Efficient Harvesting Possible (>30,000 m3/a)	Yes	No	No	(a) Depends	Yes	No	No	Yes	Yes	No	Yes
Sustainable Commercial Log Export Potential (>70,000 m3/a)	Yes	No	No	(a) Depends	Yes	No	No	Yes	Yes	No	Yes
Sustainable Commercial Log Export Potential (>70,000 m3/a) If: - Fragile Forest Excluded From Logging - 10% of Loggable Area Set-Aside for Conservation - 40 year Cycle Implemented	Yes	No	No	No	Yes	No	No	No	No	No	Yes

### BATCH 3

Project Number  
Project Name

Sustainable Financially  
Efficient Harvesting  
Possible (>30,000 m3/a)

Sustainable Commercial  
Log Export Potential  
(>70,000 m3/a)

Sustainable Commercial  
Log Export Potential  
(>70,000 m3/a) If:  
- Fragile Forest Excluded  
From Logging  
- 10% of Loggable Area  
Set-Aside for  
Conservation  
- 40 year Cycle  
Implemented

	23 Rai Coast	24 Pondo	25 April Salumei	26 Cloudy Bay	27 Tuwapu	28 South West Wapei	29 Wipim Tapila	30 Hekiko (Gulf)	32 Hekiko (SHP)
Sustainable Financially Efficient Harvesting Possible (>30,000 m3/a)	No	No	Yes	Yes	No	Yes	(b) Yes/No	(a) Depends	Yes
Sustainable Commercial Log Export Potential (>70,000 m3/a)	No	No	Yes	(a) Depends	No	No	No	No	No
Sustainable Commercial Log Export Potential (>70,000 m3/a) If: - Fragile Forest Excluded From Logging - 10% of Loggable Area Set-Aside for Conservation - 40 year Cycle Implemented	No	No	No	No	No	No	No	No	No

(a) Depends on decision made regarding Fragile forests.

(b) Depends on extent of forest loss due to fire.

### 3.2.6 REVIEW TEAM FINDINGS

#### GENERAL REQUIREMENTS FOR ALL PROJECTS

There are a number of general issues which require decisions which will affect all “in process” forestry projects to a greater or lesser degree. Some decisions can be made quickly, and others will require considerable deliberation by Government and the relevant agencies.

##### (a) Contribution From the Office of Environment and Conservation (OEC)

Since about 1997, OEC has ceased its previous direct engagement with the PNG Forest Authority regarding forestry and forest conservation issues. Whilst the OEC remains the agency responsible for approving the Environmental Plan for each forestry project, it no longer audits compliance in a meaningful way. The OEC also needs to support the PNG Forest Authority in identifying conservation set-aside areas. Further it needs to bring the results of its own Initial Environmental Assessments of planned forestry projects to a sensible conclusion<sup>6</sup>. This situation needs to be remedied.

##### (b) Policy Decision Regarding National ILG Capacity

The Land Groups Incorporation Act (LGIA) was passed in 1974 as a component of a concerted effort at the time to provide mechanisms to facilitate the involvement of Papua New Guinean landowners in economic development. The intent was that incorporation would be a means of empowering all land owning groups to manage their social and economic affairs. However, ILG work for forestry projects is almost uniformly unsatisfactory, and it appears rare that any meaningful empowerment is being achieved. Further it is evident that the incorporation process is being treated as a bureaucratic hurdle to be completed as quickly and cheaply as possible. The National Forest Service has a very limited capacity in this respect, which it developed in the absence of a capacity elsewhere in Government. Consequently the Service has been quick to accept ILG incorporation work undertaken by other parties, such as landowner companies, or even neighbouring logging companies. Funds are sometimes provided by local politicians.

This issue is wider than just forestry projects alone and warrants a Government response. National Forest Service staff have suggested on a number of occasions the training of provincially based independent ILG facilitators, which could include local non-government organisations.

##### (c) Capacity of the Registrar of Titles

The current capacity of the office of the Registrar of Titles is insufficient to properly vet applications for the incorporation of land groups under the Land Groups Incorporation Act. At present applications are not always checked for the proper identification of the members of the land owning clan; the requirement for the application to attach a clan property list; or the spelling out of dispute resolution procedures. Under these conditions there are a number of Incorporated Land Groups where families rather than clans are listed as the owners of the land (to the possible exclusion of other clan members), or where the boundary of their land has not been adequately established. If the incorporation of land groups is to be a mechanism facilitating stability and equitable ownership, then this situation needs to be rectified.

