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Sustained Forest Industry for Papua New Guinea

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Papua New Guinea Forest Industries Association (PNG FIA) Submission to AusAID

Commentary on Aid and the Environment: Building Resilience; Sustaining Growth. A framework for an environment strategy for Australian aid.

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Introduction

The Papua New Guinea Forest Industries Association (PNGFIA) wishes to provide comments to AusAID on the framework for an environment strategy for Australian aid. Given the announcement by the Australian Government of the Forestry and Climate Change Initiative and the significance for provision of Australian aid related to environment to Papua New Guinea (PNG) in the future, it is clear that AusAID's environment strategy will be significant in the provision of development assistance related to forestry in PNG.

A. Background

The PNGFIA

The PNGFIA represents 85 percent of Papua New Guinea's forest industries, including 30 forestry producers. We also have one honorary, nine service and four associate members consisting of education, forestry professionals, consultants and forestry service and equipment interests.

As an association representing all levels of operation in the forestry industry in PNG, it aims to support and protect the integrity of the industry, to foster practical forest management policy and a balanced approach to environmental management and economic development, to oppose illegal activities and to support capital investment and policy approaches which further the sustainable development of our industry.

Economic importance of forestry to PNG

The forestry industry is a significant contributor to the PNG economy. It contributes between 5 -8 percent of national gross domestic product (GDP), accounts for 3 to 6 percent of all tax receipts, employs over 10,000 people and provides infrastructure in rural areas, including health and

education facilities, which would otherwise not exist. This is important in a country like PNG where over 86 percent of the population lives in rural areas.

PNG needs industries like ours for development and growth. Per capita GDP has fallen from US\$676 in 2000 to an estimated US\$585 in 2005. The share of the population living below the World Bank's poverty line has risen from 37.5 percent to 53.5 percent over the last decade. In rural areas only one child in five attends school.

Last year, ITS Global, an Australian consultancy, completed a report on the economic significance of forestry to PNG. The report demonstrates the important socio-economic benefits provided by commercial forestry, particularly in rural areas. It is attached to this submission.

The direction of forestry in PNG

a. Basic data¹

Papua New Guinea has significant forest resources covering 64 percent of the country. The Food and Agriculture Organization of the United Nations (FAO) estimates there are 29.4 million hectares of forest in PNG.² 24.8 percent is allocated for production.³ 37 percent of forest land is not designated any purpose at all. Other portions of forest area are designated for conservation, afforestation or land use change.

Production of forest products

The volume of tropical timber production in PNG for the years 2001-2004 is set out below. The primary product is round logs, however several operators undertake downstream processing to produce sawnwood, veneer and plywood products.

Table 1 - PNG tropical timber production, volume (1000 m³), 2001-2004⁴

Year	Logs	Sawnwood	Veneer	Plywood
2001	1,658	20	30	5
2002	2,100	40	20	5
2003	2,300	50	40	5
2004	2,200	50	40	5

The estimated value of production in 2004 is set out

below.

Table 2 - PNG tropical timber production, value (US \$ thousands), 2004⁵

Product	Value (US \$ '000)
Logs	130,090
Sawnwood	17,360
Veneer	7,680
Plywood	57

¹ Statistical information on forests and forestry production and trade in PNG can be inconsistent and unverifiable. The statistics included in this section represent the most reliable and credible data available.

² FAO (2005) *Global Forest Resources Assessment 2005: Papua New Guinea Country Report*, Country Report 097, Food and Agriculture Organization of the United Nations, Rome

³ This figure does not include areas within timber concessions set aside for environmental protection or social or cultural purposes.

⁴ ITTO (2005) *Annual Review and Assessment of the World Timber Situation 2005*, ITTO, Yokohama, <http://www.itto.or.jp/live/PageDisplayHandler.aspx?pageId=199>

⁵ *Ibid.* Figures on value of total production were not available. As such, prices obtained from export data were used to calculate the value of production.

