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MEDIA STATEMENT

Major reforms at PNGFA already addressing Act Now concerns

. . . Act Now invited to meet PNGFA to discuss concerns

Papua New Guinea Forest Authority (PNGFA) and the forestry sector, under the leadership of the Minister for Forest Hon. Salio Waipo, Chairperson of the National Forest Board Ms. Faith Barton and Managing Director Mr. John Mosoro, are undergoing a major reform that is already addressing concerns that Act Now has raised in their report titled: PNG Timber Legality Risk Assessment, 2023 which was published in Sunday Bulletin Newspaper on 15-22nd October, 2023.

PNGFA as an agency of Government regulating the management and utilization of the country's forest resources, is gravely concerned about the negativity of this report. This desktop report currently in circulation is not on par with current reforms that are taking place within the Forestry Sector under the Marape-Rosso Government. Since 2019, Prime Minister Marape has given his undivided support to the Forestry Sector to reform the sector and has given certain policy directives to give effect to the current reforms that are taking place within the sector.

As a responsible agency of Government and with the support of Donors and International partners through funding and technical support, PNGFA is addressing the alleged issues. The international partners are in communication with PNGFA to address these shortcomings. If these international partners are supporting PNGFA in addressing the alleged problems, why can't you both in-country and international NGO groups collectively work with the PNGFA to address the shortcomings as alleged.

We respond to the issues raised by Act Now as follows:

1. Overview of timber exports

Little forest plantation development is due to land tenure system which poses a challenge for plantation establishment, however PNGFA is developing mechanisms to ensure landowners free up land for plantation development. Timber concessionaires do pay minimal reforestation levy of between K1.00 – K5.00 per cubic metre, depending on agreements between

parties, however these amounts are insufficient to do any meaningful reforestation program.

Much of the existing plantations are located on state land with only a few, especially woodlots, are established on customary land.

2. Corruption in Papua New Guinea

The issue about timber illegality; what is illegal timber? The International Tropical Timber Organization's (ITTO) definition of illegal timber is "removal of logs in a manner that is against the provision of relevant laws". European Union's definition is "the harvesting of timber in contravention of the laws and regulations of the country of harvest". PNG timbers are from legally permitted and licensed projects and do comply with the two definitions mentioned here.

The high rating of various corruption indexes does not necessarily mean that corruption is taking place only in the forestry sector. It covers all other sectors of government and the private sector as well and whether they are adequately assessed is questionable.

PNGFA has taken measures and continues to do so to weed out corruption in the sector. That is why forestry laws are quite stringent according to international reports such as the 2007 ITTO Diagnostic Mission report. PNGFA is currently reviewing the Forestry Act to patch loopholes or gaps to prevent potential areas of corruption, among other areas, to ensure the forestry sector realizes its full potential in terms of sustainable socio-economic contribution and environmental preservation.

3. Corruption in the Forestry Sector

The Commission of Enquiry (CoE) into aspects of forestry and the forest industry sector in the late 1980's, revealed widespread corruption, due to loopholes in the repealed Forestry Act, however, measures have since been taken as per the recommendations of the CoE. The recommendations of the CoE formed the basis of the 1991 National Forest Policy and legislative framework and their subsequent implementation and enforcement. One of the great things about the reforms is that the decision-making process is decentralized where respective Provincial Governments through their Provincial Forest Management Committees (PFMC's) deliberate on projects and any other matters, prior to them being deliberated and decisions made by the National Forest Board. There is a high level of acceptance of the recommendations which includes, putting in place the policy and legislative framework, a unified forestry administration and all other policy instruments to ensure socio economic contribution while at the same time taking measures to ensure environmental considerations are observed.

Regarding the 2003 review team which we think was levelled at the acquisition and allocation processes, these have been adequately responded to at that time and that processes have been complied with. There are 34 Forest Management Agreement (FMA) acquisition and allocation steps involved which are required to be complied with before a project is allocated. Free prior informed consent is obtained at project awareness, acquisition stage, allocation and operational stages.

With regards to a forest governance Integrity baseline Report published by Transparency International PNG in 2011: Operations of the PNGFA have been within the confinement of the Forestry Act and other related laws. In terms of monitoring of logging operations, it is undertaken to the best of PNGFA's ability, given the limited manpower and financial resources. While in terms of royalties, they are paid in accordance with the prescribed rates set by the Minister for Forests. Currently, the landowners are receiving higher royalty courtesy of the increased rates in 2021 by the Minister for Forests.