---

<sup>6</sup> For example the recommendations set out in the OEC report entitled DEC Initial Environmental Assessment : Biological Diversity of the Whiteman Range, West New Britain. June 1999.

## PROJECTS WHICH MAY PROCEED SUBJECT TO REMEDIAL ACTION

A consideration of existing forestry and conservation policy, law, processes and procedures does not provide any compelling reason for any “in process” logging project to be deemed to be beyond redemption. Any non-observance of policy, law, processes or procedures can be remedied by winding the project back and addressing the non-observance.

Strategic planning, taking into account resource and practical harvesting and marketing considerations, provides a sensible basis for determining which projects have the potential to become viable log export projects, and which are very unlikely to attract bona fide commercial interest and hence not worth further investment of limited PNG Forest Authority resources at this time.

### (a) Priority Projects For Further Development

By applying sensible and practical harvesting and marketing criteria to the list of “in process” projects, and adjusting the estimated sustainable yield estimates for the combined effects of excluding Fragile forests from logging; fully implementing the 10% forest set-asides for conservation purposes; and applying a 40 year cutting cycle, then Table 3 indicates that there are four projects which have the potential to be developed into successful commercial log export projects (more than 70,000 m<sup>3</sup>/annum sustainable yield) regardless of the decisions made regarding Fragile forests, conservation set-asides or the cutting cycle. All four require some remedial action.

Table 4 lists the projects with commercial potential. It also sets out the key areas of non or inadequate compliance which must be remedied. These projects may be progressed by the PNG Forest Authority as priority projects.

**TABLE 4: PROJECTS WHICH MAY BE PROGRESSED AS PRIORITY PROJECTS  
SUBJECT TO REMEDIAL ACTION**

PROJECT NAME	REMEDIAL ACTION REQUIRED		
	RESOURCE AND PLANNING ISSUES	LEGAL ISSUES	LANDOWNER ISSUES
<b>11. Amanab Blocks 5 &amp; 6</b>	<p>NFS to secure Provincial approval through Provincial Forest Plan</p> <p>NFS to undertake additional forest inventory up to a 1% sample</p> <p>NFS to revise resource description based on FIMs mapping data</p>	<p>Board to consider application for the project to be treated as an extension taking into account the December 2000 amendments to the Act</p> <p>Board to resolve the question of consolidation of project area with Amanab Blocks 1-4 taking into account views of the landowners</p>	<p>NFS to undertake improved landowner awareness effort</p> <p>NFS to verify that duly authorised representatives have signed the FMAs</p>

<p><b>12. East Awin</b></p>	<p>NFS to undertake Additional forest inventory up to a 1% sample</p> <p>NFS to revise resource description based on FIMs mapping data</p>	<p>NFS to attach map to the FMA document</p> <p>PFMC to re-confirm the ILG work and the willingness of landowners to enter into the FMA</p> <p>NFS to delete unwilling landowners from the FMA and revise the map and resource description accordingly</p> <p>Board to consider requiring a supplemental Project Agreement to provide for staff training and joint ventures (as required by policy)</p>	<p>NFS to undertake improved landowner awareness effort</p> <p>NFS to assist landowners sort out LANCOS and whom they represent</p> <p>NFS to verify that duly authorised representatives have signed the FMAs</p>
-----------------------------	--	---	--

<p><b>16. Kamula Doso</b></p>	<p>NFS to undertake additional forest inventory up to a 1% sample</p> <p>NFS to revise resource description based on FIMs mapping data</p>	<p>NFS to correct defects in the FMA and the Supplementary FMA</p> <p>NFS to undertake further consultations with the Provincial Government and the landowners regarding their development aspirations</p> <p>Board to reconsider the approval to treat this project as an extension and apply recent amendments to the Act. The project should be tendered</p>	<p>NFS to revisit ILGs and ensure they are based on clans and not family groups</p> <p>NFS to verify that duly authorised representatives have signed the FMAs</p>
-------------------------------	--	---	--

