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*Asia-Pacific Network for Sustainable Forest Management  
and Rehabilitation*

# COMPLETION REPORT

Establishing the Self-Sustaining Model for Community  
Forest Harvesting (2014P2-PNG)

10 Months

Papua New Guinea Forest Authority

The Foundation for People and Community Development Inc.

Papua New Guinea

May, 2015

## BASIC INFORMATION

Project Title(ID)	Establishing the Self-Sustaining Model for Community-Forest Harvesting (2014P2-PNG)		
Supervisory Agency	The Papua New Guinea Forest Authority		
Executing Agency	Foundation for People and Community Development Inc.		
Implementing Agency			
Date of Project Agreement: March 21 <sup>st</sup> , 2014			
Duration of implementation: 03/14-01/15, 10 months( extended by 1month)			
Total project budget(in USD)	64,500.00	APFNet assured Grant (in USD)	51,000.00
Actual project cost(in USD)	51,000.00	APFNet disbursed Grant(in USD)	40,800.00
Disbursement Status	Date of disbursement	Amount(in USD)	
Initial disbursement	22 April 2014	\$40,800.00	
Balance to be disbursed		\$9,772.18	
Reporting Status	Schedule <sup>1</sup> implementation	Project progress status <sup>2</sup>	
First reporting (period covered: 04/14-09/14)			
Final project reporting (period covered: 10/14 – 03/15)			

<sup>1</sup>Schedule <sup>1</sup>implementation status could be on track/behind/ahead of schedule

<sup>2</sup>Project progress status could be ranked as satisfactory, dissatisfactory, moderately satisfactory, moderately dissatisfactory

## List of Project Steering Committee and Project Team

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## Executive Summary

Papua New Guinea (PNG) forest resource owners are not benefiting from their forest resource developments and are mostly spectators to the large foreign logging companies because of uninformed decisions and lack of capacity building. Community-owned and managed sawmilling operated in tough business conditions is mostly done manually, and capital investment is minimum to nil. Such have been the challenges faced by FPCDs target forest resource owners in Madang Province.

Therefore APFNet has assisted FROs of Papua New Guinea with a path in identifying a suitable business model, or two, that will allow community sawmilling to become independently viable, attractive and sustainable. The investigation was conducted by Dr Jim Grigoriou of CSIRO<sup>3</sup>, Australia. His consultancy report, titled “From Little Things Big Things Grow – The Business for a PNG Community Forest Enterprise: A Step towards Making the *WokabautSomil*<sup>4</sup> More Financially Attractive, and Worthy of Local People’s Efforts and Commitment” made three key recommendations to improve the current model employed by FPCD with Madang forest resource owners. The recommendations were, briefly, that;

1. **FPCD expands to include Business Development Services.** FPCD has successfully worked with communities in devising forest management plans, FSC certification and training. They can now evolve to build the business skills and income generation capacities of forestry communities by hiring a development entrepreneur, skilled in business and committed to work for the benefit of communities. Finding the right ‘development entrepreneurs’ committed to business development in the interest of communities could take up to 12 months to locate, contract and begin work.
2. **Mechanisation to increase green board production.** Forestry is a low value, high volume game. Without some mechanisation, community operated portable sawmills will in most instances be ‘turned on and off’ when there is a cash requirement, as had been the case with FPCDs communities in Madang. Communities have indicated that the most powerful intervention FPCD can offer is a 4WD tractor with trailer. Production could increase, consequently, up to two cubic metres per day. Equally, by reducing the physicality of the work, it may improve the motivation to work, generate more income and perhaps some clans may then wish to explore the greater business potential of ‘wokabautsomils’.
3. **A commercial/donor partnership.** The best prospect of acquiring a 4WD tractor with trailer is to attract an investor from the PNG forestry sector. Recently, a number of saw millers have expressed interest in buying regular quantities of green boards from communities. For example, one saw miller suggested they would consider acquiring a coastal barge to support transport of timber from communities interested to supply that sawmill. To make this trial work, it is vital that the saw miller views this project as an experiment to unblock the mechanisation factor, which is inhibiting increased

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<sup>3</sup>CSIRO is acronym for Commonwealth Scientific and Industrial Research Organisation of Australia.

<sup>4</sup>WokabautSomil is in PNG Pidgin and also means ‘portable sawmills’

production. The saw miller needs to enter into such an arrangement with an open mind. It will not work if it is viewed purely as a commercial arrangement. If the trial proves successful, trust increases between the saw miller and FPCD, and there is the potential to expand this arrangement.

In the process of implementing this project, FPCD participated in contributing to the development of the new National Small-Medium Enterprise (SME) Policy and Master Plan that will be implemented starting this year, 2015, through the Department of Commerce and Industry. This also opens one of many doors where community-based sawmillers can access government support and funding in improving and strengthening their entrepreneurship. At the same time there is now, more than ever, commitment by national government to support indigenous Papua New Guineans to own businesses.

The following table shows follow-up activities to the consultation report's recommendations.

Recommendation Summary		Progress to Date	Remarks
1. FPCD expands to include Business Development Services.	1.1 Expand scope of services to include Business Development.	Yet to be done.	- Organizational development planning workshop needed to consider options with participation from Board of Directors, staff, and other stakeholders.
	1.2 Register business arm under PNG laws.	Yet to be done.	<ul style="list-style-type: none"> <li>• FPCD as an NGO can never engage in business, or profit-making activities.</li> <li>• Unless a business arm is registered and operated independently from FPCD.</li> </ul>
	1.3 Identify and hire business development expert.	Request for a qualified business volunteer sent to National Volunteer services of PNG on November 7, 2014.	<ul style="list-style-type: none"> <li>• An individual with business development experience, commitment, and desire to work with and transfer business management, knowledge and skills to rural community-based sawmillers.</li> <li>• Hire committed business volunteer</li> </ul>

			which will be cheaper than as proposed, to begin with.
2. Mechanisation to increase green board production.	2.1 Obtain a 4WD tractor with trailer.	- Negotiations with Cloudy Bay Timbers Limited, a PNG company, for possibility of donating a 4WD tractor and trailer to FPCD has already begun.	Options available to activate this include; <ul style="list-style-type: none"> <li>• Draft and present a proposal to a potential donor, including APFNet, to fund this;</li> <li>• Negotiate with PNG sawmillers willing to purchase green boards from community-based operations; and</li> <li>• Obtain bank loan to finance purchase of 4WD tractor with FRO commitment to repay loan from green board sales. But this will be last resort as it be high risk option for an NGO like FPCD in the event that FROs failed to repay loan.</li> </ul>
	2.2 Develop protocol and schedule for community use of 4WD tractor-trailer.	Yet to be done.	<ul style="list-style-type: none"> <li>• Not urgent until after tractor-trailer is obtained.</li> <li>• Protocol on use of tractor-trailer includes for community needs, transportation of green boards, and portable sawmills, and other agricultural purposes.</li> </ul>
3. A commercial/donor partnership	3.1 Attract a private investor from the PNG forestry sector.	- Negotiations with Cloudy Bay Timbers Limited, a PNG company, for possibility of donating a 4WD tractor and trailer to FPCD has already begun.	<ul style="list-style-type: none"> <li>- The negotiations are being spearheaded by Dr Jim Grigoriou on behalf of FPCD. Other companies may also be approached.</li> <li>• FPCD and Gryph are</li> </ul>

		<p>- Gryph PNG Limited, a company interested in purchasing FSC-certified timber has assisted empower FPCDs 5 community-based sawmills in Madang with chainsaws and portable sawmills for their operations.</p>	<p>presently negotiating a Memorandum of Agreement to guide this partnership, and also renew FPCDs expired FSC Group Certificate. FPCD continues to regulate the operations so that they strictly comply with FSC Standards. Gryph's other forestry operations in the Gulf and Central Provinces of PNG are being negotiated to also come under FSC certification.</p>
	<p>3.2 Prepare funding proposal to secure funds to support Business Development Manager for a 3-year period.</p>	<p>Yet to be done.</p>	<p>- Still planning how this will be done.</p>

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## 1. BACKGROUND AND INTRODUCTION

Commercially-orientated community sawmills in PNG are unsustainable without the ongoing technical and financial support of NGOs like the Foundation for People and Community Development (FPCD), Inc. Portable sawmills are seen as a way of providing a greater share of income from the utilization of forest resources to the local forest owners where ninety-seven percent of PNGs land is customary-owned.

