



**INTERNATIONAL TROPICAL
TIMBER COUNCIL**

Distr.
GENERAL

ITTC(XLII)/7
4 April 2007

Original: ENGLISH

FORTY-SECOND SESSION
7-12 May 2007
Port Moresby, Papua New Guinea

**ACHIEVING THE ITTO OBJECTIVE 2000
AND SUSTAINABLE FOREST MANAGEMENT
IN PAPUA NEW GUINEA**

REPORT OF THE DIAGNOSTIC MISSION

EXECUTIVE SUMMARY

*Report submitted to the International Tropical Timber Council by the Diagnostic Mission
established pursuant to Decision 2(XXIX)*

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Objectives of the mission

In 1999 ITTO member countries adopted the Year 2000 Objective, an objective which committed the members to achieving international trade of tropical timber from sustainably managed forests by the year 2000. The most recent agreement reached in January 2006 reaffirms the commitment, now called Objective 2000, and states that members agree to "...moving as rapidly as possible toward achieving exports of tropical timber and timber products from sustainably managed sources (*ITTO Objective 2000*)"

Within the framework of this objective, the government of Papua New Guinea requested ITTO for an assessment of its forestry sector to determine its potentialities, achievements, and challenges. ITTC authorized a "Diagnostic Mission to PNG with the main objectives of identifying weaknesses of the forestry sector and the constraints contributing to the failure in achieving Objective 2000, hence Sustainable Forest Management and recommending appropriate measures to overcome the constraints."

Development of the mission

ITTO designated a technical team composed of three international and two national consultants. The national consultants prepared a national report which provided background information on the forestry sector and allied fields in PNG. The international consultants reviewed numerous studies and reports pertaining to the forestry sector in PNG and visited PNG between 17 February and 7 March, 2007. They met and interviewed representatives of government agencies, NGOs, landowners and forest industry both in Port Moresby and in the field.

OVERVIEW OF THE CURRENT STATUS

1. Forest resources

PNG is endowed with a very large forest estate. Out of the total land area of 46.3 million hectare, the forest cover is estimated at 30.6 million ha, or nearly two-thirds of the total land area. The forests are classified as 80% rain forests, 4% moist forests, 5% woodland and 11% mountain forests. The coasts host some of the most extensive mangroves in the region. The country has about 10.5 million hectares of forest that might be considered permanent; these include 8.7 million hectares of forest over which timber rights have been acquired (production Permanent Forest Estate), 1.7 million hectares allocated for protection and about 80,000 hectares of planted forests. PNG forests host some of the richest flora and fauna in the world and contain several highly valued commercial timber species. The total area classified as primarily Productive Forests stands at 13.75 million ha.

There are different estimates of the rate of deforestation in PNG, but the loss of forest cover between 1990 and 2000 and between 2000 and 2005 was reported at 0.4%-0.5% annually, (ITTO, 2005; FAO 2005); some NGOs however, report higher rates. Much of the deforestation is due to conversion to other land uses such as agriculture, particularly oil palm.

Protected areas are not well defined in PNG. The Department of Environment and Conservation (DEC) reports 1.6 million ha of protected forests, while the 2006 draft National Forest Plan gives a figure of 0.5 million ha. Furthermore, the delineation of protected areas on the ground is also vague. However, in the absence of accurate information, the figures given above should be taken as indicative of problems with reconciling what forests are protected and what that means in the context of PNG law.

2. Policy, legal and institutional frameworks

The elements of sustainable forest management are enshrined in the PNG Constitution of 1975, but the sector has been plagued with serious problems since then. Most of the legislation and regulations have been enacted as a result of forest degradation and problems associated with logging operations and trade, as well as dissatisfaction of landowners, donors and NGOs. Although the legislation includes substantive social and environmental aspects, the emphasis has always been on logging operations, i. e. economic returns. Sustainable yield has been adopted as the main criterion for sustainable forest management - an invalid assumption since SFM is far more than sustainable yield.

The 1991 Forestry Act introduced new allocation procedures and a new administration system. It established the PNG Forest Authority (PNGFA) and mandated it to manage the nation's forest resources through implementing the overall objectives of the National Forest Policy. It operates through the National Forest Board, the National Forest Service and the Provincial Forest Management Committees among other bodies. The Forestry Act empowers the PNGFA to negotiate Forest Management Agreements (FMAs) with resource owners and select developers (concessionaires) and negotiate conditions under which Timber Permits, Timber Authorities and Licences may be granted. Supported by the National Forestry Development Guidelines (NFDG), the National Forest Policy (NFP) was devised as the operational arm of the Forestry Act, mostly for administration and control of the forest sector.