<p><b>22. Asengseng Consolidated</b></p>	<p>NFS to secure Provincial approval through Provincial Forest Plan</p> <p>NFS to engage with OEC to consider OEC's recommendation that the forests of the Whiteman Range be protected</p> <p>NFS to undertake additional forest inventory up to a 1% sample</p> <p>NFS to revise resource description based on FIMs mapping data</p> <p>NFS to revise the consolidated Project Guidelines to indicate operational limitations on harvesting to prospective developers resulting from having three FMAs, and ensure adequate consultation with landowners and the Provincial Government (s63)</p>	<p>NFS to correct defects in the FMAs</p> <p>PFMC to re-confirm verification of ILG incorporation and landowner willingness</p> <p>PFMC members with vested interests must be distanced from the process</p>	<p>NFS to verify that duly authorised representatives have signed the FMAs</p>
--	---	--	--

(b) Projects Which May Have Potential

Table 3 identifies a further six “in process” projects which may have the potential to be developed into successful commercial log export projects depending on the decisions made regarding the exclusion of Fragile forests from logging; the implementation of the forest set-asides for conservation; and the cutting cycle. All six require some remedial action.

Table 5 sets out the list of projects with potential for development. It also sets out the key areas of non or inadequate compliance which must be remedied in each case.

**TABLE 5: PROJECTS WHICH MAY HAVE THE POTENTIAL TO BE PROGRESSED FURTHER  
SUBJECT TO REMEDIAL ACTION**

PROJECT NAME	REMEDIAL ACTION REQUIRED		
	RESOURCE AND PLANNING ISSUES	LEGAL ISSUES	LANDOWNER ISSUES
<p><b>2. Rottock Bay Consolidated</b></p>	<p>NFS to secure Provincial approval through Provincial Forest Plan</p> <p>NFS to engage with OEC to consider OEC's recommendation that the forests of the Whiteman Range be protected</p> <p>NFS to undertake additional forest inventory up to a 1% sample</p> <p>NFS to revise resource description based on FIMs mapping data</p> <p>NFS to revise the consolidated Project Guidelines to indicate operational limitations to prospective developers resulting from having four FMAs, and ensure adequate consultation with landowners and the Provincial Government (s63)</p>	<p>NFS to fully brief the Board on this project</p> <p>Board to re-consider the application for project to be treated as an extension and apply recent amendments to the Act. The project should be tendered</p> <p>Board to investigate the transfer of the East Arowe Timber Permit to Cakara Alam</p>	<p>NFS to undertake remedial work on the ILGs to satisfy individual land groups</p> <p>NFS to verify that duly authorised representatives have signed the FMAs</p>

<p><b>15. Amanab Blocks 1-4 (a)</b></p>	<p>NFS to undertake additional forest inventory up to a 1% sample</p> <p>NFS to revise resource description based on FIMs mapping data</p>	<p>NFS to correct defects in two of the FMAs</p> <p>Board to resolve the question of consolidation with Amanab Blocks 5 &amp; 6</p> <p>NFS to undertake further consultations with the Provincial Government and the landowners regarding their development aspirations</p>	<p>NFS to undertake improved landowner awareness effort</p> <p>NFS to revisit ILGs and ensure they are based on clans and not family groups</p> <p>NFS to revise Project Guidelines to include landowner requirements, and ensure adequate consultation with landowners and the Provincial Government (s63)</p>
<p><b>19. Middle Ramu Block 1</b></p>	<p>NFS to undertake additional forest inventory up to a 1% sample</p> <p>NFS to revise resource description based on FIMs mapping data</p>	<p>NFS to review the draft FMA to accord with properly constituted and willing ILGs</p> <p>PFMC to properly reconsider the Certificate under s58(f)</p>	<p>NFS to revisit ILGs and ensure they are based on clans and not family groups</p> <p>NFS to check which ILGs have signed forest conservation agreements as well as the FMA</p>
<p><b>20. East Pangia</b></p>	<p>NFS to undertake additional forest inventory up to a 1% sample</p> <p>NFS to revise resource description based on FIMs mapping data</p>	<p>NFS to review the draft FMA to accord with properly constituted and willing ILGs</p>	<p>NFS to undertake improved landowner awareness effort</p> <p>NFS to assist in resolving boundary disputes</p> <p>NFS to check ILG support for the FMA</p>