An ACIAR study that examined different models of financial viability recommended engaging with communities, industry and thought leaders to establish what business model(s) may be attractive and sustainable (*Production and supply options for community forest enterprises in Papua New Guinea*, 2010)

This project on ‘Establishing the Self-Sustaining Model for Community-Forest Harvesting’ (2014P2-PNG), with funding support from APFNet was aimed at determining what business model(s) is viable, attractive and sustainable for communities interested in small scale eco-forestry in PNG.

The project was designed to be delivered in two stages;

Stage 1: Review international literature on community sawmilling, and establish the principles, resources, activities and market factors that ensure successful operations. Contact practitioners and thought leaders to understand why certain sawmill operations are successful, and others are not.

Output for this was to document a ‘roadmap’ listing philosophies, activities and inputs (factor and market related) for self-sustaining community sawmilling. Draw lessons that could be applied to the PNG context, and that will help in shaping business models to be tested with communities (which leads to Stage 2, below).

Stage 2: Engage the PNG Forest Industry, Forest Authority, communities and sawmillers for their involvement to examine what is required to make community portable sawmilling;

- Viable without the need for ongoing support from NGOs;
- Inherently attractive to communities; and
- A valuable contributor to local economies.

Output for this was to document the business model(s) that appear to be feasible and attractive to communities and then promote this.

### 1.1 Project context

Small scale sawmilling in Papua New Guinea commenced in the mid-1970s when church groups situated in remote areas used them to provide communities with building materials. By the early 1980s, portable sawmills that could be carried into the forest by four men had been designed. Subsequently, there was rapid growth in the number of mills in use, with subsidies from development agencies or funding provided by government for communities to purchase mills.

Portable sawmills have been proposed as a potential alternative to large scale timber harvesting by many participants in the debate over the management of Papua New Guinea's forests. They are seen as a way of providing a greater share of income from the utilization of forest resources to the forest owners, engaging them more in forest production, and minimizing the impact of timber harvesting operations on other forest values.

In 1993, a nationwide survey of three hundred and fifty of the estimated fifteen hundred portable sawmills were surveyed. It found that operators were harvesting an average of three to four trees per week and were employing seven people.<sup>5</sup>

Portable sawmills usually operate near existing roads, often in areas where industrial logging has taken place and existing logging roads and tracks can be used to access the resource and transport sawn boards to market. Mechanization (i.e. truck, tractor) to reduce the manual handling of a heavy material is a primary requirement of communities.

## **1.2 Project goal(s) and objectives**

The goal of this project is to improve livelihoods and/or enhance quality of life for the participating communities through sustainable forestry practices.

The specific objectives are as follows:

Specific Objective 1: To establish the path and business model(s) that would allow community sawmilling to become independently viable, attractive and sustainable.

Specific Objective 2: Engaging PNG Forest Industry, Forest Authority, communities and saw millers, to identify the business model(s) that could be commercially self-sustaining, improve the livelihoods of communities, generate new skills that are both technical and business orientated and founded on sustainable forestry practices.

Project success will be gauged according to the following perspectives.

Commercially self-sustaining. The project aims to identify a model(s) of operating a sawmill, and methods of transporting timber and selling to local and possible overseas markets that is appealing to communities and commercially lucrative. Input will be primarily drawn from communities that are operating portable sawmills, communities that have ceased sawmilling and private entrepreneurs operating portable sawmills.

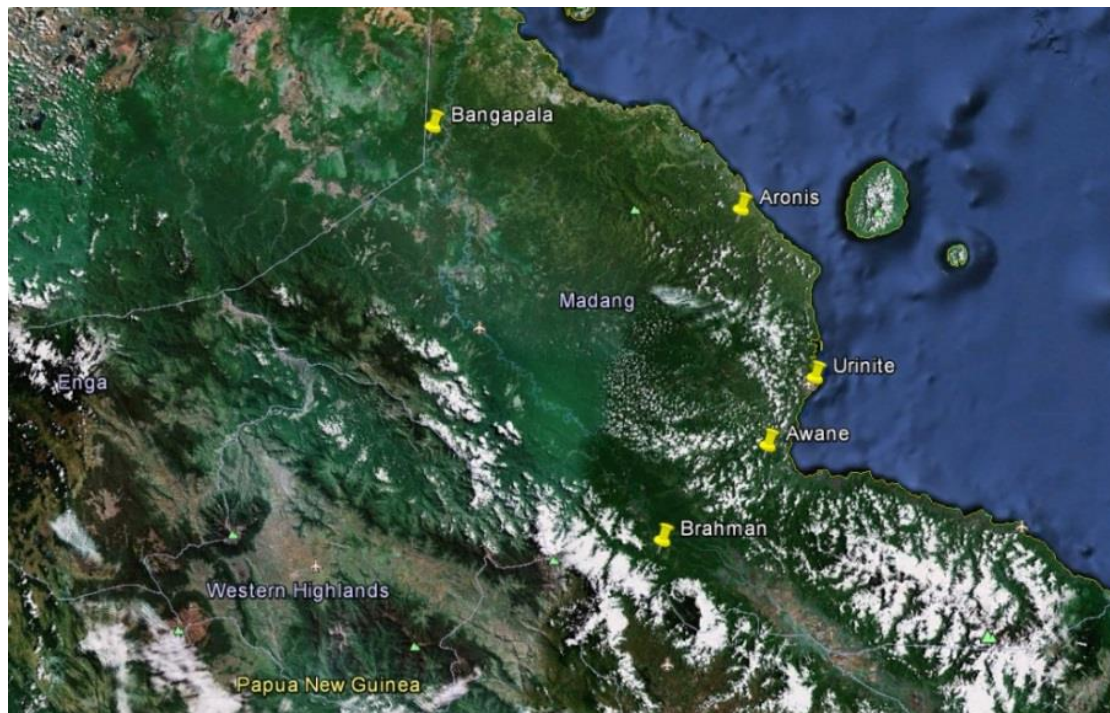
Improves the livelihood of communities. Operating a portable sawmill in PNG involves physical and arduous work. The project will seek to identify ways of operating, transporting and selling timber that enhances people's welfare, enjoyment and willingness to work.

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<sup>5</sup> Hunt, C., Marketing Eco-Timber in Papua New Guinea, contained in Proceedings from an international Symposium held in Kuranda, Australia 9-13 January 2000 (Developing Policies to encourage small scale forestry). P. 150

Generates new skills. Enhancing skills and providing opportunities across the communities to learn technical, business and marketing skills.

Sustainable forestry practices. Business models selected will align with the natural sustainable practices used by communities to their forests.



**Figure 1:** Map showing name and location of the Participating Clan Members

### 1.3 Project expected outputs and outcomes

**Specific Objective 1:** To establish the path and business model(s) that would allow community sawmilling to become independently viable, attractive and sustainable.

