

## **nfp UPDATE - information as of 2004**

### **Nfp process**

This section brings a brief chronology of the nfp process, from its early phases to the latest developments. Details are given on the mechanisms, procedures and structures put in place to advance the implementation of the nfp, as well as on the main issues constraining its progress. A final overview on the forthcoming actions and activities closes the section.

### **Chronology of the nfp process**

From the late 80s, Papua New Guinea has been engaged with a major process of policy and institutional reform in response to a perceived crisis in the forest sector.

**The Barnett Inquiry 1987-1989.** In 1987, two months before a national election, the Prime Minister appointed an Australian member of the PNG judiciary, Thomas Barnett, to lead an inquiry into the forest sector. After two years, and in 20 volumes, Barnett described a "forest industry out of control" - dominated by foreign investors in questionable "partnership" with PNG leaders - in which the quantity of logs exported was maximised with no regard for environmental damage and to the detriment of local processing capacity. He called for a slow down in timber harvesting, and advocated the reformulation of national policy, establishment of a nationally integrated forestry service, consultation procedures in allocation of permits, and formalisation of detailed requirements for sustained-yield forestry (FILER & SEKHRAN, 1998).

**Reform of Industrial Forestry Policy 1989-1997.** A succession of policy changes was set in motion by the discussions of 1989 onwards, though substantial discrepancies between theory and implementation can be highlighted.

Following Barnett's findings, a small number of politicians and public servants lost their jobs, and a new government sought international assistance under the global Tropical Forest Action Plan. Eventually, PNG's National Forestry and Conservation Action Programme (NFCAP) took shape as a collection of projects which ran from 1991 to 1995. The NFCAP had a major emphasis on restructuring the forestry institutions, developing conservation objectives and working with NGOs to form a bridge with resource owners (FILER & SEKHRAN, 1998).

In 1991, the Department of Environment and Conservation produced new guidelines for the production of Environmental Plans for large-scale forestry projects. The same year a new **National Forest Policy** was published, laying the foundations for detailed reform of forestry legislation. Central to the new policy were the concepts of environmental conservation and protection, the decentralization of decision-making, and the full recognition of the people's rights to their natural heritage ([Forests & communities](#)).

A national moratorium to address the issue of new Timber Permits for raw log export operations was imposed by the Cabinet as a temporary measure until the new Forestry Act.

In June 1992, the new **Forestry Act** introduced a set of new measures and requirements: it replaced the old Department of Forests with a National Forest Authority; it included a commitment to establish a new forest revenue system; it required the preparation of a National Forest Plan as precondition for the development of new forestry projects.

In 1993, a radical set of **National Forestry Development Guidelines** was produced by the Ministry of Forests, but they were strongly attacked and scarcely followed.

In 1993 and 1994 log export taxes were raised, but a comprehensive reform of the old system was not implemented until 1996, and then only under intense pressure from the World Bank.

The **National Forest Plan** appeared in 1996, representing just a statement of government intent because it covers wide stretches of customary land, whose multiple owners have not yet made their own land use decisions. The same year, the Government endorses a new **Logging Code of Practice** under pressure from the World Bank.

## Main constraints

The National Forest Policy 1991 does not contain any targets or guidelines specific enough to influence the course of subsequent public debate on forest management issues (FILER & SEKHRAN, 1998).

For a brief period from 1991 to 1994, the forest sector reform process contained a real sense of national ownership and unity of purpose. However, of the two major policy instruments introduced, it is now clear that the Forestry Act grossly overestimated the capacity of the state to regulate the use of customary land, whilst the new forest revenue system is yet to find a way to deal with the variation in the quality of timber resources, the relative costs and efficiency of different concession operators, and their differential willingness to honour the agreements made with other stakeholders (FILER & SEKHRAN, 1998).

In 1996, a ferocious battle has been waged between the PNG foreign timber multinationals and local environmental and peoples organizations on a new timber revenue structure. The Individual and Community Rights Advocacy Forum has been running full page advertisements weekly for several months questioning delays in implementation of the new landowner royalty system.

