



Submission No 19

Inquiry into Australia's aid program and its impact on human rights and security in the Pacific

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August 2006

Executive Summary

The Australian Conservation Foundation (ACF) welcomes the opportunity to make a submission to the Human Rights Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade as part of its inquiry into Australia's aid program and its impact on human rights and security in the Pacific.

ACF has a long history of partnership and collaboration with several key civil society groups in Papua New Guinea (PNG) on a range of environmental and development issues. In particular, we have collaborated with the Port Moresby-based Centre for Environmental Law and Community Rights (CELCOR) and the Eco-Forestry Forum in documenting and monitoring human rights abuses and corruption in PNG's forestry sector. These testimonies form the basis of a new report entitled "Bulldozing Progress: Human rights abuses and corruption in Papua New Guinea's large scale logging industry", which is due to be launched in Port Moresby on 7 August, 2006.

ACF's submission focuses on the implication of human rights abuses and corruption associated with the activities of foreign-owned logging companies operating in Pacific nations, particularly PNG, and the impact of this on development efforts and regional security.

Human rights abuses and corruption are entrenched in the forestry sector of many Pacific countries. These have undermined Australia's development assistance and aid support significantly. In some cases, such as Papua New Guinea, development efforts have failed to strengthen these nation states, nor have they been able to develop a stable and sustainable economy, because powerful logging interests represented by a number of foreign logging companies have continued to undermine governance and assert their influence politically and economically.

While there have been a series of attempts through loans and grants to PNG to reform the forestry sector, these have largely failed as none of them dealt with the core issue of corruption or its root causes. The reforms are flawed in that they largely focussed on developing and strengthening PNG institutions to facilitate large-scale forestry. The latter is both inconsistent with the National Goals and Directive Principles of the PNG Constitution and is beyond the capacity of PNG institutions to effectively manage. As a result, the reform efforts, although appearing impressive on paper, have had no real impact on the ground. Consequently, corruption has actually worsened resulting in gross human rights abuses and other serious problems such as trans-boundary criminal activities and increasing violence and brutality in PNG.

Australia is a member of the OECD and a significant political and economic player as well as a key aid donor in the Region. We have the obligation and responsibility to support our neighbours to address the serious issues of human rights violations, mismanagement and corruption in the forestry sector as well as trans-boundary crimes. As a major donor both bilaterally and through contributions to multilateral development agencies such as the international financial institutions and the UN, Australia can effectively leverage development assistance and aid for genuine reforms and active measures to tackle corruption, human rights abuses and trans-boundary criminal activities. This is vital both for our national interest and for the security and stability of the region. Most importantly, it will help PNG to develop as a strong and successful nation state.

Summary of Recommendations

The attached submission outlines a number of specific actions that the Australian Government should take to tackle forestry related problems in PNG. Many of these measures are also relevant for other Pacific Island Countries and may apply elsewhere. ACF recommends that Australia use its aid program and development assistance to leverage the following:

1. *Strengthening law and justice*

- Support the Government of PNG to conduct a high-level independent inquiry into the persistent problems of the large-scale logging industry, the role it plays in undermining governance, and perpetrating human rights abuses;
- The Government of PNG revokes the logging licences of companies found by the Courts or other investigative authorities to be involved in human rights abuses, corrupt activities or payments to serving police officers under private security arrangements;
- The Australian Government and AusAID supports a reinstatement of the ban on new logging permits and the renewal or extension of current permits in PNG until effective enforcement of current oversight mechanisms is evident;
- Support the Government of PNG to adequately remunerate officers of the Royal Papua New Guinea Constabulary (RPNGC) to nullify the incentive for police personnel to accept corrupt offers; and ensure the RPNGC is appropriately resourced to investigate allegations of human rights abuses.

2. *Improving economic management and public accountability institutions:*

- Encourage logging companies operating in PNG to adopt a 'Publish What You Pay' approach, whereby companies extracting resources publish all their payments to the government (taxes, fees, royalties, signature bonuses etc);
- Community-based natural resource management, village level agriculture and the development of sustainable livelihoods need concerted research and investment from the Australian Government as a legitimate strategy for alleviation and reduction of poverty in PNG.
- Support training programs that increase basic skills of Papua New Guineans in areas such as carpentry, hospitality and appropriate technology to assist communities to value add to local materials and process food for local trade in rural areas.

3. *Maintaining access to basic services:*

- Focus on improving access to basic social services such as health and education and creating viable economic opportunities in rural areas;
- Investigate viable economic alternatives to large-scale forestry, including eco-forestry and conservation, to enable groups to have more control over, and to make more informed decisions about, their community's future;
- Support customary land tenure as an inalienable right and an important form of social security for rural communities in Pacific Island Countries, and adopt a policy of no support for moves and measures to restrict, directly or indirectly, customary land tenure.

4. *Anti-corruption and good governance measures:*

- Support the Government of PNG to establish an independent Anti-Corruption Commissions with the power to investigate and take action against those found to be involved in corrupt practices;
- Support the Government of PNG to establish a Human Rights Commission to investigate, mediate and refer to the appropriate authorities complaints of human rights abuses;
- DFAT and AusAID need to address governance failures and corruption in the forestry sector in Papua New Guinea to improve security both within PNG, and the Pacific Islands Region.