**Output 1-1:** Identification of practitioners that PNG can learn from. This includes reports, activities, locations and contacts both locally and internationally.

Activity 1-1-1: Getting hold of written materials including reports and making contacts with key stakeholders. This will require internet search, phones calls, emails and all relevant means of communications to get the necessary data required.

Activity 1-1-2: Developing a database and or reference list of practitioners and materials that will help in contributing to achieving specific objective 1.

**Output 1-2:** A report summarizing the findings from a desk top review of the international literature on community sawmilling, where it has been successful and why. Business models that are likely to be attractive to PNG communities devised based on the findings.

The findings from international literature review of successful experience on community sawmilling will allow the team to focus on devising, with their deep local knowledge, a range of business models that are likely to be attractive to PNG communities. These models will be presented to PNG forestry experts and communities for feedback, refinement and selection. The findings from the literature review and business model options will allow the project team to engage communities so as to verify what model(s) is likely to be attractive and self-sustaining.

Activity 1-2-1: Prepare a report documenting the principles, resources and activities required in engaging in community sawmilling, highlighting the successes and failures (if any).

Activity 1-2-2: Draft report circulated to key stakeholders both within PNG and abroad for review. This will include a workshop at PNGFA where PNG based key stakeholder's will be invited to attend.

Activity 1-2-3: Following the workshop, devise and document business model options.

Activity 1-2-4: Report finalized, printed and distributed as needed.

**Specific Objective 2: Engaging PNG Forest Industry, PNG Forest Authority, communities and saw millers, to identify the business model(s) that could be commercially self-sustaining, improve the livelihoods of communities, generate new skills that are both technical and business orientated and founded on sustainable forestry practices.**

**Output 2-1:** Confirmation/Network of key stakeholders/participants involved in this work including the participating community forestry practitioners.

Activity 2-1-1: FPCD will take the lead in making contact with key stakeholders (getting names of contact persons) and programme involved in the sector. Relevant and appropriate means of communications will be made to the respective stakeholders including field visits where necessary.

Activity 2-1-2: A data base will be created to store basic information about the stakeholders and their respective activities.

**Output 2-2:** Engaging communities will establish what commercial model(s) exists that improves livelihoods, offers the opportunity to learn new skills and sustains the forest ecosystem. This stage of the project is likely to deliver one of the following outcomes:

- One or more business models that is inherently attractive. We expect models will need to be adapted to reflect a community's forest cover (primary or secondary forest cover), the predominance of commercial species attractive to the market *vis a vis* lesser known species, likely yield per hectare, topography and climatic conditions (e.g. rainfall patterns) and

- proximity to a serviceable road to transport sawn timber to local markets.
- No business model has inherent and natural appeal, e.g. communities show little enthusiasm.

The project's strategic focus and determination is to answer and verify whether portable sawmilling by communities in PNG is viable and attractive, and if so, why.

Activity 2-2-1: Visits will be made to key stakeholders in the field by FPCD staff. The main agenda for discussions will be presentations of various commercial business models available.

Activity 2-2-2: Conduct a half day workshop at PNGFA conference room, where various commercial business models will be presented for discussions. Key stakeholders will be invited to participate.

Activity 2-2-3: Write the report and the recommendations for the way forward. The lead agent will be the expert engaged to do this work.

## **2. PROJECT IMPLEMENTATION**

### **2.1 Project schedule and implementation arrangements**

The project started at a slow pace in 2014 due to the passing of Yati Bun, author of this project proposal and Executive Director of FPCD. Acting Executive Director, Stewart Serawe, took over responsibilities and co-signed the contract agreement with PNGFA and APFNet that kick-started project activities.

During ten months of implementation the bulleted points below spell out major milestones of this project.

- Mr Mark Winai, Senior Forester with FPCD, was confirmed as Team Leader on May 1, 2014. Part of his ToR included;
  - Reviewing available literature on community-based sawmilling and timber yard management, and making contacts with key stakeholders with experience in similar work. (Refer Annex D(1));
  - Develop a database and/or reference list of practitioners and materials that will help contribute to achieving specific objective 1 (Refer Annex D(2));
  - Engage with Madang target communities to establish necessary commercial model(s) existing that improves livelihoods, offers the opportunity to learn new skills and sustains the forest ecosystem; and
  - To collaborate closely with the expert (consultant) engaged to write final report and recommendations for way forward.
  
- On June 20, 2014, the project team met with the First Assistant Secretary (Policy) of the national Ministry of Trade and Commerce, and a panel of three senior policy

development and analysis officers, to explore ways in which FPCD-managed community-based sawmilling operations can access government support. It was learned that a new national policy and Master Plan for Small-Medium Enterprises is being developed, and gave the opportunity for FPCD to provide comments and contribute towards finalizing this new Policy and Master Plan after the policy analysts accepted the similarity of FPCD's work with local business groups, mainly under the section relating to "building the capacities of local Papua New Guineans to own businesses"

- The project consultant, Dr Jim Grigoriou, who also developed the road map for community sawmilling, took on the consultancy in October 2014. Dr Grigoriou travelled to PNG in November/December 2014 and met with key stakeholders and also inspected the FPCD-supported Community Forestry model currently under way in Madang Province. By then few of the activities that was planned to be carried out with the direction of the consultant Mr. Jim Grigoriou shifted, as he noted that the present model employed by FPCD in Madang Province was good and only needed to be improved. Ultimately Dr Grigoriou's report entitled "From Little Things, Big Things Grow" (Refer Annex D(3)) was completed with three key recommendations. These are briefly mentioned below, as well as an update of actions taken so far.

*From little things, big things grow - The Business for a PNG Community Forest Enterprise: A step towards making the 'wokabautsomil' more financially attractive, and worthy of local people's effort and commitment.*



Number	Recommendations	Actions to Date
1.	<p><b>FPCD expands to include Business Development Services.</b></p> <p>i) Restructure FPCD to include Forestry Business Development section.</p> <p>ii) Hire experienced business development personnel.</p>	<ul style="list-style-type: none"> <li>○ Drafting funding proposal to conduct organizational strategic planning workshop/meeting with participation of Board of Directors, Stakeholders, and staff. Workshop to take place in next six to ten months.</li> <li>○ FPCD sent expression of interest letter to PNG National Volunteer Services to help identify and engage a volunteer to provide business skills/capacity development to target community-based sawmilling operations. A business development volunteer would be the best option as it will be affordable and will start organize the business aspects of FPCDs community forestry model.</li> </ul>
2.	<p><b>Mechanisation to increase green board production</b></p> <p>Purchase 4WD tractor with trailer.</p>	<ul style="list-style-type: none"> <li>○ Drafting funding proposal for purchase of 4WD tractor and trailer.</li> </ul>
3.	<p><b>A commercial / donor partnership</b></p> <p>i) Partner with national sawmill company to donate 4WD tractor.</p> <p>ii) Partner with private investors interested in accessing FSC-certified green boards.</p>	<ul style="list-style-type: none"> <li>○ Communication has been established with an FSC-certified sawmilling company in PNG for possibility of donating a 4WD tractor for the Madang operations. Feedback yet to be received.</li> <li>○ Negotiations with Gryph (PNG) Limited, a private company interested in accessing FSC-certified green boards since February. A Memorandum of Agreement will soon be signed for the mechanization of the five community-based sawmills working with FPCD in Madang.</li> </ul>

- One of the project's major setbacks was the formation of the Project Steering Committee. Though invitations were sent out to potential nominees from key stakeholders, poor or no response at all were received. Only one stakeholder, the National Research Institute of PNG confirmed their nominee and he is Dr Osbourne Sanida, a leading economic researcher. The other nominations were sought from the PNG Eco-Forestry Forum, and the national Department of Trade and Industry. FPCD management will continue to seek other nominees in the intention to make the Steering Committee permanent for the future development of the organization, taking into account recommendation one (1) of Dr Jim Grigoriou's report.

