



NATIONAL FORESTRY DEVELOPMENT GUIDELINES

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FOREWORD

As Minister for Forests, my assessment is that after 17 years, the transition under the Forestry Act 1991 is now over. I advised that Government must now make a definite move to shape the future administrative processes through the Papua New Guinea Forest Authority. We must now direct our efforts to defining the benefits and outcomes for this country and implement a sound and effective strategy to achieve them.

It is now time to apply provisions of the Forestry Act and National Forest Policy and improve the structure, re-shape past practices, and improve funding arrangements to successfully move the forestry sector into a new era.

With the support and endorsement of my colleague Ministers we can achieve improved management and direction in the strategic utilization of forest resources in this country.

Domestic and International focus has identified the benefits of the forest sector, highlighting a greater appreciation of their social, economic, environmental and development value. The imperative of climate change, means Papua New Guinea must prepare for the establishment of carbon trading initiatives and the sustainable utilization of the forest resources in this country.

In this Ministerial Review of the National Forestry Development Guidelines, I commend the efforts of the PNG Forest Authority to date, who have achieved a great deal, often under difficult circumstances and with limited resources. It is my intention as Minister for Forests to establish greater in-house capacity to meet the current planning and performance demands, and the increasing and expanding roles expected in future.

I recommend to Government that provisions in the Forestry Act, for full autonomy of the PNG Forest Authority, must now be implemented. The forest sector is strategic and economically important and to meet the impending challenges and achieve improved returns to the nation, this action must now be taken.

Significant increases in resources in technology, management and administrative infrastructure are required to achieve the objectives of the Forestry and the Medium Term Development Strategy (MTDS) of the Government.

The forest sector is a rural based activity and as such can provide opportunities to improve employment opportunities, provide service infrastructure and assist in stemming the increase in urban drift, and the social problems that are a result.

These Guidelines attempt to direct efforts towards strengthening our future economy, through better planning and utilization of the forest resources. Improved direction, management, technical support and improved utilization level will generate better economic returns. Clear Guidelines, adequate quality staff, and adequate financial resources will enable us to fulfill the obligations and responsibilities set out in the Forestry Act and the National Forest Policy.

This review of the NFDG has been developed by looking at the problems experienced in the past and the expected future challenges, and as Minister, I intend to review these Guidelines again in three years so that we respond to the increasing challenges in the future. The NFDG addresses new initiatives developed by this Government, in respect of climate change and the anticipated carbon trading scheme.

The long term nature of forest allocations provides opportunities to develop PNG's Permanent Forest Estate which will enable sustainable long term benefits for the people of PNG. Forest Management Agreements, Project Agreements and Timber Permits commit participants to long term forest resource use and conservation with conditions of social, environmental and economic benefits.

Currently, there is compatibility between policy and practice but, if in the future, matters are identified as being incompatible, then I will exercise Ministerial responsibility to review such issues, through due process, to resolve matters that are mismatched.

Forestry is the most widely distributed of our natural resources, and being renewable, can have significant strategic long term positive effects on the economy of PNG. I therefore commend this NFDG as the appropriate starting point for future strategic analysis of the sector and for the security of all stakeholders in the development of PNG's forestry sector.



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LIST OF ACRONYMS AND ABBREVIATIONS

FMA	-	Forestry Management Agreement
FRI	-	Forest Research Institute
ILG	-	Incorporated Land Groups
LOC	-	Landowner Company
MTDS	-	Medium Term Development Strategy
NFDG	-	National Forestry Development Guidelines
NFS	-	National Forestry Service
NGO's	-	Non Government Organization
NLUP	-	National Land Use Plan
NSM	-	National Stand Management
PFMC	-	Provincial Forestry Management Committee's
PNGFA	-	PNG Forestry Authority
REDD	-	Reduced Emissions from Deforestation and forestry Degradation
UNFCCC	-	United Nations Framework Convention on Climate Change

A. INTRODUCTION

1. National Forestry Development Guidelines in Policy and Strategies:

Under the approved National Forest Policy of 1991, the Forestry Sub-Sector Development Guidelines form the primary political input that will guide the development of the forestry sector and it shall be prepared by the Minister responsible for forestry matters in consultation with the National Forest Board and be endorsed by the National Executive Council.

The Guidelines will provide an overview of the industry's perceived role in the national economy, and shall broadly be directed towards the areas of industrial, rural, economic and social development objectives.

The Guidelines will set out broad objectives and predictions for the long term (40 years) and address the medium term (10 years) in greater detail. They will state how the forestry sub-sector is expected to contribute to the economy and how social, cultural and environmental needs are to be satisfied.

They are designed for review every three years to assist in establishing parameters within which Provincial Forest Plans and the National Forest Plan are to be framed.

2. National Forestry Development Guidelines in Legislation:

In accordance with Section 47 of the Forestry Act, the Forestry Sub-Sector Development Guidelines is referred to as the National Forestry Development Guidelines (NFDG). It gives significant direction to the National Forest Plan, which underpins all forest based activity in PNG.

At present, and subordinate to the National Guidelines, a requirement exists under Section 49 of the Forestry Act for the preparation of Provincial Forest Development Guidelines by each Provincial Government, not inconsistent with the NFDGs, which will develop targets and objectives at a provincial level. These are then translated to matters addressing local level interests through the Provincial Forest Management Committees.

3. Current Situation and Future Direction:

The application of the National Forest Policy and the Forestry Act has seen the development of existing systems and practices. This transitional phase is now over and it is time to move forward to better service current performance demands and to prepare for the challenges of the future.

It is accepted that new policy initiatives will likely result in further transition, with the goal of achieving the imperatives of the Constitution and implementing the fundamental Objectives of the Forestry Act. Capacity building for reviewed goals will require significant resources, and it is now evident that funding mechanisms for improved public administration and management of the sector warrant critical examination.

In developing this review of the National Forestry Development Guidelines, it is also recognized that performance to date by the PNG Forest Authority has been sound but limited by capacity to fulfill its Objectives under the Forestry Act. A major factor that had hindered good progress in sustainable forest management (SFM) is the absence of a National Land Use Plan (NLUP). Agencies of government, the NGOs and the Civil Society as partners have contributed significantly in enhancing sound forest management practices which will be continued and further strengthened through such mechanisms as the PNG Logging Code of Practice (PNGLCOP), the Timber Legality and Traceability Verification (TLTV) and the Forest Stewardship Council (FSC).

This 2009 review of the National Forestry Development Guidelines is designed to further develop administrative and management structures within the public sector. There is a need to develop performance standards and practices which will stand up to close domestic and international scrutiny, while at the same time maintaining a reasonable investment climate in which genuine and reputable private enterprise can operate viably.

It is recognized that the National Forestry Development Guidelines do, and must, introduce radical changes where new initiatives evolve or current practice warrants review. The new challenge to the Authority and its officers is to give effect to these reviewed performance targets, thus providing responsible sovereign ownership of development aspects of Papua New Guinea's strategic forest resources. As advised on its release, the Corporate Plan of the PNG Forest Authority will be reviewed to ensure an adequate structure to achieve implementation in accordance with Government policy and the needs of Papua New Guinea.

Future Guideline Reviews as prescribed will fulfill the need to manage evolving issues and define and improve future capacity development and performance of the PNG Forest Authority as well as considering how to involve landowners in the process of SFM.

The National Forestry Development Guidelines will aim to:

- i) Improve the capacity of the public administrative unit, the PNG Forest Authority, to fulfil its role under the National Forest Policy and as contained in the Objectives of the Forestry Act.
- ii) Promote the input of resource owners, local and provincial interests in co-ordination with reliable investors to engage in and better develop secure resource access, protection and sustainability of forest based industries and a designated Permanent Forest Estate for Papua New Guinea.
- iii) Develop a focus in wood and non-wood products and in relation to future carbon based schemes for adaptation and mitigating action to combat climate change.
- iv) Assist to develop diversified markets and encourage the development of national enterprises in the forestry sector.
- v) While maintaining the existing strong investment base, promote general diversification in forest sector private investment, based on merit in the demonstration of, or capacity for, performance to compliance criteria.
- vi) Maintain a healthy and secure resource based environment conducive to attracting and retaining a private enterprise investment base which is efficient and capable and which promotes good corporate governance and citizenship.
- vii) Establish a uniform and capable management structure and administration of the forest sector in Papua New Guinea while acknowledging the diversity of forest dynamics, and the existing variation in the objectives of local economic, cultural and social influences.
- viii) Develop strong corporate public sector leadership and management within the PNG Forest Authority, which is fashioned as the co-ordinator of all forest based activity in the national interest.

These Goals will be of effect under direction from the Executive Government of Papua New Guinea, through the Ministry of Forests and the PNG Forest Authority, and in concert with investment by, and engaged support from, private enterprise and services of domestic and international sources (whether governments or donor agencies) and where appropriate, counterpart involvement of non-government agencies.

B. FOREST POLICY AND LEGISLATION

1. Background considerations

- (i) The PNG Forest Authority has matured since its establishment 15 years ago under the guidance of the 1991 National Forest Policy and the Forestry Act (as amended) 1991. Most of the structural policy and legislative requirements have been achieved while some other important provisions of the Forest Policy have not been implemented due to constraints in finance, manpower, equipments, infrastructure and technology.

