

## **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***

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

**From:** Review Team

**Date:** 5 February 2001

**Re:** **INDIVIDUAL PROJECT REVIEW REPORT NUMBER 12**  
**EAST AWIN (WESTERN PROVINCE)**

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#### **AUDIT CONCLUSIONS AND RECOMMENDATIONS:**

##### **RESOURCE AND PLANNING ISSUES:**

The sustainable timber yield principle has been complied with. There is serious concern regarding the net harvestable volume per hectare - the developer's field inventory indicates an estimate which is 65% of that produced by the PNGFA indicating that the sustainable yield may have been significantly over-stated in the FMA document, the Timber Project Guidelines, and the Project Agreement. The potential sustainable annual cut is sufficient for a conventional stand alone log export project. The right of the PNGFA to implement conservation set asides as provided for in the FMA has not been bought forward into the Project Agreement.

##### **LEGAL COMPLIANCE:**

Due process has generally been observed. However the usual concerns about the Provincial Forest Management Committee certification of the Forest Management Agreement apply in this case. The required consultation concerning the Timber Project Guidelines may not have taken place. The Finance Minister's approval for the Project Agreement was in fact given by the Minister for Forests while acting in that capacity.

##### **LANDOWNER ISSUES:**

Landowner awareness work was carried out by the Landowner Company assisted by an intending developer. There is a lot of confusion regarding Incorporated Land Groups, landowner companies, and the NEC endorsed Papuan Highway and the accompanying three mile wide agricultural development (forest clearance) corridor. There is no evidence of landowner involvement in the allocation process.

RECOMMENDATIONS (INCLUDING CORRECTIVE MEASURES IF REQUIRED):

- That the PNGFA seeks to renegotiate the Project Agreement to include its right to set aside 10% of the gross loggable area (and any resource consequences).
- That the approval of the Minister of Finance for the Project Agreement be sought again.

Subject to the above there would seem to be no valid reason to further delay the issuance of a Timber Permit, but it is recommended that before the project is permitted to become operational:

- That the Minister for Forests give a further approval for the Forest Management Agreement as his initial approval appears to have preceded the execution of the agreement.
- That the PNGFA check the forest resource data and reconfirm the sustainable annual cut estimate.
- That the PNGFA apply some effort to resolving the present confusion regarding ILGs and Landowner Companies.

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**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.

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## **REVIEW REPORT**

### **SUMMARY PROJECT DETAILS:**

Project type:	Forest Management Agreement / Timber Permit
Processing stage:	Formation of Incorporated Land Groups (ILGs) completed. Forest Management Agreement executed. Project Agreement executed with G. L. Niugini Limited. Developer has submitted an Environmental Plan to the Office of Environment and Conservation.
Gross FMA area:	202,000 ha (There has been an attempt to exclude some 85,000 ha through a Lease-Lease Back arrangement. The leases were cancelled by the Secretary for Lands).
Gross loggable area:	184,000 ha
Net sustainable timber yield:	146,000 m <sup>3</sup> /annum (a)

(a) 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**

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

<p><b>2. PROJECT DEFINITION IN FMA DOCUMENT</b></p>	
<ul style="list-style-type: none"> <li>• Is the gross loggable area properly defined:</li> <li>• Has the total gross merchantable volume been properly estimated:</li> <li>• Has the net merchantable volume</li> </ul>	<p>No. A 25% reduction applied to gross FMA area rather than basing gross loggable area on logging exclusion zones as defined in the Logging Code. Gross loggable area underestimated by about 5,000 ha in the FMA. (Note: The Environmental Plan prepared by the developer refers to a net loggable area of 185,000 ha – the source of this estimate is unclear).</p> <p>Yes. FIPS data indicates a gross loggable volume of 46.9 m<sup>3</sup>/ha (which appears high) but sample very small. (Note: The successful applicant for this project undertook its own inventory work and estimated a gross volume per hectare of 30.6 m<sup>3</sup>/ha – this is accepted by the PNGFA (letter to OEC 27 August 2000)).</p> <p>Yes. Application of the standard gross volume</p>