*Exports of forest products*Table 3 - PNG tropical timber exports, volume (1000 m³), 2001-2004⁶

Year	Logs	Sawnwood	Veneer	Plywood
2001	1,556	20	30	0
2002	1,854	21	20	0
2003	2,015	14	38	3
2004	2,012	15	65	0

The estimated value of tropical timber exports in 2004 is set out below.

Table 4 - PNG tropical timber exports, value (US \$ thousands), 2004⁷

Product	Value (US \$ '000)
Logs	118,973
Sawnwood	5,208
Veneer	12,480
Plywood	57

PNG's primary export market is Asia. Tropical logs are primarily exported to China, Japan and South Korea (see Table 5 below). South Korea, Taiwan and China are the main markets for PNG's veneer exports (see Table 6 below).

Table 5 - PNG tropical log exports by destination, 2004⁸

Market	Volume (1000 m ³)	PNG's share of market (%)
China	1,314	18
Japan	319	19.7
South Korea	171	37.4
India	125	4.1
Taiwan	48	4.6
Philippines	35	23.7
Thailand	26	6.8
Others	161	-
<i>Total</i>	2,012	-

Table 6 - PNG tropical veneer exports by destination, 2004⁹

Market	Volume (1000 m ³)	PNG's share of market (%)
South Korea	33.6	14.2
Taiwan	29	18.4
China	2	2
<i>Total</i>	65	-

⁶ ITTO (2005) *op. cit.*

⁷ ITTO (2005) *op. cit.*

⁸ *Ibid.*

⁹ *Ibid.*

PNG is not a major exporter of sawnwood and plywood. Detailed export statistics for these products are not readily available.

b. Material on sustainable cut of forestry

PNG has a strong sustainable forestry base and a comparative advantage in this sector. It also has ample forest reserves for conservation.

Greenpeace and other non-governmental organizations (NGOs) claim that PNG's forestry heritage is being destroyed by 'rapacious logging'. These claims are untrue but they have unfortunately damaged the reputation of the industry.

There is plenty of authoritative evidence that the forest resources of PNG are not in danger of destruction. The 2007 State of the World's Forests report by the FAO found that PNG's rate of forest reduction for the past decade stood at 0.5 percent per annum, unchanged since the 1990s.¹⁰ This is considerably lower than the global rate of forest reduction which is 2 percent.

The finding of the FAO confirms that of the World Bank Green Book which annually surveys environmental performance of governments around the world. In 2006, it reported that deforestation in PNG between 1990 and 2005 averaged just 0.4 percent per year.¹¹

Commercial forestry in PNG is commercially viable and environmentally sustainable. A 2006 report by the School of Forestry at Yale University gave PNG the highest rating (100 percent) for sustainable forest harvesting based on the estimated yield rate.¹² Harvested areas have naturally regenerated and forestry is now occurring in regrowth areas.

The industry is committed to ensuring that commercial forestry is sustainable in PNG in the long term.

c. Development of value adding

According to International Tropical Timber Organization (ITTO) statistics on production (see Table 1), sawnwood production has increased from 20,000 to 50,000 cubic metres (m³) in 2004, whilst veneer production has risen from 30,000 to 40,000 m³. Plywood production has remained steady.

Separate data provided by SGS, an independent audit firm which monitors log exports under contract with the PNG Government, shows the value of processed exports has been steadily rising since 1999. The data is set out in Table 7 below.

Table 7 - PNG processed exports, by volume and value, 1999-2003¹³

Year	Woodchips (1000 m ³)	Other processed (1000 m ³)	Total processed (1000 m ³)	Total value of processed exports (\$US million)
1999	90	36.9	126.9	18.4
2000	120	64	184	25
2001	97	111.2	208.2	31.2
2002	97.4	117.9	215.3	32.8
2003	98.5	116.8	215.3	33

¹⁰ FAO (2007) *State of the World's Forests 2007*, Food and Agriculture Organization of the United Nations, Rome, <http://www.fao.org/docrep/009/a0773e/a0773e00.htm>

¹¹ World Bank (2006) *2006 Little Green Data Book*, International Bank for Reconstruction and Development/The World Bank, Washington DC

