

NATIONAL FOREST POLICY REVIEW



THE PHILIPPINES

by

**Mayumi Ma. Quintos-Natividad, Alejandro R. Sibucan, Jr. and
Alex A. Cheng**
**Department of Environment and Natural Resources
Philippines**

Current situation of forest resources and the forestry sector

Land, population, economy and forests

Land

The Philippines has a total land area of about 30 million ha. The land classification system of the country disaggregates this into:

- Alienable and disposable (A&D) land: 14.12 million ha
- Forestland: 15.00 million ha
- Unclassified public land: 0.88 million ha

Forestland is land classified for forestry purposes, generally with slopes of more than 18 percent. Forestland is a legal and technical land category. It may or may not have forest cover. Conversely, A&D land may have forest cover.

Population and economy

Population 2000 Density (as of May 2000) Growth rate (1995–2000) Rural population (1990–1997)	75 329 000 245.6 person/km ² 2.02 44 percent
<u>Economy</u> GNP per capita (1999) In current pesos In constant (1985) pesos Annual growth rate of GDP (2000)	41 100 12 615 3.95 percent

Forest resources

In 1997, the estimated area of natural forests had declined to about 5.39 million ha or roughly 18 percent of the country's total land area; this encompasses:

- Dipterocarp forests: 3.54 million ha
 - (old growth 0.80 million ha)
 - (residual forest 2.74 million ha)
- Pine forests: 0.23 million ha
- Mangrove forests: 0.11 million ha
- Mossy forests: 1.04 million ha
- Sub-marginal forests: 0.47 million ha

The country has an estimated rate of deforestation ranging from 50 000 to 100 000 ha *per annum*. It is estimated that established forest plantations accounted for 658 000 ha in 2000.

Forest production, trade, export and consumption (2000)

<p>Industrial roundwood</p> <p><i>Production</i> Sawlogs/veneer logs 384 000 m³ Pulpwood 400 000 m³ Poles and piles 16 000 m³ Total 800 000 m³</p> <p><i>Imports</i> Quantity 584 759 m³ Value: FOB US\$45 856 040 CIF US\$54 340 693</p> <p><i>Exports</i> Quantity 93 m³ Value: FOB US\$15 624</p>	
<p>Sawnwood</p> <p><i>Production</i> 150 651 m³</p> <p><i>Imports</i> Quantity 358 514 m³ Value: FOB US\$69 210 837 CIF US\$79 810 286</p> <p><i>Exports</i> Quantity 120 484 m³ Value FOB US\$20 456 912</p>	
<p>Plywood</p> <p><i>Production</i> 286 314 m³</p> <p><i>Imports</i> Quantity 1 015 m³ Value: FOB US\$574 934 CIF US\$638 864</p> <p><i>Exports</i> Quantity 2 226 m³ Value FOB US\$2 056 450</p>	
<p>Particleboard</p> <p><i>Imports</i> Quantity 2 550 436 kg (gross) Value: FOB US\$563 229 CIF US\$655 152</p> <p><i>Exports</i> Quantity 189 176 m³ Value FOB US\$56 771</p>	
<p>Fibreboard</p> <p><i>Imports</i> Quantity 53 937 308 kg (nett) Value: FOB US\$14 360 259 CIF US\$16 220 267</p>	
<p>Pulp for paper</p> <p><i>Imports of pulp and wastepaper</i> Quantity 473 049 976 kg (nett) Value: FOB US\$93 096 007 CIF US\$128 439 736</p> <p><i>Exports of pulp and wastepaper</i> Quantity 16 439 136 kg (nett) Value: FOB US\$36 258 530</p>	
<p>Paper and paperboard</p> <p><i>Imports</i> Quantity 458 342 066 kg (nett) Value: FOB US\$263 608 294 CIF US\$304 738 662</p> <p><i>Exports</i> Quantity 123 276 545 kg (nett) Value FOB US\$59 536</p>	

Current and emerging issues, trends and critical problems

The following problems and emerging issues are being analysed by the government, specialized organizations, non-government organizations (NGOs), the private sector and rural communities.

Passage of the Sustainable Forest Management Bill. The problems besetting the forestry sector need comprehensive solutions. Forestry policy-makers have realized this since 1992 when they formulated and worked for the passage of a new forestry law during the Ninth Congress of the Philippines. This move was meant to, *inter alia*, support the implementation of the Master Plan for Forestry Development that was prepared in 1990 with the assistance of the Asian Development Bank (ADB). Unfortunately, the passage for a new forestry law reached an impasse owing to the issue of whether or not to allow commercial logging in the country's remaining natural forests. Ten years later this issue was still under deliberation at the Twelfth Congress. Thus, the sector continues to be governed by an outdated law (decreed in 1975) that pertains to forest management under large-scale harvesting.

Absence of a comprehensive national land-use law. The Department of Environment and Natural Resources (DENR) is mandated to manage all forestland in the country. However, this mandate is not absolute in the sense that certain components of resources on forestlands are being governed by other laws that may cause land-use and administrative conflicts. These laws include the Indigenous Peoples' Rights Act (IPRA), the Agriculture and Fisheries Modernization Act (AFMA), the Local Government Code and the Mining Act. A national land-use code in this respect is necessary in order to rationalize the land-use allocation policies of the government.