## **2.2 Project resources and costs**

FPCD operations are guided by an Operational Guideline/Manual, which includes Financial Management Procedures. Staff are required to strictly follow these in procurement of goods and services in the execution of project activities. Three quotes are required in order to make cost-effective decisions in purchasing good and services.

Source of funds for this project were mainly from APFNet. The own means contributed from FPCD supported some salary and allowances for project personnel as well as management. Detailed financial report can be found is enclosed as Annex B.

There were a couple of areas in which expenses had a variance of over 10%. These were in the payment of personnel costs and engagement of the project's lead consultant. An amount of US\$1,241.47 (or 16.66%) more was spent on project staff. This was as a consequence of staff housing allowance which was not budgeted for and the officer needed to reside in town accommodation with electricity and other amenities. This was he was able to ensure project planned activities were carried out smoothly.

Cost of hiring the consultant was 75.47% more than that which was budgeted for. We feel it was worth the money as a quality assessment and report was compiled and submitted to FPCD as final product of this engagement.

## **2.3 Procurement and consultant recruitment**

Procurement of equipment to enhance the implementation of this project were minimal. One laptop computer and tablet were purchased for the project manager and project coordinator. The tablet enabled faster internet accessibility, web-based research and email communication between Madang-based Project Coordinator, Port Moresby-based Project Manager and other key stakeholders like PNGFA, Dr Jim Grigoriou in Melbourne, Australia, and APFNet, China. Other specific details of equipment procured are listed in Annex B(1).

The lead consultant, Dr Jim Grigoriou, was hired from Melbourne, Australia, as we were not able to attract resource people in-country. Additionally, Dr Jim Grigoriou participated initially in drafting the proposal in consultation with Mr Yati Bun, the late Executive Director of FPCD,



and Dr Ruth Turia of PNGFA for this research project. As he was more familiar with the project's objectives, it was proper that he be engaged to undertake the investigations and recommend a suitable community-based sawmilling business model, or suggest ways to improve FPCDs current model. The terms of reference and Dr Jim's proposal to undertake the research activity are attached respectively as Annex D(5) and Annex D(6).

## **2.4 Monitoring & evaluation and reporting**

FPCD staff met in Madang at the initial stages of implementation to understand the project's objectives and planned outputs. It was identified at this meeting that two of the objectives were similar to another project supported by ACIAR (Australian Centre for International Agriculture Research) and currently being implemented in collaboration with the University Of Sunshine Coast, Australia. Both projects would complement and learn from each other. Two meetings were held with Dr Ruth Turia to discuss and update her on project progress as Project Supervisor. Regular email correspondence was exchanged when her input was required.

Communication with APFNet was done only through email. First project progress report was submitted around September 2014. Feedback was received and additional information was provided. On two occasions, FPCD completed internet-based feedback templates as part of project monitoring and partnership enhancement.

## **2.5 Dissemination and knowledge sharing**

Dissemination of information for this project was mainly done through informal meetings and internet/email correspondence. The Project Coordinator, Mr Mark Winai, met organized stakeholder consultations in Madang, Lae and Goroka. Responses received and publications obtained enabled the lead project consultant, Dr Jim Grigoriou, to compile his report. The Consultant did not need to visit the other two provinces of Morobe and Eastern Highlands as most of the background information and data had already been organized by the Project Coordinator.

The awareness meeting with senior policy development officers at the national Department of Trade and Industry enlightened the knowledge and understanding of government officers about the plight of rural community-based sustainable logging, operating on a small-scale and required government as well as external capital input and investment. The new SME National Policy and Master Plan would open the door for commitment sustainable logging operations like those working under FPCD Community Forestry model would access resources to improve in the near future. This was capture in the new SME Policy and Master Plan and is expected to be presented to National Parliament in its May 2015 sitting.

Additionally, FPCD has initiated discussions with senior officers of the Department of Trade and Industry, which is in charge of the new Pacific Marine Industrial Zone (PMIZ), a major fisheries development park in Madang, for FPCDs community-based sawmilling operations to supply FSC-certified green wood during the construction

phase. This will be as a spinoff initiative of this project and ensure wood from well-managed forests are used in this major development project.

Through this project also, two key private sector players have approached FPCD for possible partnership in the Madang operations. This will be a boost for the community-based logging model managed by FPCD. The Cloudy Bay Sawmilling Company, through its Chairman, is looking at possibility of donating a 4WD tractor to FPCD for the Madang project. Details of this are up for further discussion over the next few months. Secondly, Gryph PNG Limited, an Australian company, interested in accessing FSC-certified timber, has approached FPCD for potential partnership in Madang. Meetings and discussions with the investor is already at an advanced stage. A Memorandum of Agreement will be signed by June 2015 to kick-start a new partnership.

According to the consultant's report (Annex D (3)), there is seldom local market for FSC-certified timber. Hence, FPCD and other players look only at the export market. Hence, with the above two companies coming on board to partner with FPCD in improving the current community-based sawmilling model, will open the local market for FSC-certified timber.

### **3. PROJECT PARTNERES' PERFORMANCE**

#### **3.1 Performance of Supervisory Agency (if any)**

The project started at a slow pace but credit goes to the Supervisory Agency especially Dr. Ruth Turia (Supervisor) as she through PNG Forest Authority had allowed her name on certain project documents including sparing moments to comment on and input to draft documents necessary for a successful completion of the project. Support from DrTuria was excellent and enabled the project to be implemented successfully.

#### **3.2 Performance of Executing Agency**

Major responsibilities of coordinating, facilitating, and managing sub-contracts related to the successful execution and deliverance of project outputs were managed well by FPCD. Yet, some activities did not eventuate as planned in the project document. Couple of these included national stakeholder consultation workshops, and project steering committee meetings, as circumstances did not turn out as initially planned. These are some of the lessons that can be learned, and taken forward in the future sustainability of this project itself.

#### **3.3 Performance of Implementing Agency (if any), consultants (technical assistants), contractors, and suppliers**

Engagement of lead project consultant Dr Jim Grigoriou, who was sub-contracted to undertake a research on identifying a suitable model, or models, to improve

community-based sawmilling operations. The research with a major outcome, a report titled, “From Little Things Big Things Grow”. This document makes three main recommendations aimed at improving the current FPCD community forestry model, which was deemed to be most suitable.

### 3.4 Performance of APFNet

APFNet provided excellent support to FPCD, in terms of responding to queries. There were no external monitoring visits, but guidance was provided in ensuring the project ended within the time frame of project implementation.

## 4. PROJECT PERFORMANCE

### 4.1 Project achievements

Achievements are summarized below, based on the project’s logframe.