¹² Esty, D.C., Levy, M.A., Srebotnjak, T., de Sherbinn, A., Kim, C.H. and Anderson, B (2006) *Pilot 2006 Environmental Performance Index*, Yale Center for Environmental Law and Policy, New Haven

¹³ SGS (2004) *PNG forest industries key indicators 1992-2004*

There has been significant investment in downstream processing in the forestry sector in PNG. The largest forestry company, Rimbunan Hijau (PNG) Group Ltd has established five downstream processing operations. Sawmills are located at operations Gulf, Western, Central and Milne Bay Provinces and a sawmill and veneer processing mill is located at Panakawa in Western Province. It also plans to build a plywood processing mill at the Panakawa facility. The investment in the sawmill in Gulf Province was 20 million Kina.¹⁴

There is scope to further develop value adding. There is strong global demand for processed timber products – especially from China.

d. Legal Verification and Certification

The incidence of illegal logging in Papua New Guinea is small. The PNGFIA understands that there is a growing emphasis in the global marketplace and in international forestry policy to demonstrate products are harvested legally and sustainably.

The PNGFIA is currently working with Swiss audit firm, SGS, to establish a Timber Legality and Traceability Verification (TLTV) programme for PNG. The TLTV is an independent, voluntary verification system designed by SGS. It verifies production against a set standard for legality. SGS verifies production against the requirements of the standard to assess compliance and produces a verification report. If the assessment is positive, SGS will issue a 'TLTV-Legal Production' Statement. SGS also verifies timber tracking systems through a TLTV chain of custody (CoC) assessment and issues a TLTV-CoC Statement.

SGS has already implemented voluntary legal verification systems for forestry in Congo-Brazzaville, Cameroon, Indonesia, Malaysia and Russia.

The TLTV programme will be initially piloted for twelve months, after which progress will be assessed and the system adapted as necessary.

Some PNGFIA members have also shown interest in certification of sustainable forest management. This is recognized as a market-based tool which can both improve the management of production and assure international buyers that forest products were produced sustainably. Options for forest certification in Papua New Guinea are being examined.

e. Ecoforestry

The European Union (EU) and a number of environmental NGOs have been promoting small-scale, community forestry or 'ecoforestry' in PNG for some time. The EU funded the Islands Region Environment and Community Development Programme (IRECDP) and the Eco-Forestry Programme (EFP), which provided technical and financial support for selected community groups to begin eco-forestry enterprises.

Reviews of ecoforestry in PNG by consultants to the EU EFP and by WWF concluded that ecoforestry is not viable in PNG without significant subsidies.¹⁵

¹⁴ Information provided by Rimbunan Hijau (PNG) Group Ltd.

¹⁵ Agrisystems Limited (2004) *Eco-Forestry Programme Mid-Term Review Mission*, Final Report to the European Commission – Papua New Guinea, Bucks, UK; WWF (2000) *A Future for our Forests: Strategies for Community-based Conservation in Papua New Guinea*, World Wide Fund for Nature, South Pacific Program, Suva

The PNGFIA believes there is a role for ecoforestry in the forestry sector in PNG. However, that role is niche. Ecoforestry is primarily focused on supplying subsistence and local timber needs. It is not capable of delivering a mainstream source of economic activity in the forestry sector.

The PNGFIA considers that many donors have placed too high an emphasis on supporting ecoforestry with an opportunity cost of not supporting sustainable development of commercial forestry in PNG.

Forestry and the environment in PNG

a. Deforestation

The causes of deforestation in PNG need to be properly analysed. They are not likely to be commercial forestry. That is restricted to areas designated for commercial forestry and now bound by regulations requiring selective forestry based on designated regrowth cycles.