5. *Supporting peace-building and community and civil society development:*

- Support community groups, NGOs, women's organisations and churches that help landowners deal with the social impacts of large-scale logging, including conflict, violence and human rights abuses;
- Support programs that help PNG make the transition out of large-scale industrial logging to certified small and medium scale community-based forest management and timber production.

In order to ensure the effectiveness of Australian aid and development assistance, protect human rights, and improve security in the region, Australia cannot ignore the link between human rights abuses, corruption and large-scale logging. As long as the forestry sector is allowed to continue with its current practices, development assistance will be limited in realising its goals and objectives in this region.

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1. Background.....	5
1.1 The Pacific in context	5
2. Papua New Guinea in focus	6
2.1 Forestry in Papua New Guinea.....	6
2.2 Australia and forestry reform in Papua New Guinea	7
2.3 Human rights abuses and large-scale logging.....	8
2.4 Impact of logging on Papua New Guinean women	9
3. Regional security implications	10
4. Discussion	10
4.1 Strengthening law and justice.....	10
4.2 Improving economic management and public accountability institutions.....	13
4.3 Maintaining access to basic services (especially health):.....	15
4.4 Anti-corruption and good governance measures:.....	16
4.5 Supporting peace-building and community and civil society development:	18
5. Conclusion	19

1. Background

The Australian Conservation Foundation (ACF) works in partnership with non-government organisations (NGOs) in the Pacific to promote development that is ecologically sustainable and culturally appropriate. ACF's overseas program currently focuses on Papua New Guinea and Timor Leste.

Human rights abuses and corruption are entrenched in the forestry sector of many Pacific countries, particularly Papua New Guinea (PNG). These have undermined Australia's development assistance and aid support significantly. Breakdowns in governance, conflict, and unrest arising from the exploitation of forest resources not only impacts on security within Pacific nations, but also threatens regional security, including that of Australia.

This submission focuses on human rights abuses and corruption associated with the activities of foreign-owned logging companies operating in Papua New Guinea, but with relevance to other Pacific Island Countries, and the implication of this for regional security.

1.1 The Pacific in context

The Pacific is an area of great cultural and biological diversity. Pacific Islands and Territories range in size from less than 50 people to over 5 million, with significant variations in the social, political, cultural and economic situations of countries. Papua New Guinea is the largest and most populous country with a population of over 5 million. It is renowned for its socio-cultural diversity, with over 8,000 autonomous tribes and some 750 languages.

Ecologically, Melanesia is incredibly diverse and hosts the largest remaining tracts of intact rainforest in the Asia Pacific region. The forests of Papua New Guinea alone comprise the third largest rainforest in the world. These forests sustain a unique array of plants, wildlife and ecosystems, including some 9000 flowering plants, fragile mangrove swamps, hundreds of endemic bird species, and the world's largest butterfly.¹

Over the last decade, foreign logging companies have encroached upon large tracts of pristine rainforests across Melanesia. Logs from these old growth forests are exported for an appallingly low return to local communities, whilst leaving behind horrendous social and environmental problems. Deforestation destroys the basis of subsistence living for local people and thus increases the risk of poverty. Forest loss results in decreasing food supplies, bush medicines, building materials and other basic essentials for local communities. Logging often causes pollution of waterways, which affects access to clean water and fish catches from these sources.

Since over 80 per cent of Pacific Island people live in subsistence communities, environmental and social issues are closely linked. Land and the natural environment, together with complex customary systems and community structures, generally provide people with social security and cultural identity. Damage to the landscape on which communities depend for their survival leads to poverty, cultural disintegration and potential conflict. This has strong implications for Australia in terms of regional stability.

The Solomon Islands

According to Ruth Liloqula, Under Secretary, Ministry of Human Resources and Development and National Planning, the 'ethnic conflict' between the Malaita and Guadalcanal peoples in the Solomon Islands is in fact caused by competition for natural resources and the exploitation and inequitable sharing of benefits from these activities. 'Natural forest and sea resources provide a substantial portion of the basis for subsistence living. They are a source of essential goods and services, such as water, housing and transportation material, food and medicinal plants. They are therefore central to the economic, cultural and social wellbeing of all Solomon Islanders. A large proportion of its valuable natural resources have now been exhausted, without contributing to sustainable community living and human development. Their exploitation has resulted in social problems and a weakening of the linkages between families, tribes, communities, and provincial and national governments.'²

The most recent unrest in Honiara in April 2006 is an example of what can happen when logging industry corruption is allowed to continue to influence politics. This effectively rendered the 3-year peace building effort by Australia ineffective.

2. Papua New Guinea in focus

When Papua New Guinea gained its independence in 1975, the new nation was founded on a set of clear, long-sighted principles through its Constitution. However, the activities of foreign owned logging companies and the model of large-scale logging in PNG is inconsistent with many of the Constitution's National Goals and Directive Principles. These declare that PNG should aim *"to be politically and economically independent and its economy basically self-reliant"*. They call for *"strict control of foreign investment capital and wise assessment of foreign ideas and values so that these will be subordinate to the goal of national sovereignty and self-reliance, and in particular for the entry of foreign capital to be geared to internal social and economic policies and to the integrity of the Nation and the People"*.