Unreliable forest cover data. A major problem for the sector is the lack of updated forest cover data that can provide accurate assessment and accounting of forest resources. The most recent (1997) official land cover data were simply a projection based on a model developed in 1988 by the National Forest Resources Inventory Project conducted in the 1980s. The lack of data constrains policy-makers from evaluating the impacts of government policies, strategies, programs and projects.

Financial viability of community-based forest management (CBFM) projects. Community-based forest management has been adopted as a major strategy to achieve sustainable forest management (SFM). The program aims to place under formal management all open-access forest lands by granting these areas, through management agreements, to empowered people's organizations (POs). However, an assessment of the operation of some POs indicates that they are encountering financial problems. This is caused by, *inter alia*, the inability to compete in the market due to inefficient production systems that result in high production costs, low quality of and low prices for their products.

Lack of effective incentives for the establishment of industrial forest plantations (IFP). The industrial forest plantation program is not proceeding at a desirable pace. Since its implementation in the 1970s, around 500 000 ha of denuded forestlands have been declared as plantation areas for private individuals and business entities. So far, only 124 000 ha have been developed and planted for this purpose. Incentives to encourage further investments in plantation development have been created under various administrative orders for the past 25 years. However, they have failed to encourage investors to invest in such a risky and long-term venture.

Current national forest policies

National statement or objectives related to forests

The Philippine Constitution of 1987

The Philippine Constitution of 1987 identified the environment and natural resources as among the major concerns of the government. These are articulated clearly in the following constitutional provisions:

1. "The state shall protect and advance the right of the people to a balanced and healthful ecology in accordance with the rhythm and harmony of nature" (Article II, Section 16).

2. "All lands of public domain, water, minerals, coals, petroleum and other mineral oils, all forms of potential energy, fisheries, forests and other natural resources are owned by the State. The exploration, development and utilization of natural resources shall be under the full control and supervision of the State" (Article XII, Section 2).
3. "The congress shall, as soon as possible, determine by law the specific limits of forest lands and national parks, marking clearly their boundaries on the ground. Thereafter, such forest lands and national parks shall be conserved and may not be increased nor diminished; except by law, the congress shall provide, for such period as it may determine measures to prohibit logging in endangered forests and watershed areas" (Article XII, Section 4).

To pursue the above provisions of the Constitution, forestry programs, policies and projects are anchored in the Philippine Strategy for Sustainable Development and the Master Plan for Forestry Development.

The Philippine Strategy for Sustainable Development (PSSD)

The PSSD provides the framework for promoting economic growth without jeopardizing the country's biological resources and its diversity, vital ecosystem functions and environmental quality. The PSSD is implemented through the following core strategies and activities:

1. Adoption of SFM as the most appropriate and viable approach for managing the country's forest resources.
2. Ensuring the integrity of forestland by delineating the final forestland boundaries.
3. Integration of environmental considerations in decision-making. This involves environmental impact assessment on forestry projects, prior to their implementation.
4. Establishment of permanent forest estate. This involves a thorough inventory and delineation of all remaining natural dipterocarp, pine and mangrove forests, including grazing lands, to form part of the protection estates as envisioned in the Master Plan for Forestry Development.
5. Strengthening the implementation of the current programs for forest protection to enhance the administrative capacity of the DENR. The forest zone will have to be delineated and marked on the ground. Every forest will be managed with the condition that Provincial/Community Environment and Natural Resources Offices (PENRO, CENRO) and other managers will protect the forest under their control from any destructive elements.
6. Adoption of CBFM as the national strategy to ensure the sustainable development of the country's forestland resources and to provide mechanisms for its implementation.
7. Ensuring protection of diverse forest biological resources, vital ecosystem functions and overall environmental quality.

The Master Plan for Forestry Development (MPFD)

The Philippine MPFD is a nationwide and aggregate blueprint for the development of the forestry sector across a 25-year horizon. It presents a holistic approach to multi-dimensional concerns in forestry. Specifically, the plan spells out the goals and objectives of the forestry sector; the program designed to meet the goals and objectives; the resources required to implement the programs; and the scenarios and impacts envisaged as a result of program implementation.

General goal and objectives: The general goal of the plan is for the forestry sector to attain, in the long run, the following conditions:

- Equitable access for all citizens to opportunities to develop and manage the forest and partake of benefits derived from it;
- Scientific management, conservation, and utilization of forest resources by the private sector and local communities in partnership with the government; and
- In appropriate ways and on a sustainable basis, satisfying the needs of the people for forest-based commodities, services and amenities.

Objectives: Reflecting the thrust of the general goal, the objectives of the plan are to:

- conserve the forest ecosystem and its diverse genetic resources;
- promote social justice and equity;
- meet the needs for wood and other forest products by placing all of the country's production forest under sustainable management;
- protect the land and its resources against degradation such as desertification, soil erosion, floods and other environmental calamities through proper land management and practices;
- help in the production of food, water, energy and other basic needs by properly managing the upland watersheds; and
- contribute to employment and growth of the national and local economies.