Intervention logic	Objectively verifiable indicators of achievement	Remarks on Project achievements/ project sustainability
<p><b>Goal:</b> The overall goal of this work for improved livelihoods and or enhanced quality of life for the participating communities through sustainable forestry practices.</p>	<ul style="list-style-type: none"> <li>• Sustainable Portable Sawmilling Operations</li> <li>• FSC Certified Forestry Operations</li> </ul>	<ul style="list-style-type: none"> <li>• Participating Clan members are still committed to FPCDs community forestry business model.</li> <li>• FSC re-certification audit of FPCD community forestry business model confirmed for late-2015, or early-2016. Audit will be conducted by SCS Global Services of USA.</li> </ul>
<p><b>Specific Objective 1:</b> Establish the path and business model(s) that would allow community sawmilling to become independently viable, attractive and sustainable.</p>	<ul style="list-style-type: none"> <li>• Documentation. Desk top reviews and contacts with sawmilling practitioners</li> </ul>	<ul style="list-style-type: none"> <li>• There was no hindrance in terms of accessibility to relevant information for this research project.</li> <li>• There was much cooperation from key stakeholders, including sawmilling practitioners like community-based sawmillers, timber yard managers, government agencies directly linked to forestry and business development, and NGOs.</li> </ul>
<p><b>Expected Output 1-1</b> Identification of business models and practitioners that PNG can learn from. This includes reports,</p>	<ul style="list-style-type: none"> <li>• Documentation. References of key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Access to relevant information was not a problem. Yet the research found that FPCD had a successful sawmilling business model operated by communities and only needed to</li> </ul>

activities, locations and contacts both locally and internationally.		be improved with capital investment as incentive to produce more output.
<b><u>Activity 1-1-1</u></b> Getting hold of written materials including reports and making contacts with key stakeholders.	<b><u>Means:</u></b> Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>Mr Mark Winai, as our local expert was engaged on fulltime as project coordinator to undertake background research including stakeholder interviews in preparation and to pave the way for the lead project consultant to identify and recommend a suitable community-based sawmilling business model for FPCD.</li> </ul>
<b><u>Activity 1-1-2</u></b> Developing a database and/or reference list of practitioners and materials that will help to achieving specific objective 1.	<b><u>Means:</u></b> Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>This activity was undertaken by Mr Mark Winai. The database was compiled in time for the lead project consultant as reference material.</li> </ul>
<b>Expected Output 1-2</b> A short report summarizing the findings from a desk top review of the international literature on community sawmilling, where it has been successful and why.	<ul style="list-style-type: none"> <li>Documentation. References of key stakeholders</li> </ul>	
Activity 1-2-1 Prepare a report documenting the principles, resources and activities required in engaging in community sawmilling, highlighting the successes and failures (if any).	<b><u>Means:</u></b> Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>Also successfully compiled by Mr Mark Winai, Project Coordinator, in preparation for the lead project consultant.</li> </ul>
Activity 1-2-2 Draft report circulated to key stakeholders both within PNG and abroad for review.	<b><u>Means:</u></b> Personnel; Transportation; Supplies; equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>Draft report was circulated to key stakeholders for comments and feedbacks. Response was poor, yet those comments received were valid to complete the research project report.</li> </ul>
Activity 1-2-3: Following the workshop,	<b><u>Means:</u></b> Personnel;	<ul style="list-style-type: none"> <li>A national workshop did not eventuate. The cost of engaging the lead project consultant</li> </ul>

devise and document business models	Transportation; Supplies; equipment; Internet; Emails; Faxes; Telephones	was 75% more than the amount budgeted. Hence, budget for workshop costs were sacrificed for this. And at the same time, it did not seem necessary as the lead consultant recommended to improve current community-based sawmill model employed FPCD, instead of recommending new models that may not be feasible, and create more confusion for the community groups already participating in the current business.
Activity 1-2-4: Report finalized, printed and distributed as needed.	<b><u>Means:</u></b> Personnel; Transportation; Supplies; equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>Report has been finalized after receiving feedbacks from a few stakeholders.</li> </ul>
<b>Specific Objective 2:</b> Identify the business model(s) that could be commercially self-sustaining, improve the livelihoods of communities, generate new skills that is both technical and business orientated and founded on sustainable forestry practices	Documentation. Field visits and contacts	<ul style="list-style-type: none"> <li>The lead project consultant made three key recommendations to improve the current business model employed by FPCD in Madang Province. These recommendations included; <ul style="list-style-type: none"> <li>Employing a fulltime business manager to oversee business aspects of FPCD operations.</li> <li>Improve transportation of saw green boards within introduction of a 4WD tractor and truck. These will move saw boards to timber yard for processing and then onto the markets, both local and international.</li> <li>Foster partnerships with the private sector interested in accessing FSC-certified green boards.</li> </ul> </li> </ul>
<b>Expected Output 2-1</b> Confirmation/Network of key stakeholders/participants involved in this work including the participating community forestry practitioners.	<ul style="list-style-type: none"> <li>Documentation. References of key stakeholders</li> </ul>	
<b><u>Activities 2-1-1</u></b>	<b><u>Means:</u></b>	<ul style="list-style-type: none"> <li>This activity was undertaken successfully by</li> </ul>

FPCD will take the lead in making contact with key stakeholders (getting names of contact persons) and programme involved in the sector.	Personnel; Transportation; Support	Mr Mark Winai, Project Coordinator in preparation for the lead project consultant.
<b><u>Activities 2-1-2</u></b> A data base will be created to store basic information about the stakeholders and their respective activities.	<b><u>Means:</u></b> Personnel; Transportation; Supplies; equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>• Database had been created at FPCD.</li> </ul>
<b>Expected Output 2-2</b> Engaging communities will establish what commercial model(s) exists that improves livelihoods, offers the opportunity to learn new skills and sustains the forest ecosystem.	Documentation. References of key stakeholders	<ul style="list-style-type: none"> <li>• The lead project consultant studied FPCDs current model in Madang Province and made recommendations to improve it.</li> </ul>
Activities 2-2-1 Visits will be made to key stakeholders in the field by FPCD staff.	<b><u>Means:</u></b> Personnel; Transportation; Supplies; equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>• Visits to key stakeholders and talks were held by both FPCD personnel engaged on this project and the lead project consultant.</li> </ul>
Activities 2-2-2 Conduct a half day workshop at PNGFA conference room.	<b><u>Means:</u></b> Personnel; Transportation; Supplies; equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>• Unfortunately, this workshop did not eventuate.</li> <li>• However, comments and feedback were received from stakeholders who viewed the consultant's draft report.</li> </ul>
Activities 2-2-3 Write the report and the recommendations for the way forward. The lead agent will be the expert engaged to do this work.	<b><u>Means:</u></b> Personnel; Transportation; Supplies; equipment; Internet; Emails; Faxes; Telephones	<ul style="list-style-type: none"> <li>• The consultant then finalized the report based on feedbacks received.</li> </ul>

## 4.2 Project Impacts

Direct impact at the national level by the research collaboration with APFNet has enabled FPCD to contribute in discussion with the policy analysts at the PNG Commerce and Trade Ministry on how the revised PNG SME Policy 2014 and the SME Master Plan can accommodate local people's interests in establishing community forestry enterprises.

As the project is winding, it can be felt that here is no longer *business as usual* with the management of forests by interested Papua New Guineans. With this partnership with APFNet, FPCD has seen a way to develop and refine its own strategy now;

- a) To increase its effectiveness as in having a permanent steering committee who have not only guided the outcome of this project but FPCD's community forestry programmes as a whole in the future.
- b) To have FPCD and any other like-minded NGO – dealing with people managing forest in Papua New Guinea to expand by including business development services.

The target beneficiaries have commented on the project that the major outcome would be greatly become the stepping stone for them to approach financial institution and government support services for future seed capital.