Since the enactment and enforcement of the Forestry Act in 1992, various amendments were made in 1993, 1996, 2000, 2002, 2005, 2007 and 2008. The amendments were made to improve delivery of services and enhance implementation.

- (ii) The termination of the World Bank's Forest Conservation Project (FCP) due to irreconcilable differences with the Government concerning national sovereignty issues removed immediate availability of funds earmarked for capacity building.

While this funding to improve the capacity of the PNGFA was lost, the need for reform continues to become more pressing as industry grows and as new emerging issues arise.

- (iii) Considerable resources must be directed to the administration and management of the forestry sector now and into the immediate and medium term future to enable the potential benefits to properly accrue to Papua New Guinea.

- (iv) The financial autonomy of the PNGFA is as yet unexercised, despite being agreed and included in the National Forest Policy in the first instance. The time has come to develop this autonomy in order to establish a firm and adequate funding base for capacity development of the PNGFA, while providing significant returns for the National Government.

- (v) The government places emphasis on the utilization of the forest resources to contribute towards the national economy. Hence, much of the easily accessible forest resource areas have been logged out, while many remaining areas with potential are located where access is difficult.

- (vi) Papua New Guinea has a unique opportunity now to move forward to give effect to constructive and progressive aspects of Forest Policy, viz, for the wise use and development of its strategic forest resources under conditions of environmental, social and economic sustainability.

Papua New Guinea's stance on Kyoto, and in relation to carbon based projects are significant policies in the sector's future, and are addressed in a separate section.

- (vii) Sectoral development will hinge on the potential offered by resource security and long term planning opportunities under the Forest Management Agreement system. Thus far, there has been little new initiative demonstrated by private enterprise, where proactive engagement by commercial interests will define the future scope of the sector in PNG.

- (viii) Forest Policy and Forest Legislation continue to evolve:

- There is a sound and evolving Policy framework which must be clearly translated into legislation.
- Financial autonomy as defined under the National Forest Policy should be immediately addressed.
- Translation of Policy into practice must be in line with the Government's Medium Term Development Strategy, and in light of developing initiatives and compatibility with global responsibilities and obligations.

(ix) The objectives of the Forest Revenue system are:

- To provide a balance in distribution of returns from the sector.
- To provide the revenue base for funding the PNG Forest Authority to the extent that it provides cost effective services to the forest sector, to fund development and upgrade capacity, and programmes for the benefit of rural communities across Papua New Guinea, and to fund services related to the forest sector in the provinces.
- That resource funds returned to the resource owners are used to generate a sustainable economy with community wide participation.
- To assist in the sustainable development of forest resources.

2. Forest Policy and Legislation Guidelines

(i) Statement of Guidelines

(a) Forest Policy and the PNGFA Corporate Plan will be kept under continuous examination:

There will be a continued evaluation of the application and results of Forest Policy and where required and in consultation with and guidance from the National Forest Board, policy reviews will be undertaken to ensure adherence with National Goals and to address global objectives.

Where necessary, results of Policy Review would then move to Legislative amendment as prescribed.

The Corporate Plan of the PNG Forest Authority will be kept under continuous review to develop an appropriate corporate structure to ensure effective implementation of the Objectives of the National Forest Policy and the Forestry Act.

(b) National Forest Board & PFMCs will be better serviced and supported:

Existing Policy calls for enablement of the National Forest Board and the Provincial Forest Management Committees. Concerted efforts will be developed to enable the Board and the Provincial Forest Management Committees to function as set out under the National Forest Policy and the Forestry Act, with adequate technical and administrative support.

(c) Project performance will be constantly under examination:

Under the direction of the PNG Forest Authority there will be a continuing evaluation of performances against all Project Agreements and similar documents.

(d) The PNG Forest Authority will be developed as a financially autonomous body:

Procedures for the development of financial autonomy of the PNG Forest Authority will immediately be introduced as set out under provisions of the National Forest Policy in order for the proper and effective development of public administration of the forestry sector.

This will ensure capacity building within the working context of the Forest Policy, as is practiced in other like organizations, i.e., the National Fisheries Authority.

(e) Forest Revenues:

The Forest Revenue system will be under constant surveillance to ensure a balance in economic benefits within the sector. Variations will be executed as determined after Ministerial consultation with the National Forest Board.

Forest based revenue will be collected and distributed directly by the PNG Forest Authority, in accordance with the National Forest Policy with significant dividends flowing to the National Government, as practiced elsewhere.

(ii) **Policy and Legislation Guideline Goals:**

- (a) **Short Term:** Continuous examination of Policy and performance, with immediate financial autonomy and continuing development of the corporate structure of the PNG Forest Authority.
- (b) **Medium Term:** In-house review every three years as part of the NFDG Review.
- (c) **Long Term:** Co-ordinated development of Forest Policy and its effective translation into Legislation.

3. **Action/Strategy**

(i) **Statement of strategy**

- (a) A Review of all existing Policy documents within the framework of objectives and practices of the PNG Forest Authority is required. This includes:
 - an overview of the National Forest Policy to better address operating challenges of new initiatives related to international environmental issues.
 - the progressive evolution of PNG Forest Authority activity in areas such as phasing out of log export, research, carbon trading, operation of the State Marketing Agency, revenue arrangements under financial autonomy, etc
 - continuous review of the PNGFA's Corporate Plan to ensure it is in line with Government Policy and the needs of our country.
 - the development of national enterprises within the forest sector,
 - all subordinate policy documents produced for reforestation, processing and phasing out of log exporting, research, etc.
- (b) The PNG Forest Authority will continue to improve on Field Manuals to assist field officers in their duties. Operational reviews of field practices should be of a procedural and structural nature to improve management of the nation's strategic forest resources.
- (c) The establishment of financial autonomy will significantly assist capacity development of the PNG Forest Authority's role under the Objectives of the Forestry Act. It is anticipated that financial autonomy will assist greatly in reversing the current negative trends in PNG Forest Authority capacity and enable much needed sustainable reform to proceed with significant dividends directed to the National Government.
- (d) Mechanisms will be developed to further strengthen the capacity of the Board and the PFMCs to function effectively as provided for under the Forest Policy and the legislation.

(ii) **Inputs and Needs Assessment**

- (a) **Inputs Required:** Funding, administration development, co-ordination, personnel, training.
- (b) **Needs Assessment:** Urgent and continuous

C. FOREST MANAGEMENT PRESCRIPTIONS

1. Background considerations

- (i) Structural improvement is required in the application of technical forest management principles and forward planning. Support for resource owner entities is required, and the Provincial Forest Management Committees and the National Forest Board/PNG Forest Authority linkage warrant improvement.
- (ii) The Rapid Resources Appraisal provides the basis of the knowledge of the forest resources of Papua New Guinea. This requires further improvement through the execution of a National Forest inventory.
- (iii) The long held planning period of 40 years is deemed appropriate and should be implemented as the management cycle period. This formula is subject to review in light of further research.
- (iv) A principle of discounting gross resource volumes will be practiced in determining harvest rates and in rationalizing subsequent sustainable harvest volumes for later harvest cycles. The strategic nature of PNG's forest resources for this and subsequent generations require the application of conservative forward planning.
- (v) The fundamental basis of planning within Forest Management Agreements (FMA) commences with forest classification which is required to be carried out at the outset, i.e. prior to finalizing the FMA in the field. The resource owners should be informed of what the technical appraisal of their forest area is prior to executing the FMA.

Forest classifications are required as an integral part of forest management planning and are to be developed for long term forest land use planning. As a starting point in existing operations, currently approved forest working plans will be maintained, and the requirement of forest classification will be directed towards future forest land use planning without disruption to currently documented and approved operational plans.

- (vi) To comply with the regulated requirements of planning, a forest management schedule should be developed at the time of the initial FMA preparation, supported by adequate forest inventory data. At the time of the initial FMA execution, the Incorporated Land Groups (ILG) members should be informed of what the planned long term forest land use is, for which they are signing up.
- (vii) Forest management in the contemporary world of 2009, is shaped by managing the forest dynamics in the context of social, economic and environmental considerations in a global as well as a local context.
- (viii) An equation is required for the calculation of sustainable harvest volumes, based on forest classifications and discounted inventory interpretations. The potential for planned and approved agricultural and other forest conversions, the maintenance of classified production forest areas, and the contingency for development of forest plantations should be taken into account.
- (ix) Fundamental to a sound structure for forest management is the existence of a Permanent Forest Estate, which can be regarded as the core long term dedicated resource base to be managed as forest in the national interest, in perpetuity.

Currently Papua New Guinea is still in the transitional stages of establishing and quantifying its designated Permanent Forest Estate.

2. Forest Management Prescriptions Guidelines

(i) Statement of Guidelines

(a) Forest classification will be a standard routine for all forest areas:

The process of forest management will include forest classification as set out in the existing Forest Policy, to properly develop a culture of wise use and conservation of strategic forest resources which will be supported by an adequate administrative and technical input.

New operations will have a requirement for forest classification at the outset.

