

A photograph of a dense, lush green forest. Sunlight filters through the canopy, creating a bright, hazy atmosphere. The trees are tall and thin, with many smaller plants and ferns in the undergrowth.

**FOREST GOVERNANCE
INTEGRITY BASELINE REPORT**
PAPUA NEW GUINEA

Authors: Michael Avosa, FGI Programme Manager and Alfred Rungol, Research Assistant

© 2011 Transparency International Papua New Guinea Inc. All rights reserved.

ISBN 978-9980-86-301-0

Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of April 2011. Nevertheless, Transparency International PNG cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

© Cover photo: [istockphoto.com/Sze Fei Wong](http://istockphoto.com/Sze_Fei_Wong)

This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of Transparency International PNG and can under no circumstances be regarded as reflecting the position of the European Union.



Acknowledgements

Transparency International Papua New Guinea (TIPNG) extends its sincere thanks to the European Union for its generous financial support to undertake this worthwhile exercise. Furthermore it expresses its appreciation to those who participated in the project by providing advice and comments on the research: the National Research Institute, Partners with Melanesia, Eco Forestry Forum, World Wildlife Fund for Nature (WWF), The Nature Conservancy (TNC), Village Development Trust, Oil Palm Research Association (OPRA), PNG Forest Industries Association (FIA), SGS PNG Limited, Papua New Guinea Forest Authority (PNGFA), National Institute of Standards and Industrial Technology (NISIT), the Ombudsman Commission and the Investment Promotion Authority (IPA), the Department of Lands & Physical Planning and the Centre for Environmental Law and Community Rights (CELCoR).

Executive Summary

The forestry sector contributes 400 million PGK (approximately US\$153 million) to Papua New Guinea's (PNG) economy each year. This forestry sector suffers high levels of illegal logging, which is fuelled by weak legislation, ineffective institutions and high levels of corruption. Corruption has been identified as an issue for the country – with a score of 2.1 out of a possible 10 in Transparency International's Corruption Perceptions Index, there are perceptions of high levels of corruption in PNG.¹

In order to address corruption in the forestry sector, Transparency International has developed an anti-corruption monitoring tool to analyse corruption risks in the whole chain of activities in the forestry sector: the licensing/regulatory chain; the timber supply chain; the revenue chain; the reporting chain; and the enforcement chain.² Transparency International Papua New Guinea (TIPNG) used desk-based research and feedback from key stakeholders to assess levels of governance and corruption risks in each of these chains and identify certain trends. The initial research aims to provide a baseline of information on which further analysis and verification of results can take place.

The risk analysis identified five key areas with high corruption risk in the forestry sector:

- Regulatory chain: Passing or amending of forestry legislation
- Licensing chain: Incorporation of Land Groups
- Timber supply chain: Awarding timber permits and authority
- Timber supply chain: Monitoring logging operations and the environment
- Timber supply/ Revenue chain: Sale and export of logs

Levels of corruption, its impact and likelihood were assessed for each corruption risk area. In each case weaknesses in legislation and institutional capacity were found to provide opportunities for corruption. Legislative amendments were found to be influenced by the instability of the parliament, leading to potential corruption by politicians unsure of their hold on power. This has meant that since the *1991 Forestry Act*, amendments have tended to weaken regulations rather than address governance issues.

The rights of customary land owners, who are genuinely represented under the Incorporated Land Groups (ILGs) were found to be compromised due to lack of participation in processes and access to reliable resource information. The legislation on the awarding of permits and licences was considered to have weakened as new legislation in 2000 meant that the process for acquiring a licence has been shortened and the requirements reduced. Logging operations and their impact on the environment were also highlighted as a high risk area due to lack of monitoring.

Finally, physical inspections on export logs are only done on 10% random sampling. Thus, random sampling is seen as providing opportunity for logging companies to falsify documents relating to export volumes and species and thus export logs illegally.

Recommendations

Legislative Reform

- The *Forestry (Timber Permit Validation) Act 2007* poses significant problems to forest governance and sustainable forest management. This act should be repealed.
- The Incorporation of Lands Groups Act 1974 was amended to enable communities and landowners to participate in the decision-making in the forestry sector. A precondition of this, however, is to conduct a National Forestry Inventory and provide transparent information on the export of logs.
- Pre-shipment inspections of logs for export should be improved. Presently only a 10% random sampling of logs is physically inspected, this percentage should be increased to ensure that government taxes and landowner royalties are paid. This would help to curb illegal practices such as transfer pricing, illegal logging and export of banned species and underreporting of timber volumes.

Capacity Building

- Capacity building of stakeholders, especially customary land owners, is needed to enable them to participate in the monitoring of the forestry sector. They should be trained to use monitoring tools and to access information regarding the awarding of concessions.
- Institutional capacity should be improved to ensure that official duties are carried out. The Logging Code of Practice requires full time staff for its supervision.

Advocacy

- Advocacy efforts by civil society should focus on cooperating with the private sector and the government in order to ensure that the necessary legislative reforms are implemented and that processes are transparent (e.g. access to resource information for landowners).

Other Areas

TI PNG calls for two specific audits to be conducted in the industry:

- A forensic audit should be instituted to compensate the indigenous forest resource owners who have lost billions of Kina in revenue due to poor inspections of logs for export. This should be done by a state appointed independent accredited firm.
- There should be an independent external entity commissioned to carry out an operational audit of the current log export monitoring contractor and system.

Table of Contents

- 1 INTRODUCTION.....7**
- 2 METHODOLOGY & PROCESS.....8**
 - ADAPTATION OF THE MANUAL TO THE LOCAL CONTEXT8
 - IMPLEMENTATION OF THE MANUAL.....8
- 3 RESEARCH FINDINGS.....10**
 - HIGH RISK CORRUPTION AREAS.....11
 - Regulatory chain: The passing or amending of forestry legislation.....11*
 - Licensing chain: Incorporation of Land Groups.....11*
 - Timber supply chain: Awarding timber permits and authority.....12*
 - Timber supply chain: Monitoring logging operations and the environment.....13*
 - Timber supply / Revenue chain: Sale and export of logs.....14*
- 4 CONCLUSION15**
- 5 RECOMMENDATIONS.....16**
 - LEGISLATIVE REFORM.....16
 - CAPACITY BUILDING16
 - ADVOCACY16
 - OTHER AREAS16
- 6 BIBLIOGRAPHY.....17**

1 Introduction

When considering the forestry sector in Papua New Guinea (PNG), it is useful to be reminded of the preamble of the National Constitution that explicitly provides for the conservation of natural resources:

'We declare our fourth goal for Papua New Guinea's natural resources and environment to be conserved and used for collective benefit of us all, and to be replenished for the benefit of future generations.'