<p><b>25. April Salumei</b></p>	<p>NFS to undertake additional forest inventory up to a 1% sample</p> <p>NFS to revise the Project Guidelines to indicate operational limitations on harvesting to prospective developers resulting from the lack of road access and the splitting of the loggable area into two by the Hunstein Range WMA, and ensure adequate consultation with landowners and the Provincial Government (s63)</p>	<p>PFMC certification to be re-confirmed given the lack of progress with this project since 1996.</p>	<p>NFS to check which ILGs have signed forest conservation agreements as well as the FMA</p> <p>NFS to check ILG support for the FMA</p> <p>NFS to verify that duly authorised representatives have signed the FMAs</p>
<p><b>26. Cloudy Bay (a)</b></p>	<p>NFS to undertake additional forest inventory up to a 1% sample</p>	<p>PFMC to confirm ILG incorporation and landowner willingness</p> <p>The NFS to place proper documentation relating to the Supplementary FMA (if it exists) on the files</p> <p>NFS to re-draft Project Guidelines to take into account landowner aspirations</p>	<p>NFS to undertake improved landowner awareness effort</p>

(a) If Fragile forests are excluded from logging then this project will not meet the Board guidelines for a viable log export project.

## PROJECTS WHICH SHOULD BE PUT ON HOLD

The remaining “in process” projects do not meet the threshold for a viable log export project. Many also do not meet the threshold for viable harvesting. These projects should be put on hold pending a review of consolidation options, or the application of alternatives such as Timber Authorities or an eco-forestry/conservation project. Apart from effort to manage landowner response to the decision to place these projects on hold, these projects do not warrant any further application of scarce resources by the National Forest Service at this point in time. The list is set out in Table 6.

<b>TABLE 6 : LIST OF PROJECTS WHICH SHOULD BE PUT ON HOLD</b>	
<b>PROJECTS WHICH DO NOT MEET THE MINIMUM SUSTAINABLE YIELD REQUIREMENT TO SUPPORT A COMMERCIAL LOG EXPORT PROJECT (70,000 m<sup>3</sup>/annum)</b>	<b>PROJECTS WHICH IN ADDITION DO NOT MEET THE MINIMUM SUSTAINABLE YIELD REQUIREMENT TO SUPPORT A FINANCIALLY EFFICIENT HARVESTING OPERATION (30,000 m<sup>3</sup>/annum)</b>
<b>BATCH 1</b>	
1. Musa Pongani 9. Morobe South Coast 10. Nungwaia Bongos	3. Mukus Tolo 5. Trans Vanapa 6. Wes 7. Vailala (Meporo)
<b>BATCH 2</b>	
	13. Josephstaal 14. Semabo 15. Amanab 1-4 (a) 17. Ioma Block 5 18. Aitape East Coast 21. East Collingwood
<b>BATCH 3</b>	
26. Cloudy Bay (a) 28. South West Wapei 32. Hekiko (SHP)	23. Rai Coast TRP 24. Pondo 27. Tuwapu 29. Wipim Tapela (b) 30. Hekiko (Gulf)

- (a) If Fragile forests are excluded from logging.  
(b) Dependent on the extent of forest losses due to fire.

The projects set out in Table 6 may warrant further attention at some future date if the PNG Forest Authority is able to obtain landowner agreement to sufficient consolidation with other adjacent forest areas to ensure a minimum sustainable log harvest of at least 70,000 m<sup>3</sup>/annum. To ensure that PNG Forest Authority scarce resources are not wasted, the “in principle” agreement of the landowners (or their proper representatives) should be obtained before any formal resource acquisition procedures are initiated.

There may be forestry choices which the landowners are willing to pursue. These include harvesting for domestic processing under a Timber Authority, and the establishment of an eco-forestry or other conservation project in partnership with a non-government organisation.

If further attention is paid to these projects under Forest Management Agreements then any non-observance or inadequate observance of the requirements of policy, laws, processes and procedures identified through the application of Material Review Criteria (as summarise in Table 2) must also be remedied.

### PROJECTS WHICH DO NOT REQUIRE ANY REMEDIAL ACTION

The Review Team did not identify any projects which did not require any remedial action before they can be progressed.

#### **3.2.7 KEREVAT PLANTATION**

Kerevat plantation is a special case. The 1991 National Forest Policy requires that “The utilisation of forest resources shall be subject to government control”, but fails to distinguish natural forests and plantation forests. This oversight continues through to the Forestry Act 1993. Faced with the need to manage the harvesting of the Kerevat plantation the National Forest Service initiated the acquisition process set out in the Act using a standard Board approved Forest Management Agreement (which meets the requirements of s58 of the Act). This places some inappropriate requirements on the development and utilisation of plantations, in particular when they are privately financed and owned.

