



SAFEGUARDING
THE FUTURE OF REDD+
PAPUA NEW GUINEA
RISK ASSESSMENT

Transparency International is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, we raise awareness of the damaging effects of corruption and work with partners in government, business and civil society to develop and implement effective measures to tackle it.

Author: Lois Nakmai

© Cover photo: Flickr/CIFOR

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 August 2013. Nevertheless, Transparency International Papua New Guinea cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

ISBN 978-9980-87-466-5

Printed on 100% recycled paper.

© 2013 Transparency International Papua New Guinea. All rights reserved.

Supported by:



Norwegian Agency for Development Cooperation

TABLE OF CONTENTS

INTRODUCTION	2
METHODOLOGY	3
Key risk components	4
Areas of focus for risk assessment	5
FINDINGS	6
Overview of risks	6
Most severe risks	8
CONCLUSIONS	13
RECOMMENDATIONS	14
BIBLIOGRAPHY	16

INTRODUCTION

Our planet is warming at a faster rate than it ever has, as a result of a high concentration of heat-trapping gases in the atmosphere. The burning of fossil fuels is the number one cause of global warming. The second is deforestation. Trees absorb carbon dioxide and retain it for as long as they live. Cutting down trees means that that carbon is released back into the atmosphere.

REDD+ (Reducing Emissions from Deforestation and Forest Degradation) is a UN-initiated scheme that aims to reduce the contribution that deforestation is making to climate change, essentially by paying tropical forest-rich countries not to cut down trees. There are two main ways in which this can happen. The first is fund-based: communities receive money as compensation for conserving forests, which they might otherwise depend on. The second is mechanism-based - the carbon that is stored in forests is represented by carbon credits which are sold on carbon markets. People or organisations that want to reduce their emissions impact can do so by purchasing REDD+ credits and a certain percentage of the proceeds are given to forest-dwelling communities.¹

With 60% of the country's surface area covered by forests, Papua New Guinea (PNG) is home to the third largest area of intact tropical forests in the world. A large portion of the country's greenhouse gas emissions come from the use of land and forests. A well-established forestry sector concentrating on the extraction and export of logs contributes approximately US\$297 million to PNG's national economy each year.² Carbon, as an alternative commodity for trade, has recently been included as part the government's drive to promote environmentally sustainable economic growth.

Whilst REDD+ is seen as having enormous potential in PNG, challenges may lie ahead. PNG scored 25 out of 100 in Transparency International's 2012 *Corruption Perceptions Index*³ - which scores countries according to how corrupt their public sector is perceived to be, with 0 representing highly corrupt and 100 very clean. The country's forestry sector is also characterised by a lack of transparency and accountability mechanisms, persistent allegations of corrupt practices⁴ and significant losses to the government purse.⁵ Several inquiries and independent reviews in the forestry sector since the 1980s have resulted in few longstanding reforms to forestry governance.⁶ The most recent of these - the Commission of Inquiry (COI) into the Special Agriculture and Business Lease - was into allegations that a large percentage of 5.2 million hectares of land was fraudulently obtained on the pretext of being used for agroforestry. It has however been claimed that many of these leases have resulted in clear-fell logging without the knowledge and consent of customary landowners. The inquiry began in July 2011 and an interim report was released to the Prime Minister in March 2013.⁷ Civil society has expressed concern over the amount of public money that is being spent as a result of what they consider to be an inefficient and drawn-out process.⁸ REDD+ will draw on many of the same institutions, legislation and processes which were involved in this inquiry.

Challenges have also emerged in the on-going process of drafting PNG's national REDD+ policy and support legislation. First steps were taken when in October 2008, a REDD+ readiness roadmap was developed by a joint mission of development partners.⁹ Some key policy documents include the UN-REDD National Joint Programme approved by the UN-REDD Policy Board in November 2010, the Forest Carbon Partnership Facility (FCPF) Readiness Preparation Proposal (R-PP) the latest draft of which was submitted in March 2013, and drafts of a number of PNG government policies

and strategies.¹⁰ Many of these documents have faced criticism for their lack of stakeholder consultation and transparency.¹¹

The institutional set-up for REDD+ in PNG has also drawn criticism. The initial Office of Climate Change and Carbon Trade was abolished in 2010 following allegations of corruption and financial mismanagement.¹² This was replaced with the Office of Climate Change and Development – now the main coordination body for climate change policy, which is hindered by a lack of capacity and cumbersome coordination with the PNG Forestry Authority, the Department of Environment and Conservation,¹³ and other government agencies. Despite these challenges, a number of REDD+ type activities by the PNG government, development partners, civil society organisations and the private sector are already underway.¹⁴ This work is being funded from four main sources: UN-REDD (US \$6.4 million), AusAID (nearly US \$3 million)¹⁵, the Japan International Cooperation Agency (US \$8-10 million) and the European Commission (US\$1.4 million)¹⁶. Some of these activities have already attracted criticism.¹⁷

In an effort to maximise the potential of these funds, Transparency International Papua New Guinea (TI PNG) has embarked upon a process to assess corruption risks in REDD+ and address them proactively. This document sets out a summary of the main findings of this analysis carried out by TI PNG between May 2011 and September 2012. It is not an assessment of concrete corruption cases but rather a risk assessment that diagnoses risks so that they can be proactively addressed before large sums of money begin flowing. The assessment points to specific weaknesses in policy and practice, with a view to assisting TIPNG and other concerned groups in identifying priority areas for reform and appropriate advocacy and policy interventions. This information also provides benchmarks for measuring further developments in-country. If undertaken iteratively over time, the assessment could be used as a monitoring tool to evaluate overall progress or regress. In order to ensure an effective link between assessment and policy reform, the assessment embraced a participatory approach, providing opportunities for stakeholder input and engagement throughout.

This document sets out a brief description of the methodology, followed by a summary of the main findings of the analysis, and a series of conclusions and recommendations for reform.