The fourth of these National Goals is for PNG's *"natural resources and environment to be conserved and used for the collective benefit of us all, and be replenished for the benefit of future generations"*. The Constitution guarantees freedom from domination and oppression as well as full participation for Papua New Guineans in their country's development. It calls for development to be achieved *"primarily through the use of Papuan New Guinean forms of social, political and economic organisation"*.

2.1 Forestry in Papua New Guinea

The logging industry in PNG is made up almost entirely of foreign corporations and is dominated by a small handful of Malaysian companies, the largest of which is Rimbunan Hijau.³ These companies now wield considerable economic and political influence in PNG and the forestry sector is plagued by political corruption, police racketeering and the brutal repression of workers, women and those who question its activities. Its operations routinely destroy the food sources, water supplies and cultural property of those same communities and provide a breeding ground for arms smuggling, corruption and violence across the country.⁴

Perhaps one of the worst impacts of logging is the disintegration of social structures and culture. Since land is the centre of life for local people, and a source of their security and identity, loss of land has a devastating long-term effect on many people and PNG society as a whole. Large-scale exploitation of natural resources, such as forests, for money often results in communal conflicts. Budgeting and financial management are relatively new skills and concepts to be learnt and misuse of money causes conflicts and disharmony within families, the community and the country as a whole. Inequitable distribution of money also often marks the beginning of the disintegration of culture and social cohesion.

2.2 Australia and forestry reform in Papua New Guinea

The Australian Government is a major donor and the World Bank a major lender to the PNG Government. However, the great influx of donor policies and programs over the years has not led to a commensurate improvement in the human rights or living conditions of ordinary Papua New Guineans. Indeed, many of PNG's human development indicators are the worst in the Pacific. Infant mortality rates are approximately 70 per 1,000 births; 35 per cent of the population aged 15 and above is functionally illiterate; life expectancy averages 57 years; and around 2.3 million Papua New Guineans are living on less than US\$1 per day.⁵ PNG is currently ranked 137th (out of 177 countries) on the Human Development Index, well behind the Solomon Islands (128), Vanuatu (118) and Fiji (92).⁶

AusAID has funded several inquiries and reviews into the problems plaguing the forestry sector in Papua New Guinea, including the Barnett Commission of Inquiry in 1988 and the Independent Forestry Review in 2003, which was conducted by a team appointed by the World Bank and funded by the Australian Government through AusAID.

The 1988 Commission of Inquiry into aspects of the timber industry in PNG, chaired by Australian judge Tos Barnett, revealed a logging industry plagued by pervasive corruption, bribery, non-compliance with regulations, extensive violations of landowners' rights and extreme environmental destruction.⁷ Justice Barnett famously stated that logging companies:

*'are now roaming the countryside with the self assurance of robber barons; bribing politicians and leaders, creating social disharmony and ignoring laws in order to gain access to, rip out and export the last remnants of the provinces' valuable timber.'*⁸

Subsequent to the Barnett Inquiry, AusAID and the World Bank attempted institutional reform of the forestry sector. After a decade of efforts, the forestry sector remains in disarray with the 2003 Independent Forestry Review funded by AusAID through the World Bank Forest and Conservation Project stating:

*'The overwhelming view of the Review Team ... is that the robber barons [referring to foreign logging companies] are now as active as they ever were. They are not only free to roam, but are in fact encouraged to do so by persons whose proper role is to exercise control over them.'*⁹

Australia is, to a large extent, responsible for the state of the mismanagement of the forestry sector in PNG. While other donors such as the European Union, international NGOs and large private donors actively support more sustainable eco-forestry operations¹⁰, Australia continues to support

large-scale industrial logging by focusing on the strengthening of institutions that have no hope for meaningful reform. These institutions, set up and funded by the Australian government, serve no other purposes except to manage large-scale logging activities. This is contrary to the National Goals and Directive principles of PNG's Constitution and is considered a waste of aid dollars by many civil society groups in PNG.

NGOs believe that it is naïve to think that tinkering with the system of large-scale logging, whether through capacity building in the National Forest Authority and Office of Environment and Conservation, or the passing of new laws and regulations, will bring any effective change. This has been tried over the past decade with the Barnett Inquiry, a new Forestry Act, three subsequent amendments to the Acts, the Logging Code of Practice and amendments, and the National Forestry and Conservation and Human Resource Development Projects. Yet the reality is that corruption continues to plague the system and hence the social, environmental and economic destructiveness of the large-scale logging industry continues unabated.

Some of AusAID's past initiatives in PNG

National Forestry and Conservation Programme (NFCAP): Although this introduced several new initiatives that were broadly welcomed, there is no evidence of an improvement in long-term forest management practice or institutional performance.

PNG Human Resource Development Programme: Under this program, personnel involved in the forestry sector received training and capacity building support. Again, there is no evidence of an improvement in forest management practice or institutional performance.

PNG Community Development Scheme: Although individual organisations have had mixed experiences, overall the Scheme has been effective in delivering support to NGOs and Community initiatives. NGOs would like to see the Scheme continued and expanded.

PNG Sustainable Forestry and Conservation Project: The project design failed to effectively analyse the lack of impact of previous programmes and offers little reason to believe that its impact will be any more effective. The design also promulgated the failed system of large-scale log extraction without looking at any alternative systems of forest management.