High population growth, particularly in the highlands of PNG is one likely cause of deforestation. A second is clearing of land to make it available for more productive purposes.

b. Threat to forest ecology

Greenpeace has claimed PNG's "ancient forests" are under threat and may be lost within a decade. Greenpeace's analysis of forest ecology is not based a technical appreciation of forestry in PNG but its own construction of what constitutes "ancient forest". Generally this is what in Australia might be called old growth forest or primary forest by the FAO, but covering a very wide area. So if there is a small logging operation in one part of one of these big areas, Greenpeace would declare the ancient forest has been destroyed. Applied in Australia, Greenpeace's concept would most likely rule out any native forestry, despite the fact Australia practice for sustainable forestry is world's best.

Greenpeace's approach to forestry is clearly shaped by its opposition to any industrial activity (the term it uses for commercial forestry) in primary forest areas.

Forest ecology does need to be better understood in PNG. Basic research into the growth patterns of species is required. This would enable the Government better to manage and conserve forest and the forest industry better to practice sustainable forestry.

c. Governance

PNG has an extensive framework for the environmental management of forestry. Planning, management, operation and closure of forestry concessions in PNG are regulated under the Forestry Act 1991, the Environment Act 2000 and the PNG Planning, Monitoring and Control Procedures for Natural Forest Logging Operations under Timber Permit.

A brief overview is set out below.

Planning

The Environment Act (2000) regulates the planning, operation and closure of resource development projects as they impact on the natural environment in order to promote sustainable development of the environment and economic, social and physical wellbeing of the PNG people. Following the introduction of the Act, all new operations must have an Environmental Impact Statement (EIS) approved by the Department of Environment and Conservation (DEC) before a project can commence.

The Act also requires that all projects have a DEC-approved:

1. Environmental Plan;
2. Waste Management Plan;
3. Environment Permit to discharge waste; and
4. Environment Permit to dam, divert or otherwise use water.

Under the PNG Planning, Monitoring and Control Procedures for Natural Forest Logging Operations, forestry operators must prepare and implement, approved:

- Five year plans¹⁶ which identify the order and details of logging areas and road and infrastructure details;
- Annual logging plans which identify activities to be carried out over a twelve month period and detail logging operations, environmental safeguards and infrastructure; and
- Set-up plans which control the progress of logging with a focus on compliance with the Key Standards for Selection Logging in the PNG Logging Code of Practice (LCP).

Forest harvesting and management

Forestry operations themselves are regulated by the Forestry Act 1991 and the PNG Logging Code of Practice. The Forestry Act determines that a sustained yield principle must be followed, and licensed areas are logged to a 35-year cycle, and the volume logged is determined by the Papua New Guinea Forest Authority (PNGFA). The PNGFA collects a reforestation levy. The PNGFA also administers the PNG Logging Code of Practice (LCP).¹⁷

Monitoring and control

Forestry operations are monitored by PNGFA Project Supervisors, who periodically undertake field visits to the forestry concessions to check the compliance of operations with set up plans and the LCP. Approval from PNGFA Project Supervisors for the satisfactory completion of one set-up (Set-up clearance) is required before logging at the next set-up can commence.

Company records are periodically audited by the PNGFA Project Supervisor and timber for export is independently monitored and through a log-tracking system administered by SGS, an internationally-recognized audit firm.

d. Weaknesses

i. Governance

PNG suffers from weaknesses in institutional governance and the implementation of laws and policies in many sectors including forestry. These weaknesses in governance and corruption have been an obstacle to the growth of the forestry industry and have allowed opponents of forestry to blame the private sector for failings in governance. The lack of silvicultural investments on the ground by the Government from the reforestation levy paid by forestry companies means regeneration activity is sub-optimal.

Weaknesses in institutional governance must be viewed as a whole of government problem in PNG. Tackling governance problems through forestry or environmental aid can only provide piece-meal results and not long term solutions.

¹⁶ Five year plans must be updated every three years.

¹⁷ The PNGFA requires compliance with a set of 24 minimum standards in the LCP for all forestry operations, as part of its Planning, Monitoring and Control Procedures (PMCP).

II. Technical base

There is a weakness in the knowledge base on silviculture and forest structure in PNG. This knowledge base must be enhanced if environmental management and the sustainability of commercial forestry are to be improved. This requires a more effective set of arrangements for undertaking silvicultural investments – and measuring the outcomes from such investments.