METHODOLOGY

TI PNG's research was guided by a methodology developed by TI and included in the manual *Keeping REDD+ clean: a step-by-step guide to preventing corruption*.¹⁸ The manual was developed to assist civil society organisations in conducting a systematic corruption risk assessment that leads to effective and targeted advocacy for change. It provides a framework to identify and prioritise the corrupt practices that pose the greatest risk to REDD+ — practices that would have the greatest impact and are the most likely to occur. Within this framework, corrupt practices are clustered under five key risk components: policy, legislation and regulations, financial and economic flows, application activities, reporting and monitoring, and enforcement (see box 1 below). Finally, the manual helps users analyse existing anti-corruption instruments whose implementation should be monitored in order to assess changes in the highest-risk practices.

Box 1

Key risk components

Policy legislation and regulation: This refers to the overarching policies that govern how actors within the sector operate. REDD+ policy and regulation will be developed and will have a significant impact on forest carbon projects. New legislation may also be introduced to address carbon trading schemes.

Financial and economic flows: REDD+ finance is intended to provide compensation to the state or landowner for potential lost revenue. It should also cover the costs of managing and maintaining the standing forest. The revenue chain relates to four main streams: the funding provided up front for project or strategy development (from donors, NGOs or private actors), the revenue that should occur once proof of performance has been established, the fees and taxes paid on this revenue, and how funds from all three are used to benefit those currently relying on the forests for their livelihoods.

Application activities: In developing and implementing both a forest carbon project and a national level strategy, many decisions and activities must be undertaken, including for example the setting up of governance systems, the hiring of staff and the implementation of safeguards.

Performance monitoring and reporting: The reporting chain, with transparency as a mechanism of accountability and a fundamental component of good governance, should help ensure the operation of the other four activity areas mentioned here. Within both forest carbon projects and national REDD+ development, there will be some reporting on carbon sequestration at the international level as well as (if required) at the national level.

Enforcement: This process is fundamental to both good governance and the sound functioning of all other thematic areas. Robust enforcement relates not only to forestry or carbon based regulations but also wider labour and environmental regulations. It involves a large number of actors including forestry agencies, zoning boards, the police, customs, finance ministries, government auditors and the judiciary.

TI PNG first had to adapt the methodology to the local context. This was achieved through extensive consultations with a wide range of stakeholders between May 2011 and May 2012, including a desk study of existing literature on REDD+, one-on-one discussions with a range of national level stakeholders,¹⁹ engagement in existing multi-stakeholder fora such as the national REDD+ Sub-Working Group, participation in external events on REDD+ in PNG²⁰, visits to local communities in Lae city and Bulolo town, and interviews at the regional level in the towns of Kimbe, Rabaul and Kavieng.

These initial research activities pointed to a significant lack of knowledge on REDD+ developments at the local level and among affected communities, and a number of on-going concerns about existing governance challenges in the forest sector. As such the TI PNG team decided to conduct a deeper analysis of four aspects of forest governance that are of key concern and have the potential to negatively impact REDD+. TI PNG's four key areas of focus fell under three of the key risk

components as set out in table 1 below. The table also contain an explanation for the rationale for the selection.

Table 1

Four areas of focus for TIPNG risk assessment

POLICY LEGISLATION AND REGULATION
<p>REDD+ Policy Development: The legal ownership of land and carbon by customary landowners is protected under PNG's constitution. It is currently anticipated that once landowners register a piece of land for REDD+ development, they could give up their property rights for the duration of the project. In return, they would be paid land rent for the use of their land on an annual basis and carbon trade money at the end of the agreed trade period. Participants were keen to explore this further and to identify and address any loopholes that may endanger their rights to their land.</p>
FINANCIAL AND ECONOMIC FLOWS
<p>Financial flows and benefit sharing: Sharing the proceeds and benefits of REDD+ equitably and transparently will be essential for its long-term success. Several benefit sharing mechanisms have been proposed to the government from a variety of actors but the government is still considering its options. Participants were particularly keen to spend more time considering the potential for irregularities to ensure that anti-corruption safeguards could be advocated for and built in from the outset.</p>
APPLICATION ACTIVITIES
<p>Formation and functioning of Incorporated Land Groups (ILGs): In order to be recognised in the country's legal system and to enter into agreements concerning their land, customary land owners need to register as ILGs. Two relatively new pieces of legislation - the 2009 Land Group Incorporation Act and the 2009 Land Registration Act – govern the rules concerning how these groups can be used to engage with third parties on development or natural resource exploitation. Significantly, when land is committed for development in PNG (including REDD+), customary land use rights are suspended for the agreed duration of the project. Developers are required to hold discussions with ILGs about benefit sharing – who profits from the project and by how much during this period. Participants were keen to explore this further and in greater detail to identify and address any loopholes that may be corruptly exploited to their detriment.</p>
<p>Granting of permits and concessions: Participants pointed to several amendments to the 1991 Forestry Act, which they felt made the system for awarding permits for logging less demanding, thus watering down rigorous processes that had previously been in place. The concern was that this has disempowered customary resource owners who have been disenfranchised from the process. Given the possible challenges with the allocation of areas for REDD+ activities, participants were also keen to explore this aspect in greater detail to ensure appropriate advance action could be taken to close loopholes.</p>

The subsequent implementation phase consisted of four workshops, held in the towns of Goroka, Lae, Kimbe and the capital Port Moresby. Here, a risk map of potential corruption risks for REDD+ was drawn up by identifying together with these stakeholders key concerns for corruption in REDD+ according to the framework set out in table 1. These risks were then assessed and prioritised according to their severity. Using the manual as a guide, stakeholders in each of the four locations decided whether risks identified were of high, medium or low severity. Risks which they felt were almost certain to occur and which would irreparably undermine REDD+ were ranked high. Risks which they felt would occur rarely and which were likely to have no impact were ranked low. The activities achieving the greatest number of “highs” for each component underwent further analysis as outlined below in the findings section.

