

# Forestry in Papua New Guinea: what can be learnt from the past?



- who I am

- The evolution of the legal framework that governs forest use
- Issues associated with the customary ownership of forests in PNG
- National benefits derived from the international trade in PNG's timbers
- The governance challenges that have faced the sector since Independence
- Finally, a reflection on current evidence to demonstrate sustainability of timber harvests

## A tropical forester, now policy analyst



### Poverty Reducti Making t


Neil Bird

Poverty reduction strategies have become a major framework for national planning and international development assistance. However, forestry coverage is limited within most Poverty Reduction Strategy Papers. Very few papers examine the links between poverty and the use of forest resources. There is also little exploration of the links between poverty reduction strategies and sector processes, such as national forest programmes. It is therefore unlikely that forestry issues will appear high on the national political agenda, which is now much influenced

#### Policy Conclusions

- Without established ownership or precisely-defined rights over forest resources there is little incentive for poor people to invest in forest management. Poverty reduction strategies present a valuable opportunity to address these issues, although this has been rarely acknowledged in existing PRSPs.
- There has been a tendency in the literature to see the strength of PRSPs as lying in the process of their formulation, not in their factual content. In relation to resources such as forests, however, there is a real danger that over-concern with process over content will simply serve to legitimize the status quo.
- When setting the priorities for pro-poor forest policy, the benefits of sound forest management should be valued in terms of harm avoided as well as of benefits gained. This means giving greater attention to the social safety net functions of forests and their role in reducing the vulnerability of the poor.
- Sector-led frameworks tend to be the most powerful lever of improved management practices within the bureaucratic structure of government. Poverty reduction strategies therefore need to strengthen links to sectoral planning processes. The national forest programme (nfp) represents the main planning framework for forestry in many countries. nfp's can provide the necessary broad platform to engage with the poverty reduction agenda by

The sale  
opportun



### VERIFOR Case Study Summary 1 GHANA

This summary is based on VERIFOR Case Study No. 1 'Ghana's Experience in Timber Verification System Design' by Neil Bird, Timothée Fomété and Gene Binkorang. VERIFOR case studies explore the principles of verification practice in the forest sector. Full reports are available at <http://www.verifor.org>.

Timber is an important component of Ghana's economy, making up approximately six per cent of GDP. It is the fourth largest foreign exchange earner, having provided around 12 per cent of Ghana's foreign exchange between 1990 and 2000. Countries in the EU are Ghana's major wood trading partners, accounting for just over half of total wood exports in 2000. The timber industry has grown considerably in recent years, driven by two main factors (i) a log export ban and (ii) the underpricing of timber by Government. High profit making led to a doubling of installed capacity of the wood processing sector during the 1990s. This installed capacity is five times the annual allowable cut (AAC) of one million m<sup>3</sup> estimated in 1997.

The timber sector in Ghana is characterised by poor levels of governance. Legislation, regulations and codes of practice, put in place to control harvesting and to protect the forestry resource have been either inadequate or not properly enforced. The institution responsible for forest control, the Forestry Commission (FC), is not strong and retains a number of potentially conflicting functions (e.g. law enforcement, monitoring, forest management, and revenue collection). However, there is increasing demand for improved transparency and accountability within the sector, much of this led by an emerging national civil society concerned over forest use. One of the main challenges to the introduction of reform is the presence of strong, long-standing alliances within the forest sector, involving producers, politicians and the forest authority who wish to maintain the status quo.

A major government initiative began in January 2005, with the start of the Validation of Legal Timber Programme (VLTIP). The purpose of the VLTIP is to put in place an efficient and cost-effective system for demonstrating the legal origin of timber, and subsequently, legal compliance of forest management. The Government of Ghana is investing US\$ 4 million of its own resources to develop this new system.

The role of the FC would be redefined under the proposed control system. The monitoring and verification functions currently undertaken by the FC would become the responsibility of a new institution: the Timber Validation Agency (TVA). The FC and TVA are expected to enter into a 'partnership agreement', under which the FC will separate its role as a regulator from that of validation and verification, which will become the responsibility of the TVA.

