

Masalai i tokaut

Number Sixteen: 10 December 2002

World Bank caves in on forest industry reform

Undaunted by the continuing revelations of human rights abuses, illegal logging deals and gross environmental damage that all add up to a massive social cost for the most disadvantaged people in society, the World Bank and the Government have reached agreement on the immediate expansion of the log export industry.

The Prime Minister confirmed last week in Sydney that the Government and World Bank have reached agreement on the future direction of the controversial logging industry and that three or four new logging projects will begin next year.

The deal that has been struck will allow the Government to go ahead with its proposed new logging concessions, with the exception of Kamula Dosa, and in return the World Bank will be permitted to implement its Forestry and Conservation Project.

The existence of the deal has been confirmed in a sworn statement from the Managing Director of the National Forest Service, David Nelson, filed in the National Court (*see below*). Nelson says that the World Bank and the Government have "agreed and settled" their differences and that the deal has been endorsed by the National Executive Council.

The controversial agreement, which had been kept under wraps by both sides until the Prime Minister's comments in Australia, was celebrated in an extravagant dinner at the exclusive Bacchus restaurant in Port Moresby last month when senior Forestry Staff and World Bank officials were seen to be wine and dining together in what has been described as a 'convivial atmosphere'.

The National Executive Council endorsed the deal in its meeting on the 6th of November (*see below*). The NEC has directed that the FCP project launch should be allowed to go ahead and that the National Forest Board should 'work closely' with the World Bank to 'ensure successful implementation of the FCP'. At the same time the NEC directed the Minister for Forests to process 10 new timber projects, with the exception of Kamula Doso, 'without any hindrances'.

The deal follows a protracted standoff between the Bank and the Forest Authority in

which Mr Nelson forced the cancellation of the FCP launch and threatened the project team with eviction from the PNGFA HQ, while the Bank refused any further financial assistance to PNG unless it allowed the FCP to proceed.

At the heart of the dispute were the detailed recommendations of the 2001 Independent Forestry Review that highlighted a long list of legal defects in the proposed new forestry projects. The necessary remedial steps identified in that review were then incorporated into a Forestry Action Plan that was approved by the National Executive Council in November 2001.

The implementation of that plan was a condition of the agreement between the Bank and the Government for the funding of the Forestry and Conservation Project.

However the new Government wants to speedily endorse new forest projects without having to delay for the implementation of the review recommendations, which it argues will be time-consuming and costly.

The deal also resolves the issue of a new forest inventory and a probity commission; the two sides have agreed that these issues can be dropped and that they will not affect either the new allocations or the implementation of the FCP.

The deal is a clear win-win situation for the Government and the Bank but it ignores the serious legal defects in the individual new logging projects that relate to the failure to properly consult with and implement the wishes of landowners and the failure to observe and implement the requirements of the Forestry Act.

The deal also ignores the economic folly of the government selling off the last remaining forest resources as cheap logs when the massive logging exploitation of the 1990's has clearly failed to deliver any lasting benefits for the economy or rural people.

The deal is sure to anger civil society organisations who will see this as another example of the Bank and the Government colluding to allocate logging concessions while ignoring the rights of local landowners and the law and despite the clear evidence of the debilitating impact of logging operations on rural people.

The agreement may also stir further animosity between the World Bank and the Australian government who have been involved in a very public spat over recent weeks about the effectiveness of their respective aid programs. The Aussies may not be pleased to see the findings of the Forestry Review, which they funded, being 'shoved in the bin' by the World Bank.

The deal has also come as a blow to the Western Provincial Government, which has been independently trying to block new forest allocations that it sees as illegal and unconstitutional. The Province last week secured court injunctions to stop the National Forest Board going ahead with the allocation of East Awin and Kamula Dosa.

IN THE NATIONAL COURT)
OF JUSTICE AT WAIGANI)
PAPUA NEW GUINEA)

OS NO 647 OF 2002

BETWEEN:
**FLY RIVER PROVINCIAL
GOVERNMENT**
First Plaintiff

AND:
GOVERNOR BOB DADAYA, MP
Second Plaintiff

AND:
THE NATIONAL FOREST BOARD
First Defendant

AND:
THE MINISTER FOR FOREST
Second Defendant

AND:
THE NATIONAL FOREST AUTHORITY
Third Defendant

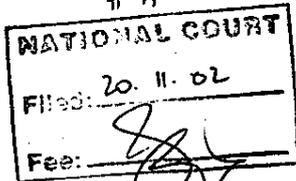
AND:
**THE INDEPENDENT STATE OF
NEW GUINEA**
Fourth Defendant

SUPPLEMENTARY AFFIDAVIT

Filed: 20 NOVEMBER 2002
Sworn: 19 November 2002

Deponent: DAVID SIMON NELSON

NINAI LAWYERS
Suite 11, Boroko Squash Centre
Hubert Murray Highway
TAURAMA
P O Box 1786
BOROKO
National Capital District
Telephone: 323 2921
Facsimile: 323 3066



3. On 15 November 2002 I deposed to an affidavit in answer to the proceedings brought before this Honourable Court by the Plaintiffs and the affidavit sworn on 30 October 2002 by the Second Plaintiff.
4. On 15 November 2002 this Honourable Court gave directions to be informed of the nature of the current talks between the Forest Authority, the National Government and the World Bank and the relationship between these proceedings and the said talks.
5. World Bank representatives, the Authority and the Government are in dialogue on the following matters;
 - i. The Banks' loan of US\$17,360,000.00 million to the Government to fund the Forest Conservation Project (FCP). The objective of the Project is to assist the Government to improve sustainable forest resource management through;
 - a. enhanced processes for landowner participation in forest management and conservation,
 - b. provision of financing to implement finance management options consistent with forest biodiversity conservation,
 - c. streamlining planning, monitoring and enforcement capacity of the PNG Forest Authority, and
 - d. strengthened environmental impact assessment and monitoring capabilities of the Office of Environment and Conservation.