It should be noted that despite concerted efforts to engage them, the Papua New Guinea Forestry Authority (PNGFA), the Office of Climate Change and Development (OCCD) and the Papua New Guinea Forestry Industries Association (PNGFIA) did not participate in the workshops held to identify potential corruption risks. They were however all engaged individually and provided substantial feedback on this report, which is incorporated here. TIPNG would however welcome further discussions to jointly identify areas of concern which can be strengthened.

FINDINGS

OVERVIEW OF RISKS

All activities raised as a concern during the implementation process are set out in Table 2 below. The activities achieving the highest scores for that specific component (representing the highest risk) are then considered in greater detail in the text that follows.

Table 2
Risk severity by key risk component

POLICY LEGISLATION AND REGULATION	NUMBER OF WORKSHOPS WHICH RANKED RISK AS HIGH (OUT OF 4)
Policy formulation, development and review: The final policy will not reflect the views of those affected – underpinned by intentional exclusion of affected parties from the public consultation process.	3
Allocation of carbon rights: Allocation is hijacked by private interests leading to the unfair allocation of rights and benefits.	4
Design of benefit sharing mechanism: Rightful landowners do not receive a fair proportion of the benefit due to inadequate consultation as a result of influence exerted by those with vested interests.	3

Design and implementation of safeguards: Influence is exerted to ensure that a REDD+ Policy is designed without safeguards in place to protect interests of vulnerable parties.	4
Identification of who is responsible to conduct REDD+ activities: Undue influence resulting in unqualified elites / people of influence being allowed to take the lead in the implementation of REDD activities.	3
FINANCIAL AND ECONOMIC FLOWS	NUMBER OF WORKSHOPS WHICH RANKED RISK AS HIGH (OUT OF 4)
Coordination and approval of donor funding: Intentional overestimation by recipient government agency of funds required allowing opportunity for a portion to be diverted.	2
Use of donor and investor funds: Mismanagement and or misappropriation of funds by government agencies and project developers.	3
Allocation of funds to ministries and agencies: Political influence may dictate to where and to whom the funds are disbursed to resulting in the diversion of funds away from activities.	3
Redistribution of REDD+ revenue: Mismanagement of revenue in order that certain people are favoured to receive payments resulting in unfair distribution of benefits between stakeholders.	1
Sale of credits on the voluntary market: Vulnerable communities are deprived of benefits gained through the sale of credits through manipulation and fraud.	3
APPLICATION ACTIVITIES	NUMBER OF WORKSHOPS WHICH RANKED RISK AS HIGH (OUT OF 4)
FORMATION AND FUNCTIONING OF INCORPORATED LAND GROUPS (ILGS)	
Determining rightful landowners through genealogy: Vulnerable parties are excluded through the provision of fraudulent genealogies.	4
ILG application process: High levels of illiteracy facilitate the hijacking of the application process to the detriment of vulnerable parties.	3
Lodgement of application to Lands Department: Through irregular actions such as payment of bribes or extortion, false ILG applications are accepted whilst genuine ones are rejected.	4
Assessment and issuance of ILG certification: Approval of non-genuine	4

applications by the lands department thereby officially confirming the exclusion of the vulnerable parties.	
GRANTING OF PERMITS AND CONCESSIONS	
Allocation of forest resource management rights (forest zoning): Misidentification of real landowners resulting in misallocation of land title.	4
Acquiring landowner rights: Illiterate population are deprived of their rights by individuals who fast track or skip over the correct process.	3
Tendering process (public tender): Manipulation of the tendering process by those with vested interests.	4
Submission of bids: Bids accepted from companies that do not have a sound financial background.	4
Selection and awarding of concession: Bias influences the process and results in pre-selection of certain companies.	4

MOST SEVERE RISKS

The activities highlighted above as posing the greatest perceived risk to the effective implementation of REDD+ in PNG are explored in greater detail below.

POLICY LEGISLATION AND REGULATION

The perceived risk here was felt to be high due to the uncertainty surrounding the nature and implications of any future REDD+ policy. At the time of writing, there is no government policy on carbon trade and REDD+ in place. A draft policy was made available to concerned stakeholders during a series of consultations by the Office of Climate Change and Development in October 2012. Participants never received a subsequent draft, but were instead informed that the policy has passed to the next phase of ratification, where there are no longer any consultation requirements.²¹ It is still unknown whether any of the inputs made have been taken on board. Two issues in particular were raised as a concern: the allocation of carbon rights and the design and implementation environmental and social safeguards.

Allocation of carbon rights

Risk: Carbon rights are hijacked by private interests resulting in an unfair allocation of rights and benefits. As a result, those who are intended to benefit from REDD+ - including forest dwelling communities who live in and protect the forest – will miss out, thereby undermining REDD+.

Potential corrupt practices:

- Fraud, whereby the policy development process is manipulated through the abuse of legitimate processes by people in a position of power.
- Nepotism and cronyism, leading to a few individuals benefiting at the expense of landowners.
- Undue influence to ensure that weak regulation is put in place.
- State capture, resulting in the state receiving an unfair proportion of benefits.

Design and implementation of environmental and social safeguards

Risk: REDD+ policy is developed without desired levels of transparency and consultation, including the Free, Prior and Informed consent of local communities. This could mean that REDD+ policy ultimately excludes safeguards that would protect the interests of vulnerable parties, or grievance mechanisms for people to report wrongdoing. Similarly, those who are intended to benefit from REDD+ - including forest dwelling communities who live in and protect the forest – will miss out thereby undermining REDD+.

Potential corrupt practices:

- Undue influence or state capture by political or business elites, resulting in ineffective, sub-standard or non-existent safeguards.

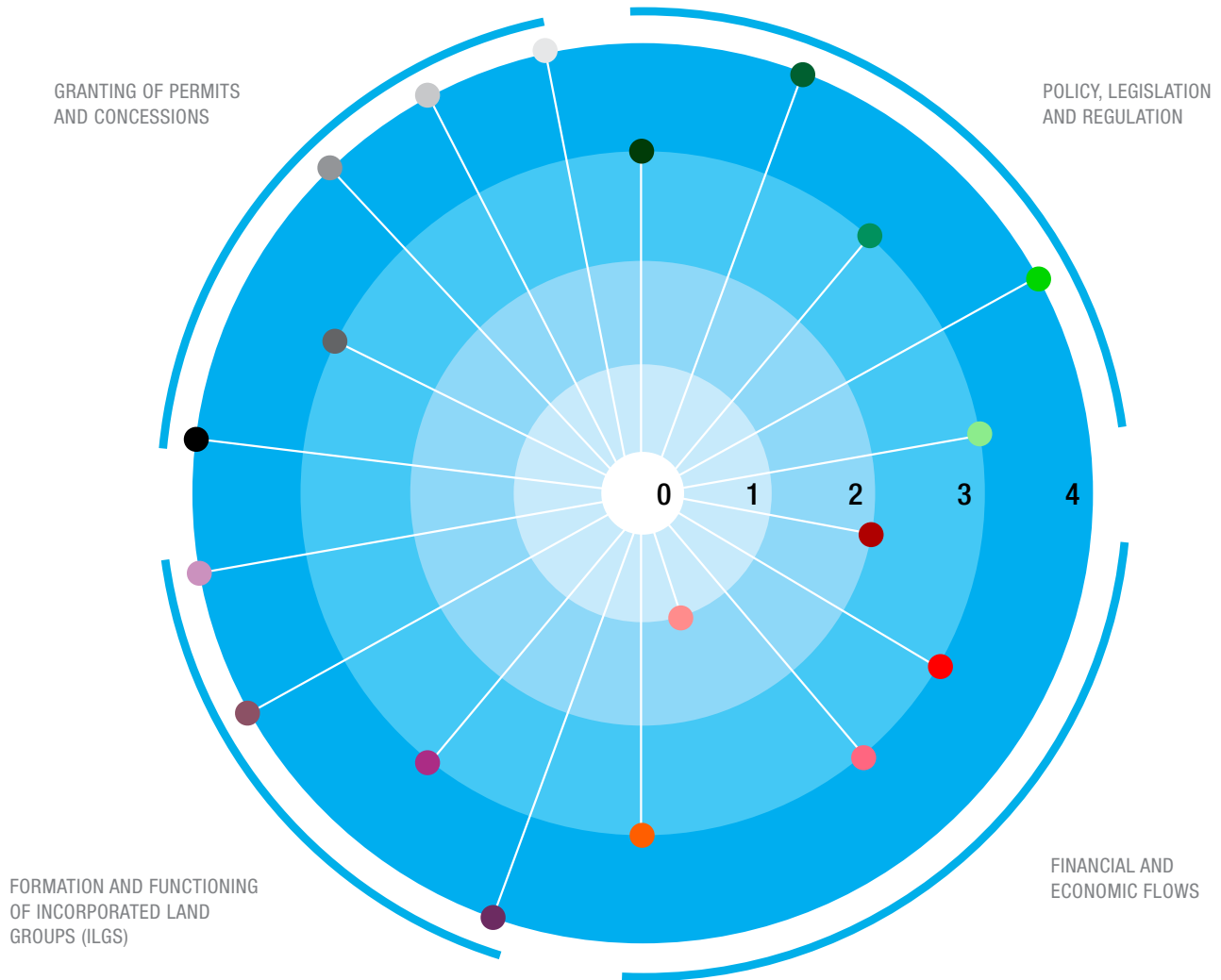
FINANCIAL AND ECONOMIC FLOWS

Transparent and equitable benefit sharing is essential for the effective and long-term success of REDD+. Several benefit-sharing mechanisms have been proposed to the government, but it is yet to decide on a suitable one. Three activities under this heading were considered to be high risk in three of the four workshop groups. These activities: use of donor and investor funds, allocation of funds to ministries and agencies and trade in the voluntary market, are further outlined below.

RISK SCORE CARD



NUMBER OF WORKSHOPS WHICH RANKED RISK AS HIGH (OUT OF 4)



ACTIVITIES

POLICY LEGISLATION AND REGULATION

- POLICY FORMULATION, DEVELOPMENT AND REVIEW
- ALLOCATION OF CARBON RIGHTS
- DESIGN OF BENEFIT SHARING MECHANISM
- DESIGN AND IMPLEMENTATION OF SAFEGUARDS
- IDENTIFICATION OF WHO IS RESPONSIBLE TO CONDUCT REDD+ ACTIVITIES

FINANCIAL AND ECONOMIC FLOWS

- COORDINATION AND APPROVAL OF DONOR FUNDING
- USE OF DONOR AND INVESTOR FUNDS
- ALLOCATION OF FUNDS TO MINISTRIES AND AGENCIES
- REDISTRIBUTION OF REDD+ REVENUE
- SALE OF CREDITS ON THE VOLUNTARY MARKET

FORMATION AND FUNCTIONING OF INCORPORATED LAND GROUPS (ILGS)

- DETERMINING RIGHTFUL LANDOWNERS THROUGH GENEALOGY
- ILG APPLICATION PROCESS
- LODGEMENT OF APPLICATION TO LANDS DEPARTMENT
- ASSESSMENT AND ISSUANCE OF ILG CERTIFICATION

GRANTING OF PERMITS AND CONCESSIONS

- ALLOCATION OF FOREST RESOURCE MANAGEMENT RIGHTS (FOREST ZONING)
- ACQUIRING LANDOWNER RIGHTS
- TENDERING PROCESS (PUBLIC TENDER)
- SUBMISSION OF BIDS
- SELECTION AND AWARDED OF CONCESSION

Use of donor and investment funds

Risk: Mismanagement of funds by government agencies and project developers. In this way, finance that should be going towards the protection of forests is diverted and the incentive for protection reduced again undermining REDD+.

Potential corrupt practices:

- Fraud, embezzlement and collusion resulting in the diversion of funds for private gain.
- Nepotism resulting in people who are not qualified for the position being responsible for managing the funds.