The National Forest Board (NFB) oversees the activities of the PNGFA. Its composition, as outlined in the Forestry Act, includes representatives of all actors in the forestry sector. Lately however, some stakeholders were dropped from the Board, including the sole NGO representative, while others were added, a focus of much criticism.

The National Forest Service (NFS) is the agency actually responsible for administering the Forestry Act. It is in charge of practically all aspects of forestry at the national level in PNG. Often the responsibilities overlap both within the NFS and with DEC.

The Provincial Forest Management Committees are supposed to ensure effective consultations with customary landowners, among other responsibilities. However, there are indications that PFMCs do not function as anticipated due to shortage of human and financial resources to implement their mandates.

The PNG Forest Research Institute (PNGFRI) located in Lae, is an integral part of the NFS. It has some good physical facilities, but the current research programme is not up to standard as it does not address some of the research topics most urgently needed in PNG such as social aspects; policy, economics and planning; and biodiversity, among others.

The Department of Environmental Conservation (DEC) is mandated to oversee all aspects of forestry operations with impact on the environment, including approval of FMAs during the acquisition process.

The human resources of both PNGFA and DEC, especially the field staff, appeared overworked, under resourced and, therefore, not surprisingly, unmotivated. In some critical areas most pertinent to SFM, their responsibilities are far more than they can perform. Even though their work was

reduced to mainly “policing” forestry operations by developers (i.e. logging), they lack facilities to do so. Each field officer must attend to an area of hundreds of thousands of hectares with almost no equipment or infrastructure for support.

Forest concession allocation processes

PNG has in place elaborate systems and procedures for allocating (granting) concessions for forest resource exploitation and development. The country also has numerous types of permits that have evolved over the years, driven mainly by the need to correct the inadequacies of old systems and complaints by interest groups such as donors, forest industry, NGOs and landowners. There are three principle types of licensing for forest development (timber harvest): Timber permit, Timber Authority and Licences. All are subject to an extensive series of processes for approval. The Forestry Management Agreement (FMA) is the ultimate step in allocating forest concessions to developers. It is perhaps the most debated and challenged process in forestry in PNG. It is supposed to be based on consultation with landowners; competitive and transparent; and its implementation is the subject of close and extensive scrutiny.

Land ownership

The system of land tenure plays a critical role in Sustainable Forest Management in PNG by virtue of the fact that 97% of the forests are owned by customary landowners. There is, however, a common reluctance by customary owners to register their title to the land, compounded by vaguely defined boundaries of ownership. While the state has no ownership rights over land or its forest resources, the government, through PNGFA, exercises acquisition of private (customary) property rights in the public interest for forest development. Landowners are supposed to actively participate in the negotiation and granting of FMAs, although the Forest Act of 1991 does appear to pre-empt some of those rights. Effective landowner inclusion in the system of granting forest logging licences is also a matter of dispute. On the other hand, it is rather difficult for any forestry administration to manage privately owned land even when mandated to do so.

Monitoring

Monitoring of developers’ compliance with the terms of FMAs is the responsibility of NFS in collaboration with DEC. Furthermore, field officers are supposed to address landowner’s disputes and mediate between them and loggers. This is not executed properly due, among other factors, to a shortage of personnel and inadequate logistics.

Monitoring of log exports has been devolved to an independent entity, the SGS (Société Générale de Surveillance) since 1994, after many years of debate and litigation, particularly as related to failures in the declaration of shipments and in significant problems with transfer pricing which have led to major financial losses to PNG government. The process has led to capturing substantial revenues for the PNG government as reported by SGS. However, the monitoring is done at the tail end of the chain of custody and the tracking system does not provide information on the level of sustainable practice of the timber permit holder. Monitoring of compliance with environmental protection and biodiversity conservation entrusted to DEC is even more inadequate.

As in almost all tropical countries, PNG logging operations and log export are under close surveillance by major international NGOs as well as a respectable number of vigilant national NGOs.

Forest governance and law enforcement

The laws governing the PNG forestry sector are regarded as generally excellent, though with far more steps and complexities than necessary. On the other hand, concern is often raised about the capacity of PNG to monitor and enforce its own laws. A striking example of this is the significant extent of forest FMA ha assigned to each officer to monitor compliance with the law, among other major field responsibilities.