The Project is expected to be completed by 31 December 2007.

- ii. The official launching of the FCP in October this year was delayed due to the Authority's concern in not being consulted for its views particularly in respect of the implications on the Authority's operations and the review, start up and monitoring of forest projects, and their contribution to the country's economy.
6. On 1 November 2002 the National Executive Council made the following Decisions;
 1. Directed the Chief Secretary to advise the World Bank to reschedule the Project Workshop as soon as the forestry sector issues are amicably resolved;





2. Directed the Minister for Forests to direct the National Forest Board to work closely with the World Bank to ensure successful implementation of the FCP;
3. Endorsed the Minister for Forests to process timber projects particularly the 10 projects with exception of Kamula Doso project approved for development by the Independent Review Team without any hindrances, to contribute towards economic recovery;
4. Directed the Chief Secretary to commence dialogue with the World Bank on the Forestry and Conservation Project with specific reference to renegotiating conditions 8 and 10 relating to 1% inventory sampling to ensure consistency and compliance with the National Forestry Act and engaging of consultations as marshals or a probity commissioner;
5. Rejected recommendation 6 of the submission in relation to disbanding of the Inter Agency Forestry Review Committee (IARC).

Annexed as "A" is a true copy of NEC Decision No. NG 43/2002 of 1 November 2002.

7. The PNG Government and the World Bank have agreed and settled most aspects of the Review Teams recommendations. The only two points at issue are the proposals by the World Bank that for future development of new timber projects the PNGFA adopts a 1% sampling inventory survey of potential forest production areas, and the establishment of a Probity Commission to oversee the operations of the PNG Forest Authority.
8. The Government is serious in its efforts to reconcile any differences it may have with the World Bank by its direction to the Chief Secretary to commence dialogue with the World Bank to settle the difference regarding the 1% sampling inventory survey of forest areas and the establishment of a probity commission.
9. The Government has established dialogue with the World Bank. Currently the World Bank and Government Officials are in discussions with the view of resolving these matters.
10. The two issues which are the subject of the ongoing discussions between the World Bank and the PNG Government are not relevant to the East Awin project and the Kamula Doso FMA as even if they are agreed to by the PNG Government they would only be applicable to new projects.
11. Notwithstanding, as regards the situation in the Western Province, the Governments position presently is to implement only the East Awin FMA but not the Kamula Doso FMA.



12. To implement East Awin there is another set of requirements the developer has to go through before it can commence logging. The procedures are set out as follows:
- (a) Conduct and complete a detail Environmental Plan. The Environmental Plan has to be submitted and processed by the Department of Environmental and Conservation under the Environmental Planning Act.
 - (b) A project statement has to be complied and lodged with the PNG Forests Authority.
 - (c) A Five Year Forests Working Plan has to be completed and submitted to the PNGFA.
 - (d) An Annual Logging Plan also has to be completed and submitted to PNGFA.

It takes up to two (2) years in most cases for these process to be completed before logging can commence.

13. It is projected that subject to the developer meeting all the requirements logging may commence in the East Awin FMA in the year 2004.

Sworn at Hohola on 19 November 2002)



COMMISSIONER FOR OATHS



DEPONENT



PAPUA NEW GUINEA GOVERNMENT
NATIONAL EXECUTIVE COUNCIL

Decision No: NG 43/2002

Special Meeting No: NG 19/2002

Subject: WORLD BANK SPONSORED FOREST AND CONSERVATION PROJECT.

On 01st November 2002, Council noted and endorsed the recommendations from CACC as follows:

1. directed the Chief Secretary to advise the World Bank to reschedule the Project Launch Workshop as soon the forestry sector issues are amicably resolved;
2. directed the Minister for Forests to direct the National Forest Board to work closely with the World Bank to ensure successful implementation of the FCP;
3. endorsed the Minister for Forests to process timber projects particularly the 10 projects with exception of Kamula Doso project approved for development by the Independent Review Team without any hindrances, to contribute towards Economic Recovery;
4. directed the Chief Secretary to commence dialogue with the World Bank on the Forestry & Conservation Project with specific reference to renegotiating conditions 8 & 10 relating to 1% inventory sampling to ensure consistency and compliance with the National Forestry Act and the engaging of consultations as marshals or a probity Commissioner; and
5. rejected recommendation 6 of the Submission in relation to disbanding of the Inter Agency Forestry Review Committee (IARC).

I Certify the above to be a correct record of the
Decisions reached by the National Executive Council

DR ALLAN MARAT Acting Chairman

MANLY. UA Acting Secretary, NEC

Date: 06 NOVEMBER 2002

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