2.3 Human rights abuses and large-scale logging

"I was bashed up in my village and they [the police task force members] burn my village – five houses... they came in with force, and the village people, they don't know why the police come in – they were surprised to see the police... three of us were bashed up and five houses burnt with all their properties – nothing left... they did it in front of the elementary school while our children were having their classes – they were scared and ran out to their fathers and to their parents... they killed the pigs and dogs, shot them dead with their M16s, and then the chickens... guns started firing from 6 o'clock in the morning to 6 o'clock at night..."

– Landowner from the Gulf Province in PNG who spoke out against large scale logging

The Australian Conservation Foundation, together with the Port Moresby-based Centre for Environmental Law and Community Rights (CELCOR), has been collecting testimonies of human rights abuses within PNG's forest sector for several years. Interviews with landowners living within several logging concessions in PNG highlight the link between large-scale logging and human rights abuse, and reveal:

- Cases of arbitrary detention and physical brutality by police against landowners, constituting an abuse of civil rights, including the right to life, personal liberty and the right to be free from torture and cruel, inhuman and degrading treatment.
- Intimidation and abuse of women, constituting the denial of women's right to be free from violence.
- Serious flaws in the Incorporated Land Group Process, resulting in the denial of the right of landowners to access accurate information, make informed decisions and to participate effectively in decisions about their land.
- The contamination of food and water sources by large scale logging, constituting the denial of economic and social rights, including as the right to health, and the right to an adequate standard of living.
- Unjust working conditions, constituting the denial of the right to a decent working environment.
- The destruction of cultural sites by logging, resulting in the denial of the right of communities to enjoy their own culture and use their land for cultural and spiritual purposes.

These constitute serious human rights violations and whether the victims and eye witnesses blame police, hired thugs, logging company officials, 'foreigners' or legal processes, these alleged human rights violations all stem from the operations of foreign owned logging companies in PNG.

The PNG Constitution protects many human rights and PNG is a signatory to many international treaties designed to safeguard basic rights.^a The problem in PNG is not the lack of rights guarantees, but that the capacity and political will to uphold and defend those rights are often weakened and undermined by powerful, mostly foreign-owned logging companies. Further, most people in forest dependant communities are not aware of their rights, making them particularly vulnerable to abuse and exploitation.

2.4 Impact of logging on Papua New Guinean women

Large development projects have a disproportionate impact on women and children. Men control most of the decision-making and the benefits available to landowners through forestry, while women are generally left out of negotiations. Given the difficulties for women in gaining access to

^a The PNG Government has ratified the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW); the Convention on the Rights of the Child (CRC) and the Convention on the Elimination of Racial Discrimination (CERD). However, it has not ratified other core instruments including the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR) and the Convention against Torture (CAT).

royalties, men tend to develop an attitude that logging royalties are 'free money' that can be spent as they choose. All too often this money is used for the purchase of alcohol and sometimes weapons. The increase in alcohol consumption in communities has resulted in a parallel rise in violence against women.

The Department for Community Development, in a series of assessments for the 2003-04 Inter-Agency Forestry Review, found logging operations had other negative consequences for women and children. The Department reported on several 'convenient marriages' in which foreign male workers soon abandoned the local women, who were left to bring up the children.¹¹ These women were sometimes ostracised from their communities and found it difficult to remarry. The Department of Community Development also documented allegations of female workers being forced to have sex with expatriate workers.¹² A case of child sexual abuse by an expatriate worker was also recorded.

The influx of transient foreign workers into remote parts of PNG and the accompanying sexual abuse and increased demand for prostitution is undoubtedly contributing to the HIV/AIDS epidemic, already an extremely serious problem in the country.

3. Regional security implications

The clear acceptance and acknowledgment by the Australian Government that security is an important concern in this region is a positive development. But to simply apportion blame to the people and governments of the Pacific does nothing to solve the problem. If Australia wishes to ensure stability in the Asia-Pacific region, leadership, political will and commitment are required to seriously address environmental issues. It is no longer possible just to address security issues in a military sense. Regional security will not be possible if Australian policy continues to push for and support large-scale exploitation of valuable natural resources for the benefit of a few.

Australia, and in particular the Department of Foreign Affairs and Trade (DFAT) needs to recognise that environmental security is a precondition for regional security within the Pacific, and that governance failures and corruption in the forestry sector must be addressed if security both within PNG, and the Pacific Islands Region, is to be improved.

4. Discussion

To find lasting solutions to the serious problems of human rights abuses and corruption in the forestry sector, governments, international donors and Pacific communities will need to work together to address root causes, rather than tackling the symptoms alone. The following section is structured around the terms of reference of the inquiry and provides a series of recommendations for Australia's aid program. Whilst these recommendations largely relate to Papua New Guinea, they have relevance for aid packages to other Pacific Island Countries.

4.1 Strengthening law and justice

Allegations of police brutality against individuals and groups in PNG, including police killings, are widespread.¹³ Police violence – and the climate of impunity that surrounds it – has contributed to a general escalation of violence within many communities.