Existing operations will have a forest classification regime developed which is compatible with existing approved plans and without disruption to approved operations. In these cases forest classification will define future long term forest land use intentions of operators in areas under operation.

An evaluation will be made of strategic forest areas, including expired Timber Rights Purchase areas and existing operational concession areas with a view to better defining Papua New Guinea's forest resource base.

National Forest Inventories will be undertaken every ten (10) years to ascertain the forest resource base of the country.

(b) Permanent Forest Estate targets are established:

From application of the existing technical framework, the establishment of a Permanent Forest Estate will emerge to enable long term forest development and economic contribution from the forestry sector is sustained. The initial target for this will be 8 million hectares of dedicated Production Forest and 0.8 million hectares of commercial plantation forest in the medium to long term.

(c) Each Forest Management Agreement area will have a forest management plan developed for it as a technical approach to the use of forest land within the FMA area at the outset.

Different forest areas have different forest dynamics however all will be treated uniformly in the principle of assessing a sustainable rate of cut based upon forest classification criteria. An individual forest management prescription will be created for each FMA on a technical basis as determined following approved PNG Forest Authority practices.

(d) Sustained production will be the guiding principle over a natural forest planning period of 40 years.

Forest management planning and calculation of rates of cut from new operations in natural forest, will be based on a planning period of 40 years. This will be applied to new FMA operations and also on expiry of the initial planning periods in existing operations.

(ii) Forest Management Prescription Goals

(a) Short Term: Development of a consistent and ongoing programme of technical assessment and evaluation of PNG forest resources.

(b) Medium Term: Development of technical capacity, manpower, administrative and field resources to manage forest land classifications in designated strategic forest areas.

- (c) Long Term: Establishment of Permanent Forest Estates in strategic locations of the country consisting of:
- 8 million hectares of dedicated Production Forest
 - 0.8 million hectares of dedicated forest plantation

3. Action/Strategy

(i) Statement of Strategy:

- (a) A significant increase in funding is required for upgrading technology, increasing staff numbers, training and infrastructure warranted in provinces with current high production, or high levels of proposed forest based activity.
- (b) In consultation with relevant government agencies and other stakeholders, move towards developing a NLUP for the country whereby forest areas are clearly demarcated for the various development options.
- (c) PNGFA Directorates responsible will be required to dramatically expand workload internally and in servicing the support requirements from active Provincial Forest Management Committees in respect of forest classification and forest plans.
- (d) A mandatory requirement will be introduced for project proponents for advertised FMAs to undertake development of Forest Management Plans and define the operator's plans in practical forest management.

It is reasonable to expect a committed investor to make known their forest management intentions in 50-year "evergreen" operations.

- (e) Compliance assessment should be strengthened, and where circumstances require, an investigation capacity provided for the PNG Forest Authority to develop cases for prosecution in instances of serious contravention of field management or environmental aspects.

(ii) Inputs and Needs Assessment

- (a) Inputs Required: Funding, training, personnel, equipment, technology upgrade.
- (b) Needs Assessment: Urgent and continuous.

D. FOREST RESOURCE ACQUISITION AND ALLOCATION

1. Background Considerations:

- (a) A strong commitment to upgrade the current technical capacity is required to prepare for an increase in the workload of managing the tasks prescribed in Acquisition and Allocation of forest resources. This warrants significant manpower and technology to be employed within the PNG Forest Authority, and the relaxation of budget constraints.
- (b) Forest Management Agreement areas currently lack a defined Forest Management Plan as part of their format and content. Significant technical input to develop the Objectives of Forest Policy as set out in the Forestry Act is warranted.
- (c) Project submissions should reflect not only the financial, commercial management and market impact strengths of project proponents, but also should be assessed as to what extent they qualify and quantify specification of forest management and sustainability obligations. These will be contained in specific Project Guidelines advertised over proposed operational forest areas.

2. Resource Acquisition and Allocation:

(i) Statement of Guidelines

- (a) Acquisition and Allocation as per National and Provincial Forest Plans
Potential timber production areas considered for Acquisition and Allocation will be strictly considered in accordance with the National Forest Plan and the respective Provincial Forest Plan.
 - (b) Acquisition and allocation documentation and procedures will be reviewed.
Continuous improvements are required in Acquisition and Allocation procedures and inputs, to better service the requirements of the National Forest Policy.
 - (c) All new FMAs require a documented forest management plan prior to FMA execution in the field.
Forest Management Agreements will have defined forest management targets developed by the PNGFA at the planning stage and this will be available to all parties at the commencement of FMA preparation. The management plan will set out the forest classifications within the FMA and will establish long term targets for the area. It will be taken into account at the Development Options Study stage prior to the field finalization of the FMA.
 - (d) Forest Management Plans for existing FMAs will be developed
Where existing Forest Management Agreements do not include a prescribed forest management plan, one will be prepared by the PNGFA, cognizant of the fact that Project Agreements and Timber Permits have been negotiated and granted on the basis of the original FMA content, and with harvest levels defined.
 - (e) Entities which are signatory to an FMA or Project Agreement will be provided with a copy of the finalized forest management plan.
It is appropriate that incorporated entities which are party to a Forest Management Agreement or Project Agreement are furnished with a copy of the prescribed forest management plan when technical compilation is completed.
- Resource allocations will be assessed, among other criteria, on the extent to which project proponents are able to satisfy commitments to forest management and sustainability objectives as determined by the PNG Forest Authority.*

(ii) Guideline Goals

- (a) Short Term: Understanding the forest resource base of the country and technical review of current field and administrative practices in Acquisition and Allocation will be continued.
- (b) Medium Term: Equip the PNG Forest Authority with the capacity to develop protocols set out in Policy and Legislation.
- (c) Long Term: Fully apply forest management protocols within documentation and field practice.

3. Action/Strategy

(i) Strategy Statement

- (a) It is intended that the PNG Forest Authority will be funded adequately for the purpose of undertaking the National Forest Inventory and upgrading of equipments and expansion of capacity to fulfill its responsibilities as prescribed.
- (b) Greater in-house capacity for developing and applying contemporary forest management is required. Such capacity will acknowledge the integrated nature of forest management principles through linking research, planning, and operations to achieve practical long term results.
- (c) Targets for forest management also involve the existence of a progressive investment base. To this end, there is expected to be a close engagement with industry in forest management on a National, Provincial and local basis which will be reviewed in the next three years.
- (d) Ensuring that landowners are fully informed about all available options in regards to the value of their forest land.

(ii) Inputs and Needs Assessment

- (a) Inputs Required: Funding for improved fieldwork, planning, administration, equipment, technology upgrade.
- (b) Needs Assessment: Urgent, long term.

E. ESTABLISHMENT OF A STATE MARKETING AGENCY

1. Background considerations

- (a) There have been shortcomings in market information and reports, and some producing countries, mainly African, have initiated more direct market involvement. Papua New Guinea is also determined to try to improve market returns for its forest products.
- (b) The Minister for Forests is empowered under Section 42 of the Forestry Act to direct the establishment of a State Marketing Agency (SMA). He intends to properly, lawfully and transparently establish the SMA as prescribed.
- (c) The Minister has considered the advice and comments of the Forest Industries Association Inc. which has outlined from its perspective the current commercial realities and pitfalls, but which at the same time indicates conditional acceptance of:
 - Market development
 - Product promotion and dissemination of information
 - Export market diversification which could result from the initiative if competently developed in a commercial context.

2. State Marketing Agency Guidelines

(i) Statement of Guidelines

(a) State Marketing Agency Establishment:

It is directed that Section 42 of the Forestry Act be immediately implemented to mobilize the creation of the State Marketing Agency as prescribed.

(b) Operation of the State Marketing Agency:

International advertisement will be undertaken to position a competent and reputable forest product marketing entity as the State Marketing Agent.

The Agent will operate under the direction of the PNG Forest Authority as an arm's length entity reporting to the National Forest Board through the Managing Director, National Forest Service.

(c) Requirement for independent market intelligence.

Separate and apart from the Agency appointment for marketing forest products, there will be the requirement for securing independent market intelligence reports for market verifications.

(d) Other applications for the SMA:

The Agency will also be the designated vehicle for Papua New Guinea to move into the significant area of carbon trading of forest produce from plantations and other sources of forest based carbon trading.

(ii) Guideline Goals:

- (a) Short Term: PNGFA to put out advertisement seeking a qualified entity to work with it in partnership to exercise the State Purchase Option through a State Marketing Agency.
- (b) Medium Term: Establish and monitor the State Marketing Agency for an initial period of five years with constant review of its performance and effect on PNG forest product prices in international markets.

- (c) Long Term: Provide technical support for promotion of PNG forest products and act for the State in respect to forest based carbon trading arrangements.

3. **Action/Strategy**

(i) **Statement of Strategy**

- (a) The State Marketing Agency will be mobilized taking into account the best advice available from all sources.
- (b) It is intended to operate the SMA through a subsidiary corporate entity of the PNG Forest Authority and have the selected marketing agent appointed to manage its corporate affairs.
- (c) The next three years will focus on developing professional and practical results by ensuring a sound structure adequately funded and commercially maintained.
- (d) A brochure reflecting the Government's intentions will be produced by the SMA and will outline:
- The structure of the SMA
 - Objectives of the SMA
 - Function and processes employed
 - Other relevant information after the selection and appointment of the marketing agent.
- (e) The schedule of implementation and subsequent commencement of operations will be dependent on the satisfactory engagement of the marketing agent commissioned to manage the commercial affairs of the SMA.

