

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 3**
MUKUS TOLO (EAST NEW BRITAIN PROVINCE)

AUDIT CONCLUSIONS AND RECOMMENDATIONS:

RESOURCE AND PLANNING ISSUES:

The sustainable timber yield principle has been complied with. The project is not in compliance with the Act in that it is not listed in the National Forest Plan for development. Sensible operational procedures have not been complied with in that the resource data was not based on field inventory. The sustainable annual cut is too small to support a financially efficient logging investment or a conventional stand alone log export project. The right of the PNGFA to implement conservation set asides has not been bought forward into the Project Agreement.

LEGAL COMPLIANCE:

Due process has been observed, but there was insufficient basis for the Provincial Forest Management Committee to certify the formation of ILGs and the landowner's consent to the project.

LANDOWNER ISSUES:

The PNGFA has made inadequate effort to verify the effectiveness of the ILG process which was conducted by Landowner Companies seeking to advance the project. There is inadequate awareness at village level of project development options for landowner participation. The complex situation between the coastal and hinterland people must be balanced before negotiations relating to project wide issues can be accomplished.

RECOMMENDATIONS (INCLUDING CORRECTIVE MEASURES IF REQUIRED):

- That the Project Agreement be terminated as recommended by the National Forest Service (NFS).
- That the PNGFA update the National Forest Plan and in particular consult with the Provincial Government regarding the desirability of protecting from logging remaining areas of relatively undisturbed forest in this highly logged province.
- That the NFS undertake field inventory work within the project area, and recalculate the resource data.

That if the above steps indicate the potential for a sustainable forestry project:

- That the NFS investigate the land use situation between the coastal and hinterland people and facilitate common ground.
- That the NFS undertake remedial ILG work (including landowner awareness programs) to ensure proper constitution of the ILGs and effective landowner participation in the project, and if necessary a new and properly certified FMA.
- That the NFS seeks expressions of interest for domestic processing options before large scale log export options are pursued.

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:

Project type:	Forest Management Agreement / Timber Permit
Processing stage:	Forest Management Agreement, Development Options Study and Project Guidelines completed. Project Agreement executed with Gasmata Holdings Ltd.
Gross FMA area:	65,000 ha
Gross loggable area:	35,000 ha
Net sustainable timber yield:	26,000 m ³ /annum (a) 10,000 m ³ /annum (b)

(a) Review Team estimate based on:

- Area information extracted from the PNGFA Geographic Information System (FIMS);
- A gross volume per hectare estimate produced by the PNGFA (no field inventory undertaken);
- 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.

(b) As calculated by the PNGFA and presented in the Project Guidelines.

A. FORESTRY AND PLANNING ASPECTS

<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 October 2000</p> <p>No – The plan only lists Mukus Tolo Block 3 (under the alternate name of Melkoi Tolo). This project is Mukus Tolo Block 4.</p> <p>Shown on a map, but not listed for development.</p>
<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 per hectare been properly estimated: • Has the net merchantable volume been properly estimated: 	<p>Unclear. The FMA sets out a net loggable area of 25,000 ha without explanation. Applying the logging exclusion zones defined in the Logging Code indicates and the standard 15% reduction factor indicates a net loggable area of 30,000 ha.</p> <p>No field inventory undertaken. NFS have estimated a gross volume per hectare figure (37 m³/ha) based on data from other adjacent areas – this represents non compliance with standard operational procedures. Anecdotal evidence is that this non compliance resulted from pressure to progress this project.</p> <p>No. The standard volume reduction factor of 30% was not applied.</p>