Aid to forestry in PNG

Donor programs on forestry in PNG have tended to focus on environmental management and governance and little on improving the sustainability of commercial forestry. This is the consequence of an unsuccessful World Bank strategy towards forestry in PNG from which the Bank withdrew at the request of the PNG Government.

Governance of forestry was reformed in the nineties following a major enquiry in 1989 (the Barnett Enquiry). New laws, institutions and regulations were instituted. A key problem in PNG is the weak capacity of Government to administer laws and policies. Responsibility for managing the environmental impacts of forestry lies in PNG in the Government sector.

Despite the reforms in management of forestry, Greenpeace spearheaded a major campaign against commercial forestry, alleging widespread corruption and illegal logging in the commercial sector. Most allegations were unsubstantiated. Where irregularities were found in the granting of forest licences, regulatory processes were changed. This made no difference to the Greenpeace campaign.

The World Bank offered a program to improve environmental management and improve administration of forest licences by local landowner groups. It created processes to which the PNG ultimately objected, for example proposing NGOs take responsibility for administering environmental policy on forestry, suspension of the issue of licences while Bank-initiated reviews of policies proceeded, and fostering a pronounced anti-commercial forestry bias in its work.

Other donor agencies tended to cue their programs to the approach of the Bank so today the emphasis in aid in forestry is to support ecoforestry and community forestry and to promote systems of governance in which NGOs serve as external monitors. Australian provision of experts to work inside the PNG Forest Authority is something of an exception.

The capacity of officials to support and promote sustainable forestry in PNG is the single most important weakness in the administration of forestry in PNG but this is not a focus of donor assistance.

Lack of focus on commercial forestry is a natural consequence of strategies towards forestry as adopted by the World Bank. Since 1991, the Bank has refused to fund commercial forestry in certain specified circumstances, effectively eliminating most developing countries in tropical areas. It amended that policy in 2004, specifying it would finance projects that it recognized as independently certified. In practice, this meant certified by the Forest Stewardship Council (FSC), a commercial system of certification of sustainable forestry established on the initiative of WWF. The World Bank has a formal "Alliance" with WWF on forestry matters.

The FSC system is not the most widely used system of forest certification (its global coverage is only about half of that of the Programme for the Endorsement of Forest Certification Schemes (PEFC) system). The PNGFIA notes that Greenpeace and WWF collaborate very closely in global forestry campaigns and the Greenpeace almost invariably calls for bans on trade in timber unless the product is certified by the FSC.

Several governments have complained to the World Bank about the bias it has shown towards FSC on forest certification.

Greenpeace has campaigned for global bans on timber exports from PNG on the grounds that most timber in PNG derives from illegal logging.

B. AusAID's draft framework on environment

Issues raised in the framework

The AusAID framework indicates support for measures that will improve management of forestry to support strategies to address climate change. Deforestation and reforestation are cited as areas of prospective focus.

The framework also refers to the questions of illegal logging and corruption, carrying implications they related to rates of deforestation in PNG.

The PNGFIA notes that corruption in forestry is given scant attention in the AusAID White Paper, and that illegal logging is not referred to at all. This is appropriate given that the incidence of illegal logging is greatly exaggerated and corruption is a general problem in PNG, not an issue that is specific to poor environmental management of forests.

The framework suggests improvement of protection of the environment can be achieved in the Asia Pacific region if capacity to regulate can be strengthened.

It also points to the prospects for cooperation with the private sector and commends a World Bank strategy for this in forestry.

Forestry and Climate Change

It can be simplistically asserted that if deforestation is stopped and reforestation is promoted that the carbon sinks in PNG's forests can be increased and that by this means, PNG can contribute to global efforts to mitigate global warming. The situation is not so simple.

In addressing how to proceed in this matter, the PNGFIA suggests that technical analysis be undertaken of the phenomena being considered and the policy framework of the PNG Government on climate change also be taken into account.