The MPFD programs

The MPFD has three main programs encompassing 10 primary development programs and five institutional support programs. The main programs indicate the major clusters of concerns that have been considered in the planning process. These are:

1. Man and the environment

- a) *People-Oriented Forestry*. This includes the following sub-programs: Integrated Social Forestry, CBFM and Contract Reforestation. Forest Land Management Agreement (FLMA), Ancestral Land Management, Wood Production in Alienable or Disposable Lands, and NGO and local government unit (LGU) involvement in forest development are additional components.
- b) *Soil Conservation and Watershed Management*. The program comprises watershed management projects, assisted natural regeneration, range management and soil conservation in forestry operations.
- c) *Integrated Protected Area System (IPAS) and Biodiversity Conservation*. The delineation of IPAS, buffer-zone management, protected area management and biodiversity conservation in forestry operations are components.
- d) *Urban Forestry*. Urban forests and nature parks, greenbelt development and ground landscaping are components.
- e) *Forest Protection*. Strengthening of the DENR's capacity for forest protection, policy and legislative reform, public information and integration of forest protection in forest management are components.

2. Forest management and development

- a) *Management of Natural Dipterocarp Forests*. The establishment of permanent dipterocarp forest estates, enhancing the productivity of dipterocarps and the practice of SFM systems are components.
- b) *Management of Mangrove, Pines and other Natural Forests*. The establishment of permanent forest estates, management of pines, mangrove and other natural forests, and pine and mangrove plantation establishment are components.
- c) *Forest Plantation and Tree Farms*. Contract reforestation, industrial forest plantation development, community-based forest plantations and agroforestry plantations are components.
- d) *Wood-Based Industries*. The development of a favourable business environment, rationalization, provision of new technologies, promotion of further processing and downstream industries, development of community-based wood processing industries and the establishment of a timber board are components.
- e) *Non-Wood Forest-Based Industries*. Development of rattan and bamboo-based industries and medicinal plant, resin, gum and essential oil industries are components.

3. Institutional development

- a) *Policy and Legislation.* This program aims to develop the policy and legal framework for the forestry sector and to update the laws and regulations on forestry through its sub-program “Policy Studies and Development”.
- b) *Organization, Human Resources, Infrastructures and Facilities.* This program aims to improve the DENR’s capability by transforming the department into an extension and development organization instead of its present regulatory function by aligning human resources into a new developmental role (especially the field officers); and facilitating personnel mobility and communications through the acquisition of more hardware.
- c) *Research and Development.* This program aims to upgrade the number and quality of human resources conducting research in forestry, especially regional staff; to acquire more and better research equipment and facilities; and to increase funding. This includes three specific sub-programs, namely: Manpower Development, Improvement of Facilities and Equipment and Research.
- d) *Education, Training and Extension.* This program aims to rationalize forestry education by offering short courses in regional and provincial training centres; and to upgrade the knowledge and skills of field technicians via training. Included in this package are Strengthening Forestry Education, Strengthening Manpower Training and Strengthening Extension and Communication programs.
- e) *Monitoring and Evaluation.* This program aims to monitor and evaluate the different programs by measuring the progress, effects and impacts of the program on clientele or intended beneficiaries, and also with respect to resources.

Specific forestry policies and thrust areas

Forest management in the Philippines is governed by Presidential Decree No. 705, also known as the “Revised Forestry Code of the Philippines”. Issued on 19 May 1975, the decree, specifically Section 2, outlines the policies of the state for the management of forest resources as follows:

- Multiple use of forestland shall be oriented to the country’s development and progress requirements, the advancement of science and technology and the public welfare;
- Land classification and survey shall be systematized and accelerated;
- The establishment of wood-processing plants shall be encouraged and rationalized; and
- The protection, development and rehabilitation of forestlands shall be emphasized so as to ensure continuity in production.

Subsequently, this law has become the basis of numerous DENR administrative orders, memoranda, plans and programs relating to the various concerns of forest management.

Major policies and thrust areas of the forestry sector

Community-based forest management

The government has adopted CBFM as the national strategy to ensure sustainable development of the country’s forestland resources pursuant to the provisions of Executive Order No. 263 dated 19 July 1995. CBFM provides mechanisms for the efficient and sustained management of forestlands and coastal areas through responsible development, protection, conservation and utilization of forest resources by organized and empowered local communities.

“People first and sustainable forestry will follow” sums up the concept of CBFM. The government believes that by addressing the needs of local communities, they themselves will unite to protect and manage the very source of their livelihoods. The DENR is committed to promoting CBFM as the national strategy for SFM.

CBFM goals include promoting:

- Sustainable management of forest resources;
- Social justice and the improved well being of local communities; and
- Strong partnership among local communities and the DENR.

As a national strategy, CBFM applies to all areas classified as forestlands, including permissible zones within protected areas not covered by prior vested rights. It includes the following features:

- Security of Tenure – the community-based forest management agreement (CBFMA) entitles forest communities to use and develop the forest and its resources for 25 years, renewable for an additional 25 years.
- Social Equity – social justice is a basic principle underlying CBFM in granting forest communities tenure and comprehensive rights to using and developing forest resources.
- DENR and LGU Partnership – a strong DENR-LGU partnership is vital to the success of CBFM. The DENR and LGUs, in collaboration with other sectors, are working together to help strengthen local forest communities in managing forest resources.
- Investment Capital and Market Linkage – CBFM helps participants access investment capital, identify markets and build marketing capabilities.

National forestation

In July 1986, the government, through the DENR, launched a National Forestation Program that aimed to rehabilitate 1.4 million ha of denuded forestland from 1986 to 2000. Some of its salient features include:

- An umbrella program for national reforestation efforts;
- Support from NGOs, wood industries, other government agencies and citizenry, with the DENR taking the lead;
- Adoption of CBFM as a strategy;
- Establishment and management of forest plantations for the production of sawntimber, pulpwood, fuelwood and other forest products;
- Rehabilitation of denuded and vital watersheds particularly those harnessed for domestic water supply, fisheries and recreation;
- Development of suitable private and disposable lands, that are idle, into forest plantations;
- Proposing the selection of tree species; and
- Conducting research, training and extension.