At the same time, efforts will be made to secure independent, sound and timely market intelligence at arm's length to the SMA.

- (f) The SMA will be designed to develop as an arm's length commercially oriented entity and will be charged with normal and transparent business dealings under standard corporate reporting procedures.

(ii) **Inputs and Needs Assessment**

- (a) Inputs Required: Funding for administration, management, monitoring, office equipment and equity as required.
- (b) Needs assessment: Immediate and long term.

F. CLIMATE CHANGE INITIATIVES UNDER UNFCCC

1. Background Considerations:

- (a) Forests offer four (4) main opportunities to mitigate climate change: increased forest land, increased carbon density of existing forests, substitution of fossil fuels and other carbon intensive products by sustainably produced forest products, and reduced emissions from deforestation and forest degradation (REDD).
- (b) Administrative processes towards engaging in carbon trade and other global initiatives involving forest products have some way to go, and must be prepared for.
- (c) Sustainable forest management goals addressed in this initiative require changes in current practices and funding arrangements to achieve better forest management practices and associated positive climate change outcomes.
- (d) An important focus of climate change/carbon trade issues is the logged over forest area which is strategically important in forward planning.

2. Climate Change Initiatives Guideline:

(i) Statement of Guidelines

(a) PNG Forest Authority mandate:

The Forestry Act mandates clear responsibility for mobilization, development, management and utilization of the nation's forest resources directly to the PNG Forest Authority, which will move to mobilize the forestry input to developing climate change and carbon initiatives.

(b) Whole of Government approach:

The PNG Forest Authority will continue to contribute to the domestic and international dialogue on climate change, carbon savings and carbon trading through its role in a whole-of-Government approach, involving close co-ordination with other contributing Government agencies.

The PNG Forest Authority will develop its input to international carbon markets through the State Marketing Agency prescribed by the Forestry Act in relation to forest products.

(c) Key Agency role:

The PNG Forest Authority must be equipped with adequate resources to fulfil its role as a key agency for the establishment of in-house programmes of forestry and climate change framework for action.

(d) Private enterprise participation:

Private enterprise plantation developments will be encouraged and supported in respect of these initiatives.

(e) Mechanism or strategy for Climate Change

The PNG Forest Authority in consultation with other stakeholders must consider developing appropriate programs in line with approved climate change protocol and guidelines to address climate change issues. The opportunity is great but the technical and political issues that need to be addressed are challenging.

(ii) **Guideline Goals**

- (a) **Short Term:** Maintain PNG Forest Authority's position in a whole-of-Government approach to carbon trade initiatives and the climate change framework for action.
- (b) **Medium Term:** The PNG Forest Authority will maintain on-going representative functions in respect to forests contribution to the Kyoto Protocol and its evolution, and will develop the capability for dissemination of information affecting forests contribution to carbon trade and climate change framework.
- (c) **Long Term:** Successful development of effective forest based strategies to contribute to the global response to current and future environmental maintenance.

3. **Action/Strategy**

(i) **Statement of Strategy**

- (a) International considerations will mature towards a future 2012 commitment to advance the Kyoto Protocol to the next stage. Local issues and institutional arrangements will evolve through a sound and cohesive whole-of-Government approach.
- (b) There is also a structural need to develop contributing input from relevant NGOs and resource/land owner groups under the co-ordination of the PNG Forest Authority as the key agency.
- (c) The PNG Forest Authority through the State Marketing Agency will be responsible for sound field function and marketing activity associated with forest product carbon trade functions.
- (d) Properly serviced Provincial Forest Management Committees and appropriate field monitoring could provide a useful insight to future management methods which could be later refined.
- (e) In respect of carbon trading schemes, a regulatory and promotional role will be developed by the Government, including technical support for appropriate Joint Venture arrangements between Operators and Resource Owners as provided for in the existing National Forest Policy.
- (f) The PNG Forest Authority is to continue its working input and policy considerations such that co-ordinated approaches are developed as appropriate under Policy, Legislation and the Corporate Plan. This predominantly would include:
 - Assisting the evolution and overview of policy in this area.
 - Forest planning initiatives
 - Forest development strategies in this field
 - Research project development and dissemination of information.

(ii) **Inputs and Needs Assessment**

- (a) **Inputs Required:** Organizational liaison, technical, administration and management, Aid programming function
- (b) **Needs Assessment:** Immediate and ongoing.

G. DOMESTIC PROCESSING WITH A VIEW TO PHASING OUT LOG EXPORTS

1. Background Considerations

- (i) Though domestic processing levels have significantly increased over the last decade, the forest sector continues to be based on log exporting.
- (ii) Adequate resource volumes are generally available in the main production areas for increased processing of logs within Papua New Guinea.
- (iii) There is increased acceptance of PNG timber species in the market. It appears that much of this expanded market acceptance is being generated by end users and proactive market development needs to be promoted.
- (iv) Timely advice in relation to a phased move to increase levels of domestic processing is given and industry will have reasonable time for consideration and implementation of this policy.
- (v) Sustainable industry is feasible when there is sustained access to sustained resources and markets. At the same time, market development, species exposure and improved utilization levels of existing volumes are significant aspects of resource conservation.
- (vi) Markets are continually evolving in product type, scale, location and price. Therefore it will require strong involvement from main players to flexibly meet market developments.
- (vii) Established and approved programmes involving promotion of domestic processing through Aid projects, recognized NGOs and others are acknowledged as part of the domestic processing strategy and will be subject to standard regulation.
- (viii) Regulation of all domestic processing irrespective of scale will be examined with a view to better apply required forest management criteria especially in currently unregulated small scale domestic processing activity.

2. Downstream Processing Guidelines

(i) Statement of Guidelines

(a) Promotion of Domestic Processing.

There is increasing pressure on natural tropical rainforest resources, due to the need for long term economic growth and the need for processed forest products on the international market from areas which are sustainably managed.

The PNG Government is promoting increased domestic processing and will proceed with plans and strategies to implement this policy which is intended to regulate commercial operations of domestic processing at any scale.

(b) Downstream processing targets for new operations:

It is intended that from 1st January 2010, all new timber operations within classified production forest areas will be considered for 100% processing only. Such stipulation will also apply to any proposal which under normal procedures would have its Project Agreement completed and the Timber Permit issued after 1st January 2010.

(c) Implementation:

This processing requirement will be stipulated in Project Guidelines issued in respect to Forest Management Areas advertised in the 12 months prior to this deadline. Project applicants are advised to ensure capacity to processing and marketing capability will be key elements in project proposal evaluation and assessment.

(d) **Existing operations:**

Existing operations will continue with existing Timber Permit and Project Agreement conditions, with the provision that at regulated Review after 1 January 2010, operating companies will be expected to demonstrate a concerted movement towards significantly increased levels of domestic processing where viable.

Existing unregulated small scale operations will be required to maintain forest management and production standards, and this will be through licensing and application of standards.

(ii) **Guideline Goals**

- (a) **Short Term:** Clearly develop and appropriately publicize the intention to phase out log exporting in new FMAs over time in accordance with the above schedule.
Develop means to regulate small scale commercially oriented processing operations due to the potential adverse effects on forest management and resource sustainability.
- (b) **Medium Term:** Apply the policy as stated so that Timber Permits issued beyond 1st January, 2010 are in compliance with the policy for harvest volumes from the Permanent Forest Estate, i.e., classified production forest area.
- (c) **Long Term:** As existing log export Timber Permits are available for Review under Timber Permit and Project Agreement conditions, establish a requirement that operators must substantiate future quotas of log exports in addition to increased processing for export or domestic markets.

3. **Action/Strategy**

(i) **Statement of Strategy:**

- (a) In keeping with Government intentions, there will be a progressive phasing out of log exports. Commencing with projects due for start-up after 1st January 2010, only sustainable rates of cut from classified production forests will be permitted for domestic processing operations.
- (b) This will not apply to conversion operations over forest lands for approved and verified agriculture or tree plantation establishment.
- (c) A phased move towards increased domestic processing will be promoted. Existing incentives will be publicized while new initiatives will be explored.
- (d) Planning approval for satellite processing facilities will be required prior to commencement of construction.
- (e) An increase in staffing in industrial liaison and monitoring will be required for the PNG Forest Authority to service the industry under the policy of increased processing in PNG, and funding provision must be made for this.
- (f) In association with requirements for processing, the question of merchantability of species and size classes of logs at utilization will be examined.

(ii) **Inputs and Needs Assessment**

- (a) **Inputs Required:** Capacity strengthening, administration and management
- (b) **Needs Assessment:** Continuous.