## 4.3 Sustainability

- i) At the organizational level, the steering committee to this partnership project will now be the permanent committee to steer FPCD's work in the future.
- ii) The overall goal of this project to improve livelihoods and/or enhance quality of life for the participating communities through sustainable forestry practices has now made known at the national government level through the Trade and Commerce Department. APFNet – FPCD's partnership research project has involved part and partially with the strategy and planning of the SME Master Plan which has this year and onward to start implementing it. Consequently, Forest Resource Owners throughout PNG will now have a chance to have government backing in policy wise whenever they wish to start sustainable forestry businesses/practices.
- iii) ACIAR's partnership again with FPCD has 2.5 years yet to go under research project entitled "Enhancing Community Forestry in Papua New Guinea. This research will complement and will perhaps build on what APFNet – FPCD partnership has found. The ACIAR has recently invited the project team that led the successful completion of APFNet – FPCD research project to actively participate in it.
- iv) FPCD will soon partner with private sector to improve community-based sawmilling operations with the provision of a 4WD tractor as recommended in the lead project consultant's report.
- v) FPCD's forestry activities in Madang will be re-audited later this year, or early next year, for FSC certification. This expired three years ago. With FSC re-certification by early next



year, FSC-certified green boards can now be exported to the international market, while at the same negotiations for local market of FSC-certified timber is going on. Two local companies have shown interest to purchase FSC-certified timber, which means, the local market is now opening up for FPCDs community-based sawmillers.

## **5. CONCLUSION, LESSONS LEARNED AND RECOMMENDATIONS**

### **5.1 Conclusion**

The major output this project achieved is the road-map recommended by Dr Jim Grigoriou of SCIRO, Australia, to improve FPCD present community-based sawmilling business model. All points in the review of relevant literatures, the organizational and web searches have all been encompassed in the preparation of this final document titled, 'From Little Things, Big Things Grow'.

At the national level impact was made by APFNet-FPCD partnership, thus will have regulatory backing for other small-scale sawmill operations in PNG who wish to access and start their own small to medium forestry enterprises.

FPCD learned many lessons during the implementation of this project. Some of these included not being able to attract local expertise to research and recommend a suitable business model. By engaging from abroad, costs increase consequently.

Secondly, the Project Steering Committee was not organized in time to provide ample advice on the progress and management of this project. Though only one expert accepted the nomination, the rest did not show any commitment and interest. Yet, this will be pursued as the organization intends to make this Committee permanent for the future sustainability of the Community Forestry Programme.

### **5.2 Lessons learned and recommendations**

Throughout this project many lessons were learned. These are listed below.

- i) A flexible project management team. As this was a research activity, the project management team was quite flexible in adapting to new changes. This ensured the research activity was completed successfully. Two of this changes were;
  - a. The cost of engaging the lead consultant was way high as initially budgeted. Some sacrifices had to be made from other budgeted line items so the expert was engaged to conduct the research and make recommendations of the best community-based sawmilling model for FPCDs target communities.
  - b. National stakeholder workshops were not conducted as the lead consultant identified and made recommendations to improve the present community-based sawmilling business model employed by FPCD in Madang was the best one and only needed to be improved. This now meant that when the current model is improved and is successfully running, it can be used as a model to improve other similar setups in PNG, and to ensure policy changes with the support of PNGFA would be advocated and negotiated in



the near future. For now, FPCD needed a suitable and successful model that would be used to support arguments for future recommendations for policy change, or enhancement, to ensure landowners' maximum benefit from their forest resources, as well as non-timber forest products.

- ii) During the implementation of this project, there were better and improved NGO-State dialogue. During the development stages of the new national SME Policy and Master Plan we realized information-sharing with key government bodies would ensure improve benefits for small-scale forestry businesses struggling to compete with the big players and investors. Previously, it used to be next to impossible to dialogue openly with state agencies in PNG.

The policy that was intended to support local forest owners to manage their own forest is still ineffective since the introduction of it. The Eco forestry Policy has no additional/revised mechanisms to give effect to it consequently no successful Eco forestry/small community owned forestry enterprise operating sustainably. With this research partnership, attention therefore was given to Trade and Commerce Department to have community based forestry business accommodated and strengthened in the revision of the SME Policy coincidentally. The overall goal of this project now has been taken care of in one of the sections of the SME policy specifically under Forestry Sector.

- iii) There was eagerness of participating community groups where FPCD operates to test and improve the current community-based sawmilling business model.
- iv) Execution of consultancy agreements depends on respective consultant's organization's working calendar.
- v) We also found during the implementation of this project that there is no published literature on a successful community-based sustainable forestry enterprise in PNG by Papua New Guineans. This gives the opportunity and opens the door for FPCD to improve its current model, document it and publish the processes of a success model in the near future.
- vi) Several value-adding industries are scaling down as there is a lack of regular supply of green boards to feed their mills. Few owners of forests recently became reluctant to allow their trees to be logged, milled on a shared-ratio agreement where there is mostly a 3:1 split of green boards at the milling site. Thus, this research identified the gaps that will improve the current FPCD model in assisting local forest resource owners interested in operating community-based sawmilling businesses themselves.

## **Annexes**

### **A. Project Implementation status**

B.

(1) Financial statement

(2) Asset Registry

C. Project audit report – *Pending*

D.

(1) Literature Review Report

(2) List of Literature in FPCD Library

(3) Consultation Report (From Little Things Big Things Grow, by Dr Jim Grigoriou)

(4) APFNet Project Promotional Brochure

(5) Lead Consultant's Terms of Engagement (ToR)

(6) Dr Jim Grigoriou's Proposal for FPCD Research Consultancy Engagement

## Annex A: Implementation status (scheduled versus actual)

Project Objective/Outputs/Activities (in line with PD/AWPs)	Indicators (in line with PD/AWPs)	Baseline of activities	Progress made (%completion of activities and degree of output/objective achievement)
<b>Objective 1:</b> To establish the path and business model(s) that would allow community sawmilling to become independently viable, attractive and sustainable.	Documentation. Desk top reviews and contacts with sawmilling practitioners		
Output 1.1: Identification of practitioners that PNG can learn from. This includes reports, activities, locations and contacts both locally and internationally.	Documentation. References of key stakeholders		<ul style="list-style-type: none"> <li>• Bibliography of 89 relevant written materials compiled.</li> <li>• Web-based research on similar activity in Asia-Pacific Region.</li> <li>• Field visits to 16 industry participants in Madang, Eastern Highlands and Morobe Provinces.</li> </ul>
Activity 1.1.1: Getting hold of written materials including reports and making contacts with key stakeholders. This will require internet search, phones calls, emails and all relevant means of communications to get the necessary data required.	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		<ul style="list-style-type: none"> <li>• Bibliography of 89 relevant written materials compiled.</li> <li>• Web-based research on similar activity in Asia-Pacific Region.</li> </ul>
Activity 1.1.2: Developing a database and or reference list of practitioners and materials that will help in contributing to achieving specific objective 1.	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		Organizational Reviews and Directory of practitioners.
Output 1.2: A report summarizing the findings from a desk top review of the international literature on community sawmilling, where it has been successful and why. Business models that are likely to be attractive to PNG communities devised	Documentation. References of key stakeholders		<ul style="list-style-type: none"> <li>• Bibliography of 89 relevant written materials</li> <li>• Website Reviews.</li> <li>• Field visits to 16 industry participants in Madang, Eastern Highlands and</li> </ul>