On the surface the application of a number of Timber Authorities would appear to provide a short term solution. However s87(5) of the Act may place some inappropriate restrictions on the volume that may be harvested. Alternatively the specific exclusion of plantations from the Act may be a workable alternative.

### **3.3 PROJECTS BEING DEVELOPED THROUGH A TIMBER AUTHORITY**

Two “In Process” projects under Timber Authorities were reviewed. These were the Kulu Dagi project covering the clearance of land for oil palm development, and the so-called Aiambak-Kiunga road line clearance project. The former was found to have observed due process, and the latter was found to have been illegally issued and extended.

The main finding regarding Timber Authorities is that there appears to be a misconception regarding the need for, and where the power to grant Timber Authorities lies, among persons who should know better. This is evidenced by:

- The recent Managing Director’s issuance of permission for road line clearing in the Pondo project area without recourse to the appropriate category of Timber Authority or the observance of due process for the issuance of a Timber Authority; and
- The recent Minister’s issuance of permission for road line clearing for the so-called “Trans Island Highway<sup>7</sup>” without recourse to the appropriate category of Timber Authority or the observance of due process for the issuance of a Timber Authority.

With regard to Timber Authorities, there is a need to amend the Forestry Act to delete obsolete references to “Provincial Minister” and other ambiguities arising from the definition of “Provincial Forestry Management Committee” (as opposed to the

---

<sup>7</sup> A proposed extension of the so-called Aiambak-Kiunga road Timber Authority.

Provincial Forest Management Committee which is a committee of the PNG Forest Authority Board).

## 4. RECOMMENDATIONS

As part of the process of developing recommendations, the Review Team produced discussion papers covering Forest Resource and Planning issues, Legal issues and Landowner issues. These are presented as Appendices 4, 5 and 6.

### 4.1 PROJECT SPECIFIC RECOMMENDATIONS

The project specific recommendations are set out in the 32 Individual Project Review Reports presented in a separate volume.

### 4.2 RECOMMENDATIONS TO THE INTER-AGENCY FORESTRY REVIEW COMMITTEE (IAFRC):

It is recommended that the IAFRC:

- Informs the National Executive Council (NEC) of the findings of this independent review together with the views of the IAFRC.
- Seeks the NEC's approval, through a formal NEC Decision, that the following proposed policy developments be pursued<sup>8</sup>:
  - That the National Forest Policy be revised, with particular attention to the inclusion of national forest conservation policies.
  - That in the interest of good governance the current forestry administration be further restructured by splitting the policy responsibilities and the implementation and policing responsibilities to a Ministry of Forestry (or a wider natural resources Ministry) and the PNG Forest Authority respectively.
  - That the sectoral planning provisions of the Forestry Act be simplified by the removal of inappropriate and/or non-effective components of the National Forest Plan, specifically the National Forestry Development Guidelines; the annual statement of provincial allowable cut; and the National (and Provincial) Forestry Development Program.
  - That to ensure consistency of National and Provincial planning the Forestry Act be amended to include a clear statement that the National Forest Plan is the sum total of the approved Provincial Forest Plans.
  - That to reduce conflict a formal register of genuine eco-forestry and forest conservation (and any similar) projects be established to include projects where the landowners have indicated their support by forming an Incorporated Land Group and entering into a written agreement with an NGO, Provincial Government or any other similar party. That projects on the register be taken into account in Provincial and National forest plans.
  - That in the interest of improved accountability the required content of the PNG Forest Authority Managing Director's annual report be specified by regulation.

---

<sup>8</sup> It is understood that some resources to support the further development and implementation of these initiatives will be available through the anticipated Forestry and Conservation Project.