H. MANAGEMENT OF LOGGED-OVER AREAS AND FOREST REPLENISHMENT

1. Background Considerations

- (i) Until now, logged over forest lands not required for other conversion or use other than carrying forests, have been generally left in a condition of benign neglect. It simply relies on the naturally occurring forest dynamics to rehabilitate the forest condition, in the absence of any other human impact.
- (ii) Given the new structures of FMAs, i.e. the creation of Incorporated Land Groups, (which, in the FMAs, are the recognized representative group entity with recognized stewardship over clan land), there are opportunities for “self-help” forest based programmes designed to appreciate the value of the residual forest for the next cutting cycle.
- (iii) As well, there are specific areas of Papua New Guinea and particular species which demonstrate very productive forest dynamics which can result in dramatic responses after logging disturbance. These areas and species warrant special attention.
- (iv) Forest replenishment can occur under conditions of:
 - Benign neglect
 - Opportunity plantings with forest “wildings”
 - Basic silviculture treatment after logging when regeneration effects become evident.
 - Introduction of other selected PNG species
 - Introduction of exotic species or any combination of the above, and generally be regarded as Natural Stand Management.
- (v) Practical forestry skills are required to improve residual forest values. Perhaps more landowner companies could consider part-time or full time employment opportunities for trained foresters for the purpose of appreciating forest value into the future.
- (vi) The ultimate “replenishment” of forests is plantation development and woodlots, which require integrated management. It also involves access to clan land which could be addressed by FMA arrangements, or by the principle of the lease arrangements such as practiced in the oil palm industry.

2. Forest Management and Replenishment Guidelines

(i) Statement of Guidelines

- (a) Appropriate forestry practice
Appropriate forest management practices will be applied to ensure sustainability of forest resources and operations in Forest Management Agreement areas, including the annual sustainable cut level.
- (b) Commitment to forest management:
Future advertisements for forest projects involving classified production forest areas will emphasize a commitment to targeted forest management plans and their implementation as part of the Project Agreement process. An established forest plan will be reviewed every ten years.
- (c) I.L.G. entity opportunities:
Significant opportunity will be available for resource owner entities which could engage in forest replenishment projects. It is anticipated that their participation will result in financial and economic benefits for them in the future.

(d) **Technical assistance:**

The PNG Forest Authority through its various elements will be available to promote and support associated activities with technical assistance. Should demand be adequate and funding resources located, district or Provincial nurseries will be considered.

(e) **Assessment of forest condition:**

Assessment of logged over areas will be carried out in strategic areas every five years to ascertain the rate of residual forest recovery and improvement.

(ii) **Forest Management and Replenishment Goals**

- (a) **Short Term:** Ensure that all Project Advertisements clearly state the requirements for forest management principles and structured resource replenishment programmes.
- (b) **Medium Term:** Ensure that opportunities for proactive resource owner participation is included in resource replenishment programmes developed under approved and reviewed forest management plans.
- (c) **Long Term:** Establishment of a culture of resource conservation and use in Forest Management Agreement areas generally, and in classified Production Forest areas of the Permanent Forest Estate in particular.

3. **Action/Strategy**

(i) **Statement of Strategy**

- (a) Natural Stand Management (NSM) will be encouraged at the ILG level in Forest Management Agreements. A target of 25%-50% of classified Production Forest shall be so designated within FMAs with the practice being undertaken by ILG members/LOC with technical input from the PNG Forest Authority.
- (b) Basic programmes will be trialled over the next three years as circumstances permit, by way of demonstration areas and commencement of new/further data collection from Natural Stand Management trials.
- (c) These programmes will require significant input from the PNG Forest Research Institute and field foresters under Research and Development programmes which will require funding for mobilization. A financially autonomous PNGFA would be able to allocate its own funds with much greater flexibility.
- (d) In any given FMA the minimum targets of post-logging forest managed conditions are initially designated as:
 - Tertiary (designated plantation forest area): a reserve of 10% of gross classified production forest area
 - Secondary (treated forest): 25%-50% of net production forest area.
 - Primary (benign neglect): balance of net production forest area.
- (e) A regular periodic documented evaluation and analysis will be developed and maintained over strategic forest resource areas under operations.

- (f) Field manuals as required for Natural Stand Management (NSM) practices will be developed as an assistance to LOCs/ILGs and used to promote field practices and assist basic training and awareness to resource owners in the treatment of residual forest.
- (g) During the next three years an economic model will be designed which can fairly reflect the impact of applied NSM in improved forest value for the next harvest cycle. Demonstration areas will be evaluated as part of the economic analysis on the basis of past logging history, known forest conditions, comparison to general growth/yield data as available etc. Results will be carefully analysed before recommendations can be made on future harvest yield returns to resource owners.
- (h) The timber industry will be encouraged to undertake some of the forest management activities as part of the operating permits as necessary

(ii) **Inputs and Needs Assessment**

- (a) Inputs Required: Technical, staffing, training, logistics, field nurseries, planning, monitoring
- (b) Needs Assessment: Urgent and continuous

I. REFORESTATION AND AFFORESTATION

1. Background Considerations

- (i) State owned reforestation projects have been in decline in PNG for some time, and it is time to take stock of our position given the current dearth of successful on-going plantation activity.
- (ii) Plantations are a tree crop and at initial planning and establishment will have a targeted end use for their log product at time of harvest. Accordingly, some fast growing species are preferred for short rotation crops of wood for pulpwood, while more valuable species are grown over longer rotations for furniture grade timbers for high value markets.
- (iii) Therefore there is a need for clear objectives at the outset in order to select the right species, site, economy of scale, projection of future markets, etc., to secure the chance of a commercially successful activity.
- (iv) Forest plantation development is significant to mitigating climate change effects.
- (v) Current policy directs a more participatory role for resource owners and the ILG structure within FMAs is a potential vehicle for generating this involvement.
- (vi) Land tenure remains as a continuing obstacle which must be addressed prior to project commitment, however success with tenure systems in the oil palm industry give some chance of successful lateral application to forest land use for tree plantation purposes.

2. Reforestation and Afforestation Guidelines

(i) Statement of Guidelines

- (a) Reforestation Promotion
Reforestation and Afforestation will continue to be promoted, guided by the five- year National Reforestation Programme.
- (b) Local, Provincial and community forestry projects
*Activities will be developed on a local and Provincial basis, with reporting through the National Forest Service and input from the PFMC.
Community forestry will be promoted through internal and external funding sources, with reporting through standard procedures.*
- (c) Commercial reforestation
Commercially oriented reforestation will be promoted by the PNGFA, assuming viable conditions exist to attract long term investment.
- (d) Land use planning
Improvement in forest land-use planning will be fundamental to the objective of reforestation activity, and this will be included in Project negotiations to ensure sustainability of PNG's Permanent Forest Estate at the Development Options Study prior to finalization of the FMA.
- (e) Plantations and Plantation Register
*Forest Plantation as stipulated in Project Agreements and Timber Permits will require a Plantation Estate of at least 10% of the area logged in classified production forest to be established by the end of the year following logging.

A complete register of plantation areas will be kept by the PNG Forest Authority for all plantation establishments and updated annually.*

(ii) **Guideline Goals:**

- (a) Short Term: Identify specific project areas. These activities may be carried out under Provincial Forest Plans, given technical input from the NFS and/or other professional inputs.
- (b) Medium Term: Developments will be scheduled on a Provincial basis.
- (c) Long Term: Mobilize substantial programmes and manage, maintain and regulate harvesting and replanting for second cycles in FMA areas.

3. **Action/Strategy**

(i) **Statement of Strategy**

- (a) The PNG Forest Authority will promote reforestation and afforestation through specific inclusion in Project parameters, to be addressed during Project negotiations.
- (b) The plantation area to be developed is a minimum of 10% of the actual gross area of classified production forest logged annually, as determined by the PNG Forest Authority.
- (c) The PNG Forest Authority will promote private sector investment in commercial plantations, provided that satisfactory land tenure arrangements are required.
- (d) Plantation establishment must be planned as sustained forestry management practice for multi-rotational harvesting. Plantation which is logged must be re-established.

(ii) **Inputs and Needs Assessment**

- (a) Inputs: Planning, liaison, funding, personnel, availability of secure land tenure, regulation and monitoring.
- (b) Needs Assessment: Extensive and on-going

J. FOREST RESEARCH

1. Background Considerations

- (i) The Forest Research Institute (FRI) should be the focal point for proactive scientific and field research on forest as required by PNG. Forest based industry has grown dramatically in recent years, however our existing research capacity has limited ability to deliver a flow of information to assist the future development of PNG's forests.
- (ii) The FRI over recent years has been under funded, under staffed and under equipped to deliver appropriate outcomes for scientific knowledge and practical tools e.g., timber technology, in order to promote PNG timbers, their qualities and best end uses, and genetically improved planting material.
- (iii) Expanded knowledge on non-timber forest products, etc., remains largely unexplored, along with the important areas of research into PNG flora's genetic resources.
- (iv) Research into the dynamics of natural forests and application of silvicultural techniques, and research into species selection and distribution are important.

2. Forest Research Guidelines

(i) Statement of Guidelines

(a) **Research requirement:**

The National Government recognizes the importance of competent forest research to the sector, particularly in underpinning sustained yield management of natural forests. In order to maintaining competitive forest industry, Forest Research will therefore be linked to the operational activities of the PNG Forest Authority.