Major activities include:

Government sector initiatives

a) *Regular reforestation activities*

This program envisions restoring forest cover on denuded areas to provide a permanent and more stable soil cover especially in critical watershed areas that support government infrastructure projects for hydro-electric power plants, dams, irrigation and domestic water sources.

The urban and forestry program involves active participation/partnership with other government agencies as well as the private sector nationwide in tree planting activities within urban and suburban areas to generate clean air and a healthy environment.

In 2000, the DENR's regular reforestation projects numbered 231 and covered 1.1 million ha. By 2000, 345 596 ha (30.75 percent) of the total reforestation area were planted.

b) *Urban and roadside forestry*

- Implemented by the DENR with the involvement of all concerned national government agencies, LGUs, NGOs and private volunteer organizations (PVOs);
- Involves the establishment of urban and suburban tree parks/miniforests, ecological centres, roadside planting, greenbelts and carbon-sink buffer forests;
- Areas for development include major thoroughfares, expressways, highways, boulevards, road islands, parks, plazas and other recreational areas, coastal areas and river banks, rotundas and sub-divisions; and
- Cutting of trees in these areas, whether planted or grown naturally, is not allowed.

In 1999, 77 miniforests were reported to have been established and 139 were being maintained. Moreover, 503 km of roadsides/road islands were also planted.

c) Watershed Rehabilitation/Management Program

Major watersheds cover about 70 percent of the country's total land area, comprising 18 major river basins and 124 proclaimed watershed forest reserves.

The program is guided by state policies and principles that advise:

- All watersheds shall be under the ownership and jurisdiction of the government;
- Watersheds shall be managed according to the concept of multiple use and sustained yield;
- Watersheds shall be managed to achieve and maintain environmental quality; and
- Natural resources, including watershed resources, shall be managed with the participation of the local population and communities.

The watershed forest reserves have been included as initial components of the IPAS pursuant to R.A. 7586 and are therefore excluded from logging operations and other exploitation/utilization activities. Major activities undertaken by the DENR in watershed development/management projects include reforestation, protection and development of natural forests, community/social forestry, erosion control and enhancement of environmental resources and information and education campaigns.

d) Forestry Sector Project

This project is funded by ADB/OECF. Details are presented under special forestry projects.

e) Let's Go Green

This initiative aims to revitalize and operationalize the greening of national/provincial/city/municipal highways and river/stream bank stabilization nationwide.

f) Other government agency initiatives

- Civil Service Centennial Forest Project;
- DENR-Philippine Jaycee Senate Tree Planting Project;
- La Mesa Dam Tree Planting Project (memorandum of understanding among DENR, Bb. Pilipinas Foundation, Tanod Kalikasan, MWSS).

Private sector initiatives

a) Industrial Forest Plantation Program

This program aims to develop industrial forest plantations as alternative sources of raw materials for local forest-based industries while at the same time promoting ecological stability, productivity, sustainability and equity in the use of forestlands.

Under the program, qualified applicants may be granted a management agreement over an area ranging from one to 500 ha for the Socialized Industrial Management Program and at least 500 to 20 000 ha for the Corporate Industrial Management Program. An industrial forest management agreement (IFMA) holder may hold more than one IFMA simultaneously but the aggregate size shall not exceed 40 000 ha.

Incentives of the program:

- Interplanting of secondary crops between trees within areas designated for forest plantations;
- All trees planted, except those retained or planted for environmental protection purposes, shall belong to the investors who have the right to harvest, sell and utilize such trees and crops;
- To export logs, lumber and other products harvested from the IFMA plantation, in accordance with the government allocation system; and
- Exemption from payment of forest charges.

To support the establishment and development of high-yielding forest plantations, potential sites are being identified nationwide for proclamation as “Timber Corridors”.

As of June 30, 2001 there were 184 IFMAs/ITPLAs (Industrial Tree Plantation Lease Agreement) with an aggregate area of 548 616 ha, 124 389 ha (or 22.67 percent) of which had been planted. SIFMAs (Socialized Industrial Forest Management Agreement) totaled 760 covering an area of 22 011 ha. Some 684 503 ha in the provinces of Agusan del Sur, Agusan del Norte and Surigao de Sur in the Caraga region have been approved as Timber Corridors, as they have soil, climatic and social conditions that support forest plantation development. Also, it is the region where the country’s biggest players in wood-based industries and wood-processing plants are located. The region also has a good road network and excellent port facilities.

b) Private forest plantation development

In 1992, the DENR issued Department Administrative Order No. 16, to encourage private landowners to develop their idle lands as forest plantations. Under this program, various incentives are granted to the plantation developers including the provision of technical assistance from the DENR’s Forestry Sector.

As of 30 June 2000, 86 private investors had developed plantations on areas covering 4 321 ha in the provinces of Nueva Ecija, Quezon, Albay, Capiz, Leyte, Davao del Norte, Agusan del Sur, Surigao del Sur and the cities of Bago and Gingoog.