Despite this commitment, over the years there has been evidence that the 22 million ha³ of PNG's lush tropical rain forest is under threat. In 1989, the government commissioned Barnett Forest Inquiry⁴ exposed corruption in the sector. After the report findings were released Sir Anthony Siaguru in a weekly column said;

*'...the people of Papua New Guinea are selling our forestry resources without proper systems of checks and controls to a small group of greedy exploiters... Some of our own leaders who have a duty to protect us against exploitation and to preserve our resources... are the worst culprits...'*⁵

The Barnett report led to drastic reforms of the forestry sector with the enactment of the *Forestry Act 1991*. This Act established an autonomous Forestry Authority and imposed tighter controls on the allocation of forest concessions for development.⁶ The forest policy also called for an increase in log processing – currently 80% of PNG's logs are exported as unprocessed round logs – and for greater landowner participation. Despite the tightening of regulations, the *Forestry Act 1991* was subsequently undermined by contradictory amendments and weak implementation⁷. As a result, there has been no significant increase in log processing since 1991 and there is little evidence to show that resource owners (mainly local communities with customary ownership rights) have been empowered by the policy and legislation.

The enactment of the *Forestry (Timber Permit Validation) Act 2007* in effect legalised all logging permits and licenses that had been issued in violation of the 1991 Act. The legislation stated that the permits would not be invalidated "due to the absence, expiration or defect in a national forest plan or a national forest inventory".⁸ This amendment has enabled the logging industry to pursue their lucrative logging for export unabated. An estimated 2.4 million ha is currently earmarked as available for lease for agricultural expansion.⁹ While licences for this form of forest clearance need approval from the Ministry of Agriculture and the Forest Authority, the lack of a comprehensive National Forest Inventory and ineffective regulation of forest resources means that there is limited information available on which to base decisions, making the sector vulnerable to risks of corruption.

It appears that despite the *Forestry Act 1991*, PNG has largely ignored the warnings of the Barnett Inquiry resulting in considerable deterioration in the management of forest resources and increasing levels of illegal logging and corruption. This is likely to become an even bigger issue in the coming years, as PNG embarks on the Reducing Emissions from Deforestation and forest Degradation (REDD) programme, which seeks to provide financial incentives for developing countries to halt deforestation – in effect making their forests more valuable standing up than cut down. This latest policy development will involve considerable governance challenges that will be heightened by the already existing corruption in the sector. As a result TIPNG, in collaboration with TI Secretariat and the European Union has developed this risk mapping exercise to identify the greatest corruption risks in the sector and provide tools to promote an effective system of checks and controls.

2 Methodology & Process

The methodology used in this study is derived from Transparency International's Forest Governance Integrity Risk Manual,¹⁰ which provides a generic methodology for prioritising the corrupt practices that pose the greatest risk to forest governance — i.e. those practices that have the greatest impact and are the most likely to occur.

The methodology has been developed by Transparency International to assist civil society organizations to conduct a systematic corruption, accountability and transparency risk assessment in the forestry sector that leads to effective and targeted advocacy for change. It provides a framework to:

- Identify and analyse the corrupt practices in the forestry sector that pose the greatest risks to governance; and
- Identify and analyse the existing anti-corruption instruments that should be monitored in order to assess changes in the highest-risk practices.

The research is conducted using desk-based research of existing legislation and practice, and consultation with stakeholders to assess levels of corruption and specific risks. A risk map is produced to assess types and levels of corruption in each of the chains of activity making up the forestry sector: the licensing/regulatory chain; the timber supply chain; the revenue chain; the reporting chain; and the enforcement chain. The types of corruption identified by the desk research and consultation as being of *highest impact* and *most likely* to occur are highlighted as *High Risk Corruption Areas*.

Adaptation of the Manual to the local context

The Manual was presented to stakeholders for their input as to how to tailor it to the local context:

- One-on-one meetings: these were undertaken at various stages to get informal reactions to the project from relevant stakeholders. Most organisations felt that the project was a timely initiative and a positive contribution to dealing with corruption in the forestry sector.
- Two workshops: Held on the 5th and 17th February 2010, the first session dealt with the project and Manual, outlining the generic methodology; the discussions that followed concentrated on how the Manual could be improved and adapted to the local context. The session also dealt with the general characteristics of illegal logging in the forestry sector, including the legal situation in respect of the amendments made to the Forestry Act 1991, and with the role of government officials and the various ministries involved. The second session focused on gathering as much feedback, comments and recommendations and consolidated the views on how to formulate strategies for implementing the risk map.
- Consultation with government departments: Six key government agencies took part in the consultations¹¹. The team also contacted the Department of Agriculture and the Department of Environment and Conservation; letters were sent to the secretaries and telephone calls followed up, but no appointments were confirmed.

Implementation of the Manual

In August 2010, a draft framework based on the Manual was circulated to stakeholders and various agencies listed in the Annexes. The tool was developed to elicit qualitative inputs to be applied and used in the pilot for approval of relevant stakeholders.

Due to limited feedback from stakeholders on the tool, the FGI team took the initiative in identifying the corruption risks and undertook the ranking of risks in order to propose a baseline from which stakeholders could work. The general lack of feedback from stakeholders on the framework was attributed to unavailability to prior commitments, but as an ongoing process, stakeholders' comments will be included in the future.

The findings are based on consultative and participatory approaches include:

- Consultations with relevant stakeholders;
- Workshop outcomes, including recommendations; and
- Desk-based research using a variety of reports and background literature.

The generic risk analysis was made available to participants during the workshops and it was expected that they would undertake the ranking and verification of corruption risks. As limited feedback was received, a much simplified version was re-circulated to stakeholders to seek further expert analysis.

The desk-based research was the most influential aspect of the research and included literature reviews of reports by individuals, government agencies, NGOs and private sector organisations. Further information was gathered from media reports to substantiate the information provided by stakeholders related to specific cases, comments or recommendations.