(b) **Timber Technology**

Promote the reputation of the PNG Forest Authority/Forest Research Institute through research into timber technology and end uses for "lesser known species" of PNG timber which are growing in popularity/demand in the market place.

(c) **Focus of Research:**

The FRI will provide research streams relating to the application of forest science. Areas of focus will be broadly based and will include Natural Forest Management studies, biological sciences (Botany, Entomology, Genetics) and protection protocols for forest genetic resources including seed banks, field collections, protection of PNG's forest based genetic property, and Forest Product Utilization research to promote PNG timbers and non-wood forest products and Research collaboration in forest biodiversity programmes.

(ii) Guideline Goals

- (a) **Short Term:** Review the needs of the Forest Research Institute and programme funding requirements to maintain existing infrastructure.
- (b) **Medium Term:** Continue to develop the Institute's capacity to develop and maintain research programmes of operational use to the PNG Forest Authority, especially research into timber technology/end use potentials.
- (c) **Long Term:** Collaborate with external research bodies and strengthen ethno-botanical research and non-timber forest products, in particular extractives for commercial application which could be operated by resource owner groups.

3. **Action Strategy**

(i) **Statement of Strategy**

- (a) Budgetary flows need to be significantly improved for the FRI to perform to its objectives. This could be enhanced if the PNG Forest Authority was financially autonomous and was equipped for standard corporate management responsibilities and capabilities.
- (b) A programme for staff establishment can be prepared and an approved recruitment process undertaken if the FRI was supported by an adequate enabling budget.
- (c) Research programmes will be responsive to PNG Forest Authority needs including engagement with proactive industry requests and recommendations.

(ii) **Inputs and Needs Assessment**

- (a) Inputs Required: Funding, staff, equipment, technology, industry liaison, fieldwork, research collaboration and publication.
- (b) Needs Assessment: Immediate and continuous.

K. FOREST INDUSTRY

1. Background Considerations

- (i) Private investment in the forestry sector is essential to its establishment and growth. Under National Forest Policy, conditions must be developed where all parties have the opportunity to generate reasonable returns.
- (ii) While it is acknowledged that PNG is regarded as a high risk resource development location there is also the attractant of good returns for efficient and committed long term investors.
- (iii) It is also recognized that PNG has a pragmatic approach to resource security over customary forest areas to provide opportunities for investment growth.
- (iv) The strength of private forest based investment in PNG is demonstrated by the fact that it was able to survive the Asian financial crisis of the late 1990s, and has been able to continue operating even under stressed conditions for some time. As well, in some cases, investors have found diversified opportunities for general commercial investment in PNG.
- (v) Opportunities for further forest based investment into new potential forest areas exist in many areas of forest potential. This is also the case with resource replenishment and management in current FMA operations and strategic logged over and expired Timber Rights Purchase areas. These could be resuscitated into functioning FMA areas for long term strategic forest management purposes.
- (vi) Existing processing industries should be supported with incentives which are productivity/ utilization based. Sustainable forest resource development either in existing operations or new forest management investment programmes could be considered for tax relief or other incentives on a case by case basis.
- (vii) Much is stated in Forest Policy about the direction of forest industry development into the future. Reform in the private sector is as much about a proactive approach within industry as it is through establishment of sustainable operating conditions by Government.

2. Forest Industry Guidelines

(i) Statement of Guidelines

(a) Forest Industry Development:

Government will continue to promote and monitor forest industry development and its strategic position as an economic generator. In the contemporary context, a close engagement is warranted between Government and industry. The regulatory role of the PNG Forest Authority in compliance monitoring, inspection and where warranted, investigative and enforcement capability will be developed and maintained. An Industry Database will be developed and maintained.

The Government has reasonable expectation of further engagement by investors in the future commercial development of the sector, subject to appropriate conditions, in increased processing, infrastructure and a commitment to resource maintenance including plantations.

- (b) Long term development potential:
Government will continue to emphasize the long term nature of forest resource operations, and anticipates sustainable economic benefits will develop from a viable investment sector.

The very nature of security under the Forest Management Agreement system will enable operators and resource owners the opportunity to participate in future resource security and development.

- (c) Development of National Enterprises:
Government will welcome the advancement of national enterprises into the forestry sector, and anticipates generating support for the whole of the sector especially in marketing development.

- (d) Basis of Commercial operations:
It is recognized that private investment must be subject to conditions which enable it to operate commercially.

However, non-transparent dealings, wastage of the current or future resource potential, or abandonment of the principle of sustained production within individual forest areas is not acceptable. Transparency and sustainability are both required.

(ii) **Guideline Goals**

- (a) Short Term: Establish a data base for industrial monitoring and develop a positive publicity programme for sustainability issues.
- (b) Medium Term: The PNGFA will explore, generate and publicize incentives for participating industry to develop integrated operations, and at the same time, effectively regulate and enforce Timber Permit conditions and Project Agreement undertakings.
- (c) Long Term: Develop and promote a culture of sustainable integrated industry development, recognizing that best returns to PNG are achieved where industry ownership and resource ownership are integrated.

3. **Action/Strategy**

(i) **Statement of Strategy**

- (a) Industry viability remains a fundamental objective of Forest Policy, in ensuring that an operating environment is created, conducive to attracting experienced and responsible long term investors.
- (b) Remote operations tend to develop into self servicing community centres. For social and economic stability in the long term, cohesive planning should be generated at an early stage, and where possible, approved plans will be attached to Project Agreements reflecting the long term commitment of the main parties.
- (c) As from 2010 all new Timber Permits will be granted on the basis of 100% processing in PNG from classified production forests. Incentives for private enterprise will be developed during the next three years as a clear statement of Government intent.
- (d) Phasing in of processing from existing operators after 2010 will be dependent on forest resources and tenure, market conditions and economics, as set under the full provisions of Section 4 of the Forest Industry Strategies contained in the National Forest Policy.

- (e) Good corporate citizenship will include ensuring that day to day field issues can be transparently and properly addressed in the field, instead of being referred to a remote head office.

However when serious compliance issues are involved, a “mobile inspection unit” will be employed with senior management input.

- (f) While Policy provides a sector wide approach, policy principles will be applied to each individual operating entity irrespective of location, style/type, etc. Capacity for field compliance investigations by the PNGFA will be developed.

(ii) Inputs and Needs Assessment

- (a) Inputs Required: Industrial liaison, planning, monitoring, evaluation.
- (b) Needs Assessment: Immediate and continuous.

L. LANDOWNER / RESOURCE OWNER INVOLVEMENT

1. Background Considerations

- (a) Participatory contact under existing policy is generally restricted to:
- Field contact during FMA formulation
 - Occasional involvement of individuals through PFMC contact
 - Regular operational contact in the field
 - Complaints registered through Provincial and Regional offices
 - Contact at court during legal processes where most commonly land/resource owners have taken action against the PNGFA, or it is a third party to other litigation cases.
 - Involvement at project negotiation
- (b) The framework of policy is sound, viable and intact. Implementation has been the stumbling block, despite the best efforts of sound technical capacity which needs upgrading, in staff numbers, training and technology.
- (c) Resource owners are more enlightened now than previously, through access to improved education services, awareness and information transfer. This should be utilized and channelled to provide a better future for the resource base and those dependent on it.

2. Landowner/Resource Owner Involvement Guidelines

(i) Statement of Guidelines

(a) **Information availability:**

Capacity of landowners will be strengthened to enable meaningful participation in the development of forest resources. Awareness programmes and local level information availability is required at the formulation phase of Forest Management Agreements, and should culminate in structured training programmes for Incorporated Land Groups/Land Owner (ILG/LOC) Company representatives at an appropriate location such as the Forestry and Timber Training Centre in Lae.

PFMCs will be better serviced with improved administrative and technical support through the PNGFA and/or outsourced services, at the discretion of the PNG Forest Authority.

(b) **Sustainable economic opportunities:**

Careful evaluation for sustainability of economic opportunities for resource/land owners should be carried out at an early stage and addressed during project formulation and prior to project advertisement.

Programmes will be assessed for the involvement of resource owning groups in self help agriculture and silvicultural programmes, with the availability of adequate technical and material support. Joint venture programmes will be explored.

For silvicultural programmes at time of harvesting, verifiable results warrant a "premium return" to the ILG/LOC which takes the results of improvement of forest value into account.

Economic models supported by comparative inventory data will be developed to prepare for such contingencies.

- (c) **Dispute Resolution:**
Appropriate and workable dispute resolution systems will be explored and evaluated during the next three years. They must be based on reasonable overviews from all parties and be in compliance with Project Agreements and Timber Permit conditions and the spirit of reasonable mutual benefit.
- (d) **Landowner Benefits and Participation**
Benefits due to and participation by Landowners/Resource Owners shall be appropriately defined as set out in the Forestry Act Section 58(b) in relation to FMAs and Section 62(3)(d)(i) in relation to the development study of the area.

(ii) **Guideline Goals**

- (a) **Short Term:** Contingencies for information and training programmes.
- (b) **Medium Term:** Forest management efforts will include co-ordinated involvement of structured resource owning groups in ongoing programmes.
- (c) **Long Term:** Structured continued involvement of forest owning groups in long term forest management activity, where their input is accounted for at harvest.