<ul style="list-style-type: none"> • Have “Fragile Forest Areas” (OEC definition) been considered: • Have environmentally sensitive areas been considered: • Have conservation set asides been appropriately implemented: 	<p>No, because there is no agreed position regarding fragile forest areas. There are no Fragile Forest Areas within this project area.</p> <p>In part. Large Scale Gazetted conservation areas are excluded from the FMA area. Smaller scale Gazetted Conservation areas are excluded from the gross loggable area estimate. However the unexplained approach adopted to defining the gross loggable area (see above) has over-estimated the extent of the area excluded from logging by the Logging Code. In this case the FMA documents understates the gross loggable area by about 6,000 ha.</p> <p>No. Whilst 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, this right (and its potential consequences) has not been carried forward into the Project Guidelines or the Project Agreement.</p> <p>NGO opinion is that Mukus Tolo is one of the last unlogged expanses of forest in East New Britain.</p>
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<p>3. ESTIMATE OF SUSTAINABLE CUT</p>	
<ul style="list-style-type: none"> • Has the sustainable annual cut been properly calculated: 	<p>The Development Options Study (DOS) sets out an estimate of the sustainable cut. The gross volume per hectare data is not consistent with that presented in the FMA document (reduced from 37.0 to 20.0 m3/ha). No explanation was available.</p> <p>The Project Guidelines sets out the identical estimate of the sustainable annual cut as is set out in the DOS.</p> <p>The DOS and Project Guidelines set out a sustainable cut estimate of 10,000 m3/a. A recalculation by the review team (accepting the gross volume per hectare estimate for</p>

<ul style="list-style-type: none"> • 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>Mukus Tolo produced by the PNGFA) indicates a sustainable cut of 26,000 m3/ha.</p> <p>No</p> <p>No</p>
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<p>4. CONSISTENCY BETWEEN DOCUMENTS</p>	
<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>No – as set out above.</p> <p>None found.</p>

<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 cutting 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 New Britain 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.

2. PROJECT DEFINITION IN FMA DOCUMENT

- That the PNGFA checks and amends if necessary the project area and gross volume per hectare information. This should include field inventory work within the project area.

3. ESTIMATE OF SUSTAINABLE CUT

- That the PNGFA recalculates and amends as necessary the permitted annual sustainable cut for inclusion in the Project Guidelines.

4. CONSISTENCY BETWEEN DOCUMENTS

- That the PNGFA ensures consistency of resource information between the FMA, DOS and Project Guidelines.

5. ANY OTHER MATERIAL NON-COMPLIANCE REGARDING THE RESOURCE

- That the PNGFA either base their sustainable cut calculations on a 40 year cutting cycle (as required under the National Forest Policy) or provide justification for adopting a 35 year cutting cycle.

B . LEGAL COMPLIANCE

SUMMARY OF LEGAL COMPLIANCE:

- Compliance from the Development Options Study stage onwards is satisfactory.
- Non-compliance prevailed at the following steps –
 - landowner awareness campaign
 - attendance of landowners at some PFMC meetings
 - the negotiation of the Project Agreement by the NFS and not the PFMC
- Incomplete documentation prevented a definitive check of the following steps
 - the organisation and consent of landowner groups
 - some matters concerning the Project Guidelines
 - some matters concerning the application for the Timber Permit

A full checklist and accompanying notes, which give further particulars of these shortcomings is attached as Appendix 1.

RECOMMENDATIONS REGARDING LEGAL ASPECTS:

1. Greater emphasis must be placed on land owner organisation and consultation.

2. The right of landowner representatives to attend PFMC meetings must be proactively facilitated by the PFMC's at every stage of the process.
3. Care must be taken to ensure that all agreements (and copies) are dated and that the seal of the PNGFA is affixed.
4. A complete project file of all relevant documents from the NFS, the Managing Director, the Board, the Minister and the PFMC's should be maintained.

C. LANDOWNER ISSUES

RESOURCE ACQUISITION	
1. Landowner Awareness	
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.	No evidence of this was sighted. Furthermore there is no evidence on file that any awareness was ever conducted by NFS. It appears that the push for the project came from landowners.
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 	<ul style="list-style-type: none"> • No ILG awareness conducted by NFS. Landowners formed a so called landowner company (LANCO) and conducted their own ILG programme. Documents relating to LANCO not sighted. • NFS Acquisition Division was not involved in the conduct of the ILGs. Apparently landowners undertook their own registration. Later an NFS Officer did facilitate registration of the existing landowner documents. • The files contain many complaints from landowners to NFS about the conduct of the ILG programme. These complaints addressed fundamental discrepancies in the ILG process where LANCOs