3 Research Findings

TABLE 1: Summary of the greatest corruption risks in the forestry sector in Papua New Guinea

ACTIVITY	CORRUPTION THREAT	CORRUPTION PRACTICE
Undue influence in the passing or amending the Forestry Act 1991	Undue Influence on the Forestry Act (state capture): - Lack of consultation or improper consultation on changes to legislation. - Undue influence by powerful actors on processes for policy and regulation making.	Bribery used to: - Favour certain parties or special interests; - Weaken regulations on sustainable forestry practices; - Access reserve areas; - Avoid penalties or prosecutions; and - Manipulate legal systems.
Allocation of logging concessions through the Incorporation of Land Group (ILG)	Unequal and opaque procedures for the allocation of logging concessions through the Incorporation of Land Group (ILG) process: - None transparent mechanism for consultation. - Serious flaws in the ILG process.	Bribery used to: - Persuade officers to fast-track the process; - Encourage leaders to sign ILGs without due process; - Enable logging without the requisite ILG certificates. Collusion used to: - Allow companies to fully conduct this process without any independent representatives. Bribery used to: - Submit false information on ILG's procedures.
Award of timber permits	Undue influence by resource owners to persuade officials to issue timber licences without due process and influence on the Forestry ministry to interfere with procedures.	Bribery used to: - Persuade landowners to agree to the granting of timber licences; and - To avoid or fast-track procedures of the timber licence application process.
Monitoring of logging operations	Influence exerted to encourage officials to ignore the Logging Code of Practice 1996, including avoiding monitoring practices and not making assessments of environmental impact.	Bribery used to: - Persuade Forestry Monitoring Officers to ignore the Logging Code of Practice and the concerns of landowners; and - Avoid making or ignore the outcomes of environmental impact assessment reports.
The sale and export of logs	Companies may avoid inspections in order to undervalue logs for export in order to evade the taxes due on their exports or export tree banned tree species.	Bribery used to: - Acquire false declarations of volumes and species harvested; - Persuade officers to ignore irregularities in the volume and quality of exports.
Environmental monitoring	The destruction and contamination of food and water sources due to non-compliance with regulations on environmental protection and biodiversity conservation.	Bribery used to: - Avoid inspections by officers in line with policies and guidelines; and - Avoid the involvement of independent representatives doing inspections.
Payment of export taxes and royalty payments	Export taxes are evaded and the royalties due to landowners for logging on their land are unfairly distributed.	Bribery used to: - Influence the process of allocating royalties to landowners.

Based on the five governance and commodity chains (see figure 2 of the Manual), Table 1 above presents the mapping of all the associated activities in the forestry sector. The full risk map can be found in the Annexes, where each chain is represented by its *major activities* with *sub-activities* to clearly identify each practice, so that the stakeholders could give their input or make comments and recommendations.

The risks associated with a particular form of corruption in each governance/commodity chain were assessed on two different criteria:

- Impact: on a scale ranging from 1 (no impact) to 5 (catastrophic impact); and
- Likelihood: on a scale ranging from 1 (highly unlikely) to 5 (highly likely).

The assessment of impact relates to the consequences that such corrupt practices would have on society, including the creation and enforcement of legislation, the economy, political power and forest communities. The assessment of likelihood ranking considers the existing legislation and legal requirements for best practice, the implementation of these laws and regulations and how successful they have been.

High Risk Corruption Areas

Regulatory chain: The passing or amending of forestry legislation

Bribery may be used to favour certain parties or special interests, weaken regulations on sustainable forestry practices, and manipulate legal systems. Since it was approved the *Forestry Act 1991* has been systematically undermined through amendments and poor implementation. In particular, parliamentary approval for the *Forestry (Timber Permit Validation) Act 2007* meant that permits and licences that had been granted, potentially illegally, under the 1991 Act were legalised without due consideration or consultation. There were two particular omissions in the passing of this legislation that signal the risk of undue influence on the process: the law was passed to exempt or avoid a proper National Forestry Inventory being carried out so the legality of licences could not be checked; and the process did not involve public consultation.

The chart below (Table 2) presents a chronology of the amendments to the *Forestry Act 1991*. It includes the government ministers in order to give an overall account of whom and which political party was governing the Forestry Ministry at each point. The chart clearly illustrates the unstable political climate in PNG, breeding uncertainty in politicians over their hold on power. This uncertainty increases the likelihood that politicians will enact weak legislation that favours their political supporters. Moreover there are no mandatory standards in place at present to address this issue.

Licensing chain: Incorporation of Land Groups

In 1974 PNG enacted the *Land Groups Incorporation Act*, which provided a process by which customary landowners are formally recognised by the legal system.¹² The Incorporated Land Group (ILG) becomes a representative of a group and is able to enter into formal agreements on its behalf. There are serious flaws in the ILG process, however, which does not enable ILGs to register their land.¹³ Land does not change hands between customary owners and loggers; it is only the trees that are negotiated in a contract; the negotiations take place with the National Forest Service, in what has been described as a 'back door' method of allocating land.¹⁴ Furthermore, where the state through the acquisition of various timber concessions uses land on a temporary basis for harvesting logs, no rents are collected for the land owners. As a result, customary groups are disenfranchised from the process, and do not have the opportunity to participate in ways that would benefit them socially and economically.

The government has provided few resources to implement the *Land Groups Incorporation Act*, and its processes are opaque and poorly monitored. This provides opportunities for officials to be manipulated in the allocation of lands to customary groups. For example, officials may be bribed to fast-track procedures or persuade leaders to sign agreements without due process. The consultation of customary landowners about developments on their land is weak; a 2001 review by the World Bank found that 90% of landowners did not understand the implications of belonging to an incorporated land group.¹⁵

As a result, landowners are denied their right to reliable resource information about developments on their land and the value of their resources. As the National Forest Service negotiates contracts with loggers and also disburses royalties, land owners have little control over what they are paid or oversight to ensure that they receive their rightful payments.

There are currently moves to improve policy in this area and the Act is being reviewed. Changes will only have a significant effect on the risks of corruption, however, if they are fully resourced and customary groups are given the opportunity to participate meaningfully in processes that affect them.

TABLE 2: Chronology of forestry legislation in Papua New Guinea

YEAR	COI	NAME		FORESTRY LEGISLATION
1982-1987	Pre-Barnett Col			Forestry (Private Dealings) Act of 1971
				Forestry Act of 1973
				Forest Industries Council Act of 1979
		Hon. Ted Diro MP	PAP	
1987-1992	Post Barnett Col	Hon. Karl Stack MP	PPP	
		Hon. Jack Genia MP	PP	Forestry Act of 1991
1992-1997		Hon. Tim Neville	PDM	Forestry Amended Act of 1993
		Hon. Andrew Baing MP	PPP	Forestry Amended Act of 1996
1997-2002				Forestry Amended Act of 2000
		Hon. Fabian Pok MP	PNC	
		Hon. Peter Arul MP	PNC	
		Hon. Michael Ogio MP	PDM	
2002-2007		Hon. Patrick Pruaitch MP	NA	Forestry Amended Act of 2005
				Forestry Amended Act of 2006
2007-2009				Forestry [TPV] Act of 2007 ¹
		Hon. Belden Namah MP	NA	Forestry Amended Act of 2010

¹ Forestry (Timber Permit Validation) Act of 2007

Note: People's Action Party (PAP), Pangu Party (PP), People's Democratic Movement (PDM), People's Progress Party (PPP), People's National Congress (PNC) and the National Alliance (NA) party.