- <http://ces.iisc.ernet.in/hpg/envis/doc25.html>
- <http://archive.greenpeace.org/majordomo/index-press-releases/1996/msg00220.html>

The current slump in activity buys time to make improvements, but it is difficult to see how industrial harvesting of timber can easily get on to a sustainable footing in Papua New Guinea. Many forest management prescriptions are not implemented and the existing process does not allow for alternative land use options to be considered, e.g. conservation or small-scale harvesting. Community participation in forestry is essentially limited to the requirement that landowners be incorporated before they transfer control of their forest resources to the state (IIED).

## Forest policy

The national forest policy and their main achievements are hereby pointed out, together with the draft or official policy statement, when available. Two specific sub-sections on forest tenure and financial issues provide a more complete vision on the socio-economic context influencing the forest policy.

## Main achievements

Public debate over forest policy was very limited up to the late 80s. A succession of policy changes was set in motion by the discussions of 1989 onwards.

Initially formulated in 1973, PNG's most current forest policy attempts to remedy the shortcomings of the previous framework as revealed in the Barnett Inquiry (1989) and a World Bank Review (1990). Completed in 1989, the Inquiry detailed in its report the 'widespread malfeasance in the timber sector', documenting pervasive corruption, bribery, non-compliance with regulations, extensive violations of landholder's rights and extreme environmental devastation. The results of the commission, and a subsequent Tropical Forestry Action Plan (TFAP) review implemented under the auspices of the World Bank, persuaded the PNG government to revise its forest policy and legislative framework ([Forests & communities](#)).

The following table highlights the main changes, and their impacts in terms of actual practice.

CHANGES IN FORMAL POLICY	CHANGES IN ACTUAL PRACTICE
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<b>NATIONAL LEVEL</b>	
New National Forest Policy, approved by Cabinet in April 1990 and published in September 1991, lays the foundations for detailed reform of forestry legislation	The new Policy does not contain any targets or guidelines specific enough to influence the course of subsequent public debate on forest management issues
New Forest Policy proposes various fiscal measures to encourage 'downstream processing', and subsequent policy statements constantly repeat the need for such measures	Government unable to devise any system of incentives which can satisfy the World Bank and encourage new investment in the domestic processing sector
New Forest Policy and subsequent policy statements propose various measures to promote reforestation by both government agencies and private investors	National Forest Authority unwilling or unable to make effective use of reforestation levies charged on logging companies, while developers make few additional contributions to this objective
In 1990, Cabinet agrees to impose national moratorium on the issue of new Timber Permits for raw log export operations until the new Forestry Act comes into effect	More than 20 Timber Permits issued during the period of the 'moratorium', while gazettal of the new Forestry Act is delayed by the Minister and his Departmental Secretary
In 1991, Department of Environment and Conservation produces new guidelines for production of Environmental Plans for large-scale forestry projects	No marked improvement in the Department's capacity to evaluate such plans, monitor compliance, or prosecute offenders
New Forestry Act (gazetted June 1992) replaces old Department of Forests with a National Forest Authority under the direction of a board representing a range of stakeholders - including NGOs - in the forestry sector, with a view to reducing the exercise of arbitrary powers by the Minister for Forests	Minister continues to influence the decisions of the National Forest Board and National Forest Service through control over the appointment of the Managing Director. Forest Authority divides into factions supporting and opposing the policies of successive Ministers
New Forestry Act requires production of a National Forest Plan as precondition for the development of new forestry projects. The required form of the Plan is essentially that of a land-use map (rather than a land use strategy)	Cabinet approves some development proposals before the Plan is developed. A Plan appears in 1996 but can never be more than a statement of government intent because it covers wide stretches of customary land, whose multiple owners have not yet made their own land use decisions
New Forestry Act includes a commitment to establish a new forest revenue system designed to encourage sustainable forest management	Government raises log export taxes in 1993 and 1994, but comprehensive reform of the old system not implemented until 1996, and then only under intense pressure from the World Bank
Radical set of National Forestry Development Guidelines produced by Ministry of Forests in 1993, as one of the statutory requirements of the National Forest Plan	Guidelines widely attacked by forest industry representatives, and largely ignored by subsequent Ministers and senior bureaucrats in the National Forest Service