The isolation of logging camps, the easy availability of weapons and the lure of quick cash combine to create an incentive that some police officers find difficult to resist. There have been many allegations of police officers (in particular police mobile squad members) being paid by logging companies to provide security on behalf of the companies. This gives individual officers a conflict of interest and decreases the chances of human rights abuses being reported to the authorities, as landowners surmise that if the police are involved, complaints against them would have little chance of a fair hearing. According to one landowner (who was physically assaulted by a group of men he believes were hired by logging company Rimbunan Hijau to intimidate him into giving up a court case against the company):

“RH [Rimbunan Hijau] uses money...for simple people like us there isn't really any way where we can get access to the law...if I report the matter to the police, those very police will go back and tell RH [Rimbunan Hijau] 'such and such fellow reported this' and they collect their commission and forget about it...”¹⁴

Rough Justice in Western Province

Brutality by police mobile task force members was a pressing concern for Western Province landowners who spoke to a PNG Government Inter-Agency Forestry Review Team. Referring to Rimbunan Hijau's logging operation in Wawoi Guavi, Western Province, the Review Team's draft report noted:

“The use of physical force by the Police Task Force to intimidate employees and landowners was one of the major issues raised by all members of the community. The people most certainly welcomed the presence of police in the area but not in the manner in which they were behaving and under the total control of the company.”¹⁵

Human rights abuses have flourished thanks to the physical isolation of the logging communities, and the corruption and inadequate resources of PNG's government. These same conditions have allowed international trafficking in guns, timber, and people.

Papua New Guinea's Police Commissioner has acknowledged gun smuggling occurs at remote logging camps but said police lacked the resources to travel to logging camps to investigate.¹⁶ The Internal Security Minister has also acknowledged the connection between guns trading and the logging industry, stating, *“We don't have the resources but we admit guns are coming through Indonesia, coming through Torres Strait and we also admit that guns are coming through logging ships.”¹⁷* This has been backed up by a former customs officer, who has told how he saw high-powered guns smuggled into PNG in logging ships through West New Britain province and said guns were being smuggled into PNG from Indonesian-controlled West Papua.¹⁸

According to a 2005 report, up to three quarters of the 7,664 assault rifles provided to Papua New Guinea's armed forces by Australia and the United States since 1971 cannot be accounted for and may have been diverted to crime and tribal conflict.¹⁹

The availability of firearms raises the stakes considerably when landowners have disputes with resource companies. CELCOR has documented several cases in which communities, frustrated by the unfulfilled promises of logging companies and their destructive practices, have resorted to violence. In 2000, two young men who were unhappy with logging activities in the Vailala concession in Gulf province held up a logging camp and were subsequently shot and killed by police.²⁰ In another case from November 2005, two men were killed and a teenager was seriously injured in a dispute over logging in Manus Province.²¹

The PNG logging industry also masks the theft of valuable *merbau* logs timber from West Papua, trade in which is banned by Indonesia. Logging equipment is brought from PNG by Malaysian companies, who label the timber as PNG to mask its Indonesian origin. False flags are put on cargo vessels, port authorities are bribed, and Papua New Guinea Defence Force (PNGDF) soldiers act as security.²²

Several official PNG Government reports reveal evidence of illegal foreign workers being smuggled in to remote parts of PNG to work in logging camps. In one report, employees from the Rimbunan Hijau owned Panakawa and Kamusie operations alleged there were many foreigners illegally living in Wawoi Guavi.²³ The report claims the workers crossed the border from Indonesian controlled West Papua into Sandaun province and were air lifted through a Rimbunan Hijau private air service. The same report alleged Indonesian women were brought to the camps as sex workers, which is illegal under PNG law.

The political and social clout of multinational logging companies has led to the breakdown of governance structures and contributed to social problems, corruption and even trans-border criminal activities that have the potential to threaten regional security. The *modus operandi* of these logging companies creates a climate of fear and violence. It legitimises the use of bribery, threats and brutality as a means to an end. Until these problems are effectively dealt with, Australia's development assistance will continue to be undermined.

Australia's approach to fragile states through the whole of government approach is a step in the right direction in addressing issues of governance failure. However, Australia must realise that governance failures in a country like Papua New Guinea are not merely due to a lack of institutional capacity or resources. The problems within PNG's forestry sector clearly indicate the deliberate undermining of governance and due process by an industry that is out of control and has no regard for law and order. The seriousness and severity of the problems warrant very targeted and specific responses. In particular, corruption will have to be dealt with effectively.

Firstly, the persistent problems associated with the forestry sector and the failures of past reform must be fully understood before further reform program is proposed. In order to do this:

- **Recommendation 1:** The Australian Government should support the Government of Papua New Guinea to institute a high level independent inquiry into the persistent problems of the large-scale logging industry and the role it plays in undermining nation building. This

inquiry should be given broad discretionary powers, to investigate the persistent links between the large scale logging industry and –

- corruption;
- human rights violations, including the sexual abuse of women;
- police misconduct; and
- trans-boundary criminal activities, including gun and drug smuggling and trafficking.

This inquiry should be empowered to look into the activities of private companies as well as the public sector and to refer to the Public Prosecutor matters that require criminal prosecution. Australia should work in collaboration with other bilateral and multilateral donors to leverage development assistance for an inquiry, and at the same time to support and provide the necessary resources for this inquiry.