Timber supply chain: Awarding timber permits and authority

The award of permits is at the discretion of the National Forest Service and there is a risk of undue influence being exerted on officials to issue timber permits and authority without due process. This can take the form of persuading officials to induce landowning groups to agree to the permits without providing adequate information, or fast-tracking procedures for licence applications for certain companies.

There are weaknesses in the system of awarding permits, particularly since the Forestry Act 1991 was amended to make the process less demanding for the logging industry. The amendment enabled companies to avoid the steps initially outlined in section 90, which had constituted a rigorous process to obtain a permit for the conversion of forests, primarily for agricultural purposes. This has led to a small number of logging companies acquiring a significant proportion of timber concession areas, leading to imbalances of power among operators. This in turn has disempowered customary resource owners who have been disenfranchised from the process.



Timber supply chain: Monitoring logging operations and the environment

The annual allowable cut (quota) for all concessions is now in conflict with the passing of the *Forestry (Timber Permit Validation) Act 2007*, which legalised permits previously issued under section 47 of the *Forestry Act 1991*. A National Forestry Inventory was stipulated under the *Forestry Act 1991* to determine the sustainability of each logging concession, but has not been implemented, making it difficult to monitor forest operations and leading to logs being exported without an accurate appraisal of the standing forest volume.

Although logging operations are subject to the Logging Code of Practice 1996, officials may be influenced to avoid its provisions, especially as monitoring of the Code is weak. Independent studies have found issues with non-compliance in the sector,¹⁶ highlighting the weak performance of monitoring and enforcement bodies. There is also the added risk of permit holders sub-contracting their harvesting obligations to other parties to avoid penalties in the case of non-compliance with logging standards.

There are two main issues in relation to the *Environment Act 2000*: the approval processes in the environment plan and the ineffective monitoring of the Logging Code of Practice and the 24 Key Logging Standards. The government's main weakness has been under-funding of the Department of Environment & Conservation. As such, capacity issues have led to unsupervised logging operations with scant regard for environmental safeguards. This

means that there is a risk that inspectors may be persuaded to forego environmental inspections, leading to logging companies harming the environment and potentially contaminating food and water resources of local communities¹⁷.

Timber supply / Revenue chain: Sale and export of logs

In order to evade taxes and royalties due on their exports or to export banned volumes or species of trees, companies may seek to avoid inspections on their logs. Although PNG's independent log inspector claims that there is no illegal logging the monitoring of logs for sale and export is flawed. As a result, companies that deliberately make false declarations and export banned species or miscalculate volumes for export are rarely identified.

The tax paid on log exports ranges from 20%-35% and averages about 30% each year. It depends on the volume and species of the logs exported and is paid directly to the Internal Revenue Commission.¹⁸ The state approved monitoring contractor is only obliged to inspect 10% sampling of the total log export volume, - which obviously means that 90% of logs are passed without being inspected. Furthermore, even if discrepancies are identified or reported relating to the 90% un-inspected volume there is no obligation for these discrepancies to be reported.¹⁹ The Forest Authority uses the FD 66 form to record harvest volumes, which are initially filled out by logging companies and then forwarded to the Forest Authority, which calculates the royalty payments due to resource owners. This declaration is rarely audited or inspected by an independent certifying body. There have been a number of legal cases cited whereby landowners have been misidentified as a result of fake landowners claiming royalty payments for log harvests.²⁰ These weaknesses lead to loss of state revenue, reduced benefits (royalties) for resource owners and increased corruption.

It appears that for the last 20 years resource owners after having their timber rights transferred to the State are largely unaware that only 10% of their logs have been physically inspected. There have been some steps towards improvements such as bar coding logs in recent years. In 2009, SGS, a Swiss certifier, which has been working in PNG for 15 years, inspecting and certifying logs, was awarded a tender to develop new standards for a certification process that will be available on a voluntary basis.²¹ The introduction of this certification process, the Timber Legality and Timber Verification scheme, was developed early 2010 to verify timber harvest from legally sourced areas with co-funding from International Tropical Timber Organisation. This certification process would of course lend some legitimacy to log exports, but is undermined by the *Forestry (Timber Permit and Validation) Act 2007*. As a result, the combination of the two has lead to actually legitimising activities that might otherwise have been illegal.

4 Conclusion

There are considerable flaws in the legislation on forestry, the environment and the incorporation of land groups, coupled with poor implementation capacity, that pose significant corruption risks in the forest sector. Lack of capacity in key institutions, such as the Department of Environment and Conservation, the Registrar of Land Groups (the Department of Land and Physical Planning) and the PNG Forestry Authority has led to a lack of transparency and limited participation of stakeholders in forestry regulatory processes: consultation mechanisms are opaque and the ILGs have not been utilised in a way that includes the views of resource owners.

Transparency and freedom of information are recognised by the Constitution, but are not reflected in specific laws. Notably, there are no regular independent auditing processes: audits tend to be done on an ad hoc basis, and the annual returns of forest concessions are not effectively monitored. This has led to a range of corrupt practices, including opportunities for bribery, the exertion of undue influence and non-compliance with legislative procedures and systems.

Without transparency and adequate information on the forestry sector, it is impossible for independent monitoring of activities to take place. Resource owners in particular do not have access to the information they require in order to make informed decisions about their land. Despite the ILGs, landowners still have limited access to economic information and data relating to their resource areas, particularly as a National Forestry Inventory has not been conducted.

Finally, there appears to be a lack of political will to address corruption in the sector. Despite numerous reports illustrating the inaction of the government and its industry partners, including two reports commissioned sanctioned by the government, the ITTO Diagnostic Report 2007 and ODI Reports 2007,²² they have had little impact on policy – illustrated by the enactment of the *Forestry (Timber Permits Validation) Act 2007*.

5 Recommendations

Legislative Reform

- The *Forestry (Timber Permit Validation) Act 2007* poses significant problems to forest governance and sustainable forest management. This act should be repealed.
- The Incorporation of Lands Groups Act 1974 was amended to enable communities and landowners to participate in the decision-making in the forestry sector. A precondition of this, however, is to conduct a National Forestry Inventory and provide transparent information on the export of logs.
- Pre-shipment inspections of logs for export should be improved. Presently only a 10% random sampling of logs is physically inspected, this percentage should be increased to ensure that government taxes and landowner royalties are paid. This would help to curb illegal practices such as transfer pricing, illegal logging and export of banned species and underreporting of timber volumes.

Capacity Building

- Capacity building of stakeholders, especially customary land owners, is needed to enable them to participate in the monitoring of the forestry sector. They should be trained to use monitoring tools and to access information regarding the awarding of concessions.
- Institutional capacity should be improved to ensure that official duties are carried out. The Logging Code of Practice requires full time staff for its supervision.