The conclusions deduced by Chatham House of the aforementioned report in 2014 are vague with no substance. Agricultural clearances are undertaken under provisions of the Forestry Act, and due processes are complied with.

The Oakland Institute report: Preferred by Nature's 2017 Legality assessment report ascertaining government's failure to obtain free prior informed consent, is baseless and unsubstantiated as the consultation process commences from the project planning stages to implementation to operational stage. It is a continuous process until the project ends due to the diminishing of the forest resources in the concession area. Forest resources affected by CITES are observed eg,; rosewood is not exported in log form but processed. To address potential tax issues, on 29th June, 2023, PNGFA signed an MoU with the Internal Revenue Commission (IRC). The said MoU was also entered into for both agencies of government to understand each other's roles and responsibilities.

The risk conclusions are not fair and there is no justification and are merely perceptions with no concrete evidence. The items listed under the legal category and sub category are the core areas in which the PNGFA, and relevant government agencies, ensure the timber industry complies, while in areas where the government undertakes as prerequisites to logging operations, these are adequately undertaken. The conclusions imply that there is no PNG Forest Authority regulating the forest industry as each legal category are in RED. This is outrages to the PNG Forest Authority as it administers a key economic sector that ensures the provision of socio economic and environment benefits to the people of Papua New Guinea. The Internal Revenue Commission's (IRC's) findings of illicit tax evasion based on transfer pricing, has been reviewed to have been misreported as matters have been clarified.

4. Licenses Issued in breach of National laws

The *Timber Rights Purchase (TRP) agreements* were entered into between the government and the landowners where the government after concluding the agreement with landowners, ensures a reputable developer is identified in accordance with established procedures. Even though it is replaced by the Forest Management Agreement mechanism of acquiring the timber rights pursuant to the Forestry Act 1991 (as amended), there are TRP projects still existing under the savings provision of the said Forestry Act 1991.

The Global Witness report that US\$75,000 is paid to the PNGFA for extending a TRP is false and such damaging reporting tarnishes the good name of the PNG Forest Authority and the government of PNG and above all questions the sovereignty of this country.

Forest Clearance Authority (FCA) type operation as reported are intended for agriculture and comes under the jurisdiction of the Department of Agriculture and Livestock. The PNGFA facilitates it through the issuance of the FCA permit based on meeting all its stringent application requirements from DAL, CEPA, Lands and Physical Planning Department because areas of forests are cleared for establishing agricultural projects, mainly oil palm development and to ensure that logs harvested are exported or processed in accordance with the log export procedures and domestic processing policy or license requirements respectively.

In an effort to ensure that the FCA type operations are adequately operated and complying to the law, a moratorium was imposed for issuance of new FCA projects since December, 2022. The one-year moratorium was to give ample time to PNGFA to do an audit of all existing FCA projects to ensure compliance. The audit is being done and the outcome will be presented to the Board to decide the future of FCA type projects.

Forest Management Agreements (FMA)

The government ensures that FMA processes are complied with before allocating the timber resources to a reputable timber company. The PNGFA and the government pride the FMA process as the main instrument to obtain consent of forest resources owners and that the project applies sound forest management principles. Regarding the National Forest Plan, a plan is a plan of intension. As and when resources become available and that landowners give their consent and supported by the provincial government, the projects are processed for operationalization. The reports are baseless and question the legitimate mechanisms of the government pursuant to the Forestry Act.

It is to be noted that Papua New Guinea is a sparsely populated country. The government ensures that resources such as forestry are used as a development tool to bring about socio economic development in the mostly

rural areas of the nation whilst at the same time generating income for all stakeholders such as the landowners and the government.

5. Abuse of Customary Land Rights

Free, prior informed consent is the cornerstone of any resource development step and the development of forest resources is no exception. The rights of landowners are observed in terms of their cultural values, ensuring legitimate landowners benefit from timber projects, environmental considerations and others.

6. Unsustainable harvesting

FCA projects are intended for clear felling to make way for the intended land use such as agriculture (oil palm, rubber, etc.), hence the use of unsustainable forest harvest management practices.

For harvesting in all other project types (FMA, TRP, TA etc.) the government applies sustainable forest harvest management practices by undertaking selective logging in timber concession areas.