An Independent Observer is also planned to increase the credibility and transparency of the system. The system design envisages a separation of function between the TVA and the Independent Observer. Implementation of the monitoring system will rest with the TVA, with its final output being the certificate of legality. The role of the Independent Observer would be to test the standards of the monitoring system.

A third new element of the control system is a proposed Operating Council, which would act as the sector watchdog, with representatives from the main institutions and stakeholder groups. The council would oversee the functioning of the control programme, follow up forest law enforcement in general, and run a conflict resolution mechanism.

Whether the VLTIP is successful in introducing this new control system remains to be seen. However, this initiative has helped define the issues as the debate on timber verification develops in Ghana. Several lessons have already emerged: first, the current state monopoly over the control system presents many challenges in terms of improving accountability and transparency within the sector. Second, commitment from Government is essential to set the right economic price for timber. Third, a process mutually acceptable to all the main stakeholders may necessitate phased implementation of a timber verification system. In doing so, the initial technocratic focus on improving the control system needs to give way to a more nuanced approach, that acknowledges - and addresses - the political dimension of reform within the timber sector.

# Custom and State

There is an inherent tension between the customary ownership of forests and the State's view of forests as a national resource

This tension can be seen in the evolution of the legal framework that has seen a tussle played out between:

- the State's desire to control timber harvesting and derive revenue from timber sales
- and landowners' desire to be involved in the sale of a customary-owned asset

### **Forest Legislation**

*The Forestry (Private Dealings) Act 1971* granted customary owners the right to apply to have their forests declared a Local Forest Area (LFA) and to sell their timber direct to outsiders, subject to the approval of the Forestry Minister. This Act bypassed the procedures that had previously governed the exploitation of timber, where the State acted as the intermediary in timber sales.

### Further legal reform?

The most recent piece of legislation, the *1991 Forestry Act*, re-asserted the State's monopoly over timber sales. If a Forest Management Agreement is concluded, it is the Forest Board, not the landowners, that selects a forest industry participant to implement the agreement and recommends to the Minister that a timber permit be granted.

- **Key challenge:** what legal safeguards are required to give resource owners more say in the sale of their timber?

### **Mechanism to assert ownership**

- A major innovation concerning customary ownership took place with the enactment of *the Land Groups Incorporation Act of 1974*.
- *Incorporated Land Groups* were designed to empower landowners and allow them to assert their ownership rights established under customary law in a contemporary setting.
- However, the implementation of ILGs associated with large forestry projects has met with significant constraints. The first of these concerns the issue of prior informed consent; the second the following of due process; and the third how to manage the interaction of large numbers of ILGs within one project area.

### **Mechanism to assert ownership**

The 2003/2004 Review Team made the following recommendation with regard to ILGs:

*It is the view of the Review Team that in the interest of ensuring more democratic and accountable management of landowner financial benefits, that there needs to be some form of direction (perhaps regulation) regarding a logging project wide body which properly represents the Incorporated Land Groups.*

*In addition it behoves the State, as part of its responsibility for the well-being of its citizens, to provide some form of administrative assistance and guidance to the representative bodies until such time as they prove that they can manage their own affairs.*



### **Involving owners in forest management**

- The involvement of forest owners in decisions concerning timber harvesting within their forests has gone through a number of phases of experimentation.
- The *Forestry (Private Dealings) Act* of 1971 attempted to give landowners more autonomy to negotiate timber sales directly with buyers.
- Other schemes have included Forest Development Corporations and, more recently, Landowner Companies.
- However, none of these mechanisms has a strong record of success.

### Involving owners in forest management

Many Landowners Companies have been found to be deficient in their accountability to the wider community.

- Public meetings of such companies are rare
- Statutory returns to the Registrar of Companies are frequently not made
- Financial reports of income and expenditure are not presented to resource owners in the project area.