- That in the interest of sensible plantation forestry management and harvesting arrangements, plantation forests be exempted from the Forestry Act.
  - That an independent capacity to properly facilitate land group incorporation be created either within an existing Government department or through the use of certified private sector individuals or organisations.
  - That the office of the Registrar of Titles within the Department of Lands and Physical Planning be expanded and strengthened to a point where it can properly vet applications for Incorporated Land Group registration.
- Seeks the NEC's approval for an evaluation of the role forestry projects can play in rural development through genuine stakeholder partnerships with landowners.
  - Recommends to the Managing Director of the PNG Forest Authority that he distribute copies of this independent review report to the Forest Authority Board.
  - Recommends to the Managing Director of the PNG Forest Authority that he distribute copies of this independent review report to senior National Forest Service managers and arrange a seminar to discuss the findings; to propose initial views regarding solutions to the issues raised; and to prepare it's work program.
  - Requests the Managing Director of the PNG Forest Authority to report back to the IAFRC regarding the National Forest Service's initial views regarding solutions, and to present the proposed work program.
  - Recommends to the Director of the Office of Environment and Conservation to report to the IAFRC how the Office of Environment and Conservation might re-engage with the PNG Forest Authority regarding forestry and forest conservation issues at a technical level.
  - Formally recommends to the appropriate institutions their implementation of the independent Review Team's recommendations regarding the compliance audit of the 32 "in process" forestry projects as set out in Section 4.3 of this report.

#### **4.3 RECOMMENDATIONS REGARDING THE COMPLIANCE AUDIT OF THE 32 "IN PROCESS" FORESTRY PROJECTS**

##### PROVINCIAL FOREST PLANS

It is recommended to the Managing Director of the PNG Forest Authority and the Director of the Office of Environment and Conservation that:

- They jointly initiate a program of technical support to the Provincial Governments to review and update the Provincial Forest Plans.

##### CUTTING CYCLE

It is recommended to the Managing Director of the PNG Forest Authority that:

- He consult with staff of the Forest Research Institute to prepare a position paper setting out a clear direction regarding the length of the standard cutting cycle to be observed in setting the sustainable annual log harvest for each project.

### FOREST CONSERVATION

It is recommended to the Managing Director of the PNG Forest Authority and the Director of the Office of Environment and Conservation that:

- They prepare a joint position paper to the NEC setting out a clear position regarding the loggability of Fragile forests and seek an NEC decision to add the agreed position to the PNG Logging Code of Practice.
- They formalise a joint approach to the requirement for an Initial Environmental Assessment for proposed forestry projects, and to dealing with the recommendations which may be made in such assessments.

It is further recommended to the PNG Forest Authority that:

- It state it's right to set-aside 10% of the loggable area for conservation purposes (as currently provided for in all Forest Management Agreements) in the Project Guidelines and the Project Agreement for every project.
- It take the conservation set-asides into account when calculating the potential sustainable log harvest.

### OBSERVING DUE PROCESS

It is recommended to the PNG Forest Authority that:

- A procedures manual be prepared for resource acquisition, including:
  - A planned approach to building landowner awareness, plus verifiable standards to be used to ensure that proper awareness and informed consent has been achieved;
  - A requirement for landowner consent to consolidation matters prior to the negotiation of a Forest Management Agreement;
  - Minimum standards for forest inventory;
  - A requirement to confirm the existence of practical access to the project area;
  - The proper use of the Forest Information Mapping System to determine gross loggable area estimates; and
  - An acceptable standard approach to setting out forest resource descriptions.
- A separate file be kept for each "in process" project to fully document compliance with every prescribed step.

- All delegated powers of the PNG Forest Authority Board be reviewed, and that the Board be promptly advised whenever they are exercised.
- It deals promptly and effectively with legal actions that impact upon projects.
- Greater care be taken to observe due process in relation to the approval of extensions, particularly in the light of recent amendments to the Act.
- Care be taken to ensure that so-called “development agreements” do not compromise due process by apparently “pre-selecting” developers and by purporting to give logging rights other than in accordance with the Forestry Act.
- It requires that all Provincial Forest Management Committees observe the usual requirements that “interests” be declared, and that members with possible conflicts of interest not participate in decision making.

### FOREST MANAGEMENT AGREEMENTS

It is recommended to the PNG Forest Authority that:

- It rectifies the defects in the Forest Management Agreements and the Supplementary Forest Management Agreements.
- It fully briefs the Provincial Forest Management Committees on their duties under sections 58(f) (certification of Forest Management Agreements) and 28(3) (attendance of landowners at meetings), and that evidence of their proper deliberations be kept on PNG Forest Authority head office files.
- It gives full consideration to the effect of the Fairness of Transactions Act 1993 in relation both to the terms of the Forest Management Agreement and to the manner in which the agreement is negotiated on behalf of the PNG Forest Authority.
- Timber Rights Purchases saved under the Act not be used as the basis of new or revived projects.
- It makes definitive decisions if areas under Forest Management Agreements need to be consolidated, or if alternative use of Timber Authorities is preferable, or if the project should not proceed at all.

