

PNG FORESTRY REVIEW TEAM

AUDITING FORESTRY PROJECTS CURRENTLY "IN PROCESS" FOR COMPLIANCE WITH THE REQUIREMENTS OF THE POLICY, THE FORESTRY ACT AND OTHER REGULATIONS AND GUIDELINES

To: Government of Papua New Guinea
C/- The Interagency Forestry Review Committee
Office of the Chief Secretary to Government

From: Review Team

Date: 12 December 2000

Re: **INDIVIDUAL PROJECT REVIEW REPORT NUMBER 10**
NUNGWAIA BONGOS (EAST SEPIK PROVINCE)

AUDIT CONCLUSIONS AND RECOMMENDATIONS:

RESOURCE AND PLANNING ISSUES:

The sustainable yield is too small to support a conventional stand alone log export project.

LEGAL COMPLIANCE:

Due process appears to have been observed.

LANDOWNER ISSUES:

Inadequate landowner awareness work has been carried out to empower ILGs to make informed decisions about participating in a Forest Management Agreement.

RECOMMENDATIONS (INCLUDING CORRECTIVE MEASURES IF REQUIRED):

- That the NFS carry out additional landowner awareness programs.

That where the potential for a sustainable landowner supported forestry project is confirmed:

- That the PNGFA seek expressions of interest in domestic processing options before consolidation aimed at a large scale log export operation.

Note: The individual project reports summarise the findings of the Review Team regarding material compliance issues, and present project specific recommendations for the consideration of the Interagency Forestry Review Committee. Separate reports produced at the end of the review process set out in more detail the audit procedures applied, and comments and recommendations regarding existing policies, legal requirements and project development processes.

REVIEW REPORT

SUMMARY PROJECT DETAILS:

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| Project type: | Forest Management Agreement / Timber Permit |
| Processing stage: | Formation of Incorporated Land Groups (ILGs) completed. Forest Management Agreement drafted. |
| Gross FMA area (a): | 110,000 ha |
| Gross loggable area (a): | 39,000 ha |
| Net sustainable timber yield (a): | 37,000 m ³ /annum (b) |

(a) Anticipated. To be finalised once it is known which ILGs sign the FMA.

(b) Review Team estimate based on:

- Area information extracted from the PNGFA Geographic Information System (FIMS);
- Gross volume per hectare information from PNGFA field inventory work (FIPS);
- A standard reduction factor of 15% applied to gross loggable area;
- A standard reduction factor of 30% applied to gross volume per hectare; and
- A 35 year cutting cycle.

A. FORESTRY AND PLANNING ASPECTS

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| <p>1. SECTORAL PLANNING AND CONTROL</p> | |
| <p><u>PROVINCIAL FOREST PLAN</u></p> <ul style="list-style-type: none"> • PNGFA Board endorsed Provincial Forestry Plan exists: • Is the Provincial Forestry Plan current: • Is the Project listed in the Provincial Forestry Plan: <p><u>NATIONAL FOREST PLAN</u></p> <ul style="list-style-type: none"> • Is the Project listed in the National Forest Plan as required under s54 of the Act: | <p>Yes</p> <p>No – expired August 1999</p> <p>Yes</p> <p>Yes</p> |

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| <p>2. PROJECT DEFINITION IN FMA DOCUMENT</p> | |
| <ul style="list-style-type: none"> • Is the gross loggable area properly defined: • Has the total gross merchantable volume been properly estimated: • Has the net merchantable volume been properly estimated: • Have “Fragile Forest Areas” (OEC definition) been considered: • Have environmentally sensitive | <p>Yes. FIMS data used, although gross loggable area estimate (41,000 ha) varies slightly from that determined by the Review Team (39,000 ha).</p> <p>Yes. PNGFA field inventory undertaken but sample very small. Gross volume per hectare estimated to be 56.6 m³/ha (which seems high).</p> <p>Yes. Standard gross volume reduction factor applied indicating a net loggable volume of 39.7 m³/ha.</p> <p>No, because there is no agreed position regarding fragile forest areas. There are no Fragile Forest areas within the Nungwaia Bongos project area.</p> <p>Yes. Large scale Gazetted conservation areas</p> |

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| <p>areas been considered:</p> <ul style="list-style-type: none"> • Have conservation set asides been appropriately implemented: | <p>are excluded from the FMA area. Small scale Gazetted conservation areas are identified and excluded from the gross loggable area. The Logging Code prohibits logging in defined environmentally sensitive areas which are excluded when the gross loggable area is defined</p> <p>The standard FMA document reserves the right for the PNGFA to exclude up to 10% of the gross loggable area from logging for conservation purposes.</p> |
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| 3. ESTIMATE OF SUSTAINABLE CUT | |
| <ul style="list-style-type: none"> • Has the sustainable annual cut been properly calculated: • Is the estimated sustainable yield sufficient to support a financially efficient logging investment (min 30,000 m3/a): • Is the estimated sustainable yield sufficient to support a stand-alone log export operation (min 70,000 m3/a guideline set by PNGFA Board): | <p>Not yet estimated by PNGFA. Preliminary data suggests a sustainable cut of 37,000 m3/a.</p> <p>Yes</p> <p>No</p> |

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| 4. CONSISTENCY BETWEEN DOCUMENTS | |
| <ul style="list-style-type: none"> • Is the area and volume data consistent between the FMA, the Development Options Study and the Project Guidelines: • Any other material inconsistencies regarding the resource: | <p>Only the FMA drafted yet.</p> <p>Non found.</p> |

