

Masalai i tokaut

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World Bank avoids Ministerial Confrontation on Illegal Logging

The World Bank has sold out on its principles to avoid confrontation with senior government Ministers over their links to illegal logging.

While a Bank Team has spent two-weeks in Port Moresby ironing out a deal that will avoid the threatened suspension of the Forestry and Conservation Project, they have been careful to avoid touching on the logging links of the Minister for Planning and the Minister for Justice.

Although the Bank claims that its mission is the alleviation of poverty and that it is a staunch supporter of the fight against corruption, its recent actions in Papua New Guinea seem to tell a very different story.

The World Bank has been facing an uphill struggle since 2001 to initiate the implementation of its Forest and Conservation Project.

Aimed at improving the capacity to sustainably manage forest resources, the project has been strongly opposed by logging interests and viewed with suspicion by civil society.

The FCP is also linked to a number of forest reform measures that the government of Mekere Morauta agreed to implement when it was under extreme financial pressure in November 2001 and desperate for the release of US\$35 million in loan funds.

The original launch of the Project was shrouded in controversy with the Forest Authority refusing to attend and publicly denouncing the Project management.

Since then the Project has stumbled from one disaster to another with politicians and public servants deliberately blocking the implementation at the behest of their logging friends.

In a last desperate attempt to coerce the government to cooperate, the World Bank served notice on the government in the first week of June that they had 30 days to show some degree of cooperation or the Bank would suspend the project.

Such a suspension would have immediately destroyed PNGs credit rating, knocked the Kina even lower and would have threatened other Bank funding for the Highlands Highway and other donor projects.

In its attempts to find a deal to avert the threatened suspension the Bank has been very careful to avoid any controversy over two prominent logging projects that have strong Ministerial links.

Kerawara Limited

The recent Review of Disputed Forest Allocations found that the Simbali logging project in East New Britain was a total scam.

While the project was developed as a small project to clear 40 hectares of forest for a cocoa plantation, the reality was that the logging company was interested in a far bigger logging operation.

Over the last 12-months Kerawara Limited has logged an area of 11,700 hectares and exported more than 35,000 cubic metres of logs worth more than US\$2 million.

Although the Review recommended in February that logging be immediately stopped and all logs seized, Kerawara was allowed by the government to continue logging until its operations were completed.

During this time the Forest Authority and the Minister continued to issue log export licences - effectively collaborating in the theft of the logs from the landowners.

The Review also recommended that action be taken against the Kerawara group of companies (that includes Hugo Sawmilling, SSG and Richard Gault Industries) including cancellation of their forest industry registration, which would prevent their continued participation in the logging industry.

This set the World Bank on a dangerous path of confrontation with the Minister of Planning, the very man whose cooperation they desperately needed in order to save the Forest and Conservation Project from imminent suspension.

Sinai Brown has made no secret of his long business involvement with the logging industry and his wife is a prominent shareholder in the Kerawara group of companies that have been active in East New Britain for many years.

Another prominent partner in the Kerawara business network is Sir Hugo Berghuser who was of course slammed in the Barnett Inquiry for his role in illegal logging.

Although a draft NEC submission was prepared in March that recommended direct and immediate action against the Simbali logging operation and the Kerawara group of companies, these recommendations were quietly removed in a re-drafting process that took place in the offices of the Forestry and Conservation Project over the weekend of the 31st of May.

The National Executive Council subsequently endorsed this new draft and thereby the Kerewara group was absolved of any responsibility for their crimes.

The World Bank has been happy to not cry foul and to allow the recommendations from its own review to be discarded.

East Kikori

At the same time as the drama was unfolding over the Simbali logging operations and the Review of Disputed Forest Allocations, the World Bank became aware that the East Kikori logging operation could bring them into serious conflict with another senior Minister.

In April, a new review of existing logging operations was being planned under the auspices of the Forestry and Conservation project. This review has been on the table since the fated Structural Adjustment Loan in 1999.

The Terms of Reference for the review states that its purpose is to *'ensure that all existing logging projects are meeting their legal obligations and required operational standards'*.

The review is supposed to *'include all on-going timber harvesting operations which have an expiry date after 31 December 2003 and which are currently calculated to have at least 15 percent of the net harvestable volume of forest resource remaining'*.

Clearly falling within this definition is the logging operation at East Kikori in Gulf Province. The current timber permit is not due to expire until 2008 and just last year the Forest Authority calculated that the remaining timber resource was over 540,000 cubic metres.

However, the timetable for the review shows that the East Kikori logging operation has been 'overlooked' and it will not be reviewed.

This is very fortunate for the Bank as a company called Gopera Investments holds the logging permit for East Kikori. The Minister for Justice Mark Makapai has made no secret of the fact that he is the Chairman of that company.

With the Bank so clearly fighting shy of any confrontation with the government on logging industry corruption and the strong links between logging companies and senior politicians, the Forest and Conservation Project is fated to be at best an irrelevance and the Bank is showing once again the shallowness of its commitments on poverty alleviation and good governance.