- **Recommendation 2:** The Australian Government should encourage the Government of PNG to revoke the logging licences of companies found by the Courts or other investigative authorities to be involved in human rights abuses, corrupt activities or payments to serving police officers under private security arrangements.
- **Recommendation 3:** The Australian Government and AusAID supports a reinstatement of the ban on new logging permits and the renewal or extension of current permits in PNG until effective enforcement of current oversight mechanisms is evident.
- **Recommendation 4:** The Australian Government and AusAID should also consider the question of better resources for Papua New Guinea's police force. Officers of the Royal Papua New Guinea Constabulary should be adequately remunerated, to nullify the incentive for police personnel to accept corrupt offers for extra work that would place them in a conflict of interests.

4.2 Improving economic management and public accountability institutions

Contrary to popular belief, large scale logging is not a big contributor to PNG's economy. A 2004 report into the socioeconomic and financial impacts of existing timber permits found that the majority of logging returns accruing to PNG resulted in a modest 5 per cent increase in the central government's budget and that few lasting benefits were reaching landowners.²⁴ The report concluded the full costs associated with logging projects outweighed the benefits, stating:

*"Few lasting benefits are reaching landowners because payments to the poorest and most remotely located communities are too small and ephemeral to have a lasting impact and are not complemented by investment in public services by government. Payments that reach rural populations, furthermore, are primarily used to purchase consumables by men and infrequently invested."*²⁵

Forestry in PNG is currently dominated by large-scale logging for export carried out by foreign-owned companies. This model is providing little economic returns to local landowners and only a minor contribution to the central government budget. One of the factors further reducing economic returns to the government of PNG, and entrenching corrupt practices, is 'transfer

pricing'. It has been alleged that timber companies are rorting the Papua New Guinean Government of around \$100 million a year - one third of Canberra's yearly aid to the country. According to a recent report in *The Australian*, "Under so-called 'transfer pricing', timber exports are laundered through the overseas subsidiaries of companies exporting the timber. Importers buy the timber from the subsidiaries at much higher prices than those declared to the PNG tax office at the point of export."²⁶

Rather than respect and build on the national goals and directive principles of PNG's constitution, both the Australian Government and the World Bank have demanded an export-driven approach to development. According to academic Dr Tim Anderson, this has been a spectacular failure in PNG. While the country has had phenomenal sustained 'success' as a resource exporter, this has not helped most people in PNG. Between 1965 and 1980, PNG's average annual export growth rate was a massive 12.8%, while imports only grew at an average 5.6%.²⁷ Export growth fell in the 1980s, but throughout the 1980s and 1990s exports remained at very high levels, consistently well above 40% of GDP. In conventional terms, PNG should have been a world class success story of export-oriented development - but it was not.²⁸

A 2002 survey of the 33 villages between the Ok Tedi mine and the port at Kiunga, in Western Province (the centre of current logging and mining operations) showed that less than 1% of people had electricity, only 12% had some form of secondary education, and 96% had no source of money income.²⁹ Mining and logging operations may have lifted PNG's GDP per capita, boosting exports and creating the illusion of a higher income society, but in most cases these same industries have in fact undermined community welfare and increased conflict.

PNG has also become mired in debt. According to former Treasurer Bart Philemon, PNG owes the IMF, World Bank and other lenders a total of K7.5 billion (AU\$3.3 billion), or around K1,500 (AU\$664) per capita.³⁰ According to Mr Philemon, "The interest on this debt costs us nearly K100 for every man, woman and child in PNG each year." This is significant for a country where around 40 per cent of the population earns less than US\$1 (K3) a day and more than 70 per cent earn less than US\$2 (K6) a day.³¹

The recent *PNG Analytical Report for the White Paper on Australia's Aid Program* noted that "based on even the most favorable assumptions about growth, village agriculture will continue to sustain the overwhelming majority of Papua New Guineas for the foreseeable future."³² ACF is supportive of the report's focus on the importance of village level agriculture to the rural population and the overall stability of PNG. Support is also needed to develop skills and to provide appropriate technology to Papua New Guinea to facilitate the value-adding and simple, community controlled, downstream processing of locally produced food and materials.

Australian aid interventions should focus on maximizing the marketing potential of, and to facilitate reliable markets for, village level agriculture and promote sustainable livelihoods as key strategies for economic development and poverty alleviation in PNG. Improved economic returns to local communities could also be achieved by moving to more community-based forest management.

- **Recommendation 5:** Logging companies operating in pacific nations should adopt a 'Publish What You Pay' approach, whereby companies extracting resources publish all their payments to the government (taxes, fees, royalties, signature bonuses etc). This allows

ordinary citizens to track the money from their natural resources into the national budget and government reserves and has the effect of making companies more accountable and transparent and better trusted by the wider community.

- **Recommendation 6:** Community-based natural resource management, village level agriculture and the development of sustainable livelihoods warrant greater recognition from the Australian Government as a legitimate strategy for poverty reduction in PNG. Therefore, Australian aid interventions should focus on maximizing the marketing potential of, and to facilitate reliable markets for, village level agriculture and promote sustainable livelihoods as key strategies for economic development and poverty alleviation in PNG and the Pacific Islands Region.
- **Recommendation 7:** Australia should support training programs to increase basic skills of Papua New Guineans in areas such as carpentry, hospitality and appropriate technology to assist communities to value add to local materials and process food for local trade in rural areas to reduce the dependency on 'cargo' and imported items.

