



Forest resources: what hope for the future?

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In 1987 the Barnett Report detailed the many problem areas in this troubled industry—corruption, transfer pricing, misdeclaration of exports, inadequate state monitoring and environmental destruction. A new National Forest Policy was subsequently legislated, but many issues and challenges remain as the forestry sector struggles to find a new and secure footing.

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The past: exploitation and manipulation

The exploitation of Papua New Guinea's tropical forest resources during the colonial period was low key and small scale with some direction to developing a local processing industry. Forest plantations were set up at Bulolo, Kerevat and Brown River and trials of various economic species (for example, teak and balsa) were undertaken. The main emphasis was 'on protecting the forestry resource by means of centralised government control to prevent excessive exploitation by the landowners or by outsiders trying to exploit the landowners' (Barnett 1992:90). Virtually no exporting of round logs took place until the 1970s.

Throughout the colonial period logging interests could not deal directly with resource owners. Government had to buy timber rights in an area from the customary owners and then contract out harvesting rights to outsiders. This controlled exploitation and the impacts were continuously monitored. This system became known as the 'timber rights purchase' system which continued until the gazetting of the 1991 Forestry Act. Timber rights purchase projects still make up the bulk of the present logging projects in Papua New Guinea. The timber rights purchase system paid royalties to those resource owners recorded by forestry officers as having rights to the resource.

In 1971 parliament approved the Forestry (Private Dealings) Act which

broke the existing state monopoly over forest exploitation by allowing customary owners to sell their timber direct to outsiders. This Act opened the floodgates to corruption and manipulation. The Act created local forest area projects and many unsatisfactory and exploitative arrangements between resource owners and logging companies proceeded with absolutely no government approval or monitoring. Local forest area projects have also been responsible for environmental vandalism and ruthless opportunistic exploitation of local resource owners.

The broad principles under which Papua New Guinea's natural resources were to be exploited were set out at independence in the National Goals and Directive Principles in the national constitution. These principles required forests to be protected and developed as a national resource in such a way that future generations would also benefit. Papua New Guinea's participation was required with foreign investment tightly controlled to avoid overwhelming local investment.

Over time, especially from the late 1970s, these lofty and laudable ideals were increasingly over-ridden and undermined by the rush for short-term benefits, personal gain and access to power at the expense of customary resource owners. So-called landowner companies were set up purporting to represent all resource owners in a particular area. In reality, these landowner companies had only a few shareholders and were often organised around a local leader or provincial or national politician. In many cases, the majority of resource owners were not consulted before agreements were signed with overseas developers. The organising group became the executive and management of the landowner company and set up an office in the provincial capital. Meetings to brief village-based resource owners were few and far between and annual general meetings non-existent

in most cases. In other words, it has been a situation of non-representation, with no transparency of dealings or regular reporting to resource owners, and of personal benefit for a few individuals.

Landowner companies became the shield behind which the foreign logging contractors have hidden. Police were often co-opted to act against resource owners, even if loggers or the landowner companies were clearly in the wrong. Companies often harassed and sought to lay legal charges against anyone attempting to organise resource owners against the destructive activities of logging companies.

Increasing and widespread concerns about corruption, exploitation and the bypassing of all kinds of government or regulatory requirements led to the government establishing the Commission of Inquiry into Forestry in 1987 (see Barnett 1992; Papua New Guinea 1989).

Commission of Inquiry into Forestry

The Commission of Inquiry represented a major breakthrough in the wider understanding of what had been taking place in the forestry industry. The Barnett Report (as it became known) detailed a number of problem areas in the industry, including

- widespread corruption and fraud at all levels of government
- universal transfer pricing practices
- misdeclaration of species for export
- underdeclaration of export volumes
- inadequate monitoring by the state
- gross environmental destruction through bad logging practices
- unsustainable logging practices
- ignoring environmental and social guidelines

- irregular or non-payment of levies by logging contractors
- manipulation and cheating of resource owners
- abuse of power by ministers responsible for the forestry portfolio.