based on the findings.			Morobe Provinces <ul style="list-style-type: none"> <li>Organizational Reviews and Directory of practitioners.</li> </ul>
Activity 1.2.1: Prepare a report documenting the principles, resources and activities required in engaging in community sawmilling, highlighting the successes and failures (if any).	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		One literature review report
Activity 1.2.2: Draft report circulated to key stakeholders both within PNG and abroad for review. This will include a workshop at PNGFA where PNG based key stakeholder's will be invited to attend.	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		
Activity 1.2.3: Following the workshop, devise and document business model options	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		
Activity 1.2.4: Report finalized, printed and distributed as needed.	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		
<b>Objective 2:</b> Engaging PNG Forest Industry, PNG Forest Authority, communities and saw millers, to identify the business model(s) that could be commercially self-sustaining, improve the livelihoods of communities, generate new skills that are both technical and business orientated and founded on sustainable forestry practices.	Documentation. Field visits and contacts		
Output 2.1: Confirmation/Network of key stakeholders/participants involved in this work including the participating community forestry practitioners	Documentation. References of key stakeholders		Field visits to 16 industry participants in Madang, Eastern Highlands and Morobe Provinces.
Activity 2.1.1: FPCD will take the lead in making contact with key stakeholders (getting names of contact persons) and programme involved in the sector. Relevant and appropriate means of	Personnel; Transportation; Support		

communications will be made to the respective stakeholders including field visits where necessary.			
Activity 2.1.2: A data base will be created to store basic information about the stakeholders and their respective activities.	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		
Output 2.2: Engaging communities will establish what commercial model(s) exists that improves livelihoods, offers the opportunity to learn new skills and sustains the forest ecosystem. This stage of the project is likely to deliver one of the following outcomes	Documentation. References of key stakeholders		
Activity 2.2.1: Visits will be made to key stakeholders in the field by FPCD staff. The main agenda for discussions will be presentations of various commercial business models available.	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		Visits and talks with community-based sawmilling businesses held in Madang.
Activity 2.2.2: Conduct a half day workshop at PNGFA conference room, where various commercial business models will be presented for discussions. Key stakeholders will be invited to participate	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		Draft consultation report shared with stakeholders and received feedback by email.
Activity 2.2.3: Write the report and the recommendations for the way forward. The lead agent will be the expert engaged to do this work.	Personnel; Transportation; Supplies; Equipment; Internet; Emails; Faxes; Telephones		Consultation report completed. Finalized after receiving comments and feedbacks from stakeholders.

## Annex B(1) Details of project cost by category

Expenses (USD)	APFNet Grant				Counterpart Fund			
	Anticipated A <sub>1</sub>	Actual B <sub>1</sub>	Variance C <sub>1</sub> (A <sub>1</sub> -B <sub>1</sub> )	Variance rate D <sub>1</sub> (C <sub>1</sub> /A <sub>1</sub> *100%)	Anticipated A <sub>2</sub>	Actual B <sub>2</sub>	Variance C <sub>2</sub> (A <sub>2</sub> -B <sub>2</sub> )	Variance rate D <sub>2</sub> (C <sub>2</sub> /A <sub>2</sub> *100%)
Project staff cost	7,500.00	8,741	-1,241.47	-16.66%	7,500.00	7,500.00	-	0%
Subtotal								
Consultancy cost	9,000.00	25,810.55	-16,810.56	-186.78%				
subtotal								
Travel and related cost	13,500.00	6,807.26	6,692.74	49.58%				
Meeting and training cost	6,000.00	1,921.09	4,078.91	67.98%				
Field activities cost	3,000.00	990.25	2,009.75	66.99%				
Publication & Dissemination cost	1,000.00	627.42	372.58	37.26%				
Office Operation cost	6,000.00	2,596.43	3,403.57	56.73%	6,000.00	6,000.00	-	0%
Procurement	3,500.00	3,077.70	422.30	12.07%				
Monitoring, evaluation and audit cost	1,500.00	-	1,500.00	100.00%				
Miscellaneous								
Subtotal								
<b>TOTAL</b>	<b>51,000.00</b>	<b>50,572.18</b>	<b>427.82</b>	<b>0.84%</b>	<b>13,500.00</b>	<b>13,500.00</b>	<b>-</b>	<b>0%</b>

## **Annex C SELF SUSTAINING MODEL FOR COMMUNITY FOREST HARVESTING**

### **1. Introduction**

While there are scattered success stories of small to medium forestry enterprise (SMFE) for and by communities, this review of existing research and discussions will establish the principles, resources, activities and market factors that ensure successful operations of a SMFE by local communities in Papua New Guinea (PNG) that is sustainable. Foundation for People and Community Development Inc. (FPCD) is a local NGO and during its past 20 years of facilitating community development programmes found that commercially orientated community sawmills in PNG are unsustainable without the ongoing financial support of NGOs like the FPCD itself. This review of literature is an activity funded by Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet) for FPCD to establish a self-sustaining timber harvesting model for forest resource owners in PNG. The project aims to assist community forestry in PNG to establish a timber enterprise to become export-oriented and market driven enterprises that consistently supply overseas markets with competitive products that has a commercial focus.

From time to time, the report will want to reflect on the findings of Grigoriou who visited many NGOs and communities participating in community forest management and developed an economic analysis tool to assess different production model for community based forest management in PNG (Fox and Keenan 2011<sup>6</sup>). Wikipedia referred to a study that was done in Brazilian Amazon which determined the key challenges likely to be faced by organizations like FPCD who have vested interests to establish sustainable practices. In re-evaluating of each challenge identified by the latter study against FPCD's current regime also forms the structure of this report first and foremost to enable FPCD to identify key drivers and requirements that will guide the successful establishment of a forestry enterprise for the local communities.

### **2. Land Ownership**

With the knowledge that customary land ownership is legally recognized and protected in Papua New Guinea, and local people communally own about 97% of the land (Bun *et al.*, 2004<sup>7</sup>). It is frequently being overlooked to also explain that in practice boundaries are not surveyed, titles are not been registered and the applicable law is customary law (Bird *et al.*, 2007<sup>8</sup>). That could possibly have been the reason the state therefore sees land tenure in PNG as an obstacle to any form of land based development (Bun 2012) but FPCD understands land tenure the otherwise as there are glimpse of success with its current regime. Papua New Guineans own the land predominately clan based and that has been the starting point for FPCD's Community Forestry Programme.

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<sup>6</sup>Fox, J. C., Keenan, R. J., & Saulei, S. (2011). *Final Report for project FST-2004-061 Assessment, management and marketing of goods and services from cutover native forests in Papua New Guinea*. Canberra: ACIAR.

<sup>7</sup>Bun, Y., King, T., & Shearman, P. (2004). *China's Impact on Papua New Guinea's Forest Industry*. Forest Trends.

<sup>8</sup>Bird, N., Wells, A., Helden, F. v., & Turia, R. (2007). *What can be learnt from the past? A history of forestry sector in Papua New Guinea*. London: Overseas Development Institute.

### 3. Organizational Capacity

Scherr, White and Kaiowitz (2000<sup>9</sup>) figured out that “community forest owners of natural forests with high quality, accessible timber, strong community organization and good marketing and management skill can profitably sell tropical hardwoods”. Improving communities’ competence to organize a forest management program is therefore part and partial of FPCD’s current practice. FPCD is mandate by the PNG National Training Council (NTC) to train people on forest management including community organization and Donovan (2008<sup>10</sup>) revealed the sustainability part of such efforts that there is consensus that cooperatives and other forms of small holder business organizations are more likely to develop into viable businesses when they emerge from local development processes, thus promoting a sense of ownership and asset building.