<p>been properly estimated:</p> <ul style="list-style-type: none"> <li>• Have “Fragile Forest Areas” (OEC definition) been considered:</li> <li>• Have environmentally sensitive areas been considered:</li> <li>• Have conservation set asides been appropriately implemented:</li> </ul>	<p>reduction factor indicates a net loggable volume of 32.8 m<sup>3</sup>/ha and a total net volume of 5.0 million m<sup>3</sup>. (Note: the successful applicant determined a net loggable volume of 21.4 m<sup>3</sup>/ha and a total net volume of 3.5 million m<sup>3</sup> (Environmental Plan Table A) or 4.2 million m<sup>3</sup> (Environmental Plan Table F)).</p> <p>No, because there is no agreed position regarding fragile forest areas. There is negligible Fragile Forest within the East Awin FMA area.</p> <p>Yes. Large scale Gazetted conservation areas 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>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>
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<p><b>3. ESTIMATE OF SUSTAINABLE CUT</b></p>	
<ul style="list-style-type: none"> <li>• Has the sustainable annual cut been properly calculated:</li> </ul>	<p>Yes. Set out in Development Options Study, the Timber Project Guidelines and the Project Agreement as 141,000 m<sup>3</sup>/a. However based on the FIMS net loggable area estimate (156,000 ha) and the developer’s estimate of the net loggable volume (21.4 m<sup>3</sup>/ha) the sustainable yield would be 95,000 m<sup>3</sup>/a. (Note: The Environmental Plan prepared by the developer indicates that there is sufficient timber volume to support a sustainable yield of 100,000 m<sup>3</sup>/a. Further references are made in this document to a sustainable yield of 120,000 m<sup>3</sup>/a, and to a plan to increase the harvesting rate beyond the 120,000 m<sup>3</sup>/a).</p>

<ul style="list-style-type: none"> <li>• Is the estimated sustainable yield sufficient to support a financially efficient logging investment (min 30,000 m<sup>3</sup>/a):</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• Is the estimated sustainable yield sufficient to support a stand-alone log export operation (min 70,000 m<sup>3</sup>/a guideline set by PNGFA Board):</li> </ul>	Yes

<b>4. CONSISTENCY BETWEEN DOCUMENTS</b>	
<ul style="list-style-type: none"> <li>• Is the area and volume data consistent between the FMA, the Development Options Study, the Timber Project Guidelines, the Project Agreement and the Environmental Plan.</li> </ul>	There is consistency between the documents prepared by the PNGFA. The resource data in the Environmental Plan prepared by the Developer is not consistent with the resource data prepared by the PNGFA.
<ul style="list-style-type: none"> <li>• Any other material inconsistencies regarding the resource:</li> </ul>	None found.

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

**RECOMMENDATIONS REGARDING FORESTRY ASPECTS:**

**1. SECTORAL PLANNING AND CONTROL**

- That the PNGFA pro-actively assist the Western 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 gross volume per hectare information. This should include additional inventory work within the project area.

## 3. ESTIMATE OF SUSTAINABLE CUT

- That the PNGFA recalculates and amends as necessary the permitted annual sustainable cut.

## 4. 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**

- Due process has been generally observed.
- There has been proper and regular use of the Forms prescribed by the Regulations.
- It seems however that landowner representatives have not been in attendance at important PFMC meetings. It seems very doubtful that the PFMC made proper enquiries before granting its certificate under section 58(f). It appears that some ILGs might yet need to be included in the FMA. And it seems doubtful that the PFMC consulted with landowners and the Provincial Government concerning the Project Guidelines. This is a significant oversight.
- The Minister's approval for the FMA preceded its execution, which may be contrary to section 56(2) of the Act. The approval of the Minister for Finance for the Project Agreement was in fact given by the Minister for Forests whilst acting as Finance Minister. This might defeat the purpose of the general requirement for such Agreements to have the separate approval of the Minister for Finance.

A full checklist and accompanying notes is attached as Appendix 1.

### **RECOMMENDATIONS REGARDING LEGAL ASPECTS:**

1. That the PFMC needs to act with greater diligence in some important respects, in particular:
  - The attendance of landowner representatives at all meetings of the PFMC at which aspects of the project are considered must be facilitated.