In response to the Barnett Report findings and the resulting public condemnation of the forestry industry, the World Bank carried out a multidisciplinary forestry sector review in Papua New Guinea. The review recommended the adoption of a Tropical Forest Action Plan approach and identified a number of problems in the Papua New Guinean approach to forestry, including

- serious environmental consequences of a rapidly expanding logging program
- inadequate management of the logging program
- inadequate involvement of landowners and provincial governments in land use decisions and forest management
- technical and economic defects in log marketing
- insufficient consideration of policy options for industrial development
- lack of resource data for sustained development management planning
- lack of a coherent conservation policy.

In April 1990 Papua New Guinea held a Tropical Forest Action Plan roundtable meeting with multilateral and bilateral donor agencies, and non-government organisations. The plan was broadened in 1991 to become the five-year National Forest and Conservation Action Program (Kalit 1995). It was felt that this better reflected the use of forests for conservation as well as for commercial wood production, and the need to improve benefits to customary landowners whose rights are enshrined in the national constitution. During the Tropical Forest Action Plan roundtable the government

announced a two-year moratorium on new logging projects (extended for another two years in 1993).

As a result of the Barnett Report, a new National Forest Policy was approved by cabinet in 1990. The following year a new Forestry Act was approved by parliament.

Senior forestry staff and consultants drew up the *Forest Development Guidelines* to provide an overview of the perceived role of forestry in the national economy, and to set out preferred implementation strategies for the new Forest Authority. Provisions in the document included

- a new approach to acquiring rights to resources from resource owners including resource owner awareness programs, formation of customary resource owner groups, forest management agreements between resource owners and the Forestry Authority, and resource owner organisations be fully representative
- a 'stumpage fee' revenue system to replace the existing royalty and levy payment and excise duty system
- a cap on log exports of 3.5 million cubed metres per annum
- a limit on monopoly control of harvest under permits and licenses held by a single corporation or related group of companies
- encouragement of domestic processing through such inducements as the provision of logs at world prices on a first right of refusal basis and exemption from a large proportion of stumpage fee
- measures to review existing logging projects to bring them into compliance with new regulations (Holzknecht 1994).

By early 1994 there was a well-orchestrated and expensive advertising campaign against these provisions. A previously unknown organisation called the Papua New Guinea Resource Owners' Association emerged, claiming to represent true resource owners (but in fact was funded by members of the forest industry).

Wrong information about the Forestry Development Guidelines was spread to frighten resource owners even though most of the proposals were clearly to their benefit. Little active publicity was undertaken by the Forestry Authority during this time with most support for the Guidelines coming from non-government organisations.

In early 1994, a newspaper advertisement appeared seeking expressions of interest to establish the first timber supply area in the Madang area. Resource owners, the provincial government and non-government organisations raised a storm, especially when it was revealed that the whole country had been arbitrarily divided into timber supply areas. This outrage was heightened when proposals showed that a large timber processor in a timber supply area could commandeer all logs cut within the timber supply area by any other enterprise. In addition, in order to induce international firms to set up such an enterprise, very little was to be paid to resource owners for their timber (McCrea 1994).

At this time there was a change of government in Papua New Guinea and the new government pledged that there would be no timber supply areas. Government also appointed a private sector export-monitoring service—the Société Générale Surveillance—to assist the Forestry Authority monitor log exports. To lower the contract cost, much of the Société Générale Surveillance's equipment requirements were written into the Forestry Authority's budget, but not all of the budget was approved by cabinet.

The present: the struggle for a new footing

When Barnett carried out his inquiry, most logging companies were either Japanese or Australian. At present, the overwhelming

majority of these companies are Malaysian firms, with a major proportion being under the control of one Malaysian conglomerate. The following summarises the current state of the forestry industry.

- The forestry industry is still virtually unaffected by the 1991 Forestry Act. This situation was achieved by the last-minute insertion of a clause exempting current logging projects from conforming with the requirements of the Act.

- The involvement of many MPs in logging projects in their electorates saps and undermines the national will to exert strong control over the forestry industry.

