

PNG Forests and the World Bank

The World Bank has maintained an active interest in the management of tropical forests since the global Tropical Forest Action Plan was developed by the United Nations in 1985.

In PNG the Bank's first involvement was in the design and implementation of the National Forestry and Conservation Action Plan (NFCAP).

The NFCAP (1991-95) aimed to improve forest industry governance and to promote forest conservation. Although it was partially successful in the introduction of reform measures¹, it did not generally lead to appreciable changes in the standard of forest management or level of conservation.

Governance Promotion Loan

In 1999 the World Bank agreed to provide a substantial package of US\$90 million in loan support to the government of PNG.

In return the government was obliged to implement a wide range of 'governance promotion' measures amongst which were three conditions that related to the forest sector:

1. A review of logging permits²;
2. A review of the forest revenue regime; and
3. Amendments to the Forestry Act.

These three conditions were backed by a moratorium that prevented any new logging permits until the reviews were completed and the government had in place a plan to implement the review findings.

The three conditions were strongly opposed by logging companies. They claimed that the measures were part of a wider agenda to strangle the logging industry by preventing any new projects and they portrayed the loan conditions as unwarranted interference in sovereign issues.

As a result of this opposition and political attempts to interfere, there were many delays and disputes over the implementation of the three conditions and attempts to breach the moratorium.³

The government struggled to meet many of the wider loan conditions that had been imposed, but in December 2001, with the government extremely short of funds and a general election looming, the World Bank agreed to release the final instalment of the loan.

Some civil society groups disputed this decision. They believed the government had not done enough on the many outstanding cases of corruption to demonstrate that it had a clear commitment to improving governance. They also accused the Bank of allowing the loan conditions relating to the forestry sector to be 'watered down'.⁴

The Bank's failure to fully enforce the loan conditions on forestry issues was challenged through its own internal governance procedures by an Inspection Panel claim brought by landowners from Western Province.⁵

Throughout the operational period of the loan, the Bank and the government had been working to finalise a new forest sector programme, the Forest and Conservation Project (FCP).

Forest and Conservation Project

The FCP aims to improve the capacity within PNG to sustainably manage forest resources. It is a mechanism for the implementation of a number of reforms, including the recommendations from the review of proposed new concessions.⁶

The FCP consists of four components:

1. Landowner forest decision making;
2. Sustainable forest management;
3. Environmental assessment and monitoring; and
4. A conservation trust fund.

The FCP is a six-year programme with a total cost of US\$39 million. US\$17 million of this will come through a World Bank loan.⁷

Like the Governance Promotion Adjustment Loan (GPAL) in 1999, the FCP loan agreement, signed in December 2001, contains a number of conditions for the government to meet:

1. Implementation of an action plan based on the findings of the review of proposed new concessions;
2. A review on-going logging projects to determine their compliance with the Forestry Act and regulations; and
3. The independent review of all new logging permit applications for compliance with the Forestry Act.

The FCP has attracted criticism from both the logging industry and civil society groups.

The logging industry claims the project is a renewed attempt to block further forest allocations and the Forest Authority has been involved in attempts to prevent and delay the project's implementation.⁸

Meanwhile, civil society groups have complained that the government has not met the FCP loan conditions and that the project can have little positive impact as corruption and mismanagement have not been dealt with. In particular NGOs have pointed to five unlawful new logging permits and extensions issued in 2002.

In an effort to respond to NGO criticism, the Bank and the government have instigated an independent review of the five new logging permits and extensions that are claimed to be unlawful.

1. Such as a new Forestry Act, National Forest Policy and National Forest Plan
2. It was very unclear what this review actually involved. While some documents and public statements referred to a review of both existing and proposed logging operations, the Bank later insisted that the review would only cover 32 proposed new concessions that were 'in process'.
3. There were arguments over the definition of different conditions, attempts to secure 'exemptions' to the moratorium, and breaches of the moratorium through unlawful new logging permits.
4. They argued that there had been no review of existing logging projects, the recommendations of the review of proposed concessions did not reflect the review findings, the revenue review was never completed or published, no action was taken on the moratorium breaches and illegal logging permits and the Forest Board had not been made 'independent'.
5. They claimed their forest area had been destroyed through illegal logging as a result of the Bank's failure to enforce the forestry conditions. Although the Inspection Panel report endorsed the concerns about the Bank's failure to enforce the conditions, the claim failed on technical grounds.
6. This review was completed in July 2001 as one of the conditions of the 1999 GPAL.
7. It also involves a US\$ 15 million GEF grant specifically for the Conservation Trust Fund, although 66% of this is dependent on equivalent matching funds from third parties.
8. The Forest Authority has lobbied the government not to implement the project, has instructed officers not to cooperate with the project and tried to evict project staff from its offices.