- Independent checks concerning the ILG incorporations and the willingness of landowners to sign the FMA must be made. And the certificate must be given at about the time of the FMAs signing and not significantly in advance of it.
  - The landowners and the Provincial Government must be consulted in relation to the contents of the draft Project Guidelines. Their input into the formulation of the necessary components of the overall project is crucial.
2. That care must be taken in relation to some formalities concerning documentation, in particular:
- The approval of the Minister for a FMA given under section 56(2) must not be given before the FMA is executed. In this case it may be advisable for the Minister to re-confirm his approval as the initial approval pre-dates the FMA.
  - The correct use of company names is important. In this case confusion could have arisen when the Board repeatedly gave approvals to “General Lumber Niugini Pty Ltd” when in fact the company’s correct title was “GL Niugini Pty Ltd”.
  - The approval of the Minister for Finance of the Project Agreement should not be given by a Minister for Forests when acting in the capacity of Finance Minister.
  - The affixing of the PNGFA corporate seal might be best done with an ink stamp rather than the current embossed stamp. This will ensure that photocopies of Agreements clearly display the corporate seal.

**C. LANDOWNER ISSUES**

<b>RESOURCE ACQUISITION</b>	
<b>1. Landowner Awareness</b>	
<b>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.</b>	<p>The team uncovered no formal awareness undertaken by NFS. Landowners in the area have become aware of many activities in the vicinity of the project area by other operators. Landowner Companies (LANCOs) have been very active in making their members aware.</p> <p>Concerns were raised by the Awin and Pari landowners regarding the deforestation of substantial areas of their forests by refugees.</p>

<p><b>2. Landowner Mobilisation</b></p>	
<p><b>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:</b></p> <ul style="list-style-type: none"> <li>• <b>Recognition that the resources are owned by individual land groups and not collectives of land groups</b></li> <li>• <b>The formation of representative bodies for project consultations and negotiations.</b></li> </ul>	<p>Landowner companies have been active in this project area and are now confusing the people.</p> <ul style="list-style-type: none"> <li>• Paiso Pty Ltd held the Timber Authority (TA) for the controversial Kiunga-Aiambak Road Project. Paiso has done ILG work.</li> <li>• Later Pari Resource Development Ltd claiming representation for all the Pari tribe including more than 77 ILGs dismiss Paiso as a family company which has not shared any benefits of the road TA. They want that operation cancelled. Later the MD of Paiso allegedly involved in fraudulent attempt to get lease lease-back over large areas of land in the project area.</li> <li>• AKPA is another company from the Awin people which apparently is trying to represent the entire FMA much to the opposition of the Pari landowners.</li> <li>• The Pari Tribe is demanding that the name of the FMA be changed to PA (or Pari Awin) FMA to reflect land and forest ownership by both tribes.</li> <li>• The Pari tribe expect equitable representation in the future with regard to the negotiation of the Project Agreement. In the past they have felt inadequately represented.</li> </ul> <p>Rimbunan Hijau Ltd and Concord Pacific Ltd have been involved with one or more of the LANCOs causing much consternation confusion and destabilisation.</p> <p>Only one ILG group application sighted, No.1968 Phayuri Kwantia Land Group of the Awin people. This application showed that a fair degree of effort had been applied but also:</p> <ul style="list-style-type: none"> <li>• No understanding of the property list</li> <li>• No attempt to construct a genealogy from family lists</li> <li>• ILG certificates contained abbreviated constitutions.</li> <li>• However all the certificates of recognition have a requirement that any document</li> </ul>

	<p>requiring to be signed by the land group shall be signed by 2 members of the Committee, one of whom must be the chairman. This condition is not on the constitution in the application for recognition. The condition is not met in signing of the FMA. The FMA is signed by one person mostly but not always chairmen of the ILG.</p> <p>Pari landowners - 11 villages 69 land groups (now 77). Awin landowners - 3 villages 17 land groups.</p>
<b>3. Forest Management Agreement</b>	
<p><b>Must Specify:</b></p> <ul style="list-style-type: none"> <li>• <b>Monetary benefits for the customary group</b></li> <li>• <b>Area in agreement by map</b></li> <li>• <b>PFMC certificate as to</b> <ul style="list-style-type: none"> <li>- <b>authenticity of the tenure of the customary land</b></li> <li>- <b>willingness of customary owners to enter into FMA</b></li> </ul> </li> <li>• <b>Review level of consultation with landowners</b></li> </ul>	<p>PNGFA staff were explaining the FMA at the very time that the people were asked to sign the document. This would indicate that there was a minimum of awareness done over the project beforehand.</p> <p>Agreement is standard template and is signed by 61 groups with some listed and not signed. Other ILGs have been identified who have not been given the chance to be included. Six groups did not sign because of dissatisfaction regarding representation in the LANCO. Monetary benefits spelt out in Schedule 7. PFMC certificate attached -Schedule 6. Detail description of the area - Schedule 2 ( no map).</p>