### 4. Capital

Even Bird, Wells, van Helden and Turia(2007<sup>11</sup>) quoted from a 1964 Annual Report of the Department of Forest is obvious today where “...small-scale enterprise by Papuans and New Guineans is encouraged, economic exploitation of the major timber resources has and will devolve materially on overseas timber operators who are in the position to provide the capital, management and expertise necessary for large scale timber and processing operations.”As it is with most rural communities, Bond (2006) in the Pacific 2020 proved that local communities still lacked credit/start-up capital to establish SMFE thereby require investigation and establishment of options for microcredit schemes. Such actionsofway forward for community based forest enterprise isreported by Camara (2011<sup>12</sup>) in Gambia where community members have started their Tree and Forest product enterprises for sustainable development and have received their initial seed capital from the existing Village Development Committees.With the hope replicating the results obtained elsewhere Donovan (2006) share a similar story with the establishment of a revolving community development fund in Laos PDR to support SMFE. If we look at a study in 2010by Grigriou<sup>13</sup>, he went to the specifics of listing the capital equipment requiredfor a single sawmill operation and they are the portable mill, chainsaw, winches and miscellaneous equipment (PGK100, 000 or about US\$28,000). A truck (PGK260, 000), tractor (PGK162, 000) and skidder (PGK 900,000) were also included as option” (8). Providing such information with statistical backing will then help local people to approach credit facilities.

### 5. Technical Knowledge

Traditionally, approaches to forestry development in Papua New Guinea have favoured large-scale industrial logging over the development of small-scale commercial forestry. FPCD

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<sup>9</sup>Scherr, S. J., White, A., & Kaimowitz, D. (2002). *Making Markets Work for Forest Communities - Policy Brief*. Washington, D.C: Forest Trends.

<sup>10</sup>Donovan, J., Stoian, D., & Poole, N. (2008). *Global review of rural community enterprise: The long and winding road to creating viable business and potential shortcuts*. Turrialba, Costa Rica: Tropical Agricultural Research and Higher Education Centre.

<sup>11</sup>Bird, N., Wells, A., Helden, F. v., & Turia, R. (2007). *What can be learnt from the past? A history of forestry sector in Papua New Guinea*. London: Overseas Development Institute.

<sup>12</sup>FAO. (2011). *Socio-Economic Evaluation of Community-Based Forest Enterprise Development using Market Analysis and Development Approach in Community Forestry in Gambia*. In K. Camara, *Forestry Policy and Institutions Working Paper No.27*. Rome.

<sup>13</sup>Grigoriou, J. (2010). *Production and supply options for community forest enterprises in Papua New Guinea*.



was established because few incentives existed for local development, and little consideration, if any, was given to institutional aspects or the building of local capacity for resource management or business development. Therefore there is continuous need to promote the basic principles of sustainable forest management (FAO<sup>14</sup>). FPCD under its various projects relating to sustainable forest management has played an important role in capacity building of its targeted local communities. A dialogue was established with SME policy analysts to look at FPCD being a master trainer to all SMFE in the country with its 20 years of experience in small scale community forestry.

## 6. Market Access

According to Hunt (2002<sup>15</sup>), FSC is an independent, non-profit NGO, formed in 1993 with the aim of providing an economic incentive and improving market access for products that result from environmentally sustainable forestry practices. FPCD developed and managed a group certification scheme under Forest Stewardship Councils and enjoyed a good market reputation for a while when the certificate was still active. Emphasis given to this was Bond (2006<sup>16</sup>) who stated that major trading partners for finished products are encouraging such endorsements. As such, market access for high-value forest products is likely to be predicated on some form of certification. Further discussion by Commonwealth of Australia (2009<sup>17</sup>) is about product differentiation, through branding, certification programs and value-adding, offers potential for improving returns to farming communities. Value adding opportunities is the next principle for improving access to market but Bond showed that timber processing involves investment in land, buildings, machinery and vehicles, the purchase of local goods, services and fuel, and the employment of local labour. By presenting a case in Peten, Guatemala, Donovan (2006<sup>18</sup>) showed that it can be done where a grant of US\$ 270,000 from government funds was provided for developing centralised processing facilities for primary and secondary transformation of lesser-known and high-value timber species.

## 7. Conclusion

SMFE compose 90% of SME in most developing countries (Macqueen<sup>19</sup>). In Papua New Guinea where land is traditionally owned, this concept is very suiting. The current government has sanctioned the Ministry of Trade, Commerce and Industry to review past policies, consult stakeholder in all the provinces and development partners to formulate the SME Policy to which FPCD had had the opportunity to contribute by commenting on both the policy and the master plan. SMFEs represent a promising option for poverty reduction and forest conservation through sustainable forest management. Their development into

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<sup>14</sup>FAO. (2011). Socio-Economic Evaluation of Community-Based Forest Enterprise Development using Market Analysis and Development Approach in Community Forestry in Gambia. In K. Camara, *Forestry Policy and Institutions Working Paper No.27*. Rome.

<sup>15</sup>Hunt, C. (2002). Local and global benefits of subsidizing tropical forest conservation. In *Environment and Development Economics* (pp. 325-340). London: Cambridge University Press.

<sup>16</sup>Bond, A. (2006). *Pacific 2020 Background Paper: Forestry*. Canberra: Commonwealth of Australia.

<sup>17</sup>Commonwealth of Australia. (2009). *Pacific Economic Survey 2009*. Canberra: AusAid.

<sup>18</sup>Donovan, J., Stoian, D., Macqueen, D., & Grouwels, S. (2006). *Natural Resource Perspective 104: The business side of sustainable forest management: Small and medium forest enterprise development for poverty reduction*. United Kingdom: ODI.

<sup>19</sup>Macqueen, D. (n.d.). *Supporting small forest enterprises: A facilitator's toolkit*. IIED Small and Medium Forest Enterprise Series.

economically viable businesses requires an enabling environment, in terms of laws and policies that promote legal access to the resource base, provide incentives for sound forest management, support increased value adding, and promote the formation of human, social, physical and financial capital for sustainable production of timber and NTFPs (Donovan et al. 2006<sup>20</sup>).

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<sup>20</sup>Donovan, J., Stoian, D., Macqueen, D., & Grouwels, S. (2006). *Natural Resource Perspective 104: The business side of sustainable forest management: Small and medium forest enterprise development for poverty reduction*. United Kingdom: ODI.

## Annex D APFNet Project Brochure



# Establishing the Self-Sustaining Model for Community Forest Harvesting

### Summary

Commercially orientated community sawmills in PNG are unsustainable without the ongoing financial support of NGOs like the Foundation for People and Community Development (FPCD).

Portable sawmills are seen as a way of providing a greater share of income from the utilization of forest resources to the forest owners.

An ACIAR study that examined different models of financial viability recommended engaging with communities, industry and thought leaders to establish what business model(s) may be attractive and sustainable (*Production and supply options for community forest enterprises in Papua New Guinea, 2010*)

This project will determine what business model(s) is viable, attractive and sustainable for communities interested in small scale eco-forestry.

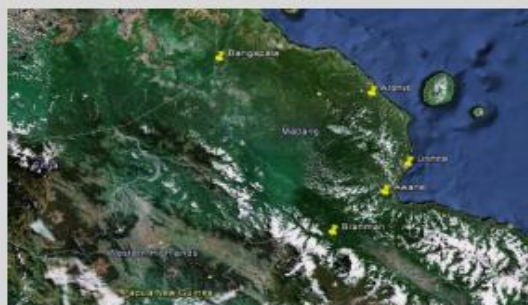
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### Goal

The goal of this project is to improve livelihoods and/or enhance quality of life for the participating communities through sustainable forestry practices.

### Participating Communities



(Bangapala – Bogia, Aronis – Sumkar, Malas – Sumkar, Uya – Raikos, Brahman – Usino Bundi, Sogeram – Usino Bundi)  
 Madang Province

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### Major Output



A Step towards making the 'Wokabaut Somil' more financially attractive, and worthy of local peoples' effort and commitment.

Funded by:



Executed by:



Supervised by:



