

RURAL DEVELOPMENT FORESTRY NETWORK

FROM THE FIELD

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Summary of an EC-commissioned Study**
Danagro Adviser a/s

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Forestry Issues in the Pacific: Summary of an EC-commissioned Study

Danagro Adviser a/s

Introduction

This paper summarises some of the points made in a report written for the European Commission entitled 'Strategy and possible EU Activities in the Field of Forestry in the Pacific' by the Danagro Adviser Consultancy. It was written in the context of the European Union's desire to play a part in the conservation and sustainable management of forests in the South Pacific. Along with other major donors, the European Union (EU) has expressed its deep concern that excessive logging activities in the Melanesian countries of Papua New Guinea (PNG), the Solomon Islands and Vanuatu is leading to the rapid depletion of these countries' forest resources. The Danagro report discusses the main forestry issues in the area (focusing on Melanesia), examines existing projects funded by both the EU and other major donors, and makes some suggestions for possible future support by the EU. The key points are summarised below.

Regional Overview

Melanesia is an extremely diverse, fragmented and dispersed region in almost every respect – geographic, economic and cultural. This applies not only at a regional level but also within each country, between islands and even between valleys. The whole region, however, has suffered from a major influx of opportunistic logging companies. Accompanied by the progressive breakdown of forest legislation and the sidelining and demoralisation of forest authorities, this influx started in the mid 1980s but accelerated significantly when Malaysia banned the exports of logs in 1990.

¹This paper has been summarised from the original report which was prepared by Patrick Hanmer, Nils Finn Munch Petersen and Jan Streyffert for Danagro Adviser a/s.

The region is very dependent on logging revenues but also suffers from a number of inherent trading problems. These include a lack of long term investment, high costs of production, dispersed domestic markets, the great distance from international markets, an undiversified production base, fragmented and high costs of infrastructure, and a heavy reliance on external trade and aid.

Urbanisation poses a drain on the forest resource in each country as few benefits derived from logging are reinvested in rural areas. As populations increase at approximately 3% a year, the natural resource will come under growing pressure, notably for houses and gardens. A process of urban drift is also occurring and unemployment and outbreaks of violence are increasing as school leavers exceed the meagre supply of jobs.

Tourism has stagnated during the last decade and needs rejuvenating. Nature tourism is almost absent but has great potential for income generation and as a tool for biological conservation. However, tourism could easily decline in the future given the high travel costs involved, the shortage of trained personnel and lack of adequate facilities.

Analysis of Priorities of Major Donors

The region is relatively well served by donors with Australia being the major one. No donor country has a specific regional programme, although Australia and New Zealand have a similar approach in each country. Their strategies can be loosely summarised as multi-pronged:

- ! to assist the nations concerned at the political level to reduce forest operations to sustainable harvesting levels, providing the necessary political will is also in place;
- ! to assist in the strengthening of monitoring and control of operations both inside and outside forests, such as logging practices, timber sales, alleged under-reporting, transfer pricing and smuggling;
- ! to increase the proportion of forest revenue recovered by countries and strengthen their political resolve.

These complement the World Bank's recommended priority areas for actions:

- ! the protection and conservation of natural forest 'as a first step';
- ! better management of natural forests, including improved logging techniques and greater recovery of forest-based revenue;
- ! the promotion of a more equitable distribution of forest-based incomes through a combination of increased royalties to landowners, stumpage taxes, export taxes, and independent inspection of exports.

Factors Affecting the Sustainability of the Forest Resource

Land Tenure

Land tenure issues are a critically limiting factor throughout Melanesia, except in Fiji where the Native Land Trust Board started registering land in 1870. Elsewhere, land is held in customary ownership, the concept of which varies throughout the region and is open to opportunistic adaptation. Increasingly, politicians emphasise traditional ethnic values leading to some uncertainty whether particular policies or legal tools will remain intact or be revoked. Traditional values are no match against unscrupulous logging companies as customary chiefs have no actual powers of enforcement. Similarly, potential loggers who get frustrated by the traditional system may exploit it and buy their way around it.

Institutional Aspects

Throughout Melanesia, forest services are characterised as being marginalised, demoralised, impoverished and increasingly ineffective, except perhaps for the Forest Authority in PNG. The core task of monitoring and controlling logging concessions has sometimes been lost, through no particular fault of their own. Attempts by forest service personnel to undertake their duties properly are sometimes thwarted, and threats of violence against them are not uncommon. In each case a fundamental re-orientation of responsibilities to focus on core issues is justified. In some cases a down-sizing of the forest service may be necessary, together with careful promotion of the private sector and entrepreneurs.