Mandatory plantation development (for grazing land management)

The basic authority to grant pasture permits and other special land-use permits emanated from Section 1838 of the Revised Administrative Code. Pasture and grazing, considered as major activities on all special uses of forestlands, were granted a separate authority under Commonwealth Act No. 452; otherwise known as the Pasture Land Act, this was promulgated on 5 January 1955 under Forestry Administrative Order No. 4-7 wherein pasture lease agreements (PLAs) and ordinary pasture permits (OPPs) were issued.

The issuance of forestland grazing lease agreements (FLGLAs) and forestland grazing permits (FLGPs) started on 11 November 1982 when Ministry Administrative Order (MOA) No. 50 series of 1982 was issued. This is the regulation governing the administration, management and disposition of grazing lands, communal grazing lands and forestlands used for grazing purposes. It was revised recently by DENR Administrative Order No. 99-36.

Under the above regulation, the DENR is mandated to identify areas suitable for grazing based on specific criteria and to issue FLGLAs or FLGPs to qualified persons, associations or corporations to develop and manage these areas for cattle/livestock production in support of the food production program of the government.

At present, the DENR has maintained 412 existing PLAs/FLGLAs covering 120 424 ha nationwide. It has also cancelled (due to violation of the terms and conditions of the lease agreement) 728 PLAs/FLGLAs covering a total area of 340 565 ha.

Forest protection

In 2000, forest disturbance affected a total land area of 11 171 ha and cost P18.8 million. This was caused by fire (43.04 percent), illegal cutting (40.37 percent), *kaingin* or shifting cultivation (0.65 percent) and other unknown causes (15.93 percent). To avert further forest destruction, the DENR launched a multifaceted forest protection program that encompassed:

- Forest Law Enforcement and Resources Control Monitoring through the deployment of forest rangers in critical areas and aerial surveillance and mapping, supported by GPS instruments and telecommunications. It enlists the support and cooperation of law enforcement agencies, multi-sectoral groups, communities and an intensive information, education and communication program;
- Integrated Pest Control and Management to provide protection against pests and diseases for natural and plantation forests; and
- Forest Fire Control to reduce the incidence of bushfires in fire-prone areas and regions through adequate training, information and education campaigns, the organization of *barangay* (community) forest fire brigades, aerial surveillance and ground patrols for fire detection, etc.

In the intensified government campaign for forest protection, around 18 illegal logging hotspots were neutralized, 188 check points were maintained nationwide, 233 multi-sectoral forest protection committees were strengthened and 147 community fire brigades were organized and mobilized in the first quarter of 2001.

Forest land sub-classification

The program aims to identify the use of forestland that best fits the biological characteristics of identified areas. Categories for sub-classification include protection forest grazing land, agroforestry, resettlement and others. In 2000 to 2001, all activities under the program were refocused and geared towards the delineation of permanent forestland boundaries. All regional land evaluation parties nationwide were mobilized to undertake the survey and delineation of forestland, which involved mapping of permanent forest lines, demarcation on the ground and strip planting along the boundaries. In 2001, strip planting was deferred temporarily due to budgetary constraints.

Policy instruments of specific forest policies and the implementation process

The DENR has been using a combination of command and control and economic instruments in forest management. These include property rights, market creation, fiscal instruments, a charge system, financial instruments, a liability system and deposit-refund and guarantee bonds.

Property rights

Under property rights fall usufruct rights and communal rights. Usufruct rights are a privilege granted to an individual, family or community to use the fruits from the land on a sustainable basis. Examples are the forestland management agreement, the IFMA, the socialized forest management agreement (SFMA), the CBFMA and the certificate of ancestral domain/land claim.

Communal rights are granted to indigenous communities to manage and develop collectively their ancestral domain/land. One of the following may be included:

1. The right to occupy, cultivate and utilize the land and all natural resources found therein, as well as to reside peacefully within the domain.
2. The right to benefit and to share the profits from the allocation and utilization of natural resources within the domain.

3. The right to negotiate the terms and conditions for the exploitation of natural resources in the area.
4. The right to claim ownership of improvements made at any time within the ancestral domain.

Market creation

Transferable development rights and access rights fall under market creation. The transferable development right is a provision in most tenurial agreements that allows the holder to transfer, convey, or sell all rights and interest (as the occupant of usufructuary in the land as well as in the resources found therein). In some instances transfer may be made only to the next of kin or a qualified nominated person. In all cases, any transfer must have the consent of the DENR.

Access rights, in many instances, are granted to individuals or communities who can show proof of longstanding occupation of the land or use of the resources. *De jure* access is recognized by the government through agreements like the CBFMA, certificate of ancestral domain claim and the certificate of ancestral land claim.

Access rights are also granted through licenses and permits to individuals and entities that have applied for them and have shown proof of technical and financial capability to meet the requirements of the government.

Fiscal instruments

Under fiscal instrument are forest charges and land rent. The Republic Act 7161 enacted in 1991 incorporated certain sections of the National Internal Revenue Code (NIRC) in the Forestry Code and increases the forest charges on timber and other forest products. Forest charges are applied to naturally growing timber and forest products gathered on public forestland, alienable and disposable land and private land. The current year's prescribed forest charges are based on the previous year's (25 percent) FOB market price survey of timber and other forest products.

Land rent is imposed on areas granted under the Socialized Industrial Forest Management Program. Holders of socialized forest management agreements are required to pay P600 per hectare from the sixth to the tenth year of the agreement and P500 per hectare for every year thereafter.

Holders of IFMAs are also obliged to pay land rent in accordance with Section 36 of Presidential Decree 705. Rental is also charged for special land uses.