4.3 Maintaining access to basic services:

There is a scarcity of government services in rural areas of Papua New Guinea and the promises of logging companies to build schools, health clinics and roads are seen as attractive options to rural communities because, in many cases, they are the only option.

The signing of Incorporated Land Group agreements (ILGs) - the process by which the PNG Government buys timber rights from landowning communities and then issues 'extraction' licenses to logging companies - is often accompanied by verbal and/or written promises that the logging company will provide infrastructure and services. But the resource companies' promises of schools, roads and health centres rarely materialise. One landowner from the Western province recounts:

*"I signed the ILG form because the guys from the company said if you sign these forms we will build your classrooms, hospitals and a new district office, rubber plantation, oil palm and water tanks... They didn't give us anything. We did not understand what was in the ILG forms. No one explained. They gave us on the spot and we signed. We were happy with the promises and we signed. There were many of us from Kuni Tribe who signed. Now we haven't received the things the company promised and we are not happy. The company is also destroying our forests, our river systems, our hunting grounds, fishing places, and sago trees."*³³

Access to land through customary land tenure is a vital "safety net" for the rural population, and remains PNG's strongest (and only) social security system. Customary land tenure in PNG has recently come under attack by conservative commentators within Australia, and the recent *PNG Analytical Report for the White Paper on Australia's Aid Program* listed land tenure issues as one of several "constraints to growth" in PNG.³⁴ The Australia Institute recently released a report in defense of customary land tenure, rebutting the notion that customary tenure is a barrier to development and suggesting that any moves to privatize land would be highly detrimental to PNG's social and economic welfare.³⁵ Furthermore, any attempt to reduce customary ownership of

land in PNG will almost certainly exacerbate the fragility of the state, as land is a highly sensitive and emotive issue in PNG.

Any strategy to tackle current problems in the logging industry needs to occur concurrently with a focus on establishing basic services – such as health and education – and creating viable economic opportunities in rural areas. An educated, healthy and economically viable rural population, aware of their rights, will help keep corrupt practices in check.

- **Recommendation 8:** The Australian Government, through its aid program, should focus on improving access to basic social services such as health and education and creating viable economic opportunities in rural areas.
- **Recommendation 9:** The Australian Government, through its aid program, should also investigate viable economic alternatives to large-scale forestry, including eco-forestry and conservation. This will enable groups to have more control over, and to make more informed decisions about, their community's future.
- **Recommendation 10:** The Australian Government should not support any moves and measures that would restrict to restrict, directly or indirectly, customary land tenure in Pacific Island Countries.

4.4 Anti-corruption and good governance measures:

Logging companies are a major source of funding for political parties and politicians. In PNG, the industry wields considerable influence through political donations, lobbying, media ownership, sponsorship of public events, direct cash payments to landowners, and promises of infrastructure developments like roads, schools and health clinics. The Barnett Inquiry and the Independent Forestry Review both showed the problems plaguing the forestry industry in PNG were the result of more than just poor management and a lack of government capacity to monitor activities. Outside observers – and many national leaders – see corruption as a major part of the problem. However the Australian Government has so far been reluctant to tackle corruption in the forestry sector.

The AusAID-funded Independent Forestry Review Team documented a number of disturbing practices, including companies 'buying' the right to log in particular concession areas and permits or licenses being issued outside the established legal processes. Because logging usually happens in remote areas, it can be difficult for Moresby-based national authorities to monitor activities, meaning companies can do deals at the provincial or even local level to gain access to forests. It is no wonder one official review report recommended the Government urgently establish its authority in the Wawoi Guavi area, saying its absence "*makes RH [Rimbunan Hijau] think and act as if it is the government there.*"³⁶ The review team also uncovered evidence of political interference, including evidence of interference by Government Ministers in the development of a number of projects.

In a system in which corruption is endemic, standard law enforcement mechanisms may themselves harbour corrupt officials. In such a case, an independent Commission Against

Corruption can shine light on corrupt activities taking place within the ranks of government and strengthen governance in the country. Transparency International and the United Nations agency UN-Habitat have produced a toolkit to promote good governance and help developing nations tackle the complex problem of corruption.³⁷ The toolkit promotes the establishment of anti-corruption agencies or commissions that are funded by, but remain independent from, governments. In Papua New Guinea the constitutionally established Ombudsman Commission does, in a sense, already perform this function. But the Ombudsman Commission's roles and functions are strictly determined by the Constitution and two Organic Laws. In some jurisdictions an anti-corruption commission and an Ombudsman office work in concert with one another, to good effect. Together the anti-corruption commission and the Ombudsman, through varying enforcement methods, can ensure government employees who breach public trust are held accountable.

Fighting Corruption in Botswana

A good case study of how a dedicated anti-corruption body has worked effectively comes from the central African state of Botswana. In the late 1980s and early 1990s several major corruption scandals in Botswana, some involving very senior and prominent people, led to a number of commissions of inquiry. In 1994, the Government of Botswana enacted the *Corruption and Economic Crime Act*. This created new offences, including the offence of corruption. A Directorate on Corruption and Economic Crime was created and given special powers of investigation, arrest, search and seizure. It also included a fine to be imposed on those who are found to be corrupt, creating a steady revenue stream and incentive to investigate and prosecute. The Directorate now has more than 100 officers. In the first five years of its operation the Directorate had prosecuted 197 people, with a conviction rate of 84 per cent.