New Forestry Act and subsequent Guidelines provide for review of all agreements made under previous forestry legislation	Determined opposition by the logging industry, and lack of capacity in the National Forest Service, combine to halt the review process
In 1994, the government engages a private contractor to monitor log exports in order to control the incidence of transfer pricing by logging companies	Widespread agreement that this system has proven effective, though still substantially dependent on donor support
In 1996, government endorses new Logging Code of Practice under pressure from World Bank	Logging industry complains about lack of consultation, and Bank still doubts capacity of National Forest Service to ensure that companies follow the code
<b>CHANGES IN FORMAL POLICY</b>	<b>CHANGES IN ACTUAL PRACTICE</b>
<b>PROVINCIAL LEVEL</b>	
New Forestry Act requires production of Provincial Forest Plans by Provincial Forest Management Committees, in all 19 Provinces, as the building blocks of the National Forest Plan	Provincial planning process envisaged by the Act turns out to be unworkable because PFMCs do not have the information or capacity to produce integrated land use plans for their provinces, and officers of the National Forest Service take over the process in order to meet the Minister's demand for a National Plan
New Forestry Act returns provincial forestry offices to national government control, under an integrated National Forest Service	Some improvement in morale and efficiency of provincial officers, and greater immunity to political interference at provincial level
New Organic Law of 1995 appears to grant new powers to provincial authorities to determine their own forest policies	Production of National Forest Plan delayed by confusion arising from apparent inconsistencies between the new Organic Law and the new Forestry Act
<b>LOCAL LEVEL</b>	
New Forestry Act strongly recommends that local landowning groups be incorporated under the Land Groups Incorporation Act as a precondition of new Forest Management Agreements between themselves and the State	Task of land group incorporation exceeds the capacity of government officials, to the point where it either functions as an obstacle to state acquisition of additional forest resources, or else has to be completed with assistance from the logging companies
New Forestry Act requires forestry officials to conduct a Development Options Study in consultation with local landowners as a precondition of new Forest Management Agreements	Development Options Studies consist of little more than proposals for large-scale logging
New forest revenue system intended to increase the landowner's share of resource rent from large-scale	Industry opposition, bureaucratic obstruction, and local disorganisation delay the transfer of additional financial and

logging operations	material benefits to landowning communities
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(Table source: FILER & SEKHRAN, 1998)

Constitutionally-guaranteed customary land ownership is the key policy domain influencing forest use. PNG citizens think of themselves as landlords and staunchly defend their territorial right to claim "compensation" from the process of resource development which takes place on their land. The notion of "landownership" as the foundation of national identity leads, for example, to denials that there is such a thing as poverty in PNG, as well as to widespread hostility to sporadic World Bank attempts to initiate measures for the use of customary land as security for commercial credit.

**Mineral policy** is primarily concerned with the ownership and control of large-scale mineral export ventures and the distribution of resource rents between national stakeholders. The forest policy process has come to resemble the mineral policy process in that large-scale logging has become the dominant economic activity in the sector. However, unlike the forest sector, Western donors have kept a low profile in the mining and petroleum sector, perhaps reflecting their belief that Western mining and petroleum companies, unlike Asian logging companies, already act as responsible corporate citizens in PNG.

**Agricultural policy** aims to promote development of small-scale production on customary land, though its impact is constrained by the sheer size of the target population. Most farmers therefore remain detached from the policy process.

Structural adjustment policy continues to have a major influence on the forest sector. After much opposition from sections of government from 1995 to 1997, the World Bank was able to use its economic muscle to push through government commitments to forestry reforms in return for a major economic rescue package. While structural adjustment and the recent legislation on local government are subject to intense national debate, the effort by donor-funded experts to develop a National Sustainable Development Strategy has fallen, unsung, between the cracks of government institutional responsibility.

*Main source: [FILER & SEKHRAN, 1998](#)*

## Forest, trees and land tenure

Strong customary land tenure - upheld by the national constitution - is a distinctive feature of forest management and policy in PNG. About 97% of all land in PNG, and around 99% of all forested land, is held under customary title - by "resource owners" (FILER & SEKHRAN, 1998).