Charge system

Under the charge system are administrative fees and environmental fees. Administrative fees are payments for the services and operational expenses of the government in processing, monitoring and managing the licenses/permits.

Administrative fees collected from resource users are application fees/permit license fees, oath/certification/authentication fees and inspection fees.

Countryside and barangay enterprises are exempt from paying administrative fees. Participants in the CBFM projects are exempt from paying the following administrative fees: application fee, license/permit fee, service fee, rental fee, oath fee, appeal fee and authentication fee.

Plantation timber and timber products derived from mill and logging wastes or residues like pulpwood and fuelwood are exempt from payment of an environmental fee.

Under the guidelines for the Forestland Management Program, the forestland manager is required to open a reforestation trust fund and a reforestation guarantee fund.

Financial instruments

Under financial instruments are reforestation trust funds, reforestation guarantee funds, reforestation incentives/forestland development incentives, community forestry development funds, community capital and securitization.

The reforestation trust fund shall provide for replanting after harvest on areas where regeneration through coppicing or other methods is inadequate.

The trust fund shall consist of a bank deposit in the name of the forestland manager. Five percent of the gross sales made after each harvest of products specified in DAO 23 series of 1993 shall be deposited into the fund.

Logging concessionaires are likewise required to set up a reforestation trust fund. The fines imposed in case of deficient survival rates shall go the trust fund. The fine shall be based on a three-year cost of reforestation per hectare.

The guidelines for the Forestland Management Program require the forestland manager to open an account, identified as the reforestation guarantee fund. The forestland manager shall set aside not less than 30 percent of the proceeds from each sale of the products identified in DAO 23 series of 1993 and deposit it in a bank. The funds shall be used exclusively to reimburse the financial assistance awarded by the government.

Under DAO 60 series of 1993, IFMA holders are required to reimburse the DENR for the cost of preparing the resource management plan and the resource inventory; in this case, the DENR is obliged to deposit all money received in a special fund that shall be maintained by a suitable trustee it has nominated in consultation with the industry and other concerned parties. It shall be used only by the department for preparing resource management plans for future IFMAs.

Among the incentives given to participants in the DENR's forest development programs are:

1. Exemption from payment of land rent.
2. Exemption from payment of administrative fees.
3. In the case of forestland managers, exemption from payment of the production share on the following products: a) products derived from thinning, pruning and related silvicultural treatments; b) by-products such as tops and branches of harvests to produce sawlogs, veneer logs or pulpwood logs; c) harvest from non-wood species planted as intercrops, windbreaks or greenbreaks, and d) harvest from wood and non-wood species that were planted, maintained and protected by the forestland manager at own expense.
4. Timber and other forest products planted and grown in industrial forest plantations areas bartered and exchanged by the management agreement holder, in their original state, shall be exempted from the payment of VAT pursuant to EO 273, series of 1987 (DAO 42 series of 1991).

The IFMA holder shall, likewise, not be subjected to any obligation prescribed in the NIRC on withholding tax at source upon interest paid on borrowings incurred for the development and operation of the IFP.

The amount extended by a lessee in the establishment, development and operation of an IFMA prior to the time when the production state is reached may, at the option of the lessee, be regarded as ordinary and necessary business or as capital expenditures and therefore be tax deductible.

Upon expiration of the IFMA or termination not for cause, the lessee shall be entitled to fair compensation for all permanent improvement he or she has introduced.

Trees and other products planted by the holder shall belong to the holder and he or she shall have the right to harvest, sell and utilize planted trees and other products.

The IFMA holder may export logs and other forest products harvested from IFMA plantations in any form without any restrictions on quantity and volume, except for logs, including lumber produced from natural forests covered by the IFMA.

All plantation products derived from an IFMA area shall be exempt from forest charges, provided that all products derived from indigenous trees or other plants growing naturally in an IFMA area and from the plantation established in compliance with TLA reforestation obligations shall be subject to forest charges.

The IFMA holder shall be entitled to all relevant incentives provided for under the Omnibus Investment Code, e.g. IFPs or tree farms shall be classified as pioneer areas.

The IFMA holder may transfer, exchange, sell or convey the IFMA or any rights therein or any assets used in connection therewith, if authorized by the Secretary of the DENR under certain conditions.

5. CBFMA holders are entitled to:

- Occupy, possess, utilize and develop forestland and its resources within a designated area and claim ownership of introduced improvements;
- Allocate to its members and enforce rights to use and sustainably manage forest resources within the area;
- Be exempt from paying land rent;
- Be exempt from paying forest charges on timber and non-timber products harvested from the plantation in accordance with RA 7161;
- Receive all income and proceeds from the sustainable utilization of forest resources within the area;
- Enter into agreement or contract with private or government entities for the development of the whole or portions of the area.

Under DAO 22 series of 1993, all funds advanced by the government to “pump prime” activities such as contract reforestation, timber stand improvement, assisted natural regeneration (ANR) and agroforestry shall be recovered/reimbursed by the participants by depositing the money in the community forestry development (trust) fund. The trust fund shall be managed by the community. To ensure recovery of cost advanced to the community, the DENR shall require the community to deposit into the trust fund 30 percent of gross revenues from sales and forest products.

The trust fund may be used to pay expenses for reforestation, timber stand improvement, etc. Any surplus may be used for whatever investments the community may wish to provide for the improvement of the socio-economic or environmental conditions in the community.