<b>RESOURCE ALLOCATION</b>	
<b>1. Development Options Study</b>	
<p><b>The Review Team was looking to see if the Development Options Study:</b></p> <ul style="list-style-type: none"> <li>• <b>Catered for landowner concerns and aspirations and if</b></li> <li>• <b>All options presented for</b></li> </ul>	<p>Study recommends a standard logging project i.e. a log export. It includes the usual wish list for roads and socio-economic infrastructure.</p>

<b>the resource development had a realistic chance of being pursued.</b>	
<b>2. Project Guidelines</b>	
<b>Draft guidelines must be discussed and developed in consultation with the resource owners</b>	LANCO representatives were aware of the contents. How far this extended to the village people is not known. Nothing in the Timber Project Guidelines to indicate any input from landowners.
<b>3. Project Agreement</b>	
<b>Authority is required to involve landowners in selection of the “developer” and in negotiation of the Project Agreements according to the terms of the FMA.</b>	The proposal by GL Niugini Ltd was selected because it placed strong emphasis on downstream processing, and because there was strong landowner and Provincial Government support.
<b>4. Environmental Plan</b>	
<b>EP is produced by the preferred developer according to the prescription of the Environmental Planning Act. Evidence of consultation with landowners is important.</b>	Environment Plan completed by developer and presented in project area. Very strong objection to the plan by the Pari tribe who claim that the plan does not cover their area effectively. The landowners were derisory of the Plan claiming that the consultant spent only one day in Kiunga and did not get out into the project area at all.

Additional notes are presented in Appendix 2.

#### **CONCLUSIONS REGARDING LANDOWNER ASPECTS:**

- There is a lot of confusion regarding this project in relation to LANCOs; ILGs; existing Timber Authority for roading project nearby and plans by NEC to prolong

it to continue into the FMA area; fraudulent attempt to lease lease-back for agriculture; and the proposed 3 mile agricultural corridor along the proposed Papuan Highway.

- Landowner concerns are left unanswered regarding the supplementary FMA prepared to include clans overlooked in the first FMA.
- LANCOs are not rationalised in that there seem to be overlapping claims to represent ILGs. This will have implications for spin-off business but not for distribution of benefits as these go directly to ILGs.

#### **RECOMMENDATIONS REGARDING LANDOWNER ASPECTS:**

- 1 The controversial Kiunga-Aiambak Timber Authority for road clearance needs to be regularised before the East Awin project is initiated.
- 2 PNGFA and landowners should take time to sort out the remaining problems relating to ILGs and involvement of LANCOs and the role of Concord Pacific Ltd before the project begins.
- 3 Further awareness needs to be undertaken in regard to the Environmental Plan to answer landowner concerns.

## **APPENDIX 1 : CHECKLIST AND NOTES ON LEGAL ASPECTS**

### **PROJECT – EAST AWIN FMA**

<b>Step</b>	<b>Compliance</b>	<b>Non-Compliance</b>	<b>Not clear</b>
<b><u>1. Landowner Consultation</u></b>			
Awareness campaign	July 96		
Vesting of title	N/A		
ILG incorporation	Jan 96		
PFMC certificate	3/10/95		
Attendance of landowners at PFMC meeting			?
<b><u>2. Forestry Management Agreement</u></b>			
Form and content	Confirmed		
Execution	27/9/96		
Ministerial approval	22/9/96		
<b><u>3. Development Options Study</u></b>			
Board to arrange	11/11/97 (Form 81)		
Or exemption	N/A		
Directions from PFMC	5/11/97 (Form 83)		
DOS given to Minister and PFMC	19/11/97 (Form 84)		
<b><u>4. Project Guidelines</u></b>			
PFMC consults with L/owners and Provincial Govt			?
PFMC to prepare draft	Confirmed		
Attendance of landowners at PFMC meeting			?
PFMC to submit draft to the Board	16/1/98 (Form 85)		