<p>negotiations.</p>	<p>conducted their own ILG programme often lumping land groups together for convenience. The complaints prompted no satisfactory response by NFS to look into the complaint or to rectify it. Indeed NFS said that nothing illegal was done so told the landowners to settle it amongst themselves.</p> <ul style="list-style-type: none"> • Some clans have not been recognised so they want out. Forestry question whether they or Lands Department should undertake to review ILGs. • EU and Pacific Heritage both support the landowner claims. • Discussions with landowner representatives on site reveal that the proponents were well intended but without any qualification to conduct the mobilisation. Some points were clarified during discussions.
<p>3. Forest Management Agreement</p>	
<p>Must Specify:</p> <ul style="list-style-type: none"> • Monetary benefits for the customary group • 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 	<p>Monetary benefits spelled out in cursory manner in Schedule 7.</p> <p>Landowner representatives do attend Provincial Forestry Management Committee.</p> <p>PFMC certificates in place. The value of such a certificate is questionable given the quality of landowner consultation and the complaints on file.</p>

RESOURCE ALLOCATION	
1. Development Options Study	
<p>The Review Team was looking to see if the Development Options Study:</p> <ul style="list-style-type: none"> • Catered for landowner concerns and aspirations and if • All options presented for the resource development had a realistic chance of being pursued. 	<p>Study recommends either consolidation or sawmilling operation mostly for domestic purposes. Unfortunately there does not seem to be any support for small scale sawmilling in PNG.</p>
2. Project Guidelines	
<p>Draft guidelines must be discussed and developed in consultation with the resource owners</p>	<p>Judging by the records on files, the landowners constantly demonstrate a lack of awareness of the parameters of a forestry development. This is not necessarily an indication that no awareness was carried out but to the fact that often landowner representatives fail to communicate information to their constituents. There is no evidence of written approval by the landowners.</p>
3. Project Agreement	
<p>Authority is required to involve landowners in selection of the “developer” and in negotiation of the Project Agreements according to the terms of the</p>	<p>No evidence of this on file.</p>
4. Environmental Plan	
<p>EP is produced by the preferred developer according to the prescription of the Environmental</p>	<ul style="list-style-type: none"> • Plan was circulated to landowners in February. Sitala LANCO stated that they had not seen the EP.

<p>Planning Act. Evidence of consultation with landowners is important.</p>	<ul style="list-style-type: none"> • Public presentation of the EP was made by OEC meeting requirements of the Act. • OEC said that the plan was OK but are in the process of approving it still. Part of this approval is that they have to meet with the developer and establish a clear understanding relating to the conditions. • From the point of view of bio-diversity and conservation, NFS and several landowner groups appear to have a difference of opinion. Several landowner groups attempted to have their area deleted from FMA on grounds of applying for Wildlife Management Area only to be knocked back by NFS.
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Some additional investigation notes regarding landowner issues are presented as Appendix 2.

CONCLUSIONS REGARDING LANDOWNER ASPECTS:

Landowner involvement in this project it has been nothing less than a series of errors from the very beginning. From the landowner point of view it remains very unsatisfactory. There was no adequate landowner identification and mobilisation as the work was facilitated by a so called LANCO which did not have the expertise, authority nor integrity to do the job properly. Complaints abounded from the beginning. While NFS was not involved in this early activity it later endorsed the situation by accepting it as an acceptable basis for negotiating an FMA.

Irrespective of the inadequacy of landowner involvement in resource acquisition and allocation the poor mobilisation demands that this project go back to the drawing board. The complex situation between landowners of the coast and the inland people must be balanced before negotiations relating to project wide issues can be accomplished.

It must be noted that some of the strongest proponents of this project are not landowners from within the FMA.

Whilst landowner leaders have been involved in the negotiation process anecdotal evidence suggests that there is very little understanding at the village level.

RECOMMENDATIONS REGARDING LANDOWNER ASPECTS:

That the PNGFA puts the project on hold until:

- Landowners are incorporated to their satisfaction
- Land ownership, or more precisely, land use issues between the coastal people and the highland people are resolved
- Participation and sharing of benefits are clarified between the competing groups

- Requests for conservation areas are determined to be genuine or not and adequate provision is made for their participation.
- Financial support for landowners to undertake these tasks are provided from somewhere otherwise landowner frustration and their proneness to fall into the hands of developers increases.
- LANCO ownership records indicate its credentials to represent landowners from individual ILGs.