Also under DAO 22, the community participants shall be encouraged to save a percentage of their income from the “pump priming” activities and from the sale of forest products to constitute a community capital fund.

This fund is similar to the community forestry development trust fund (CFDTF) required under DAO 22 to be set up by participants in the Community Forestry Program of the DENR.

Like the CFDTF, the PO is required to open the fund in a local bank. The money shall be used to pay for forest protection, reforestation, agroforestry, investments in livelihood enterprises, etc. The PO shall manage the fund.

CBFMA may be implemented in watershed reservations provided that the management of resources therein shall follow the guidelines set by the National Integrated Protected Areas law. Should this occur, part of the income derived by the PO from the utilization of watershed resources shall accrue to the integrated protected area fund (IPAF). The amount shall be reinvested in the CBFM area for the improvement and protection of the watershed resources and for other community development activities.

The RP-German Cebu Upland Project established a one million peso guarantee fund for the legal protection of farmers, and field implementers and the delivery of legal services.

Liability system

Under the liability system are imprisonment, fines, damages, forfeiture of bond, seizure and confiscation of tools, machinery, equipment and conveyance issues.

Most, if not all of the administrative orders granting resource rights provide corresponding penalties such as imprisonment or fines and cancellation of the certificate of registration (violation of DAO 17 series of 1994 registration of agents, contractors and dealers of imported logs, lumber, veneer and commercial poles and fines), seizure and confiscation of tools, machinery, equipment and conveyances used in illegal logging.

To start the timber supply and processing strategy in Isabela, the DENR declared a 45-day timber amnesty period wherein all participating sawmillers were allowed to declare and register their total stock of timber. Amnesty on declared questionable forest products was granted and documented upon payment by the participants of a P800/m³ penalty.

Deposit refund system and guarantee fund

A reforestation deposit is required from logging concessionaires and rattan cutting licensees to defray the maintenance cost of plantations, i.e. to replenish the timber and rattan cut to ensure the sustainability and expanded availability of these valuable resources.

A performance bond is required from contractors to guarantee the faithful performance of provisions of the contract. In the rules on IFP, the performance bond was called the performance guarantee bond or the bidder's bond. The performance bond may be in cash or in surety.

Under Memorandum Circular No. 4 series of 1998, rattan cutting licensees are required to post a surety bond equivalent to 10 percent of the assessed rattan special deposit to ensure full implementation of the rattan plantation development plan. Conversely, applicants for IFP areas are required to post a performance bond equivalent to 10 percent of the assumed net value (assumed market price of P2 500/m³, less production and other costs, assumed at P1 500/m³, but in no case to be less than P6 000/ha of the area of natural forest within the IFMA area).

The special deposit is collected from rattan cutting licensees to generate funds for rattan plantation development. The money is deposited in the name of the DENR and remittances are in accordance with Section 5 of the General Appropriations Act.

The CBFM special account is established and managed by the DENR to support the implementation of the CBFM strategy and to provide incentives for deserving POs, communities, NGOs and government staff. The government's monetary share in CBFM activities shall be remitted to the CBFM fund.

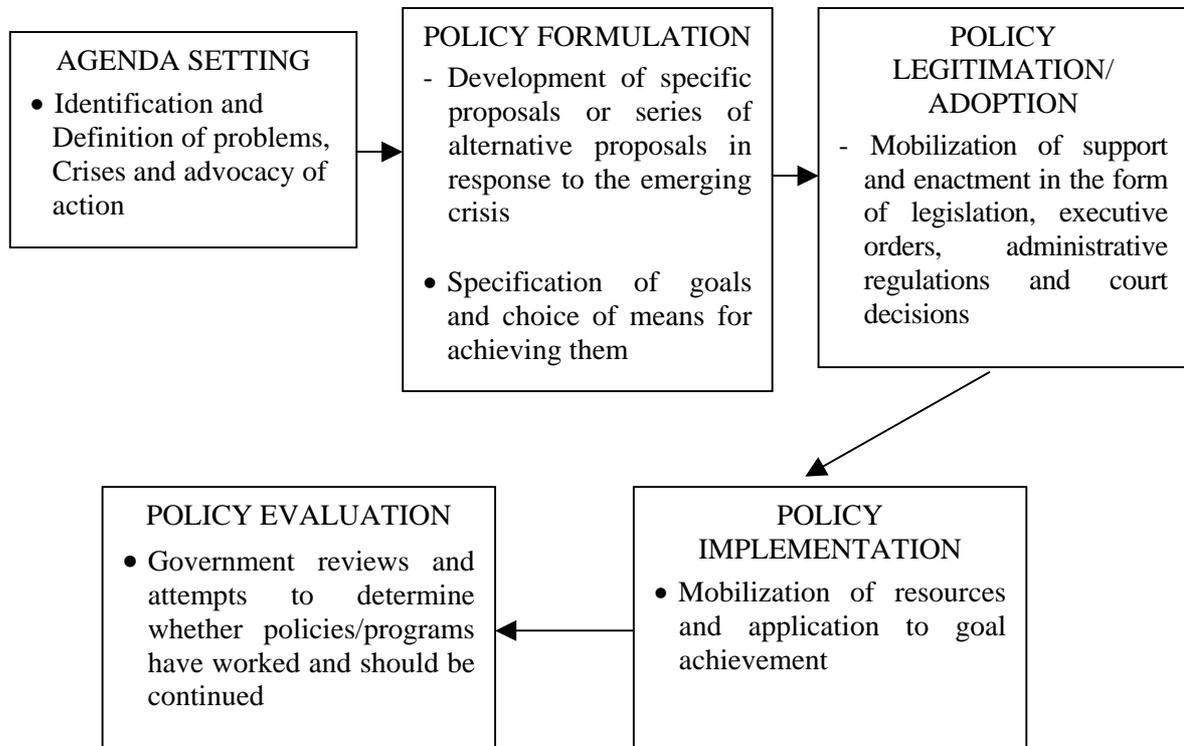
Under DAO 42 series of 1998, the production income derived from the utilization of government-owned forest plantations shall be shared among the POs; the government's share shall be remitted to the national treasury, provided that at least 50 percent of the government's share from the harvest of plantations shall be used exclusively for the establishment of plantations in the same CBFM area (DAO 44 series of 1998).