The nature and causes of deforestation need to be analyzed. As noted above, commercial forestry is unlikely to be a driver of deforestation in PNG.

It is not necessary to cease harvesting of forests to maintain or strengthen carbon sinks. The most dependable strategy is the practice of sustainable forestry where harvesting is based on sustainable regrowth cycles.

A strategy of promoting sustainable forestry can produce a double dividend – the practice of commercial forestry which supports economic growth and the maintenance of carbon sinks.

PNG has adopted the position of other developing countries that it will not accept binding targets to reduce emissions and that climate change policies should not retard economic development.

PNG is also working with other developing countries to ensure that mechanisms in the Kyoto Protocol are not used as a back door means to advance anti-forestry strategies through climate change mechanisms.

It can be claimed that PNG can be paid not to log trees so that PNG can secure financial return from its forests other than by harvesting them. This has been argued in research commissioned

by Greenpeace. For this to be economically beneficial to PNG, the economic return from that would need to exceed the return from commercial forestry, both in the short and long term. There is no evidence that this is the case.

The general principle that protection of forest sinks is recognized as legitimate action to reduce the rate of growth of emissions of carbon dioxide is provided for in measures to implement the commitments in the Kyoto Protocol. Australia is one of the few countries to claim control of clearing of forest land as a contribution to efforts to reduce emissions of carbon dioxide.

There is not yet any agreed basis to establish the economic value of the carbon in the forests. Nor is it clear that an international mechanism to recognize or realize the value of carbon in forests can be established in the foreseeable future.

A challenge for AusAID's environment strategy is how to develop measures to apply in the short term in the absence of any clear idea of what the future international architecture to govern climate change will be.

Illegal logging in PNG

As noted above, the PNGFIA is opposed to illegal logging. Its members account for around 85 percent timber production in PNG. Where illegal logging does occur in PNG, it is by companies who are not members of the PNGFIA.

The PNGFIA has recently announced it will implement a system which will verify that timber products in PNG are produced legally (see above for details).

Greenpeace claims most logging in PNG is illegal. There is plenty of evidence to demonstrate this is not true. SGS, one of the world's leading certification and inspection companies which monitors log exports for the PNG Government, reported to a conference in PNG last year that in 12 years of monitoring, it had not encountered any logs not from legal sources. In addition, research from the ITTO was presented to the same conference which compared import and export records of PNG timber and revealed no significant discrepancy. Major variance between records on the export and import of products is a typical indicator of significant illegal activity.

A report last year by the World Bank claimed 70 percent of exports of PNG timber are illegal. The PNG Government has pointed out that the number is derived from a report by US consultant who simply attributed to PNG a generalized estimate of the incidence of illegal logging in Southeast Asia and stated no empirical analysis was undertaken on PNG forestry. The Government requested the report be corrected. The Bank refused, providing an illogical retort that the Bank was aware of hearsay that only one third of forestry in PNG was sustainable and this indicated that their estimate of illegal logging in PNG was sound.

In addressing how forestry can be managed to support efforts to mitigate climate change, it would be erroneous to assume first that illegal logging in PNG is significant and second that it has a significant bearing on the rate of deforestation in PNG.

Corruption

The PNGFIA considers that corruption in Government in PNG is a significant problem for the forest industry as it is for the entire private sector.

There is an implication in the paper that corruption is a generic contributor to environmental damage in the forest sector. The environmental NGO campaign against commercial forestry in PNG has employed the tactic of alleging forest companies are the source of corruption. The private sector in PNG and in the forest industry is not the source of corruption and strategies to

tackle it that assume it is, risk either failing or impairing the capacity of the private sector to support growth.

The structure of laws and regulations governing forestry provide significant opportunities for officials to act corruptly. A significant degree of government discretion exists in the distribution of rents from forestry. This derives from the legal framework which allocates communal rights to forestry to local groups and requires them to establish local representative organizations which transfer forest harvesting rights to the state which then contract forestry companies to log. As in all areas of government in PNG, there is also misallocation of funding provided to relevant government agencies

The principal effect is that the industry is not as efficient as it could be and that benefits are not distributed as equitably as they should be.