Advocacy

- Advocacy efforts by civil society should focus on cooperating with the private sector and the government in order to ensure that the necessary legislative reforms are implemented and that processes are transparent (e.g. access to resource information for landowners).

Other Areas

TI PNG calls for two specific audits to be conducted in the industry:

- A forensic audit should be instituted to compensate the indigenous forest resource owners who have lost billions of Kina in revenue due to poor inspections of logs for export. This should be done by a state appointed independent accredited firm.
- There should be an independent external entity commissioned to carry out an operational audit of the current log export monitoring contractor and system.

6 Bibliography

- Achieving 2000 Objectives for PNG. Tokyo: ITTO (2007).
- Aitsi, Peter J. "Government and Media Regulations: The Papua New Guinea Experience." Development Research Symposium. Suva, FIJI. 2010. Speech.
- Australian Conservation Foundation, and The Centre for Environmental Law and Community Rights. *Bulldozing Progress: Human Rights Abuses and Corruption in Papua New Guinea's Large Scale Logging Industry*. Rep. Carlton: Australian Conservation Foundation, 2006. Print.
- Brunton, Brian D. *Underlying Causes of Deforestation and Forest Degradation: Forest Loss in Papua New Guinea*. Rep. 1998. Web. 20 May 2010. <<http://www.wrm.org.uy/deforestation/Oceania/Papua.html>>.
- Bun, Yati A, Timothy King, and Timothy Shearman. *China and Forest Trade in the Asia-Pacific Region: Implications for Forests and Livelihoods*. Publication. (Port Moresby): Forest Trend, 2004. Print.
- Canberra Friends of PNG Association. *Partners in Crime: The Political Web That Supports the Illegal Kiunga Aiambak Timber Project*. Rep. (Sydney): Canberra Friends of PNG Association, 2000. Print.
- Diagnostic Mission to PNG. *Achieving the ITTO Objective 2000 and Sustainable Forest Management in Papua New Guinea*. Rep. Port Moresby: Diagnostic Mission to PNG, 2007. Print.
- Forestry Act 1991. Port Moresby: Government of Papua New Guinea. GoPNG. (1991).
- Forestry [Timber Permit Validation Act] of 2007. Port Moresby: Government of Papua New Guinea. GoPNG. (2007).
- Green Peace. *The Untouchables: Rimbunan Hijau's World of Forest Crime & Political Patronage*. Rep. Amsterdam: Greenpeace International, 2004. Print.
- International Tropical Timber Organization. *Achieving the ITTO Objective 2000 and Sustainable Forest Management in Papua New Guinea: Report of the Diagnostic Mission*. Rep. Port Moresby: Diagnostic Mission to PNG, 2007. Print.
- ITS Global Asia Pacific. *The Economic Importance of the Forestry Industry to Papua New Guinea*. Rep. Melbourne: ITS Global, 2006. Print.
- ITS Global Asia Pacific. *Whatever It Takes: Greenpeace's Anti-Forestry Campaign in Papua New Guinea*. Rep. Melbourne: ITS Global, 2006. Print.
- Logging Code of Practice. Port Moresby: PNG Forest Authority. GoPNG. (1996).
- Masalai I Tokaut. "Conspiracy to Defraud: Yet More Corruption in the Logging Industry." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 24 (28 Oct. 2003): 1-5. Print.
- Masalai I Tokaut. "Forest Minister beyond the Law." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 22 (28 Oct. 2003): 1-2. Print.
- Masalai I Tokaut. "Forest Minister Tries to Gag Debate." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 49 (20 Nov. 2006): 1-5. Print.
- Masalai I Tokaut. "Forest Minister Unlawfully Intervenes to Block National Forest Board Meeting." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 29 (24 June 2004): 1-4. Print.
- Masalai I Tokaut. "Kina Securities Owned by Rimbunan Hijau Fraud and a Web of Lies Hides Kina's True Identity." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 44 (6 Mar. 2006): 1-8. Print.
- Masalai I Tokaut. "Minister Interferes to Promote Industry 'Yes-Man' to Top Job." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 40 (31 July 2005): 1-4. Print.
- Masalai I Tokaut. "Profiting from Destruction: The ANZ Bank and the PNG Logging Industry." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 42 (18 Jan. 2006): 1-5. Print.
- Masalai I Tokaut. "Review Findings Highly Critical of Rimbunan Hijau Logging Projects." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 32 (20 Sept. 2004): 1-10. Print.
- Masalai I Tokaut. "The Rape of Gulf Province - Independence Special." *Blowing the Whistle on Forestry Corruption in Papua New Guinea* 41 (8 Oct. 2005): 1-8. Print.