Allocation of funds to ministries and agencies

Risk: Political influence dictates where and to whom the funds are disbursed, which in turn may involve a middleman's fee. This could mean that insufficient funds remain to develop projects or implement activities, at the expense of vulnerable parties. In this way, finance that should be going towards the protection of forests is diverted and the incentive for protection reduced again undermining REDD+.

Potential corrupt practices:

- Undue influence, collusion, favouritism and embezzlement to divert funds for private gain.
- Bribery to secure allocation of funds to a particular ministry/ agency.
- Fraud in providing paperwork that supports false allocations and hides the costs of middlemen.

Voluntary/ compliance carbon trade

Risk: Vulnerable communities could be deprived of benefits gained through the sale of carbon. Again, those who are intended to benefit from REDD+ - including forest dwelling communities who live in and protect the forest – will miss out thereby undermining the purpose of REDD+.

Potential corrupt practices:

- Fraudulent information about carbon pricing aimed at encouraging vulnerable communities to sign up.
- Fraudulent data suggesting that levels of emission reductions are higher than they actually are.
- Fraud through the double counting of carbon credits.
- Collusion and embezzlement - negotiators purchase carbon credits from resource owners for less than their market value and pocket the profits or share them with those who assist them.
- Extortion by dishonouring agreements with landowners.
- Undue influence to centralise carbon rights so as to disempower landowners.

APPLICATION ACTIVITIES

Under “Application Activities”, as noted above, participants were most concerned about the process of Incorporated Land Group Registration and the process of awarding forest permits and concessions. A more in depth analysis of both processes revealed seven activities of greatest concern. Given that the risks refer to various aspects of one specific process, they are summarized together rather than presented separately in contrast to the risks explored above.

Incorporated Land Groups

The process of land group registration, including the institutions involved, have in the past come under criticism. For example, workshop participants who had engaged with the Department of Lands and Physical Planning - the authority mandated with issuing ILG certificates - suggest that the practice of giving bribes to facilitate ILG registration is widespread. This means that people claiming to be owners of parcels of land may not in fact have any rightful claim to them. Participants identified challenges as three stages of the process as being of greatest concern: the genealogy process which is used to determine rightful landowners, the lodgement of an ILG application with the lands department and the assessment and issuance of the ILG certificate.

Risk: For each of the three processes it was felt that the process could be manipulated with rightful beneficiaries falling at the first hurdle by failing to prove their genealogy whilst those better connected can. Furthermore, should they progress beyond this stage; an inability to navigate the system at the point where they lodge their application can exclude them. Finally, even if their application is taken in, behind the scenes dealing at approval stage can result in them losing out at the last minute. All of these hurdles can lead to those who are intended to benefit from REDD+ - including forest dwelling communities who live in and protect the forest – being excluded and missing out thereby undermining the very purpose of REDD+.

Potential corrupt practices:

- Fraud, favouritism and nepotism meaning that land ownership could be legally recognised on the basis of false documents.
- Bribery to approve documentation known to be incorrect or fake.
- Undue influence, collusion and intimidation leading to government officials failing to identify proper landowners or confirm land surveys.
- Extortion through the use of delay tactics and demanding payments to complete the application process.
- Favouritism, nepotism, undue influence and bribery to avoid carrying out required cross-checks.
- State capture and undue influence to avoid proper consultation and registration processes.

Granting of permits and concessions

Workshop discussions further revealed a broad consensus that over the last twenty years forest-related laws have evolved toward increasing government control of forest areas. Participants pointed to the close relationships between industry, politicians, and forest officials and low levels of transparency in the sector. They voiced their concern should these conditions carry over to REDD+ and highlighted four stages of the process as being of particular concern: acquiring landowner rights; public tendering process; the putting forward of bids in response to a tender and the selection of and award of a concession.

Risk: At the earliest stage, it was felt that illiterate members of the population would be deprived of their rights by well-connected individuals who avoid or accelerate due processes such as stakeholder consultations and push through a project quickly without knowledge or consent. At the point where criteria for the tender are being set and advertisement takes place, it was felt that manipulation could occur so as to be favourable to certain parties such as companies that do not have a sound financial background (so called “K2” (Two Kina) companies) from whom bids would be accepted.²² During the selection phase, further irregularities are expected to result in the pre-selection of K2 companies or companies with a poor track record in terms of operating logging concessions over genuine companies. Should such risks occur, the potential impact would be significant. Vulnerable stakeholders and companies with a good track record would be brushed aside fundamentally undermining the intent of REDD+ to ensure greater protection of forested areas.

Potential corrupt practices:

- Undue influence, nepotism, cronyism and/or state capture from persons with vested interests to be able to skip over proper consultations without censure, to influence the setting of selection criteria and to gain permission to submit bids.
- Fraud through submission of forged documents.
- Bribery and extortion to facilitate an expedited process.
- Nepotism/ favouritism results in the acceptance of a bid that does not qualify and the selection of non-genuine companies.
- Collusion / bribery for example through a facilitation payment for the concession to be awarded.

CONCLUSIONS

Following further in-depth discussion about the underlying causes of the priority risks, five key areas of concern emerged. These challenges must be addressed in order to ensure against the potential corruption risks identified above, and to guarantee that REDD+ contributes to emissions reductions and benefits forest dwelling communities. These issues are summarised below. Recommendations for how they may be addressed by public sector, private sector and civil society actors are outlined in the next section.

Capacity: Low capacity and motivation in relevant government departments/ agencies was highlighted as a major cause of ineffective governance or corrupt abuse. For the ILG process, for example, participants felt that capacity gaps and a lack of commitment on the Lands Department staff were a concern, as well as the department's emphasis on fast turnaround times for ILG registration. This can mean that corrupt acts pass unnoticed.

Lack of enforcement: Participants consider that legislation implemented by government agencies tasked with land registration, ILG registration, forestry and environment conservation is often ineffectual.

Illiteracy: High levels of illiteracy among landowners results in information asymmetries between them and those seeking to benefit from the land. This was felt to be a cause for concern within the ILG process and the policy development process. A lack of understanding of carbon markets in communities means that landowners are vulnerable to fraud and manipulation regarding the real value of their carbon resource.