APPENDIX 1 CHECKLIST OF COMPLIANCE WITH LEGAL REQUIREMENTS

PROJECT – MUKUS TOLO FMA

Step	Compliance	Non-Compliance	Not Clear
<u>1. Landowner Consultation</u>			
Awareness campaign		X	
Vesting of title			X
Or consent of landowners			X
PFMC certificate	30/10/1995 see note 1		
Attendance of l/owners at PFMC meeting		X	
<u>2. Forestry Management Agreement</u>			
Form and content	see note 2		
Execution	not dated		
Ministerial approval			1/5/96 see note 3
<u>3. Development Option Study</u>			
Board to arrange	undated		
Or exemption	N/A		
Directions from PFMC			X
DOS given to Minister and PFMC	Confirmed		
<u>4. Project Guidelines</u>			
PFMC consults with L/owners and Prov Govt			X
PFMC to prepare draft	28/6/96		
(L/owner attendance at PFMC meeting)			see note 4
PFMC to submit draft to the board	1/7/96		
Board issues final guidelines	undated		

5. Advertisement

Project to be advertised	6/8/96		
Expressions of interest received	Aug 96		

6. Feasibility Studies

No application appears to have been made

7. Project proposals

Proponents must be registered Under section 105	Confirmed		
Placed in tender box	Confirmed		
Proper as to form and content	Confirmed		
Referred to PFMC	11/11/96		
(Landowner attendance at PFMC meeting)		X	
Evaluated with assistance of NFS	20/11/1996		
Invitation for further information	N/A		
Evaluation of further information	N/A		
PFMC reports and recommends	12/12/96		
(L/owner attendance at PFMC meeting)	Confirmed		
Board consults Minister	4/7/97		
Minister gives views	4/8/97		

8. Negotiations

Board directs PFMC as to proponent For further negotiations	10/4/97		
Board and PFMC set parameters	7/3/97		
PFMC negotiates agreement		see note 5	
PFMC submits final draft to the Board	28/4/97		
(L/owner attendance at PFMC meeting)	Confirmed		

9. Project Agreement

Board considers draft agreement	30/4/97		
Finance Minister's approval sought	13/5/97		

Board consults I/owners, Prov Govt And MP's of the area	6/5/97		
Board may execute agreement	1/8/97		
Board recommends to Minister to grant Timber Permit			X
<u>10. Timber Permit</u>			
Minister invites party to apply			X
Application is made for Timber Permit			X
Application must have approved Environment Plan	see note 6		
<u>11. General Policy Objectives</u>			
Encouragement of on-shore processing	clause 6.1		
Participation of Papua New Guineans	clause 18		
Recruitment and training of local staff	clause 10		
Creation of Joint Ventures	see note 7		

CHECKLIST NOTES

Note 1 - PFMC Certificate

The PFMC certificate required under section 58(f) forms part of the FMA. There are however, a number of concerns about this –

- (a) The decision is based on a Submission to the PFMC drafted by the NFS, signed by the Managing Director and presented to the PFMC by D Kaip. Included in the Submission is the following statement –

“The landowners or Land Groups according to their land group applications lodged to the Department of Lands and Physical Planning indicate that they are willing to enter into a Forest Management Agreement”

This is not a sufficient basis upon which the PFMC was entitled to certify formation of the land groups and the consent of the landowners to the project.

- (b) There does not appear to have been any independent assessment of these crucial threshold issues by the PFMC.
- (c) The report of D Kaip indicates that the PFMC's consent was given on the basis of the Chairman's assertion that “the PFMC is fully aware of the project”. The subsequent

plethora of landowner disputes reveals that the PFMC was not as aware of the project as they thought.

- (d) There appears to have been no attendance of the landowner representatives at the meeting of the PFMC as required by section 28(3).

These shortcomings may well have compromised the entire project from the outset.

Note 2 - Forest Management Agreement

The following matters are noted in relation to the FMA –

- (a) The FMA appears to have been prepared in March 1995. This is more than 6 months before the PFMC was asked to consider the matter.
- (b) A Minute dated the 11th October 1995 indicates that the Managing Director had verbally instructed that the matter was to proceed quickly and that a FMA was to be finalised within 14 days.
- (c) The Submission to the PFMC was no doubt drafted at this time and the PFMC's approval was given on the 30th October 1995, 5 days outside of the deadline apparently given at headquarters.
- (d) This undue haste may well explain the deficiencies alluded to in note 1. The responsibility for the landowner frustrations and the ultimate failure of the project do not lie with the PFMC alone.
- (e) The copy of the FMA that has been sighted is not dated and does not bear the Seal of the PNGFA. It has been signed by two Board members as required by the Act but clearly this was not done as an attestation of the fixing of the Seal.