3. **Action/Strategy**

(i) **Statement of Strategy**

- (a) Where viable, and given adequate technical support, sub-contracting on a commercial basis to local level (especially landowner) entities will be encouraged by the operator in operational issues, and should be productivity based.
- (b) Every effort will be made by the PNGFA to ensure that resource owner groups are aware of obligations and responsibilities in FMAs, as well as their rights and privileges.
- (c) Related strategies in other NFDG elements relevant to resource owner involvement will be kept under close observation at a Directorate level within the NFS.
- (d) Landowners will be assisted to develop their own forest resources through training and technical support by the PNGFA and relevant stakeholders.

(ii) **Inputs and Needs Assessment**

- (a) **Inputs Required:** Planning, administrative, liaison, technical, dissemination of research results.
- (b) **Needs Assessment:** Compelling and urgent.

M. CONVERSION OF FOREST LANDS

1. Background Considerations

- (i) Within FMA areas there may be approved programmes developed for forest land conversion. It is necessary that forest land classification be an early technical part of the acquisition process, as this will affect the general activity within the FMA for long periods.

The retention of strategic forest areas is paramount for the continuation of forestry activity, thus sustaining the forest and industry and communities dependent on it.

- (ii) Where there are forest areas outside FMA areas which have forest potential, careful decisions on land use or conversion must be made. Land use in these areas should be guided by demonstrated potential for other land uses, i.e., oil palm.

Any approved agricultural programme outside strategic forest areas should be subject to statistical monitoring of logs or other forest product removed as a result.

- (iii) Where approved agricultural operations are undertaken, forest produce from these areas should be subject to general regulations of the Forestry Act, including any obligation by the operator to supply prescribed volumes of forest product to the State Marketing Agent under direction of the PNG Forest Authority.

2. Land Conversion Guidelines

(i) Statement of Guidelines

(a) Conversion of Land in Potential Forest Areas.

Where Provincial Forest Plans technically define Proposed Forest Development Areas with strategic long term forestry potential, these areas will be subject to standard forest classification in assessing potential for a Forest Management Agreement acquisition, and the forest classification determined at the outset will apply to all stages of developmental activity.

In short, FMA areas are not available for wholesale conversion and their primary purpose is sustainable management of forest resources under the provisions of the Forestry Act. Conversion of land use from forest cover to other activity within FMA areas will only be permitted within approved Forest Management Plans and in accordance with forest land use classifications.

(b) Other areas:

Areas external to those of designated forestry potential are not considered under acquisition and allocation procedures of the Forestry Act, however harvesting production and export regulations will apply to any forest product from these areas. This includes standard export documentation procedures, SMA standards and obligations, and required processing levels practiced in similar situations in FMAs elsewhere in PNG.

In non-FMA areas with approved Agricultural Projects, failure to achieve planned agricultural targets will be sufficient grounds for seizure of logs by the PNGFA, and the seized logs will be held in a timber depot as designated by the NFS, for commercial disposal by the SMA free of production cost.

(c) Biodiversity.

Provision for biodiversity conservation will be maintained in conversion areas.

(d) Proceeds of SMA sales from other areas:

In relation to forest products referred to in (b) above, the SMA will transfer the net proceeds of sales (gross sales value less operating cost and commission) to a Trust Account in favour of the customary owners, to be distributed/applied to projects when agreement is reached by the respective ILGs.

(ii) **Guideline Goals**

- (a) Short term: Awareness for land use planning is co-ordinated at time of FMA field work.
- (b) Medium term: Requirements for agricultural development include proper forest product production and marketing statistics collection.
- (c) Long term: Production forest areas are to be maintained as the primary source of PNG's Permanent Forest Estate.

3. **Action/Strategy**

(i) **Statement of Strategy**

- (a) The PNG Forest Authority will liaise with other relevant Government agencies in respect of land conversion involving loss of forest resources. Technology will assist surveillance of logging activity.
- (b) Within Forest Management Agreement areas land conversion will only be permitted in keeping with planned activity based on forest land classifications within the Agreement, Timber Permit and Project Agreement.
- (c) Section 90B, C and D of the Forestry Act will be reviewed and considered for delegation under the authority of the Managing Director of NFS for implementation, after a decision on National Forest Board approval is made in respect of a conversion application.

(ii) **Inputs and Needs Assessment**

- (a) Inputs required: Interdepartmental liaison, technology, mapping, technical forest land classification and monitoring.
- (b) Needs Assessment: Current and ongoing.

N. CONCLUSION AND EFFECTS

The effect of the 2009 National Forestry Development Guidelines becomes immediate from endorsement by the National Executive Council, and the operating elements will be published in booklet form for general circulation. The Guidelines form the basis of political direction over the next three years and will incorporate policy direction on domestic matters and other global initiatives relevant to the forestry sector. The essential elements of the Guidelines are:

- Improvement of the capacity of the PNG Forest Authority to exercise the functions as defined in the Forestry Act in a competent and complete technical manner in particular respect to:
 - All aspects of Planning, Acquisition, and Allocation processes.
 - Assistance to local and provincial interests primarily through field support and servicing for the Provincial Forest Management Committees.
 - Improvement in PNG's forest research capacity to provide contemporary applied scientific support to the development and management of PNG's forest resources.
- Develop strong corporate public sector leadership and management of the PNG Forest Authority which is the co-ordinating agency for all forest based activity in the National interest.
- Generate financial autonomy for the PNG Forest Authority, as contained in the National Forest Policy 1991. This will allow performance criteria to be met with funding for reform becoming available outside the existing budgetary appropriation process. Payments to the National Government will be regular and substantial.
- The establishment of the State Marketing Agency as defined under Section 42 of the Forestry Act.
- Develop and maintain a healthy and secure resource based environment conducive to attracting and retaining an efficient and capable private enterprise investment base which promotes good corporate governance and citizenship.
- The PNG Forest Authority has developed its own climate change policy framework consistent with the forestry legislative framework and the overall government mitigation and adaptation efforts on the impacts of climate change.

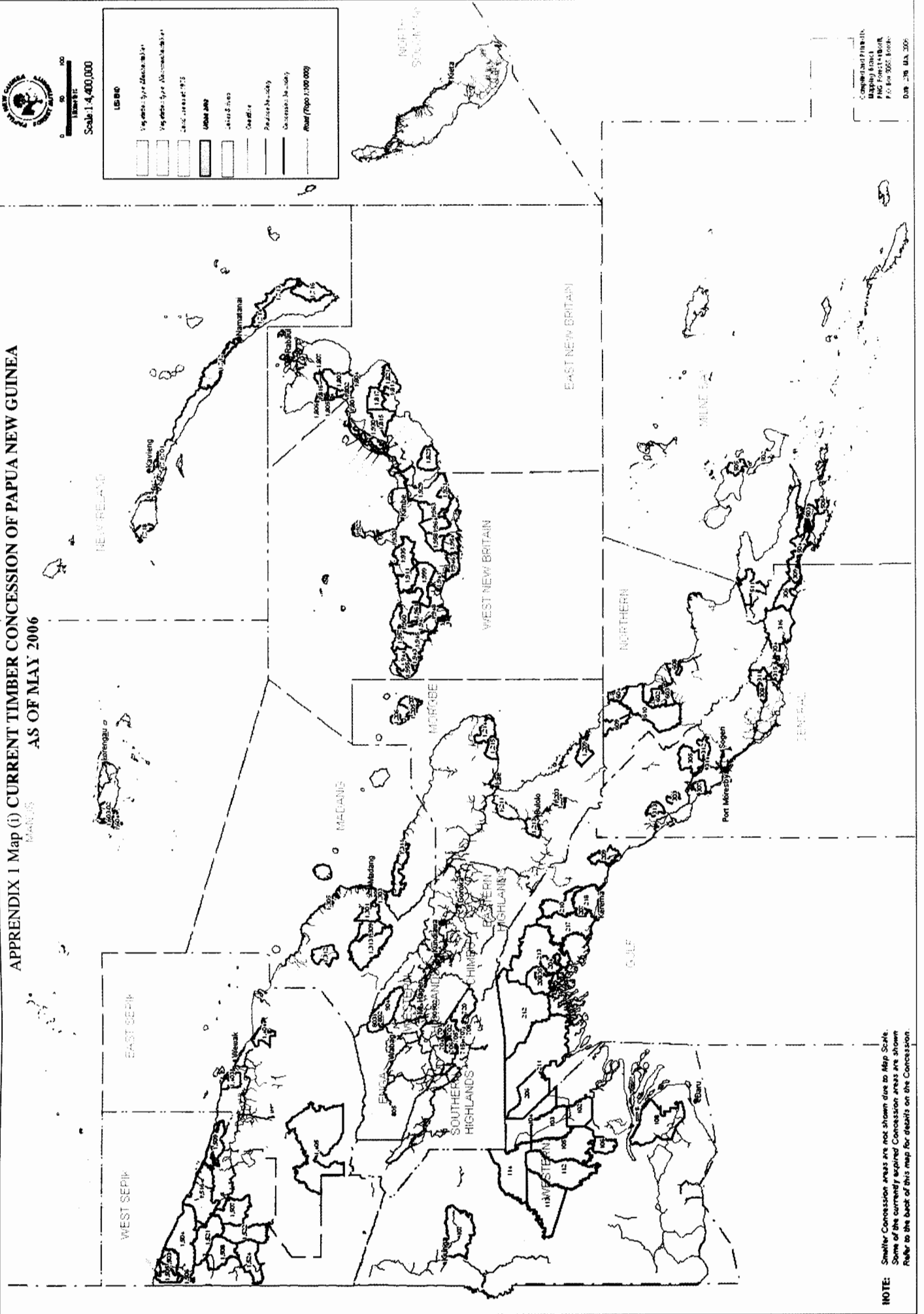
Consideration could be given for the creation of a central Operations Room which would contain a broad range of information on the forest sector in Papua New Guinea, and which would be regularly updated.