Forest policy formulation

Process of policy formulation

The policy-making process is precedent-bound, based on laws and forged by such structures and mechanisms provided for in the Constitution and other laws of the land. Such institutions include the bicameral legislative body, composed of the Senate of the House of Representatives; the executive branch of government, headed by the President of the Republic of the Philippines; and the judiciary headed by the Chief Justice of the Supreme Court. This has review power over the decisions of the executive and legislative branches, particularly on such questions as constitutionality and statutory construction.

By and large, the process of policy-making in the country follows the models so far presented in earlier sections. However, Sec. Sobrepena of the Presidential Management Staff (PMS) (then of the NEDA and METRO Bank) visualizes the process more specifically.



Agenda setting involves the identification and definition of problems, crises and advocacy. The primary agency involved in this process is the Forest Management Bureau (FMB) of the DENR. The FMB receives, analyses and discusses feedback through its executive committee. This committee is composed of the various heads of its technical divisions.

Policy formulation is the stage when proposals or a series of alternative proposals in response to emerging issues are developed. These proposals usually emanate from the FMB and are recommended to and reviewed by the DENR. In the course of these actions, public hearings are conducted by the DENR through its policy technical working group (PTWG). This group is composed of the heads or representatives of different DENR offices (e.g. planning and policy, legal, field operations) other staff bureaus and other stakeholders. In this forum, stakeholders are given the opportunity to comment on the proposed policies.

Policy legitimization involves the mobilization of support and enactment in the form of administrative regulations and legislation. In the case of the former, draft orders are transmitted to the DENR secretary by the PTWG for approval and signature. Copies of such orders are furnished to the field offices for implementation. Conversely, a proposed forestry law needs to be legitimized by Congress and has to pass through the legislative channels, which can be time consuming. It has to pass a tedious process wherein it has to undergo deliberations through three readings and has to be concurred by both chambers (House of Representatives and Senate) before being ratified as a law by the President of the Philippines.

Capacity for policy formulation and implementation

The DENR was assessed by ADB to be staffed sufficiently. However, it is beset by two problems: a) unequal staffing – some programs are overstaffed while others lack staff, and b) inadequacy of skills, particularly for new programs that require staff trained not only in technical but also in social science fields.

Furthermore, the DENR is a huge decentralized national organization spread out over the country. Its administrative machinery is slowed down by its size, scattered field units, bureaucratic communication systems and limited powers delegated to lower echelons. Decisions made at the top cannot be implemented quickly on the ground, and feedback from field operations reaches the Central Office only after long time lags.

Forestry policy implementation and impacts

The policy process in the forestry sector has been more reactive than proactive. It is often said that the Philippines has good forestry policies but policy implementation has generally fallen short. This failure of policy implementation can be attributed to one or both of the following practices of past administrators and planners:

- a) When implementation fails or when rules and regulations are violated, rather than improving the process of implementation, support and monitoring systems, a new policy is issued to plug the loopholes and;
- b) Forestry planning is done usually for the sake of planning (as a requirement) not necessarily based on available resources and realistic objectives. The first practice has resulted in a maze of policies that does not allow people to operate viably or profitably without violating one or more regulations.

Conclusions and recommendations

During the 1960s and 1970s, the Philippine forestry sector occupied an impressive position in the economy because of its strong revenue-earning capacity. The potential of the country's vast forest resources to generate the funds to finance economic development gave birth to forestry policies that were production oriented. While the policies achieved their desired intention, they also paved the way for inefficiency, negligence and irregularities in forestry.

Generally, the problems of the forestry sector can be attributed to poor policy implementation and inadequate monitoring systems.

On the other hand, there is still room to improve forestry policies. Several policy and economic aspects have to be addressed to improve forest management in the country. Important aspects that need to be addressed include:

- a. The need to establish an integrated monitoring system that is supported by an appropriate database and information system to guide government agencies in decision-making and to support the development of plans and programs.
- b. The formulation of policies and development of an economic environment that would boost production from the natural production forest, establish aggressively commercial forest plantations and improve the capabilities of the country's wood-based industries to participate in the global market.
- c. Review all policies related to government revenue generation from the utilization of land and forest resources. Charges and fees should be commensurate with the cost of environmental damage, resource degradation, opportunity costs and other values associated with resource utilization.
- d. The formulation of policies that would sustain government and private initiatives in the development of appropriate technologies, institutional arrangements and property rights that will provide adequate and equitable opportunities for local communities to invest in forest development.
- e. The need to reassess forestry in the Philippines in terms of governance and the application of science to make forestry a major component in rural development.