### CONTROLLING THE ACTIVITY OF PROPONENTS

It is recommended to the PNG Forest Authority that;

- It requires approvals for feasibility studies under section 65 of the Act in relation to all preliminary work in project areas and with resource owners (legislative amendment may be required).
- It applies a Code of Ethics to Forest Industry Participants and Consultants, and enforces this through the suspension or cancellation of registration under section 112 (legislative amendment may be required).

- It avoids delays in the processing of projects so that landowners do not see the need to involve proponents in the acquisition and allocation of resources.

#### RIGHTS OF RESOURCE OWNERS

It is recommended to the PNG Forest Authority that:

- It includes landowner aspirations in both the Development Options Study and the Project Guidelines.
- It assists landowners access commercial and legal advice, and relevant information held by the Forest Authority.

#### “IN PROCESS” FORESTRY PROJECTS WHICH MAY BE PROGRESSED

It is recommended to the National Forest Service that:

- As a first priority it focuses its resources on the remedial actions required (as set out in Table 4 of this report) and the further development of the following four projects: Amanab Blocks 5 & 6, East Awin, Kamula Doso and Asengseng Consolidated.
- As a second priority it reconsiders the viability of the following six projects following decisions regarding the loggability of Fragile forests; the implementation of conservation set-asides; and the cutting cycle – Rottok Bay Consolidated, Amanab Blocks 1-4, Middle Ramu Block 1, East Pangia, April Salumei, and Cloudy Bay – and where a viable project is found to exist, undertakes the remedial actions required (as set out in Table 5 of this report) and further develop the project.
- It shelve the remaining 20 “in progress” projects being developed under a Forest Management Agreement and a Timber Permit pending a review of consolidation options, or alternative approaches to forest utilisation such as Timber Authorities or eco-forestry/conservation projects. In all cases the landowners should be informed of any decisions made.

#### INVENTORY AND FOREST RESOURCE DESCRIPTIONS

It is recommended to the National Forest Service that where a decision is made that an “in process” project will be further progressed, that:

- It undertakes a program of field inventory to achieve a minimum 1% sample and thereby increase the reliability of the forest resource descriptions set out in the Forest Management Agreement, and on which potential developers base their interest and feasibility studies.
- It revisits the forest resource descriptions contained in the Forest Management Agreements (and if necessary Development Options Studies, Project Guidelines and Project Agreements) taking into account improved field inventory data, and decisions regarding the loggability of Fragile forests; the implementation of conservation set-asides; and the cutting cycle.
- It bases the revisions of the forest resource descriptions on the area information contained in the Forest Information Mapping System (FIMS).

## **5. PRIORITIES FOR ACTION**

The Review Team considered a plan of action to implement the recommendations set out in Section 4 of this report.

The project specific recommendations (see Section 4.1) as set out in the 32 Individual Project Review Reports do not lend themselves to a time bound action plan, as there are broader issues to be decided before any one single project can be progressed.

The recommendations made to the Inter-Agency Forestry Review Committee (see Section 4.2) are expected to be considered, and acted upon (provided the Committee accepts the recommendations) by the Committee as a matter of priority. It is anticipated that the process of the Inter-Agency Committee considering the recommendations made in Section 4.2 would take no longer than a month.

Many of the recommendations which have arisen from the compliance audit of the 32 “in process” forestry projects (as set out in Section 4.3 of this report) are general in nature, or need only be considered and applied when the situation they refer to arises. Other recommendations require actual steps to be taken and the following action plan is limited to this type of recommendation. They have been categorised as follows:

- For immediate action;
- For priority consideration; and
- For implementation when resources are available.