Harvesting and Processing

Harvesting practices in forest concessions, with only a few exceptions, are characterised as being highly opportunistic and of low standard. Typically, Asian logging companies employ unskilled labourers paid on piece work, and any attempts at monitoring and control by the authorities are met with diversionary

tactics, and sometimes violence. Up to 70% of trees in logged-over forest are reported as damaged, thereby devaluing the potential harvest in the next rotation.

In-country timber processing is typically undertaken on low technology equipment at conversion rates that are uncompetitive on the international market. Log exports are likely to remain the only way forward in the future as increasing the capacity of in-country processing would involve a massive amount of vocational training and, significantly, a favourable investment climate. At the low technology end of the business, 'walkabout' sawmills have almost universally met with failure. It seems that they are only suitable for skilled operators and for occasional, rather than continual, use.

Conservation

Considering the land tenure system in Melanesia, the establishment of permanently protected or conserved areas is problematic unless viewed in a thoroughly integrated way. Traditionally, Melanesians practice low-level shifting cultivation – gardening – which poses no threat to the conservation of ecosystems and biodiversity. Nevertheless, population increase may cause problems where land is in short supply, as is already the case in parts of Polynesia, eg. Western Samoa. However, the main factor threatening the conservation of ecosystems has been the onslaught of foreign loggers since 1990. Prior to that, logging took place mostly on gazetted state land and was practised at sustainable levels which presented little threat to the conservation of biological diversity. But now most logging companies are working outside the confines of legislation – and on customary land. As approximately 97% of the land is under customary tenure, this is a significant problem.

Reforestation

Reforestation work has tended to be handled by the state, using donor assistance, on logged-over gazetted state land. In every case, severe problems have been encountered which have rendered the plantations uneconomic. Reforestation efforts have thus had limited success and should now be mandated to be the responsibility of the logging companies.

Main Suggestions for Future Action

Based on this review of the key factors affecting the sustainability of Melanesia's forest resource, the report makes a number of suggestions for future EU assistance. Firstly it emphasises that, given its fundamental importance in the region, the forest sector cannot be dealt with in isolation. Thus an interdisciplinary, multisectoral approach is needed to integrate forest resource issues with those in the agriculture sector, as well as with issues of poverty alleviation and family planning.

Within the forest sector, the report suggests that any assistance should first support the efforts of each country to re-establish the integrity of their national forest service and forest estate, and to regain control of log sales and revenue collection. In particular, monitoring and control both within and outside the forest need to be improved. As an example of how this can be achieved, the report describes the activities of the SGS company, which has been contracted by the PNG Forest Authority to improve production control. The key to the SGS operation, which began in February 1995, is to utilise modern technology and almost instantaneous communication, ultimately by satellite fax phones, so that field officers are not isolated and paralysed, and the central authorities are fully up-to-date on the current state of affairs. The end-product, following 10% random checks on logs and shiploads, is a set of bar-coded security labels and complete inspection reports, plus a complete set of paperwork, including Letters of Credit and log tallies. In this way, smuggling of logs, non-appearance of Letters of Credit, transfer pricing, down-grading of logs, etc., can be checked and monitored. The operation is still in its start-up phase, but first reports suggest that costs have been recouped and that the state treasury has been a net beneficiary.

The report also suggests that forest legislation and policy may need revamping in some cases. However, this should be accompanied by the necessary support to assist forest services in implementing the relevant legislation. Privatisation or contracting-out of non-essential functions should be encouraged, coupled with a re-orientation of job responsibilities in the forest service. The promotion of individual entrepreneurs and private enterprise could also be encouraged, notably in the development of small plantation and non-timber forest product enterprises.

Finally, the report considers the development of joint ventures between the private and the public sector (or customary landowners) to be one of the most promising

avenues for the future. One mechanism for achieving this is through Trust Funds. A Trust Fund is a legal device whereby an amount of money is managed by one person or group ('the trustee') for identified goals or people ('the beneficiaries'). The overriding principle of a Trust Fund is that customary landowners and other stakeholders are assured of their due share (for example, from logging revenues). If an area is to be protected, then an amount of money can be invested and the interest used as income – instead of, say, liquidating the resource by logging. In the Solomon Islands, royalties destined for the customary landowners have been deposited in Trust Funds until they come up with suitable ideas for community infrastructure development.