There is a major problem in PNG in determining maximum logging levels and the appropriate characteristics of stands to be logged in the context of sustainability of the forests. However, the more significant issues are to do with the compliance of the government itself with the laws of PNG

when deciding to designate a forested area for logging purposes; negotiating the agreement with landowners; managing, monitoring and enforcing the agreement; and when extending current agreements.

It is believed that the narrow focus of the PNGFA on exploitation of the forest resource for the primary financial benefit of the national government presents a conflict of interest which colors decisions made by the government at all levels. The National Forest Board has also, on occasion, taken decisions without the due process procedures required in the Forestry Act 1991 (e.g., extension of Timber Authority and Timber Permits without consultation with landowners). This has been the case in at least one significant extension of an FMA which more than doubles the size of the FMA.

Forest Industry

One of the areas where the Mission had relatively few consultations was with industry operating in PNG. Through consultations with the association of industry representatives, some domestic timber operators (but not the FMA owners themselves), the Mission was able to get a sense of the more significant issues facing the industry.

There are very few local companies with the primary authorization to harvest in production forests. Most companies are foreign-based and have an extensive foreign employee base, though some have hired domestic logging companies as subcontractors for some aspects of the work. There is a significant dependence on the logging industry by PNG for infrastructure in areas being logged. Beyond that, the dependency by government field officers on the companies for housing, transportation, schooling and other public services leads to significant concerns. This is the basis for complaint by the industry, which has to finance and manage these activities in addition to logging. It is, however, also significant concern because of the co-dependency of government officials with the FMA owners.

Concerns were also raised by almost all consulted about timber pricing, issues include the apparent price-setting monopoly of a single foreign company with as much as 70% of the production forest, the unilateral and non-transparent role of the Marketing Division of the NFS in establishing prices, and the paucity of remunerations to the landowners themselves, often functioning under timber prices set at fixed prices under old agreements.

Transfer pricing continues to be a problem as well, although the role of SGS in monitoring log exports has had some positive impact, it is well documented in studies by, among others, the Overseas Development Institute (ODI) published in January 2007.

The Role of Civil Society

Papua New Guinea has all the right ingredients for effectively engaging civil society in the sustainable management of forest resources. An admirable number of local NGOs are very active in PNG, especially as related to monitoring logging operations, close scrutiny of trade in illegally-sourced timber and in working with landowners at the grassroots level. The mission was introduced to two successful activities undertaken by NGOs.

However, there is significant criticism about the Government of PNG's apparently deliberate exclusion of NGOs and Landowners in decision making processes related to the granting and renewal of concessions. This is the subject of a number of legal disputes.

There are significant problems overall with the transparency of the process and information on the forest sector and its management. For example, in the acquisition of forest areas for FMAs the only aspect publicized is the notice of tender. No subsequent steps are available to the public.

Conclusions and Recommendations

The general conclusion of this "Diagnostic Mission" is that PNG has many solid acts, laws and legislation in place, but implementation is problematic due primarily to administrative and governance constraints and intervention. The government and industry have not been able to demonstrate integrated, economically viable, ecologically compatible and socially acceptable forest

management practices in line with the ITTO Criteria and Indicators. Forest management is reduced to monitoring logging operations at the expense of overall Sustainable Forest Management.

The environmental impacts of timber harvesting decisions and operations are poorly addressed and the regulatory framework is not being enforced due to inefficient collaborative efforts of PNG Forest Authority and DEC in field monitoring and control. The landowners constantly complain about lack of involvement in all government decision making processes related to forestry.

The following are some specific conclusions and recommendations pertaining to areas identified by the mission as crucial for working towards achieving sustainable forest management. The recommendations are addressed to the government and to ITTO.