**Key challenge:** to determine better ways of involving landowners in the decision-making process concerning timber utilisation

### **A model of large-scale development**

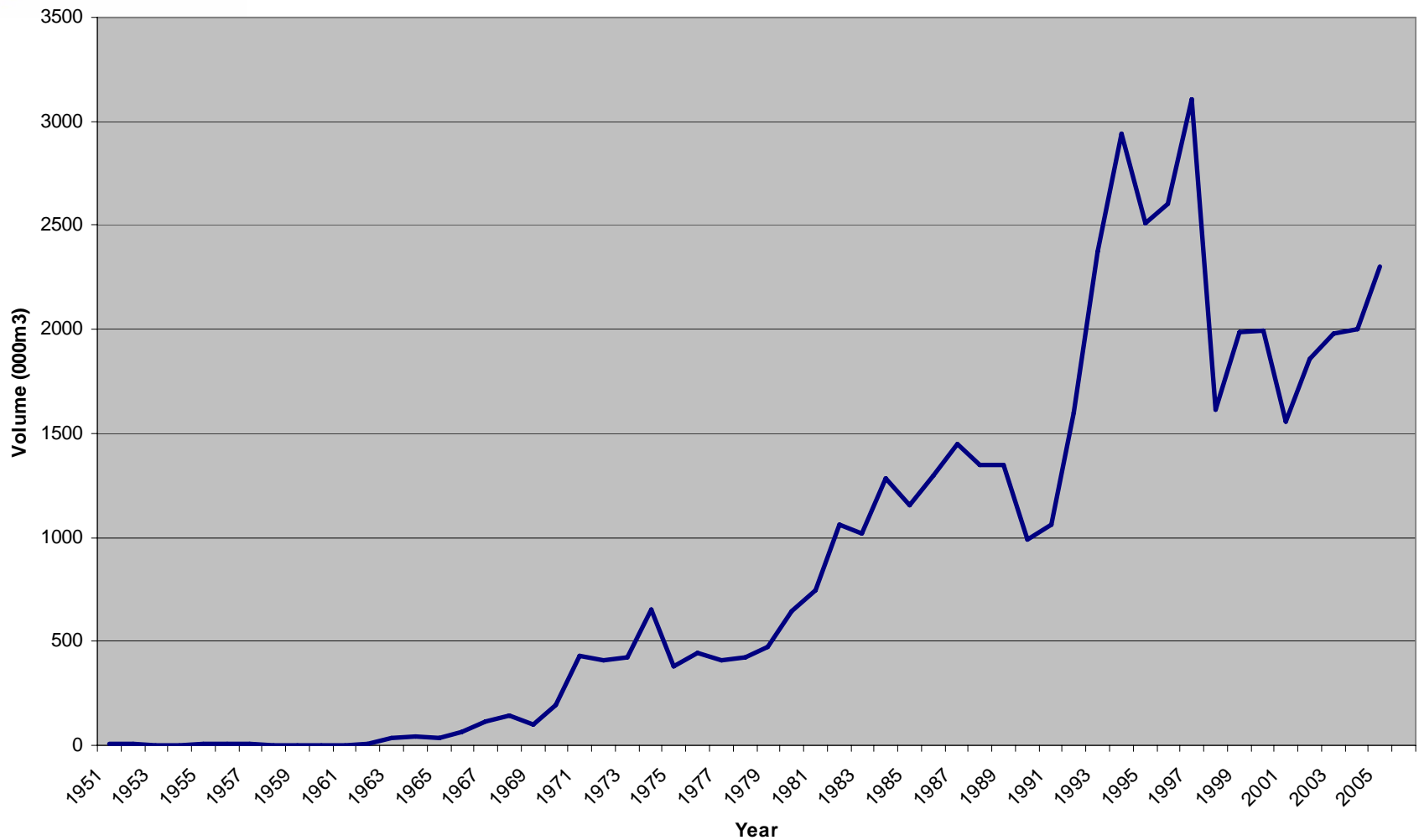
A forest development model was established in the post-war period, strongly supported by the World Bank in the early 1960s. The consensus of the time was well summed up in the 1964 Annual Report of the Department of Forests:

*‘Whilst small-scale enterprise by Papuans and New Guineans is encouraged, economic exploitation of the major timber resources has and will devolve materially on overseas timber operators who are in the position to provide the capital, management and expertise necessary for large scale timber and processing operations.’*

### **The switch to log exports**

- The Government's 1979 White Paper set out a revised forest policy in response to the world-wide recession, which had had a strong negative impact on PNG wood exports since 1974. The revision of the national forest policy focused on the export segment of the major forest products industry, and gave the go-ahead for log exports.
- This policy change towards the active promotion of log exports by government paved the way for an array of foreign logging companies to begin operation and led to a huge rise in log exports.