The PNGFIA fully supports the AusAID strategy of grappling with corruption in PNG and the South Pacific. Success in tackling it requires recognition that in PNG, corruption is a social and cultural problem. It needs to be tackled from a broad perspective, not through special policy frameworks as on the environment.

Increased regulation

The structure of law, institutions and regulations governing forestry and protection of the forest environment in PNG is full and comprehensive. There is less of a case in PNG to strengthen regulation per se, but more to enhance the capacity of forest officials across the board.

Training should be given high priority.

Policies should not be overlooked. It is not at all clear that the current model where government agencies are responsible for environmental management and reforestation in harvested areas is effective. In some countries, timber enterprises are made responsible for delivering those outcomes. The feasibility of that in PNG needs to be considered.

The technical base of knowledge about silviculture and PNG's forest species is weak. That needs to be strengthened if environmental management is to be improved and sustainability for commercial forestry strengthened.

There have been references to the establishment of systems to provide satellite monitoring of forestry. They may have value in Indonesia, but in the case of PNG, the effectiveness and value of that should be measured against the value of increasing the base of technical knowledge about forestry in PNG.

Cooperation with business

i. Enhancing the socio-economic benefits from forestry

The PNGFIA believes there is a significant opportunity for AusAID to develop a framework for cooperation with the private sector to maximize the social and economic benefits from forestry in rural areas. Forestry companies establish transport and local infrastructure and social, health and education facilities as part of their commercial operations in remote areas.

AusAID could further support community development and enhance the sustainability of socio-economic benefits by cooperating with the private sector to leverage these investments, such as through initiatives for local business development, water and sanitation and enhancing the capacity of health and education facilities.

ii. Environmental management

The PNGFIA strongly supports collaboration with AusAID in improving environmental management of forestry. The most important step is to improve the performance of forestry and enhancing its sustainability. This is essential if the performance PNG forestry as carbon sink is to be optimized.

The PNGFIA urges caution about using World Bank frameworks for collaboration with business over forestry in PNG, as suggested in the draft framework. There is evidently residual antipathy towards the PNG forest industry in the Bank.

Furthermore, the Bank's formal association with WWF and its involvement in policies and efforts which give preferential recognition to the FSC system of certification does not augur well for cooperation with the private forest sector worldwide. Most forest industries prefer the PEFC system of forest certification. Finally, the Bank seems to support actively WWF strategies to encourage the downstream end of the timber supply chain (retailers and distributors) to exert pressure on the upstream part (producers) to adopt environment policies in forestry which are not forged on the basis of the national interest of the producing economy, but the environmental preferences of WWF.

It is open to AusAID to decide if it wishes to participate in such strategies. But it would seem to be at odds with its well established practice of providing aid to support the national objectives of recipients, not deliver national policy goals of the donor. The PNGFIA would also note that the Forest Principles adopted at the United Nations Conference on Environment and Development in 1992, stress that improvement of the environment in developing countries should be achieved by working through the national policies and institutions of developing countries.

It is a matter of public record that NGOs like Greenpeace and WWF have never regarded the UNCED position on forestry satisfactory and it would seem they have succeeded in having the World Bank move to the same position.

Conclusion

The PNGFIA recommends that the draft strategy be revised to ensure that it is capable of practical and effective application to the circumstances of PNG.

Australia supports the UNCED consensus that protection of the environment should go hand in hand with improving growth in developing countries, not at the expense of that.

The draft strategy needs to fit within that framework. It is clear from the AusAID White Paper that improving the economic circumstances and social aspects of aid recipients is the over-riding goal of Australian Aid policy. The environmental strategy needs to operate within that context.

The focus on forestry, albeit initially from the perspective of climate change policy, is prospectively very important to PNG.

The forest industry is committed to improving the contribution of the industry to the economic development of PNG as well as improving the environmental management of the industry.

The PNGFIA is willing to assist in any way it can.

Yours faithfully,

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Executive Officer