### **5.1 COMPLIANCE AUDIT RECOMMENDATIONS FOR IMMEDIATE ACTION**

- That a separate project file be kept for each “in progress” project to fully document compliance with all of the prescribed steps (action by National Forest Service).
- That the PNG Forest Service Board be promptly advised when delegated powers are exercised (action by the Managing Director).
- That the Provincial Forest Management Committees be required to observe the usual requirements in relation to avoiding conflicts of interest (direction from the PNG Forest Authority Board and action by the Provincial Forest Management Committees).
- That Project Guidelines be drafted or re-drafted so as to contain the landowner development aspirations identified in the Development Options Study (action by National Forest Service, endorsement or re-endorsement of the Development Options Studies by the Board).
- That the right stated in the Forest Management Agreements to set aside 10% of the loggable area for forest conservation purposes be stated in all Project Guidelines and all Project Agreements along with the impact on the calculated sustainable yield (action by the National Forest Service, endorsement of the Project Guidelines and the Project Agreements by the Board).

## 5.2 COMPLIANCE AUDIT RECOMMENDATIONS REQUIRING PRIORITY CONSIDERATION

- That the defects identified in the Forest Management Agreements and the Supplementary Forest Management Agreements be rectified (action by the National Forest Service, endorsement of the Forest Management Agreements by the Board).
- That the impact of the Fairness of Transactions Act 1993 be fully considered (action PNG Forest Authority), and that:
  - The standard terms and conditions of the Forest Management Agreement be revised if necessary;
  - Appropriate negotiation protocols be formulated and applied;
  - Any existing Forest Management Agreement that is covered by the Act be specifically reviewed and re-negotiated if necessary; and
  - Procedures be established for the negotiation of additional or alternative terms and conditions if they are sought by landowners.
- That delegated powers be reviewed (action by the PNG Forest Authority Board).
- That a program of technical support to the Provincial Governments be initiated to facilitate the review and update of their Provincial Plans (action by the PNG Forest Authority and the Office of Environment and Conservation).
- That a clear position regarding the loggability of Fragile forests be determined and included in the PNG Logging Code of Practice (action by the PNG Forest Authority and the Office of Environment and Conservation).
- That the Provincial Forest Management Committees be briefed on their duties under s58(f) (certification of Forest Management Agreements) and s28(3) (attendance of landowners at relevant meetings) (action directing the briefing from the Board to the National Forest Service).
- That evidence of the proper deliberations of the Provincial Forest Management Committees be kept on a central file (action Secretary to the Board).
- That approvals for feasibility studies under s65 be required in relation to all preliminary work in prospective forestry project areas and the landowners (action PNG Forest Authority/National Forest Service).
- That remedial action be taken for the Amanab Blocks 5 & 6, East Awin, Kamula Doso and Asengseng Consolidated projects, and that these then be further progressed subject to proper forest resource descriptions (action National Forest Service).
- That a standard cutting cycle period be agreed and applied to the calculation of the sustainable annual cut (action PNG Forest Authority).

### **5.3 COMPLIANCE AUDIT RECOMMENDATIONS TO BE IMPLEMENTED WHEN RESOURCES ARE AVAILABLE**

- That a Code of Ethics be applied to Forest Industry Participants and Consultants (action PNG Forest Authority/National Forest Service).
- That landowners be assisted to access commercial and legal advice, and any relevant information held by the PNG Forest Authority (action PNG Forest Authority/National Forest Service).
- That amendments to the Forestry Act be drafted (action PNG Forest Authority) to:
  - Remove references to “Provincial Ministers” and remove uncertainty surrounding Provincial Forestry Management Committees and Provincial Forest Management Committees.
  - Enforce the Code of Ethics by suspension or cancellation of registration under s112.
  - Require an application under s65 for any preliminary work to be done in a proposed project area, or with landowners.
- That a procedures manual be prepared for forest resource acquisition (action by the PNG Forest Authority).
- That remedial action be taken for the Rottok Bay Consolidated, Amanab Blocks 1-4, Middle Ramu Block 1, East Pangia, April Salumei and Cloudy Bay projects, and that these then be further progressed subject to proper forest resource descriptions (action National Forest Service).

## **APPENDICES**

1. Location Map Showing 32 “In Process” Forestry Projects as at September 2001.
2. List of Submissions Received Regarding the 32 Draft Individual Project Review Reports and the Methodology Report.
3. Material Review Criteria.
4. Broad Discussion on Forest Resource and Planning Issues Including Suggested Simplifications and Improvements in the Policy and Procedures.
5. Broad Discussion on Legal Issues Including Suggested Changes and Improvements in the Legal Process and Requirements.
6. Broad Discussion on Landowner Issues Including Suggested Improvements in Dealings with Landowners and their Organisation.