Policy capture: Powerful or influential individuals might be in a position to ensure that policies are formulated according to their interests rather than those of, for example, forest-dwelling communities.

Consultations: Stakeholder consultations are a requirement under various national laws, but this is often ignored or inadequately addressed. Broad-based, transparent and comprehensive consultations are important for ensuring that necessary safeguards are incorporated into policy as it develops, but also on a case-by-case basis during the design of local projects.

Transparency: There is a strong tendency towards opaque decision-making on land allocation, policy formulation and the allocation of funding.

These findings reinforce TI PNG's 2011 Forest Governance Integrity Report which found that without transparent and adequate information on the forestry sector, it is impossible for the independent monitoring of activities to take place. REDD+ could inherit these challenges, but it also brings with it its own risks - providing highly technical information on carbon accounting in a form that is accessible and comprehensible by forest resource holders, and insulating REDD+ policy and related processes from manipulation so as to deprive landowners of their customary rights without fair compensation.

RECOMMENDATIONS

Strengthen capacity building

All actors in the REDD+ sector should:

- Support landowners to build their capacity to participate in consultation processes and to monitor the development and implementation of REDD+.

- Work with REDD+ pilot initiatives to assist landowner groups to pilot specific best practice tools to improve transparency, accountability and integrity in REDD+.
- Help build and strengthen capacity at the community level and in local and district level government. This will help ensure that people can address and resolve governance issues in a consistent and coordinated manner over time.
- Work with private sector entities operating in the forestry sector to improve the depth and scope of their commitments to transparency and their level of anti-corruption reporting.
- Monitor and provide support with the implementation and enforcement of social and environmental safeguards.

Meaningful consultation

- The lead government agency taking the lead in any draft policy development for REDD+ must ensure that a meaningful consultation process is undertaken amongst all REDD+ stakeholders by the establishment and implementation of meaningful consultation and monitoring processes.

New policy development

When developing new REDD+ policy, the government should:

- Ensure that agencies responsible for formulating REDD+ policy and for implementing REDD+ activities incorporate integrity checks and balances at all stages from policy design to project implementation. This should include establishing strict guidelines for integrity screenings or background checks of potential staff and consultants, strict codes of professional conduct, mandatory integrity training for staff, a strict conflicts of interest policy and effective mechanisms to register and handle complaints.
- Adopt legislation to protect whistle-blowers, and encourage the reporting of wrongdoing through awareness-raising among public sector agencies, companies and the general public.

Compliance with legislative requirements

Government agencies responsible for REDD+ should:

- Adhere strictly to requirements for public procurement and tendering processes with an emphasis on transparency and openness to scrutiny, such as through the use of Integrity Pacts - agreements between the government agency offering a contract and the companies bidding for it that they will abstain from bribery, collusion and other corrupt practices for the extent of the contract.
- Adhere strictly to requirements set out in existing legislation governing the Incorporated Land Group process.
- Implement and enforce access to information laws, which adhere to Article 19's fundamental principles.

Technical and financial support:

- Donors should continue to provide technical and financial support to civil society. The freedom and strength of civil society in PNG will be a key factor in determining whether REDD+ will benefit citizens fairly and equally.

TI PNG further urges the government to ensure that the findings from the Commission of Inquiry into the Special Agriculture and Business Lease is debated in parliament, that the report is made publicly available, and that action is taken to revoke all permits that were fraudulently issued

In addition we endorse two specific recommendations outlined by Greenpeace in their August 2012 Up for Grabs²³ report, namely:

- The development of a blacklist of corporations and individuals who have fraudulently obtained landholders' consent to ensure their exclusion from any future activity relating to customary land.
- The strengthening of the Fairness of Transactions Act 1993 to improve remedies for these landowners and to provide for impartial legal advice before they can enter into contracts relating to their customary land.

BIBLIOGRAPHY

Article 19 (1999), *The Public's Right to Know, Principles of Freedom of Information Legislation*, available at <http://www.article19.org/data/files/pdfs/standards/righttoknow.pdf> (accessed 31 January 2013).

Ase, D., Tekwie, D., Dademo, E., Tongne, E., Kwa, E., Hurahura, F., Ambia, V. (2012), *Expert Consultation Group, Payment for Environmental Services – A proposed PES for Papua New Guinea*, Draft 2.0 September 2012, available at http://www.ecoforestry.org.pg/uploads/loginwindow_sites/ecoforestry_loginwindow_com_live/pages/PES%20brochure%2009-11%20FINAL.pdf (accessed 31 January 2013).

Babon, A (2011) *Snapshot of REDD+ in Papua New Guinea*, CIFOR, info brief No. 40 August 2011, available at http://www.ecoforestry.org.pg/uploads/loginwindow_sites/ecoforestry_loginwindow_com_live/pages/PES%20brochure%2009-11%20FINAL.pdf (accessed 31 January 2013).

Bingeding, N. (2011), *Reducing Emissions from Deforestation and Degradation of Forests in Papua New Guinea, Issues and Options*, NRI, available at:

http://www.nri.org.pg/publications/Recent%20Publications/2011%20Publications/Nalau_REDD%20Issues%20in%20PNG_CRC.pdf (accessed 31 January 2013).

Constitution of the Independent State of Papua New Guinea (1975), Papua New Guinea, 1975.

Davis, Crystal, Daviet F, Nakhooda S, Thuault, A. (2009), *A Review of 25 Readiness Plan Idea Notes from the World Bank Forest Carbon Partnership Facility*, WRI Working Paper. World Resources Institute, Washington DC. Available online at <http://www.wri.org/gfi> (accessed 24 August 2012).

Eco-Forestry Forum (2010), *Letter to the co-chairs of the 5th UN-REDD Policy Board with subject "PNG EFF's comments and conditional endorsement for the PNG National Joint Program to the UNREDD Policy Board"* available at

<http://www.globalwitness.org/sites/default/files/PNG%20EFF%20comments%20on%20PNG%20National%20Programme%20PB5%20Nov%203-5%202010.pdf> (accessed 31 January 2013).