- National Forest Policy, National Forest Policy (p. 63). Port Moresby: Government of Papua New Guinea. PNG, (1991).
- National Research Institute. "Verification of Result." Interview. 1 Oct. 2010. Print.
- Office of Counter - Intelligence. *Suspicious Logging Deals in Baimuru*. Rep. Port Moresby: National Intelligent Organization, 2000. Print.
- Office of Director General. *Violation of Forestry Laws and Landowners Rights*. Rep. Port Moresby: National Intelligent Organization, 2000. Print.
- Overseas Development Institute. *Issues and Opportunities for the Forest Sector in Papua New Guinea*. Rep. London: Overseas Development Institute, 2007. Print. Papua New Guinea Forest Studies 2.
- Overseas Development Institute. *Issues and Opportunities for the Forest Sector in Papua New Guinea*. Rep. London: Overseas Development Institute, 2007. Print. Papua New Guinea Forest Studies 3.
- Overseas Development Institute. *What Can Be Learnt from the Past? A History of the Forestry Sector in Papua New Guinea*. Rep. London: Overseas Development Institute, 2007. Print. Papua New Guinea Forest Studies 1.
- Pacific Islands News Association, ed. "Papua New Guinea, Corruption, and Freedom of Information." *PACNEWS In Focus*. 11 Dec. 2008. Web. 2010. <http://www.humanrightsinitiative.org/new/2008/png_corruption_&_foi.pdf>.
- The Papua New Guinea Eco-Forestry Forum. *Forest Law and Governance Requirements PNG EFF Position Paper No.1*. Tech. (Port Moresby): Papua New Guinea Eco-Forestry Forum, 2007. Print.
- Papua New Guinea Forest Authority. *34 Steps for Processing Forestry Project (Standard Form Checklist)*. Rep. 5 Jan. 2007. Web. 12 May 2010. <<http://www.forestry.gov.pg/site/index.php>>.
- Papua New Guinea Forest Authority. Advertisement. *Forestry (Amendment) Bill 2005*: 1-9. Print.
- Papua New Guinea Forest Authority. "K6m for Forest Inventory in 2009: Board Chairman." *Forestry Newsletter* 18 (Mar. 2009): 8. Print.
- Post-Courier Online. "Forestry Loses out on VAT." *Viewpoints*. 9 Oct. 2003. Web. 2 Apr. 2010. <<http://www.postcourier.com.pg/20031009/news01.htm>>.
- Private Sector and Trading Monitoring Division. *Inspection Report*. Rep. Port Moresby: Department of Labor and Employment, 2004. Print.
- Siaguru, A. (2001). In-house in Papua New Guinea with Anthony Siaguru. Canberra: Asia Pacific press.
- Tong, P.S, H.K Chen, J. Hewitt, and A. Affre. *Review of Trade in Merbau From Major Range States*. Publication. Petaling Jaya, Selangor: TRAFFIC Southeast Asia, 2009. Print.
- Transparency International Secretariat. *Analysing Corruption in the Forestry Sector*. Tech. Berlin: Forest Governance Integrity Programme Transparency International, 2010. Print.
- University of the South Pacific. "Customs Act 1951." *Pacific Islands Legal Information Institute*. 1998. Web. 17 Mar. 2010. <http://www.paclii.org/pg/legis/consol_act/ca1951124>.
- University of the South Pacific. "Customs Tariff Act 1990." *Pacific Islands Legal Information Institute*. 1998. Web. 18 Mar. 2010. <http://www.paclii.org/pg/legis/consol_act/cta1990178>.
- University of the South Pacific. "Environment Act 2000." *Pacific Islands Legal Information Institute*. 1998. Web. 6 Apr. 2010. <http://www.paclii.org/pg/legis/consol_act/ea2000159>.
- University of the South Pacific. "Land Act 1996." *Pacific Islands Legal Information Institute*. 1998. Web. 16 Mar. 2010. <http://www.paclii.org/pg/legis/consol_act/la199648/>.
- University of the South Pacific. "Land Groups Incorporation Act 1974." *Pacific Islands Legal Information Institute*. 1998. Web. 16 Mar. 2010. <http://www.paclii.org/pg/legis/consol_act/lgia1974292/>.
- University of the South Pacific. "Land Groups Incorporation Regulation 1974." *Pacific Islands Legal Information Institute*. 1998. Web. 18 Mar. 2010. <http://www.paclii.org/pg/legis/consol_act/lgia1974292/>.

Notes

¹ Transparency International's Corruption Perceptions Index scores countries from 0-10, with 10 indicating highly clean and 0 highly corrupt. The Index is based on 'perceptions' of corruption in 180 countries. See: http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results.

² See: http://www.transparency.org/content/download/57705/923172/file/FGI_risk-manual-edit_final.pdf.

³ FAO, Asia Pacific Forestry Sector Outlook Study II, Working Paper Series no. APFSOS II/WP/2009/19, Bangkok, 2009, p.32. See <http://www.fao.org/fileadmin/templates/rap/files/APFSOS/2009-19PNG.pdf>.

⁴ Barnett, T.E. 1989. Report of the Commission of Inquiry into Aspects of the Forest Industry: Final Report (2 volumes).

⁵ Siaguru, A. (2001). In-house in Papua New Guinea with Anthony Siaguru. Canberra: Asia Pacific press.

⁶ For a full list of PNG forest regulations, see <http://www.forestry.gov.pg/site/page.php?id=50>.

⁷ Forest Ministerial Chart figure X

⁸ See http://www.illegal-logging.info/item_single.php?it_id=2524&it=news&printer=1.

⁹ Donors open the door for land grab in PNG, 13 May 2010 at farmlandgrab.org/12716.

¹⁰ Transparency International, *Analysing Corruption in the Forestry Sector*, Berlin, 2010, available at http://www.transparency.org/content/download/57705/923172/file/FGI_risk-manual-edit_final.pdf

¹¹ See acknowledgement.

¹² See: http://www.ausaid.gov.au/publications/pdf/MLW_VolumeTwo_CaseStudy_1.pdf.

¹³ Ibid.

¹⁴ Ibid. Quoting Kalinoe 2003.

¹⁵ Ibid.

¹⁶ Overseas Development Institute, 'Issues and Opportunities for the Forest Sector in Papua New Guinea' (London: Overseas Development Institute, 2007). Papua New Guinea Forest Studies 3.

¹⁷ Logging Code of Practice (Port Moresby: PNG Forest Authority, 1996).

¹⁸ FAO, 2009.

¹⁹ 'Procedures for Exporting Logs' (Port Moresby: PNG Forest Authority, 1996), Confidentiality of information p.15.

²⁰ [1994] PNGLR 1 N920 PNG National Court of Justice *Mussau Timber Development Pty Ltd v (Mussau islanders)*.

²¹ See: <http://www.businessadvantagepapuanewguinea.com/>, p.30.

²² See ITTO, 'Achieving 2000 Objectives for PNG', (Tokyo: ITTO, 2007).

7 Annexes

February 2010 Workshop Participants List

NAME	ORGANISATION	TITLE	ATTENDANCE	
			5 th	17 th
Zola Sangga	WWF	Community Forestry Officer	●	
Ted Memu	WWF	Forest Coordinator		●
Sylvia Avitu	Eco Forestry Forum	Communication Officer	●	●
Nanai Puka-Areni	Eco Forestry Forum	Program Manager	●	
Sathisha Lane	Eco Forestry Forum	Program Officer		●
Robert Songan	Village Development Trust	A/Executive Director	●	●
Gabriel Samol	PNGFIA	Assist. Exec. Officer	●	
Charles Rawali	PNG Forest Authority	PNGFA Officer		●
Taksey Dobon	Madang Forest Resource Owner Association	Executive Officer	●	
Foe Oii	SGS (PNG) Limited	Operation Manager	●	●
Wardman Bauso	SGS (PNG) Limited	Log Inspector, Coordinator	●	●
George Damien	Independent Timbers & Stevedoring Limited	Foresters	●	●
Oscar Ina	Independent Timbers & Stevedoring Limited	Foresters	●	
Neville Harsley	Independent Timbers & Stevedoring Limited	Managing Directors		●
Daisy Culligan	Centre of Environment Law & Community Rights	Lawyer	●	●
Rebecca Asigau	Centre of Environment Law & Community Rights	Intern	●	●
David Warpui	Environment Law Centre	Lawyer	●	
Nalau Bingeding	PNG National Research Institutes	Researcher	●	
Francis Hurahura	The Nature Conservancy	Executive Director		●
OBSERVERS				
Lou Graham	Law & Justice Sector	Anti-Corruption Advisors	●	
John Toguata	Law & Justice Sector	Anti-Corruption Advisors	●	
MEDIA				
Caldron Laepa	Post Courier	Reporter	●	
Eddie Moses	Sunday Chronicle	Reporter	●	
Team	Kundu 2	Reporter	●	