- The central tenet of sustainability still awaits clear definition and operationalisation in the Papua New Guinea context. The phrase 'sustainable development' in the forestry context means 'management for sustainable yield' and induces regeneration rates for different species.

- A new revenue system is currently being finalised by the Forestry Authority: in addition to the payment of royalties, resource owners will be able to negotiate a payment to be called the 'landowner premium levy' (Whimp 1995). This levy will be available to all resource owners in a project area with the intention that it will be used for development purposes. These funds will be administered through a trust account maintained by the Forest Authority.

- Papua New Guinea has been undergoing a severe financial crisis in recent months. One proposed solution, the 'Rescue Papua New Guinea Package', envisaged Papua New Guinea dramatically increasing its logging projects in the short term (with the assistance of foreign loggers) so that the state would receive more revenue from higher export levies. This proposal did not proceed in this form.

- The first of new large commercial logging operations since the logging moratorium was established in 1991, Turama, has just been signed and covers

vast areas of the Gulf province. Its harvest cycle has been set at 35 years.

- New procedures and implementation processes have been established for the identification, incorporation and registration of land customary groups; roading and other standard practice for logging projects; basic minimum environmental standards; and requirements for representative resource owner organisations.

Issues and problems

A number of issues and problems remain unresolved and only determined actions in the national interest will resolve them.

- The National Forest Policy concentrates exclusively on arrangements and options for large-scale commercial timber production. There is no reference to, or understanding of, the broad spread of values related to forests, of which timber is one. Many rural societies in Papua New Guinea continue to gather significant amounts of food and other materials from their forests on a regular basis. A broader policy is needed. Neither does the National Forest Policy recognise, let alone encourage, small community-oriented timber projects using mobile and stationery sawmills aimed for local and niche markets.

- The issue of foreign domination and control of the logging industry continues to fester. With many Papua New Guineans experienced in various aspects of logging, it is time to phase out foreign involvement in the industry.

- Resources in Papua New Guinea are ultimately privately owned by customary groups and individuals. Rights and access to these resources are not evenly distributed with many permanent access rights individually held while others are linked to customary groups in what is loosely described as 'communal tenure'.

- Genuine resource owner participation is not achieved merely by registering customary social groups as 'incorporated land groups' and making them shareholders in a timber project. Incorporated land groups are only the first step towards responsible management by resource owners of their resources. Such management requires access to information and requires resource owners knowing that they have a voice in decisionmaking.

- Legislation has been approved to re-establish a viable local government system in Papua New Guinea. The implementation of this system could support a resurgence of resource owner participation.

- The National Forest Conservation Action Program Review Report (UNDP n.d.) strongly recommended that the second phase of National Forest Conservation Action Program supported by government should get under way with its major activities closely linked to the National Sustainable Development Commission (also awaiting political backing and funding before its implementation).

- Papua New Guinea needs a new ethic which revitalises in practical ways the lofty and worthy ideals enshrined in the national constitution. There are other values which are being trampled in the rush to extract resources. A targeted approach which works closely with resource owners and their communities, enabling them to better manage and decide on development priorities while creating local jobs and income and as much value-adding as possible would address many local concerns about being left behind in development and abandoned by the state.

Challenges ahead

Pressure continues to mount for the Forest Authority to approve more new projects. These pressures are fed by politicians and

individual Papua New Guineans often acting as front persons for foreign interests. The Forest Authority continues to underestimate public support for proper control of forest activities. Resource owners, who are the public, need to be fully briefed on these issues on a continuous basis.

In the final analysis, challenges for the future include

- developing a broad national resources management ethic based on sustainability. It is only possible to depoliticise resource management activities if resource owners have genuine control of their resources and manage them according to their own priorities
- building and implementing sustainable yield management processes into forestry activities and adequately informing the public of their decisions
- genuine Papua New Guinean control of forestry—on the industrial side and through social forestry—and ensuring full representation of resource owners in the decisionmaking processes
- genuine resource owner participation entailing meaningful and effective communication networks working in both directions, with supportive systems implemented at all levels
- prioritising research on non-timber forest products and implementation by resource owners, to assist resource owners to maximise returns on their resources.

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