European Union (2010), *Annex II, Papua New Guinea Rural Economic Development Programme Phase 1*, available at http://ec.europa.eu/europeaid/documents/aap/2010/af_aap_2010_png.pdf (accessed 23 August 2012).

Filer, C. (2012), *PNG land grab update*, Development Policy Blog, 22 August 2012, available at <http://devpolicy.org/png-land-grab-update/> (accessed 22nd August 2012).

Government of Papua New Guinea (1989), *Report of the Commission of inquiry into aspects of the timber industry in Papua New Guinea* (The Barnett Report), Department of the Prime Minister.

Government of Papua New Guinea (2012), *Readiness Preparation Programme Document (RPP)*, available at <http://www.forestcarbonasia.org/25822AED-474C-4885-8FD1-A667B9471B4B/FinalDownload/DownloadId-F93BD87CD4B9183DCE5C0C83F29BA7C5/25822AED-474C-4885-8FD1-A667B9471B4B/wp-content/uploads/2012/08/PNG-Draft-R-PP-v6.2-August-10-2012.pdf> (accessed 23 August 2012).

International Tropical Timber Organization (ITTO) (2007), *Achieving the ITTO objective 2000 and sustainable forest management in Papua New Guinea: Report of the Diagnostic mission*. International Tropical Timber Organization available at http://www.itto.int/mission_reports/ (accessed 23 August 2012).

Kalinoe, L., *Incorporated Land Groups in Papua New Guinea*, A paper prepared for the Australasian Law Teachers Association Conference, ALTA 2001 July 1-4, 2001, available at http://www.usaid.gov.au/Publications/Documents/MLW_VolumeTwo_CaseStudy_1.pdf (accessed 31 January 2013).

Office of Climate Change and Development (OCCD) 2011, *UN collaborative programme on reducing emissions from deforestation and forest degradation in developing countries (UN-REDD): National Programme Document*. Office of Climate Change and Development, Port Moresby, Papua New Guinea, available at <http://www.redd-monitor.org/wordpress/wp-content/uploads/2011/10/2011-03-28-PNG-UN-REDD-NPD-final-w.-appendix.pdf> (accessed 31 January 2013).

Overseas Development Institute (ODI) (2007), *Issues and opportunities for the forest sector in Papua New Guinea*. Overseas Development Institute, London, available at <http://www.odi.org.uk/publications/74-issues-opportunities-forestry-sector-papua-new-guinea> (accessed 31 January 2013).

Overseas Development Institute (ODI) (2007a), *What can be learnt from the past? A history of the forestry sector in Papua New Guinea*. Overseas Development Institute, London, available at http://www.inapng.com/Forestry%20In%20PNG_What%20can%20be%20learnt%20from%20the%20past.pdf (accessed 31 January 2013).

Rainforest Foundation UK (2012), *Rainforest Roulette? Why creating a forest carbon offset market is a risky bet for REDD+*, September 2012 Briefing, available at http://www.redd-monitor.org/wordpress/wp-content/uploads/2012/08/rainforest_foundation_redd.pdf (accessed 31 January 2013).

Shearman, P.L., Ash, J., MacKey, B., Bryan, J.E., and Lokos, B. (2009), Forest conversion and degradation in Papua New Guinea 1972-2002. *Biotopica* 41(3): 379-390.

Tararia, A and Ogle, L. (2009), *Incorporated land groups and the registration of customary land: Recent developments in PNG*, available at [www.aidwatch.org.au/sites/aidwatch.org.au/files/Alamah & Lisa.pdf](http://www.aidwatch.org.au/sites/aidwatch.org.au/files/Alamah%20&%20Lisa.pdf) (accessed 22nd August 2012).

The 2003/2004 Review Team (August 2004), *Towards Sustainable Timber Production – A Review of Existing Logging Projects*, Final Report Volume 1, Main Report – Observations and Recommendations, Prepared for the Government of PNG, c/-The Inter-Agency Forestry Committee.

Transparency International (2012), *Corruption Perceptions Index (CPI)*, available for download at: <http://cpi.transparency.org/cpi2012/results/> (accessed 12 February 2013).

Transparency International Papua New Guinea (2011), *Forest Governance Integrity Baseline Report*, Transparency International, Papua New Guinea, available at http://archives.pireport.org/archive/2011/August/FGI_report_PNG.pdf (accessed 31 January 2013).

Transparency International (2012), *A Manual for addressing governance risks in the development and implementation of forest carbon projects and national REDD+ strategies*, Transparency International, Berlin.

Winn, P. (2012), *Up for Grabs: Millions of hectares of customary land in PNG stolen for logging*. Greenpeace, Amsterdam, available at <http://viewer.zmags.com/publication/18b32963#/18b32963/1> (accessed 31 January 2013).

World Bank (2006), *Papua New Guinea forest and conservation project: note on cancelled operation* (PE-4398/GE4345). Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/11/22/000090341_20061122103441/Rendered/PDF/36503.pdf (accessed 12 February 2013).

Wynn C. and Creagh, S. (2009), *Forest carbon markets already shows cracks*, Reuters, 4 June available at <http://www.reuters.com/article/2009/06/04/us-climate-carbon-tropics-idUSTRE55302M20090604> (accessed 22nd August 2012).

¹ It should be noted that REDD+ is not gaining universal support, with some parties voicing outright rejection of REDD+ (Lang, 2012) and others voicing significant concerns (The Rainforest Foundation, 2012).

² Overseas Development Institute (ODI) 2007, *Issues and opportunities for the forest sector in Papua New Guinea*. Overseas Development Institute, London, available at <http://www.odi.org.uk/publications/74-issues-opportunities-forestry-sector-papua-new-guinea> (accessed 31 January 2013), p1.