Generic Mapping of Corrupt Practices in Forestry Sector

ACTIVITY	KEY ACTORS		CORRUPTION THREAT	CORRUPTION PRACTICES	RANKING		RISK L x I
	National	Provincial			Likelihood (1-5)	Impact (1-5)	
REGULATION (HOW RULES ARE ESTABLISHED)							
Undue influence in the passing or amending the Forestry Act 1991	National government, Members of Parliament, Ministry of Forests, National Forest Board, logging industries	Provincial Government, PFMC, Area Forestry Office	Undue Influence on the Forestry Act (state capture): - Lack of consultation or improper consultation on changes to legislation. - Undue influence by powerful actors on processes for policy and regulation making.	Bribery used to: - Favour certain parties or special interests; - Weaken regulations on sustainable forestry practices; - Access reserve areas; - Avoid penalties or prosecutions; and - Manipulate legal systems.	5	4	20
Passing / Amending of Forest Policies & Regulations	SAME AS ABOVE		Undue Influence on forest polices and regulations (state capture).	Bribery used to: - Allow illegal logging operations - Access reserve areas; and - Manipulate legal systems.	5	4	20
Passing / Amending of other acts, policies & regulations in relation to forestry operations: - Customs Act, Custom tariff - Export - Investment Promotion Act - Lands Act - Companies Act - Environment Act - Flora + Fauna Protection Act	National government, Members of Parliament, Ministry of Forests, Ministry of Treasury, IRC, other ministries, logging industry	Provincial government, PFMC, Area Forestry Office	Undue Influence on these acts, polices & regulations (state capture).	Bribery used to: - Favour certain parties or special interests; - Weaken regulations on sustainable forestry practices; - Access reserve areas; - Avoid penalties or prosecutions; and - Manipulate legal systems.	5	4	20

LICENSING (WHO GETS TO OPERATE)

<p>Allocation of logging concessions through the Incorporation of Land Group (ILG)</p>	<p>National government, Ministry of Forests, PNG Forest Authority, Ministry of Lands, IPA, Department of Lands, logging industry</p>	<p>Provincial government, PFMC, Area Forestry Office, resource owners</p>	<p>Unequal and opaque procedures for the allocation of logging concessions through the Incorporation of Land Group (ILG) process:</p> <ul style="list-style-type: none"> - No transparent mechanism for consultation. - Serious flaws in the ILG process. 	<p>Bribery used to:</p> <ul style="list-style-type: none"> - Persuade officers to fast-track the process; - Encourage leaders to sign ILGs without due process; - Enable logging without the requisite ILG certificates. <p>Bribery used to:</p> <ul style="list-style-type: none"> - Allow companies to fully conduct this process without any independent representatives. <p>Bribery used to:</p> <ul style="list-style-type: none"> - Submit false information on ILG's procedures 	<p>5 × 4 = 20</p>
<p>Resource Acquisition Process (Land Type & Matter)</p> <p>*Timber Rights Purchase *Local Forest Areas *Forest Management Agreement *Consent of Landowners</p>	<p>National government, Ministry of Forests, PNG Forest Authority, Ministry of Lands, Department of Lands, Ministry of Agriculture, logging industry</p>	<p>Provincial government, PFMC, Area Forestry Office, resource owners</p>	<ul style="list-style-type: none"> - No proper land use planning to classify resource areas. - Poor implementation of the processes and procedures outlined in the Forestry Act. - Undue influence in the signing of timber rights without consent of landowners. - FMA conditions are not followed or implemented by developers. 	<p>Bribery used to:</p> <ul style="list-style-type: none"> - Manipulate the acquisition process including improper land use planning. <p>Bribery used to:</p> <ul style="list-style-type: none"> - Influence decision-making processes in the NFB; - Induce clan leaders to sign FMAs without following proper procedures; - Encourage forestry officers to overlook complaints about developments. 	<p>3 × 4 = 12</p>
<p>Resource Allocation</p> <p>*Development Option Study *Tendering of Project *Project Negotiations *Project Agreement</p>	<p>National government, Ministry of Forests, PNG Forest Authority - National Forest Board Ministry of Environment and Conservation, IPA, PNGFIA</p>	<p>Provincial government, PFMC, Area Forestry Office, resource owners</p>	<p>No information is available on public tenders for the forestry project. Risk of manipulation of the system in favour of certain developers.</p>	<p>Bribery used to:</p> <ul style="list-style-type: none"> - Influence forestry officers and committees to make decisions in favour of certain developers. 	<p>3 × 4 = 12</p>

<p>Award of timber authority / permits</p> <p>*Application for Timber *Granting Timber Authority * Conviction of the Holder (TA) *Conversion of Forest area to agricultural or other land use *Conversion of forest for road line clearance</p>	<p>National government, PNG Forest Authority, National Forest Board, Ministry of Agriculture, Ministry of Environment and Conservation, Ministry of Lands, Ministry of Transport, Ministry of Works, IPA</p>	<p>Provincial government, PFMC, Area Forestry Office, resource owners</p>	<p>Undue influence by resource owners to persuade officials to issue timber licences without due process and influence on the Forestry ministry to interfere with procedures.</p>	<p>Bribery used to:</p> <ul style="list-style-type: none"> - Persuade landowners to agree to the granting of timber licences; and - To avoid or fast-track procedures of the timber licence application process. 	<p>5 × 4 = 20</p>
--	--	---	---	--	-------------------

TIMBER SUPPLY (HOW RULES ARE OPERATIONALIZED)

<p>Harvesting Planning Procedures</p> <p>*5 Year Working Plan *Annual Working Plan *Set-Up Plan</p>	<p>Ministry of Forestry, PNG Forest Authority, logging industries</p>	<p>Provincial government, PFMC, Area Forestry Office, resource owners</p>	<p>Poor implementation of harvesting work plans.</p>	<p>Bribery used to:</p> <ul style="list-style-type: none"> - Avoid some processes and to fast track the procedures. 	<p>4 × 3 = 12</p>
<p>Monitoring of logging operations</p>	<p>PNG Forest Authority, Ministry of Environment and Conservation, logging industries</p>	<p>Provincial government, PFMC, Regional Forestry Office, resource owners</p>	<p>Influence exerted to encourage officials to ignore the Logging Code of Practice 1996, including avoiding monitoring practices and not making assessments of environmental impact.</p>	<p>Bribery used to:</p> <ul style="list-style-type: none"> - Persuade Forestry Monitoring Officers to ignore the Logging Code of Practice and the concerns of landowners; and - Avoid making or ignore the outcomes of environmental impact assessment reports. 	<p>4 × 5 = 20</p>
<p>Species identification and tagging</p>	<p>SAME AS ABOVE</p>		<p>Mis-identification and Under-reporting of volumes and Log grading.</p>	<p>Bribery used to:</p> <ul style="list-style-type: none"> - Encourage officers to manipulate the process. 	<p>3 × 5 = 15</p>