Forest management

- The National forest inventory is outdated; hence existing national and provincial level plans are based on “guesstimates” of the area, species and growing volume, which vary tremendously from region to another. It is strongly recommended that PNG undertake and then continue to maintain a forest inventory as soon as possible. A multidisciplinary team of foresters, environmentalists, and sociologists should be involved in a National Forestry Inventory every 5 to 10 years as recommended in the PNG Forest Policy.
- ITTO should provide a technical mission to assess monitoring and build capacity needs for areas of forest being harvested.
- Land use planning (LUP) including definition and delineation of protected areas is lacking. It is recommended that PNG, possibly with the help of ITTO, undertake a LUP with due consideration to stakeholder consultation processes.
- There is a weak institutional working relationship between the two primary agencies (PNG Forest Authority and DEC) responsible for the sustainable management and protection of forests in PNG. This situation must be remedied.
- The design and layout of planted forests are not adequate to demonstrate the protection, restoration and conservation of natural forests and does not seem to minimize pressure on natural forests. It is recommended that PNG finalize the Reforestation Policy and complete the Forest Plantation Development Programme.
- The massive areas under Forest Management Agreements (FMA’s) coupled with inadequate logistics render the working conditions for field officers almost impossible. The government should address the complaints of the field staff.

Forest Policy and administration

The mission concluded that the enacted laws and legislation and the written policies related to forestry in PNG are comprehensive and would help to achieve most aspects of Sustainable Forest Management; therefore conducive to achieving Objective 2000. Nevertheless, it is clear that when it comes to implementation, all activities of the government center around the economic values of the forests and the functions of forest management plans are reduced to mainly “policing” of forest harvesting operations.

There are also serious deficiencies on the ground. Apparently, part of the problems is the multiplicity of the entities (bodies under PNGFA) and the overlap of their mandates and responsibilities. The *modus operandi* of PNGFA is very complex and processes of granting licences to harvest forest are cumbersome. Some specific conclusions and recommendations include:

- The National Forest Plan is based on the outdated information of the current National Forest Inventory. There is an urgent need to update the National Forest Plan with due consideration to the three pillars of SFM; economic, environmental and social aspects. International organizations such as ITTO and FAO could help with these processes especially for national capacity building.

- The government needs to make the processes of negotiating, granting and monitoring of FMA's more transparent and participatory, including the extension of FMAs, Timber Authorities and other existing agreements which have, or which will shortly expire.
- The diverse interests of landowners augmented by the undue influence of certain interest groups complicate the efforts to achieve SFM. A strong extension programme is overdue in PNG.
- The Mission believes that adopting transparency in the implementation of actions related to the Forest estate is fundamental to achieving Objective 2000.

Forest Governance and Law Enforcement

The Technical Mission endorse the strong view held by many people that the laws of the Papua New Guinea are generally excellent, though with far more steps and complexities than necessary. On the other hand, concern was raised about the capacity of PNG to monitor and enforce its own laws. Project Supervisors assigned to FMAs are responsible for overseeing compliance with the laws and the implementation of all closes stipulated in the agreement. In addition, they have a politically complex job of distributing the landowner's allocation to the community and mediating in disputes. There are serious concerns about the practicality of such responsibilities given the shortage of personnel and facilities.

- There appears to be a confusion between what constitutes illegal activity, non-compliance and sustainable logging in PNG. The government needs to redefine "sustainable logging" as just one integral component of the economic, social and environment aspects of sustainable forest management. This critical gap is particularly striking in light of the 97% of the forest land and resources belonging to landowners. In this regard, the narrow focus of the PNGFA almost exclusively on exploitation of the forest resource for the primary financial benefit of the national government presents a significant obstacle to achieving Objective 2000. ITTO should build on its previous workshop on illegal logging by offering to work with the Government of PNG to facilitate a process with all stakeholders to address these issues.
- Many questions have been raised regarding the compliance of the government itself with the laws of PNG. The processes for designating a forest area for logging purposes, negotiating the terms of agreement with landowners and monitoring compliance and procedures for extending current agreements could be the focus of an ITTO Mission, workshop or project.
- PNG civil society, particularly NGOs, provide an important contribution in the forest sector, along with international NGOs. The Constitution and the law in PNG provide the basis for transparent engagement in all aspects of sustainable forest management, including decisions made about whether or not a forest area should be considered for an FMA, protected area or other use.
- The PNG government should seek more effective involvement of landowners and NGOs on the National Forest Board, the PFMC and in other forest decision-making processes.
- ITTO should offer to carry out an independent survey of market intelligence needed within PNG, including also the development of the potential role of the PNG Forest Research Institute focused on: timber pricing, the timber market, transfer pricing, the current and future role of planted forests and value-added products in international trade.

This Executive Summary provides only excerpts of the mission diagnosis, conclusions and recommendations. Members are invited to read the full report for a more comprehensive understanding of Papua New Guinea, its challenges and opportunities in moving much closer to achieving Objective 2000, hopefully in the near future.