PNG's Ombudsman Commission also has the power to investigate human rights abuses. It has conducted investigations into aspects of the large scale logging industry in its Turama Forest Industries (1998) and Kamula Doso (2002) reports, but these investigations were into the legality of various licence grants and decisions, not human rights violations. The Ombudsman Commission established a dedicated human rights unit in 2005, but it is small and under-resourced. The Government of PNG should also establish a dedicated independent Human Rights Commission, to investigate, mediate and refer complaints of human rights abuses.

Breakdowns in governance, conflict, and unrest arising from the exploitation of Papua New Guinea's forests not only impacts on security within PNG, but also threatens regional security, including Australia. DFAT and AusAID need to address governance failures and corruption in the forestry sector in Papua New Guinea if they are to improve security both within PNG, and the Pacific Islands Region. If the Australian Government narrowly focuses on policing and institutional strengthening of the police force in PNG, it risks missing the forest for the trees.

- **Recommendation 11:** The Australian Government should support the Government of PNG to establish an independent Anti Corruption Commission with the power to investigate and take action against those found to be involved in corrupt practices.
- **Recommendation 12:** Human rights abuses associated with the logging industry need to be urgently investigated. The Australian Government should assist the Government of PNG

to establish a Human Rights Commission to investigate, mediate and refer to the appropriate authorities complaints of human rights abuses.

- **Recommendation 13:** DFAT and AusAID need to address governance failures and corruption in the forestry sector in Papua New Guinea if they are to improve security both within PNG, and the Pacific Islands Region.

4.5 Supporting peace-building and community and civil society development:

The Australian government often provides short-term emergency assistance to people who are suffering from the effects of violence. In the post-conflict phase, Australia helps with conflict resolution, peace building and reconstruction. This often ties in with Australia's development assistance program of poverty reduction strategy through economic growth. In recent years, governance has increasingly become one of the priorities of Australia's foreign policy and development in the Pacific, especially in post-conflict situations.³⁸

The Australian government often deals with governance in this region by providing institutional support and reform for law and order. This has proven to be ineffective and at worst counterproductive with no real change on the ground so far. There is little real analysis of the situation beyond attributing the violence to tribal warfare or ethnic tension. The root cause of instability and unrest in this region is usually not known, or disregarded. As a result, Australia's policies and strategies have been reactionary and even interpreted as self-serving, rather than designed to maintain peace and to build a constructive relationship with our Pacific neighbours.

In particular, the cultural context of conflicts must be understood to ensure effective support and intervention for long-term peace. There should not be a 'one-size-fits-all' solution for resolving or managing conflicts. It should be a process which involves the development of an understanding of the fundamental issues and root causes of the problems, coupled with an extensive participatory consultation process involving civil society groups to work towards peaceful resolution of the underlying problems.

An effective democracy relies on an active and functioning civil society, and Australia should help to nurture civil society in PNG to demand better governance and help keep corrupt practices in check. The Australian Government should also provide greater support to groups that help communities in their dealings with the social impacts of large-scale logging, including conflict, violence and human rights abuses. This should include financial and technical support for community groups, NGOs, women's organisations and churches. These groups are often on the frontline, providing communities with independent legal advice, assistance in negotiating the forestry agreements, conflict resolution and developing viable alternatives to large-scale forestry. They are also the main – in some places, the only – providers of support to the vulnerable female employees of the forestry sector.

The Australian Government must tackle the root cause of conflict by ensuring that its aid and development policies and activities do not contribute to the disintegration of local customs and the spirit of self-reliance, which have sustained communities for thousands of years. Institutional strengthening at the bureaucratic level, if done effectively and driven by the necessary political

will, can lead to positive outcomes for grassroots Papua New Guineans and their environment. However, since power to determine the fate of land and natural resources rests largely with landowners, local communities must be more actively engaged in the forest management and planning processes. The Australian Government should support programs that help PNG make the transition to certified small and medium scale community-based forest management and timber production.

- **Recommendation 14:** The Australian Government should provide greater support to civil society organisations (such as community groups, NGOs, women’s organisations and churches) that help communities deal with the social impacts of large-scale logging, including conflict, violence and human rights abuses.
- **Recommendation 15:** The Australian Government should support programs that help PNG make the transition to certified small and medium scale community-based forest management and timber production.

5. Conclusion

The Australian Government needs to address human rights abuses, governance failures and corruption in the forestry sector in PNG if it is to enhance human rights and security in PNG and the Pacific Islands Region. As long as the forestry sector is allowed to continue with its current practices, development assistance will be limited in realising its goals and objectives. The Australian Conservation Foundation recommends that ecologically sustainable development be at the core of Australia’s relationship with Papua New Guinea and other Pacific Island Countries and contends that environmental security is a pre-condition for regional security. Future Australian aid and development assistance to the forestry sector must be linked to the development of mechanisms that reduce the negative impacts of logging activities on human rights and the environment.

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