It could also provide a facility to conserve the history of Forestry in Papua New Guinea, much of which was lost in the 1992 fire at PNGFA Headquarters. It is of fundamental importance that the PNG Forest Authority also maintains a properly resourced and equipped Library as a repository for domestic and international publications and reference material relevant to the history and development of forestry and the application of forest science in PNG.

Attempts to develop the capacity of the PNGFA through the National Forest Conservation Action Programme and the Forest Conservation Project have been inadequate, and in recognizing this, it is now up to the Government of Papua New Guinea to urgently address the physical and budgetary shortcomings of current levels of public administration of the sector. There is a professional workforce which has developed the basic structures of the PNG Forest Authority. However to move forward with a more complete implementation of National Forest Policy and in view of the MTDS and new initiatives, upgrade of the existing capacity is urgently required.

The Nation and its people expect to see sustainable benefits from our forests, the most strategic, renewable and widely shared resource at our disposal.

APPENDIX 1 Map (i) CURRENT TIMBER CONCESSION OF PAPUA NEW GUINEA AS OF MAY 2006



LEGEND

- Vegetation type Deciduous 1980s
- Vegetation type Deciduous 1970s
- Vegetation type Evergreen 1970s
- Urban Area
- Road (Popo 1:100,000)
- River (Popo 1:100,000)

Compiled from
 Mapping Branch
 PNG Forestry Dept
 P.O. Box 306, Port Moresby
 018 238 333, 330

NOTE: Smaller Concession areas are not shown due to Map Scale. Some of the currently explored Concession areas are shown. Refer to the back of this map for details on the Concession.

Western

plan_id	name	area	purchase	exp	constype	status
109	Bolano Fly	237,514.52			PFD	Proposed
110	Fly Block 1	262,711.11			PFD	Proposed
111	Fly Block 2	226,473			PFD	Proposed
115	Lake Murray Block 1	201,986.69			PFD	Proposed
116	Lake Murray Block 2	238,201.13			PFD	Proposed
117	Nomad Strabland	197,139.81			PFD	Proposed
118	East Arvin Extension	591,357.16			PFD	Proposed
119	Ningetum	720,876.16			PFD	Proposed
120	Moreshead / Suki Block 1	587,509.42			PFD	Proposed
121	Moreshead / Suki Block 2	295,829.47			PFD	Proposed

Gulf

plan_id	name	area	purchase	exp	constype	status
214	Kakoro	129,143.07				Proposed
215	Mesoro(Melaleuca)	79,080.95				Proposed

Central

plan_id	name	area	purchase	exp	constype	status
321	Trans Angabanga	76,676.49			PFD	
322	Transvapea	57,391.25			PFD	
323	Uda Meiso	299,434.69			PFD	
324	Brown River Timber area	13,913.32	03/03/1999		PFD	
325	Bareal Forest Area	145,630.71			PFD	

Mfne Bay

plan_id	name	area	purchase	exp	constype	status
509	Basaki Island	9,815.74			PFD	Proposed
512	East Woodland Island	10,060.35			PFD	Proposed
515	Sidela Island	2,377.51			PFD	Proposed
516	Suka Coast (West Side)	60,768.18			PFD	Proposed

Oro

plan_id	name	area	purchase	exp	constype	status
612	Musa Pongani	215,847.59				Proposed
613	Coro Lakama	582,740.49				Proposed

Southern Highlands

plan_id	name	area	purchase	exp	constype	status
709	Bosavi	130,863.86				Proposed
710	East Pangie	91,748.56				Proposed
711	Heliko	196,715.96			0	Proposed
712	Kutubu - Poroma	54,763			0	Proposed
713	Nogoli	27,530.88			0	Proposed
714	West Mount Giluwe	28,489.33			0	Proposed

Enga

plan_id	name	area	purchase	exp	constype	status
899	Saferu	165,784.08				Proposed

Western Highlands

plan_id	name	area	purchase	exp	constype	status
915	EAST KAMBA	3,206.29				Proposed
916	IWAQHI PLANTATIONS	3,366.88			PFD	Proposed
917	East Pangl	6,842.33				Proposed

Chimbu

plan_id	name	area	purchase	exp	constype	status
1,001	EBI	3,385.07				Proposed
1,002	BOGO KAWA	4,856.44				Proposed
1,003	DEGE PALUMA	14,036.9				Proposed
1,004	KARAKU BOMAI	151,013.22				Proposed
1,005	KALUTA BANDI	6,903.81				Proposed
1,006	KERGOMA	4,137.13				Proposed
1,007	KURIMULL	2,341.1				Proposed
1,008	MONDA	3,500.93				Proposed

Morobe

plan_id	name	area	purchase	exp	constype	status
1,216	Cromwell	67,057.46			PFD	Proposed
1,218	Lete Thet	37,283.91			PFD	Proposed
1,219	Salemau	33,325.94			PFD	Proposed
1,220	Wamail A&B	6,426.74			PFD	Proposed
1,221	Mezive TA	69,367.3				Proposed
1,227	Borong Timber Area	18,090.94				Proposed
1,228	Yegoman Timber Area	38,195.32				Proposed
1,228	Weka West Extension	14,876.33				Proposed
1,230	Morobe Coast Extension	111,857.12				Proposed
1,231	Timbe Kwama Timber Area	105,034.94				Proposed
1,232	Kwama Mesawang Timber Area	73,516.44				Proposed
1,296	Bursi-Awom	1,988.51				Proposed

Madang

plan_id	name	area	purchase	exp	constype	status
1,314	Middle Ranu Block 2	96,754.15			PFD	Proposed
1,315	Middle Ranu Block 3	30,917.95			PFD	Proposed

East Sepik

plan_id	name	area	purchase	exp	constype	status
1,406	Mungwaie Bongos	110,501.13			PFD	Proposed
1,407	Jeparaka Urino_Sossoya	80,411.36			PFD	Proposed
1,410	Yuat Ambon	987,729.5			0	Proposed
1,412	Apri River	96,059.55			PFD	Proposed
1,416	Keram Yuat	365,900.2			PFD	Proposed

West Sepik

plan_id	name	area	purchase	exp	constype	status
1,510	Ako-Samel	10,642.81			0	Proposed
1,511	Au East West	43,422.98			0	Proposed
1,512	east west pali	34,657.41			0	Proposed
1,513	Klenn Siewi	781,612.3			0	Proposed
1,514	Meimal Wenwan	100,392.06			0	Proposed
1,515	Mekte	10,951.31			0	Proposed
1,517	Schodicho	1,039.92			0	Proposed
1,520	WALUNG DANU	1,039.92			0	Proposed
1,523	Amanah 7	166,594.43				Proposed

Manus

plan_id	name	area	purchase	exp	constype	status
1,605	BLOCK 3	20,104.63				Proposed
1,606	BLOCK 4	16,496.17				Proposed
1,607	BLOCK 5	13,136.14				Proposed
1,608	BLOCK 6	31,090				Proposed
1,609	BLOCK 7	57,817.08				Proposed
1,610	Los Negros Island	5,510.91				Proposed
1,612	Rembafyo Island	9,784.69				Proposed

New Ireland

plan_id	name	area	purchase	exp	constype	status
1,721	Central New Hanover	37,029.44			PFD	Proposed
1,722	Kematu Huru	72,607.06			PFD	Proposed
1,723	Lamessa	16,227.42			PFD	Proposed
1,725	Lak-Karades	72,229.66			PFD	Proposed

East New Britain

plan_id	name	area	purchase	exp	constype	status
1,824	Cape Bogan	25,323.82				Proposed
1,825	Kolmal	57,179.24				Proposed
1,826	Wile Bay	49,910.97				Proposed
1,827	Melko Block 3	49,740.64				Proposed
1,828	Melko Wunung Block A	35,232.74				Proposed
1,829	Melko Wunung Block B	22,794.86				Proposed
1,830	Parabo Est	44,824.46				Proposed
1,832	Taru Helewater	34,525.34				Proposed
1,833	Upper Nakamal Plateau	6,176.81				Proposed
1,834	Lower Nakamal Plateau	27,234.79				Proposed
1,835	Wunung Sigile	39,410.28				Proposed
1,836	KEREVAT PLANTATION	1,781.05				Proposed
1,838	Sukol Timber Area	49,659.65				Proposed