Achievements under the Marape/Basil/Rosso Gov't

The transformation began when the Marape/Basil Government took office in 2019, and called upon PNGFA to re-model the forestry sector to ensure orderly and maximum financial & infrastructural benefits for the country inclusive of the resource owners, through sound forest management practices.

Following the 2022 general election, the Marape/Rosso government continued with the initiatives of transforming the forestry sector.

To kick start the re-modelling of the forestry sector, in 2021, the government appointed an experience senior government official in Mr. John Mosoro, formerly a Senior Officer with the Prime Minister's Department, to be the PNGFA Managing Director.

With great support of the Minister for Forest Hon. Salio Waipo and the Chairperson of the National Forest Board Ms. Faith Barton, the re-modelling began with the restructure of the organization which ensured the appointment of proper persons to management positions, who then ensured the implementation of the PNGFA Corporate Plan 2021-2030, which aligns with developmental trends, and government priorities on socio-economic and environmental preservation.

The transformation included implementing various activities and the launching of various policy documents to guide the sector such as:

- **AML/CTF Reforms in Forestry** - Since 2020, PNGFA has been one of 21 government agencies actively participating in the Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) Technical Working Group (TWG) to implement government reforms. This is in response to the AML/CTF Bill which came into force in 2019 where government agencies implement their respective sector reforms. The AML/CTF TWG meets every quarter of the year to progress the AML/CTF reforms within each respective sector.
- **National Reforestation strategy** – to set a firm direction on forest replenishment, to meet future timber demand, climate change mitigation and other environmental benefits.
- **National Domestic Processing strategy** – supports the government’s initiative to maximise the processing of forest products through the establishment of industrial parks. This will ensure technological transfer, employment creation and value adding. Also to ensure a stabilized timber industry with adequate supply of timber.
- **Revising the Logging Code of Practice** – to ensure sound forest management practices and observe environmental considerations in logging operations.
- **National Forest Development Program** – ensures a coordinated approach in the management and utilization of the nation’s forest resources.
- **Timber Legality standard** – To ensure operations are within legal requirements and progressing towards certified forestry operations.
- Finalization and publishing of Forest & Land use Report 2000-2019 – to ascertain the forest cover and the different land use changes within 2000-2019. It also provides the information on the drivers of forest degradation and deforestation (area change and carbon emissions) and forest carbon stock within the 19-year period.
- **Signing MoUs with sectoral government agencies, training institutions and private companies (Total Energy & Newcrest Mining in progress)** – to understand each other’s roles and responsibilities to implement government policy directives.
- **Revenue generation measures/plan** – to ensure a sustainable revenue generation from the forestry sector from traditional sources and other potential areas of income generation.
- **Implementing the State Marketing Agency provision of the Forestry Act** – to ensure market diversification with the view to attain increased market price of timbers leaving the shores of PNG.

- **Reviewing of the Forestry Act** - to accommodate for trends of development, climate change and trade issues.
- **National Reforestation and Afforestation Program** - to establish commercial forest plantations in non-forest and degraded lands with the aim of shifting timber harvesting and utilization in natural forests to planted forests.
- Under the Forestry reform, expired TRPs have been converted into Forest Management Agreement (FMA) areas and there are no extensions now and into the future. An example is the Ania Kapiura Fulleborne project in West New Britain Province where seven expired TRPS were consolidated and converted into FMA which promotes sound sustainable forest management practices in the country.

With the support of donors and international partners, through funding and technical support, PNGFA is addressing the alleged issues and shortcomings.

Conclusion

The high-risk assessment conclusions as reported do not correlate well with the actual happenings, including achievements within the forestry sector.

The ACT NOW Report is trying to kill one of PNG's major economic drivers - the forestry sector. Forestry development brings about much needed socio-economic development in the rural areas and revenue to the landowners and the government. Papua New Guinea is in the cash economy and landowners or forest owners rightly see the development of their forest resources as the avenue to generate income and infrastructural development in their rural settings.

In a short period of time, a lot has been achieved and reforms and changes are continuing for a better future for PNGFA and the forestry sector. It is fair and just for our critics to appreciate the significant reforms and positive changes that the PNGFA has so far achieved, and will continue to aspire to better.

Invitation to meet with PNGFA

PNGFA invites ACT NOW and other NGOs and stakeholders with concerns about the forestry sector to come and meet with the organization and voice their concerns, before going to the media, if need be.

APPROVED FOR RELEASE BY:



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