Board issues final guidelines	16/2/98		
<b><u>5. Advertisement</u></b>			
Project to be advertised	Feb 98		
Expressions of interest received	(3) April 98		
<b><u>6. Feasibility Studies</u></b>			
Application by registered person	Registration confirmed Approved 21/5/98		
<b><u>7. Project proposals</u></b>			
Proponents must be registered Under section 105	Confirmed		
Placed in tender box	Confirmed Tender 98-03 29/5/98		
Proper as to form and content			?
Referred to PFMC	19/8/98		
Attendance of landowners at PFMC meeting		X	
Evaluated with assistance of NFS	Confirmed		
Invitation for further information	22/8/98		
Evaluation of further information	3/12/98		
PFMC reports and recommends	3/12/98 (Form 95)		
Attendance of landowners at PFMC meeting		X	
Board consults Minister	13/1/99		
Minister gives views	25/1/99		
<b><u>8. Negotiations</u></b>			
Board directs PFMC as to proponent For further negotiations	17/2/99 (Form98)		
Board and PFMC set parameters	17/2/99		

PFMC negotiates agreement	(Form 99) Mar-May 99		
PFMC submits final draft to the Board	22/6/99 (Form 103)		
Attendance of landowners at PFMC meeting			?
<b><u>9. Project Agreement</u></b>			
Board considers draft agreement	14/9/99		
Finance Minister's approval sought	27/9/99 (Form 63)		
Board consults l/owners, Provincial Govt And MP's of the area	23/9/99 (Form 80)		
Board may execute agreement	15/2/00		
Board recommends to Minister to grant Timber Permit	8/3/00 Form 104		
<b><u>10. Timber Permit</u></b>			
Minister invites party to apply	20/3/00 (Form 107)		
Application is made for Timber Permit			?
Application must have approved Environment Plan	26/6/00- Submitted		
<b><u>11. General Policy Objectives</u></b>			
Encouragement of on-shore processing	Clause 12		
Participation of Papua New Guineans	Clause 19		
Recruitment and training of local staff	Clause 14 See notes		
Creation of Joint Ventures	No provision made.		

### **CHECKLIST NOTES**

1. The files indicate a clear understanding of all aspects of the process and there has been a regular and correct use of relevant Forms prescribed by the Regulations.

2. Care must be taken concerning the use of a company's correct name. In this case there is confusion on the files concerning the name applied to GL Niugini Pty Ltd – Reg. No. FI 748.

For meetings 54 and 55 the minutes of the Board record decisions affecting a company described as "General Lumber Niugini Pty Ltd". And Form 98 by which the Board directed that negotiations take place with the approved proponent also states the name of General Lumber Niugini Pty Ltd. This is not the correct title for the selected company. There is in fact no company with that registered name.

However on the PNGFA register there are two companies named General Lumber Pty Ltd (FI 436) and General Lumber Fabricators and Builders Berhad (FI 751). Confusion can arise if care is not taken to apply the correct name to a company.

3. At Meeting 29 in July 1996 the Board exercised a proper degree of caution by deferring its approval for the FMA. The Board directed that checks be made of the landowner's signatures, the resource base and the southern boundary. The Managing Director reported back to the Board at its next meeting.
4. Notwithstanding the proper action taken by the Board as noted above, there are a number of concerns about the FMA. These are -
  - There is no evidence that landowner representatives attended the meeting of the PFMC when its certificate was given. (In fact it appears that landowner representatives may not have attended any subsequent meeting of the PFMC either.)
  - The PFMC certificate was given nearly 1 year before the FMA was executed. It is not possible to accept that the PFMC could have discharged its obligation of checking the incorporation of the ILGs that are parties to the FMA, or confirming their willingness to "enter into the Agreement", as is required by section 58(f), so far in advance of them signing the FMA.
  - The approval of the Minister under section 56 (2) appears to have been given before the FMA was signed. Under that section an FMA is not valid unless the Minister's approval is obtained. It seems to be implicit from this section that the Minister's approval must relate to the actual executed Agreement, and not to a draft of it.
  - In June 1999 the Area Manager advised the Divisional Manager Planning that some ILGs had been left out of the FMA. It is not clear if this concern has been addressed. If a supplementary FMA is to be done then legal advice must be sought in this regard. This concern may relate to a representation made by landowners that an area near June River has been included in the FMA without the landowner's consent. In any event a response to the landowner's letter is called for.
5. Again the Board acted properly at its Meeting 34 when considering the DOS. It required a report containing a cost/benefit analysis and the views of landowners.