Note 3 - Ministerial Approval

It is clear from correspondence in December 1995 and January 1996 that the indications of increasing landowner discontent had delayed the referral of the FMA to the Minister for his consent. The Board had given its approval on the 21st November 1995.

In early April 1996 a meeting of landowners was held in Port Moresby. The NFS formed the view that this meeting resolved the differences between the disputing groups. A Deed of Agreement was signed by the two landowner companies and witnessed by Dike Kari of the NFS.

The Deed provided for the amalgamation of the two groups into a new company to be called Mukus Tolo Timber Resources Pty Ltd.

On this understanding it appears that the Minister was asked for his consent and that this was given on the 1st May 1996.

The proposed company appears to have never eventuated. Certainly it never played any role in the subsequent moves to make the project operational.

The Agreement is signed by Isidore Teli on behalf of Sitala Corporation. Mr. Teli subsequently played a leading role in securing the project for Gasmata Holdings.

Note 4 - Landowner attendance at PFMC meetings

PFMC minutes indicate that no landowner representatives attended the meeting of the ENB PFMC on 28 June 1996 when the project guidelines were considered and endorsed. It should be noted that correspondence from the Managing Director to the Chairman of the PFMC in this regard clearly noted the requirement for their attendance.

Later in the year a similar reminder from the Managing Director was given in a letter concerning the evaluation of the project agreement. The attendance of the representatives at that PFMC meeting appears to have been arranged. And their attendance is noted at every subsequent meeting.

Note 5 - PFMC to negotiate Project Agreement

While it appears that all other requirements relating to the finalisation of a project agreement were met, it is clear from the files that the NFS in fact made arrangements for negotiations to be held under its auspices in Port Moresby. Section 71(a) states this as a responsibility of the PFMC. Presumably the Act contemplates that negotiations are best held in some proximity to the project.

Note 6 - Approved Environmental Plan

The need for an approved environmental plan was well understood. It should be noted that at this stage the NFS also properly indicated that the 5 Year Working Plan and Annual Logging Plan were also required to be lodged.

Note 7 - Creation of Joint ventures

It seems that the PFMC's decision to recommend only local contractors for further negotiations was primarily motivated by a desire to see PNG companies actively control the resource development. It is with the benefit of hindsight that all might now agree that the project would have been better allocated to an established foreign operator as an extension to its current activities. It should be noted that the NFS had made this recommendation at the outset. The PFMC later maintained that this had only been brought to their attention after advertisements were placed seeking expressions of interest.

OTHER CONCERNS

(a) Provincial Forestry Plan

When the PFMC met in November 1995 to consider the Mukus Tolo FMA the other agenda item for its consideration was a draft of the Provincial Forest Plan.

The meeting commenced with the Chairman's remark that he would like to see forestry projects "moving".

The draft plan was then tabled but “members were unable to comment because there were no copies made (sic) to them”.

The meeting then unanimously agreed to support the Mukus Tolo project and to issue the necessary certification concerning landowner organisation and consent.

Provincial Forest Plans are recognised and in fact required by sections 49 – 51 of the Act. The haste with which the PFMC approved the Mukus Tolo project might be compared with the apparent lethargy in developing its forest plan.

The “fast-tracking” of this project at the direction of the Managing Director is of even greater concern when this matter is considered in this context. An important element of the planning process had not been finalised before decisions were made to bring this project “on-line”.

(b) Political Involvement

There are numerous examples on the files of representations being made to and by Members of Parliament. In every case it should be noted that –

- (a) they appear to be legitimate enquiries by MP’s representing the interests of their constituency or concerning matters in which they had an executive role to play; and
- (b) in every case the appropriate response was prepared by the NFS and sent by the Managing Director to ensure that due process was in no way affected by the representation.

However the shareholding of two former Forest Ministers in the successful tenderer remains a real concern.

(c) The Allowable Cut

The PNGFA is to be commended for maintaining throughout the process its commitment to a sustainable annual allowable cut.

There were numerous representations made by the landowners for the allowable cut to be increased from 10,000 cubic metres per annum to up to 120,000 cubic metres. Some of these representations were channelled through the political process. All were made at about the time that the project agreement was signed.