³ Transparency International's Corruption Perceptions Index scores countries from 0-100, with 100 indicating highly clean and 0 highly corrupt. The Index is based on 'perceptions' of corruption in 174 countries. See: <http://cpi.transparency.org/cpi2012/results/>

⁴ ODI (2007), p. iv.

⁵ Winn, P. (2012), *Up for Grabs: Millions of hectares of customary land in PNG stolen for logging*. Greenpeace, Amsterdam, available at <http://viewer.zmags.com/publication/18b32963#/18b32963/1> (accessed 31 January 2013).

⁶ See Government of Papua New Guinea (GoPNG), 1989 *Report of the Commission of inquiry into aspects of the timber industry in Papua New Guinea* (The Barnett Report). Department of the Prime Minister. Waigani, Papua New Guinea; International Tropical Timber Organization (ITTO) 2007, *Achieving the ITTO objective 2000 and sustainable forest management in Papua New Guinea: Report of the Diagnostic mission*. International Tropical Timber Organization available at http://www.itto.int/mission_reports/; Overseas Development Institute (ODI) 2007A, *What can be learnt from the past? A history of the forestry sector in Papua New Guinea*. Overseas Development Institute, London, available at: <http://www.inapng.com/Forestry%20In%20PNG%20What%20can%20be%20learnt%20from%20the%20past.pdf> (accessed 31 January 2013) and World Bank 2006, *Papua New Guinea forest and conservation project: note on cancelled operation* (PE-4398/GE4345). Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region available at: http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/11/22/000090341_20061122103441/Rendered/PDF/36503.pdf.

⁷ The Prime Minister has noted that the report only covered three of the sixteen issues it was mandated to. The Prime Minister has ordered the COI to expand the report to cover all the issues before it can be presented to Parliament for debate.

⁸ Filer, C. (2012), *PNG land grab update*, Development Policy Blog, 22 August 2012, available at: <http://devpolicy.org/png-land-grab-update/> (accessed 22nd August 2012); Winn, P. (2012).

⁹ The mission included representatives from UN-REDD Programme participating UN Organisations, delegations from Norway, Australia and the World Bank and the former Office of Climate Change & Environmental Sustainability. The joint mission met with a number of stakeholder representatives in Port Moresby and a mission delegation travelled to Lae to meet with the Forest Research Institute (FRI).

¹⁰ These include: a National Climate Change Policy Framework developed by the Office of Climate Change and Environment Sustainability in 2009 (redrafted as the National Climate Change and Development Policy in 2012); a Climate Change Bill of 2012; The Forestry and Climate Change Framework for Action 2009-2015 of 2009; the National Climate Change and REDD Plan and Climate-Compatible Development Strategy from McKinsey on behalf of the Government of PNG completed in December 2010 and an interim climate action plan for this strategy in August of the same year.

¹¹ See Eco-Forestry Forum (2010), Letter to the co-chairs of the 5th UN-REDD Policy Board with subject "PNG EFF's comments and conditional endorsement for the PNG National Joint Program to the UNREDD Policy Board, available at <http://www.globalwitness.org/sites/default/files/PNG%20EFF%20comments%20on%20PNG%20National%20Programme%20PB5%20Nov%203-5%202010.pdf> and Babon, A (2011) *Snapshot of REDD+ in Papua New Guinea*, CIFOR, info brief No. 40 August 2011, available at: http://www.ecoforestry.org.pg/uploads/loginwindow_sites/ecoforestry_loginwindow_com_live/pages/PES%20brochure%2009-11%20FINAL.pdf (accessed 31 January 2013).

¹² Wynn C. and Creagh, S. (2009), *Forest carbon markets already shows cracks*, Reuters, 4 June available at <http://www.reuters.com/article/2009/06/04/us-climate-carbon-tropics-idUSTRE55302M20090604> (accessed 22nd August 2012).

¹³ Babon (2011), p.4.

¹⁴ These include regional pilot projects by the Papua New Guinea Forestry Authority (PNGFA); four international NGO projects funded by the Australian Government Overseas Aid Program (AusAID); work by a local NGO at the community level to develop forest carbon inventory methodologies; a Payments for Ecosystem Services framework at the national level; operations by carbon brokers trying to develop projects for the voluntary carbon market and one project located in existing timber concessions.

¹⁵ As captured in the PNG RPP available at <http://www.forestcarbonasia.org/25822AED-474C-4885-8FD1-A667B9471B4B/FinalDownload/DownloadId-F93BD87CD4B9183DCE5C0C83F29BA7C5/25822AED-474C-4885-8FD1-A667B9471B4B/wp-content/uploads/2012/08/PNG-Draft-R-PP-v6.2-August-10-2012.pdf> (accessed 23 August)

¹⁶ See Annex II, Papua New Guinea Rural Economic Development Programme Phase 1, available at http://ec.europa.eu/europeaid/documents/aap/2010/af_aap_2010_png.pdf (accessed 23 August).

¹⁷ Lang, C. (2009) *More (bad) news from Papua New Guinea*, available on www.redd-monitor.org

¹⁸ Transparency International, (2012). *Keeping REDD+ Clean; A step-by-step guide to preventing corruption*, Transparency International, Berlin available at http://www.transparency.org/whatwedo/pub/keeping_redd_clean.

¹⁹ This included regular consultations with the Papua New Guinea Forestry Authority (PNGFA) and the Office of Climate Change and Development to gain their input on the process; discussions with the Forest Industries Association on Bribery within the National Forest Board and with the University of Technology Forestry Department, Bulolo Forestry College, Forestry and Timber Training College, Forest Research Institute, Environmental Research & Management of the University of Technology.

²⁰ This included for example interaction with and incorporation of feedback from participants at a PNGFA organised event for the International Year of Forests in Lae (August 2011) as well as two meetings together with the Chairperson of Eco Forestry Forum and delegates from OCCD in Bangkok (October 2011).

²¹ This information was provided by an OCCD officer to participants at a workshop co-organised by INA and LEAF on 6th Feb 2013.

²² In PNG, such companies are known as K2 or 2 Kina companies.

²³ Filer (2012),pp6-7.