Development of infrastructure	National government, PNG Forest Authority, Ministry of National Planning, Ministry of Community Development, logging operators	Provincial government, PFMC, Regional Forestry Office resource owners	Breaching of timber permits conditions in terms of construction of infrastructure, such as roads, bridges and culverts.	Bribery used to: - Avoid the concerns raised with regards to non-compliance with Timber Permit agreements.	$4 \times 4 = 16$
Timber Processing (sawn timber)	PNG Forest Authority, sawmilling industries, logging operators	Provincial government, PFMC, Area Forestry Office, resource owners	Operating without necessary licenses and approvals (e.g. Disposal Permits) Failure to meet license provisions, including pollution control standards.	Bribery used to: - Persuade officers to ignore infringements in the timber processing regulations, including pollution control.	$2 \times 4 = 8$
The sale and export of logs - Export license - Export permit	SAME AS ABOVE		Companies may avoid inspections in order to undervalue logs for export in order to evade the taxes due on their exports or export tree banned tree species.	Bribery used to: - Acquire false declarations of volumes and species harvested; - Persuade officers to ignore irregularities in the volume and quality of exports.	$5 \times 4 = 20$
Labour and employment	National government, Ministry of Forestry, Ministry of Labour, Ministry of Foreign Affairs, Ministry of Commerce, Ministry of Community Development	Provincial government, PFMC Area Forestry Office, resource owners, logging operators	- Failure to meet PNG government minimum wage requirement (no NASFUND contribution). - Non Compliance with the Non-Citizen Act - Human Rights Abuses - Manipulation of the system to falsely state a foreign employee's eligibility for work visa approval	Bribery used to: - Persuade officers not to investigate, report or withhold information from investigations; - Manipulate immigration law; - Repress resource owners; and - Produce false documentation and cheat proper procedures.	$4 \times 4 = 16$
Health and Safety	SAME AS ABOVE		- Poor living condition of the workers - No environmental approval for the camp site - Health and Safety equipment is not provided - Unjust working conditions for labourers and employees	Bribery used to: - Avoid the implementation of agreed conditions of the permits; - Avoid health and safety requirements; and - Avoid reports on the conditions of the logging sites and therefore avoid prosecution.	$4 \times 4 = 16$

Landowners Rights	National government, Ministry of Forests, Ministry of Health, Ministry of Community Development, Ministry of Environment and Conservation, PNGFIA	Provincial government, PFMC, Area Forestry Offices, resource owners	Influence on National Forest Service and other officials to see the rights of the Resource Owners are not properly represented.	Bribery used to: <ul style="list-style-type: none"> - Favour logging companies as opposed to resource owners concerns; and - Encourage police officers to intimidate employees and landowners. 	4 × 3 = 12
--------------------------	---	---	---	--	------------

Environmental monitoring	National government, Ministry of Forestry, Ministry of Environment and Conservation, Ministry of Community Development	Provincial government, PFMC, Area Forestry Offices, resource owners	The destruction and contamination of food and water sources due to non-compliance with regulations on environmental protection and biodiversity conservation.	Bribery used to: <ul style="list-style-type: none"> - Avoid inspections by officers in line with policies and guidelines; and - Avoid the involvement of independent representatives doing inspections. 	5 × 4 = 20
---------------------------------	--	---	---	---	------------

REVENUE (WHAT HAPPENS TO LOGGING PROCEEDS)

Royalty Payments	PNG Forest Authority, Ministry of Finance, Auditor Generals Office, PNGFIA SGS Ltd	Provincial government, PFMC, Area Forestry Offices, resource owners	Royalties due to landowners for logging on their land are unfairly distributed.	Bribery used to: <ul style="list-style-type: none"> - Influence the process of allocating royalties to landowners. 	5 × 4 = 20
-------------------------	--	---	---	---	------------

Reforestation Levies	SAME AS ABOVE		Trust Deeds and trusteeship not disclosed.	Bribery used to: <ul style="list-style-type: none"> - Avoid payment or to manipulate the use of the levies for self interest. 	3 × 4 = 12
-----------------------------	---------------	--	--	--	------------

Export Tax (Logs)	Ministry of Forestry, PNG Forest Authority, PNGFIA Ministry of Finance, IRC, Auditor General Office	Provincial Govt' PFMC, Area Forestry Offices, resource owners	Undue influence to exempt companies from export duty on logs and to enable transfer pricing of log shipments.	Bribery used to: <ul style="list-style-type: none"> - Support and grant tax concessions. 	4 × 4 = 16
--------------------------	---	---	---	---	------------

REPORTING (HOW OPERATIONS ARE MONITORED)

Annual Harvesting	National government, Ministry of Forestry, Forest Authority, PNGFIA	Provincial government, PFMC, Area Forestry Offices, resource owners	Unsustainable logging is permitted.	Bribery or undue influence used to: - Persuade forestry officers to allow unsustainable logging practices.	4 × 3 = 12
Timber production / consumption	SAME AS ABOVE		Annual allowable cut (quota) over the sustainable rate.	Bribery used to: - Influence officers to overlook policies and regulations.	3 × 3 = 9
Timber revenue	SAME AS ABOVE		Unfair and non-transparent systems to establish shares of revenue between land owners and logging companies.	Bribery used to: - Avoid royalty payments and duties.	3 × 4 = 12

ENFORCEMENT (HOW RULES ARE ENFORCED)

Prosecutions	National government, PNG Forest Authority, Public Prosecutor OC RPNGC (others)	Provincial government, PFMC, Area Forestry Offices, resource owners, logging operators.	Cases are settled outside court despite valid evidence to prosecute offenders.	Bribery used to: - Influence landowners to withdraw their cases.	4 × 4 = 16
---------------------	--	---	--	---	------------

LEGEND

- Major Constituent Chains
- Divider to distinguish between the major constituent chains
- Divider to distinguish between major activities under the major chain
- Divider to distinguish between sub-activities under major activities
- High-risk activities
- Medium-risk activities
- Low-risk activities

Transparency International Papua New Guinea Inc.
PO Box 591,
Port Moresby,
National Capital District
PAPUA NEW GUINEA

Phone: +675-320-2188
Fax: +675-320-2189

infotipng@gmail.com
www.transparencypng.org.pg