### Log exports from Papua New Guinea, 1951-2005



# The switch to log exports



### Social costs and benefits

- The low level of development in many rural areas has driven govt. policy to seek early returns from forest development.
- In the absence of local government capacity, central government has looked to project operators to provide much rural infrastructure, including health care facilities, schools, roads and other forms of communication. Although such benefits may be transitory, declining as logging operations cease, they also appear to be very tangible when and where they exist.
- **Key challenges:** how might these social benefits be secured in the long-term? How might the transition between private-sector and government as service provider be managed?

### **Undermining control**

Three factors at Independence in 1975 conspired to erode previous controls within the forest sector:

- An unprecedented urgency within the public administration to identify revenue earning activities
- The rapid loss of experienced staff from within the forest administration
- The introduction of provincial government with forestry becoming a concurrent function, without a proper division of those concurrent functions



### **The Barnett Inquiry**

A Commission of Inquiry into Aspects of the Timber Industry was established in 1987. The Commission of Inquiry revealed:

- An imbalance of power between the Minister of Forests and the Department of Forests, that effectively gave the Minister of Forests total power over the allocation of concessions and licenses.
- A high level of corruption amongst parliamentary ministers and, to a lesser degree, amongst the heads of the Department of Forests, the Forest Industries Council and the provincial governments.

### **The independent forest reviews**

Government commissioned five reviews on the administration and practice of the logging industry between 2000 and 2005:

- Review of Forest Harvesting Projects Being Developed Towards a Timber Permit or a Timber Authority (2000-01)
- Review of the Forest Revenue System (2001-02)
- Independent Review of Disputed Timber Permits and Permit Extensions (2003)
- Review of Current Logging Projects (2004-05)
- Compliance Audits (2004-05)

### Key challenges

Despite the reforms of the early to mid-1990s, the recent independent reviews have highlighted continuing significant instances of unlawful behaviour in the forest sector.

- This suggests that reform within the sector is nothing but difficult and slow (yet government has carried out reviews).
- It may also reflect a more general malaise in Papua New Guinean society that tolerates such behaviour. Finding solutions in such circumstances is bound to be take time and requires strong political leadership.

### **Sustainability – a simple concept?**

The PNG Forest Authority has adopted the approach of dividing the total estimated volume of commercial species within a project area by 35 (the proposed cutting cycle period) as its main strategy to secure sustainability. The resultant volume estimate is termed the annual allowable cut (AAC).

However, there are two problems with this approach:

- First, it depends on an accurate survey of commercial trees over a huge area, which has proven very difficult to achieve.
- Second, it depends on 35 years as being a sufficient time period for the forest to rebuild to a similar level of commercial tree volume.

### **The underlying science**

The science exists to guide improved practice. Two areas of research carried out in recent years, in particular, have the potential to guide sustainable forest management in PNG.

- First, is the work of the University of PNG to develop a satellite coverage database containing information on the present forest cover, the condition of the forests and an assessment of the spatial impact of large-scale forest activities.
- Second, is the work of the Forest Research Institute (FRI) to develop a forest growth model, based upon a comprehensive network of permanent sample plots in the forest.

### Policy implications

The forest growth model demonstrated that current logging levels, using a felling cycle of 35 years and a 50 cm diameter cutting limit, ***results in an initial felling that is excessively heavy.***

Subsequent cycles have lower yields and the initial post-logging period shows substantial stand damage with the attendant risk of initiating a cycle of stand degradation –

***sustainability cannot be assured.***

### Key challenges

If sustainability is to be better guaranteed, **then strategic planning needs to be strengthened**. Presently, there is a large gap in the long-term planning required to ensure sustainability. Elsewhere, this planning is formulated and described in a **Forest Management Plan**.

Reliance on only one control measure – volume control – is a high risk strategy. Elsewhere a combination of volume **and area control** provides a better guarantee of sustainability within project areas.