The PNGFA held firm against all such requests. With such a modest allowable annual cut the project was probably never really viable and this may have invited such representations and may well have led to serious breaches had the project become operational.

APPENDIX 2 : NOTES ON LANDOWNER ASPECTS

Power, Romaso Meeting with Basil Peutalo 7/11/00

Peutalo comes from the Mukus Tolo area near Uvol. He had one letter on the file commenting on the attempt by the two LANCOS to come together to form an umbrella company. He was not sure that the attempt could be successful for other reasons much more fundamental.

What is the reason for the two LANCOS?

Sitala Co started up early in the piece and attempted to hurriedly get landowner involvement to be able to claim authority to represent the landowners in progressing the project. Itara LANCO was formed as a reaction to Sitala which did not take into account the concerns of many of the land groups.

There are several letters on the Mukus Tolo file (e.g. 15/2/96) that back up this statement. Some groups claimed that they were placed in a land group according to a village list and not a land group list and furthermore that two land groups from the village were not recognised.

The response from NFS was "It is not illegal under the LGI Act so, too bad, sort it out amongst yourselves within the ILG". The plaintiffs then attempted to remove themselves from any development by means of a declaration of a Wildlife Management Area. They were told by NFS that "Too late, it is already part of an FMA and we can't reduce the cut!".

What is the relationship between the coastal people and the hinterland people and do the two companies split on these lines?

The two companies are not split along these lines. The hill people have come down to the coast to access services and are utilising the land of the coastal people under permissive occupancy. For this reason the coastal people now have very little land for logging while the hill people have merchantable timber. Thus there is a complicated situation relating to sharing of benefits that needs to be sorted out.

This information really underlines the need for very thorough landowner identification and mobilisation and very thorough awareness raising and dissemination of project information. Peutalo constantly stated that the landowners did not know much about the project.

There was considerable effort taken by individual land groups to conserve certain areas but NFS has not been taken on board. This should have been reflected in the DOS but was not. Shareholding in Gasmata Holdings favours one LANCO Sitala at 13% but does not involve the other, Itara.

At the end of the day Peutalo's clear view was that the project should be on hold till the land work is done thoroughly and that there is full involvement of the landowners. The people do want a project to bring development.

25/10/95 Mukus Tolo File No 4

Big argument from complaint by Itara LANCO over sek han moni. It was claimed that the K50 per ILG Chairman came with K500 per village plus bags of rice and tin fish delivered by 2 helicopters. NFS reply says that the Itara are only a handful. Others say that Sitala only own 3,500 ha!

From the files individuals involved in the project include:

- Andrew Posai. Former Minister dismissed from office, 40% owner of Gasmata Holdings.
- Isidore Tele. Local landowner executive in Gasmata Holdings
- Edward Melo. Chief proponent of the project and political aspirant
- Leo Tensiomana. Uvol villager and signatory (as Leo Tinahele) to the Project Agreement. Itara man.
- Clement Kipolo. Government station
- Edward Mesmana in Kimbe
- Lawrence Garamata. LLG rep
- Fr Cosmas Upa. Vunapope Pilamentana unhappy about ILG work

Meeting held at Uvol in the Mukus Tolo area Tuesday 22 Nov 2000

Present: Tony Power and Lukis Romaso from Forestry Review Team
Tom Kakawi Assistant District Co-ordinator Melkol LLG
Gerard Apeau Director Sitala former Vice Chairman
Leo Tensiomana former Chairman of Itara now VC of Sitala
Simon Kinaero Vice Chairman LLG
Clement Kipolo Community Development Officer
Norbert

When it was stated by us that there were some problems with the ILG work there was immediate disbelief and frustration. They have done it all long ago and were not prepared at first to listen to the suggestion that it must be done again. Once the fundamentals were explained they could see a way to fix things up without too much trouble. They exhibited tremendous frustration that the project is stalled. The meeting concluded with the following understanding and recommendations:

- It was confirmed in the discussions that the ILG on a village by village basis was not ideal and the people agreed to re-do them.
- That the differences between the coastal and the inland clans need to be ironed out as part of the ILG process.
- That training to educate land owners in the ILG process and the purpose of the ILG needs to be conducted at village level.