In terms of actual forest development, the 1991 Forestry Act allocates forest resource rights and responsibilities through so-called Forest Management Agreements (FMAs) between customary landholders and the state. Since the majority of PNG's forest lands (97-98%) are held under customary forms of ownership, forest development rights must be acquired from 'willing' landholders. In other words, landholders sell temporary cutting rights to the National Forest Authority (NFA), up to a period of 40 years, in exchange for timber royalties (Forests & communities).

Despite the strong legal claims of traditional landowners, however, alternatives to industrial logging are only rarely considered prior to the allocation of forest resources. Moreover, customary tenure in PNG has not guaranteed sustainable land use, due to the difficulties of identifying traditional landowners, poor enforcement of the terms of land leases and concessions to private operators, and disputes over the distribution of benefits from logging and other non-traditional land uses. Land tenure issues are a major stumbling block in the development of plantation forestry in PNG, and they are also a hurdle to the development of new, conservation-oriented forestry activities ([IIED](#)).

## Forest finance

The concession system in place is highly criticized for undervaluing timber resources at the point of sale. Instead of the present system, some advocates recommend that landholders be allowed to sell timber on a cut by cut basis, according to market prices, and not wholesale for a limited royalty. Because landholders only receive a fraction of the

timber's actual worth, some have characterized the industry as an extension of the colonial system under which landholders were the victims of unequal and inequitable contracts (PNG Rainforest News 1996 in Forests and Communities).

### **Online documents related to the topic**

Summary of Investment Promotion Act: <http://www.ipa.gov.pg/ipa.htm>

Forest products and markets: [http://www.ipa.gov.pg/forestry\\_sector.htm](http://www.ipa.gov.pg/forestry_sector.htm)

Up-to-date information on investment opportunities in forestry can be found under IPA website at [http://www.ipa.gov.pg/forestry\\_opportunities.htm](http://www.ipa.gov.pg/forestry_opportunities.htm)

*Production, privatisation and preservation in Papua New Guinea forestry*  
<http://www.iied.org/forestry/pubs/psf.html#9065IIED>

### **Legislation**

The main forestry laws and regulations, either enacted or under development, are listed and shortly presented. Details are given on other significant legal instruments pertaining to sectors having a bear on forestry, such as agriculture and environment. A complete list of legal papers from the joint ECOLEX database is provided.

### **Forestry legislation**

The overarching legislative objective for the Papua New Guinean environment is specified in the National Constitution, which provides for wise use of natural resources, conservation and replenishment of the environment, and protection of flora and fauna for the benefit of present and future generations. The principal piece of forestry legislation is the Forestry Act of 1991, which provides for the conservation, development and management of forest resources. Forest regulations covering all aspects of forest industry procedures and controls were approved in 1998 and provide the legal underpinning for many of the requirements under the Forestry Act of 1991. Other legislation that impacts on forestry in Papua New Guinea include: the Environmental Planning Act of 1978, which requires an environmental impact assessment for all development projects; the Environmental Act of 1988; the National Parks Act of 1982; Conservation Areas Act of 1978; and the Fauna (Protection and Control) Act of 1966. More recently, the Fairness of Transactions Act of 1993 places numerous controls over the development of forestry contracts. A 1991 national forest policy covers forest management, the forest industry, research, training and education, and forestry organization and administration.

### **Other relevant legislation**

Land Registration Act (1982)

CBD - Convention on Biological Diversity - <http://www.biodiv.org/>

CITES - Convention on International Trade in Endangered Species of Wild Fauna and Flora - <http://www.cites.org/>

UNCCD - Convention to Combat Desertification - <http://www.unccd.int/>

UNFCCC - Framework Convention on Climate Change - <http://unfccc.int/>

The World Heritage Convention - <http://whc.unesco.org/>

National reporting to [ITTO - International Tropical Timber Organization](http://www.itto.org/)

### **Sources used**

FAO RAP. 2000. *Asia and the Pacific National Forestry Programmes: Update 34*. Bangkok.

<http://www.fao.org/DOCREP/003/X6900E/x6900e00.htm>>

**Filer C. & Sekhran N. 1998.** *Loggers, Donors and Resource Owners: Papua New Guinea Country Study* (Executive Summary). IIED Policy that Works for Forests and People Series No: 2. Meyers J. Ed.

<http://www.iied.org/ptw/png.html>>

Other unpublished material and FAO internal documents.

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