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| <p>5. ANY OTHER MATERIAL NON-COMPLIANCE REGARDING THE RESOURCE</p> | |
| <ul style="list-style-type: none"> The standard cutting cycle assumed in the sustainable annual cut calculation. | <p>The National Forest Policy specifies a 40 year cutting cycle. In practice a 35 year cycle is applied. No explanation is available.</p> |

RECOMMENDATIONS REGARDING FORESTRY ASPECTS:

1. SECTORAL PLANNING AND CONTROL

- That the PNGFA pro-actively assist the East Sepik Provincial Government update their Provincial Forest Plan (s49), and facilitate the inclusion of the updated Provincial Forest Development Programme (s49(2)(b)) into the National Forest Development Programme (s47(2)(c)(ii)) as required under the National Forest Policy (Part II (3)(b)) as the basis for the PNGFA’s acquisition and allocation programme.

B . LEGAL COMPLIANCE

SUMMARY OF LEGAL COMPLIANCE:

- Attempts are under way to complete ILG work despite the problems caused by distance and terrain.
- The files indicate a good understanding of the required processes.

Some additional notes are presented in Appendix 1.

RECOMMENDATIONS REGARDING LEGAL ASPECTS:

- That the inconsistencies in resource figures stated in the Managing Director’s letter to a landowner company in October 1998 from those contained in the report of projects given to the review team should be clarified.
- There are no other matters that require rectification or re-consideration at this stage.

C. LANDOWNER ISSUES

| RESOURCE ACQUISITION | |
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| 1. Landowner Awareness | |
| <p>The Review Team was looking for evidence of an awareness package containing information explaining the purpose, benefits and otherwise to be expected from the project. This could include general conditions that could be used for all prospective projects.</p> | <p>A constant refrain on the file is lack of landowner interest. Clearly there is a lack of awareness. The road access is poor so NFS have found it difficult to make any progress with the project.</p> <p>Resource inventory done in December 1996.</p> |
| 2. Landowner Mobilisation | |
| <p>Landowners are required to be mobilised by means of the Land Groups Incorporation Act. The Review Team was looking to find evidence of full participation by landowners in the ILG process particularly with regard to:</p> <ul style="list-style-type: none"> • Recognition that the resources are owned by individual land groups and not collectives of land groups • The formation of representative bodies for project consultations and negotiations. | <p>FMA shows 240 ILGs.</p> <p>Seims and the Bongos Mapsera Development Corporation are Landowner Companies (LANCOs).</p> <p>Records indicate that in November 1998 ILGs were signed on a village by village basis.</p> <p>Difficulty in access means that there was no proper ILG programme, just a signing of forms. A constant refrain was that the people did not turn up to meetings!</p> <p>In the end a lot of ILGs were formed but it is very obvious that there was no empowerment by the process hence any informed agreement to anything would have to be considered unlikely. No women and children are listed as members</p> |
| 3. Forest Management Agreement | |
| <p>Must Specify:</p> <ul style="list-style-type: none"> • Monetary benefits for the customary group | <p>Exists in draft form only.</p> |

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| <ul style="list-style-type: none"> • Area in agreement by map • PFMC certificate as to <ul style="list-style-type: none"> - Authenticity of the tenure of the customary land - Willingness of customary owners to enter into FMA • Review level of consultation with landowners | |
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This project is not yet at a stage where the resource allocation process has been initiated. Consequently no landowner issues relating to the allocation process have yet arisen.

Additional notes are presented in Appendix 2.

CONCLUSIONS REGARDING LANDOWNER ASPECTS:

Landowner awareness is very unsatisfactory owing to lack of road access. Most NFS contact has been done second hand through local leaders and council members.

Landowner empowerment in this area is so unsatisfactory that the signing of an FMA would be suspect.

Awareness conducted during the patrol for signing the FMA is of a different nature and must follow on awareness carried out long before.

RECOMMENDATIONS REGARDING LANDOWNER ASPECTS:

- That the PNGFA undertake proper landowner awareness work, and remedial work on the ILGs.

APPENDIX 1 : NOTES ON LEGAL ASPECTS

Project Background

This project has not proceeded past the stage of landowner awareness and ILG organisation.

The files indicate a clear understanding of the need for this work to be done comprehensively. Difficulties associated with distance and terrain have hindered this work. There may also have been a lack of co-operation from some district officers.

Resource figures

There is a letter on file from the Managing Director to a landowner company in October 1998 which gives some resource figures. This letter was copied to the Minister and the Office of the Prime Minister as a result of representations made by the landowners. The figures do not match with those stated in the overview of projects given to the Review Team by the PNGFA.

The discrepancies are large. The PNGFA report indicates an operable area of 92,300 hectares and an annual harvest volume of 122,900 cubic metres. The letter suggests a much smaller area of 52,966 hectares and an annual cut of 36,700 cubic metres.

APPENDIX 2: NOTES ON LAND OWNER ASPECTS

1. People - Augustine Kaugen Chairman Mapsera Dev Corp. Simon Frigia
2. Correspondence to national parliamentarians complaining about lack of interest of the landowners. ILG work confined to handing out forms and coming back to collect them later!
3. Dreikikir Development Corp wants to join in with Wam, Urim and Combio Census Division.
4. Talisa Forest Resources want to amalgamate the West Coast Timber Area to Nungwaia Bongos but told to suggest joining to Hawiain.