This report was provided to the Board by the Managing Director at its next meeting

6. Section 61 (1) requires the PFMC to prepare draft project guidelines “in consultation with the owners of the forest resource” and the Provincial Government. The submission to the PFMC talks of landowner support as evidenced by the ILGs and the signing of the FMA. If this is the true extent of the consultation with landowners then it is not at all sufficient. The project guidelines must truly be the result of consultation with landowners and the Provincial Government. And two landowner representatives should have been present at the PFMC meeting when the guidelines received endorsement. There is no evidence on the file of consultation with the Provincial Government.
7. The files indicate a very commendable negotiation process relating to the Project Agreement. The negotiation team included 3 representatives from the PFMC. Negotiations were conducted in Port Moresby and Kiunga to facilitate the involvement of landowners. The current General Manager raised concerns about changes to the proponent’s shareholding and as to its financial capacity. (The Minister had previously noted his concern about the company not having an office in PNG.) The company was “put on the spot” by these observations and asked for a month to respond. The General Manager quite properly allowed only 10 days and demanded an explanation about the apparent involvement of other companies who were thought to be associated with the proponent in some way. The Managing Director responded to the General Manager agreeing that the “negotiations be terminated and re-advertise if we are truly dealing with a broker”. These matters were eventually sorted out and a Project agreement was finalised.
8. Only a photocopy of the Project Agreement was sighted. The use of an embossed seal is a problem, as it does not show itself clearly on photocopies. It may be preferable to use an ink stamp corporate seal to avoid this problem.
9. The Finance Minister’s approval for the Project Agreement raises an interesting question. It appears in this case to have been given by the Minister for Forests whilst acting in the capacity as Minister for Finance. If the approval is considered as a kind of check and balance in the system then it may be wise to avoid a situation where the Minister of Forests signs such agreements while acting in such a capacity. In fact it presents a situation where the request for approval and the approval involve the same person. It really does not look right.
10. When inviting the company to apply for a Timber Permit the Minister properly noted the need for an approved Environment Plan as a pre-condition. The company then appears to have acted to pursue this.
11. There is insufficient provision made in the Project Agreement for the training of local staff and for the encouragement of joint ventures. The National Forest Policy objectives would not seem to be met.

## **APPENDIX 2: NOTES ON LAND OWNER ASPECTS**

### **Notes taken from the files.**

1. There are 85 ILGs - many appear to be family groups and not clan groups. How will they relate this to dividing up the ground in order to share the royalties?
2. At the first glance there is confusion with LANCOs Paiso Ltd and AKPA Ltd.
3. Borders of the Refugee camp not defined to limit the the activities of the refugees.
4. Karla Swokin is pushing the project as Project Co-ordinator. Other names mentioned are Frank Hamesu, Sam Wingen, Samuel Kepukinai from AKPA Investments Ltd in June 1996.
5. Paiso Company say five more ILGs left out. 3/3/99
6. Peter Magdia of USBK Investments was referring to more land groups for the area.
7. Pari Resources Development Ltd wants to knock out Paiso Company Ltd as it is not a LANCO but a family company owned by David Kaya and a foreigner 50% each. David Kaya fraudulently attempts to get huge areas of land under lease lease-back scheme for East Awin Rubber Estates without any agreement by landowners. Paiso is also involved with Concorde Pacific Ltd in regard to the controversial Aiambak-Kiunga Road Timber Authority?
8. Pari Resources appointed didiman Wairu Salee as spokesman and consultant for Pari Tribal landowners. On 21/6/99 Jasmine Kendi, Karison Gema, Joyce Walame were appointed to the Board.
9. May 2000 – A letter to Pari Resource Development Ltd saying that they are not to be part of the FMA and that any ILGs not yet included in the FMA if they are in the project area and wish to be part of it can sign the FMA Part 2.
10. Environmental Plan figures for log exports vs. sawmilling do not add up.
11. 1 February 2000 – AKPA Investments Ltd, one of the LANCOs in the East Awin area, advises that Concord pacific Ltd is logging land belonging to three clans who have signed the East Awin FMA (Skai, Skinai, Kwarike). The FMA was signed by Sam Wingen OBE and Samuel Kepuknai.
12. Pari Resources denies the right of AKPA to represent the entire FMA as the Pari tribe own much of the resource.
13. February 2001 – Landowners from both Aiambak-Kiunga Road TA and the East Awin FMA complain of landowner harassment by logging company Concord Pacific Ltd and “Police” armed with rifles. Some demand the deportation of Concord Pacific Ltd principal Philip K S Lee.