



## Policy Brief

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# Facilitating the shift from tree planting to promoting community-based forest enterprises in the Philippines

### Summary

This brief discusses the processes to facilitate a progressive shift in the current culture of the Department of Environment and Natural Resources' Forest Management Bureau (DENR-FMB) from 'tree planting, meeting planting targets and providing direct incentives such as tree seedlings' to one that also recognizes the critical role of an 'appropriate enabling environment to establish an overarching climate of enterprise in the Philippines. This will include greater recognition of the role of indirect incentives, the importance of smallholders' tree and forest management, and fostering entrepreneurship and the marketing of timber and non-timber forest products (NTFPs) by smallholders. The recently adopted Forest Investment Road Map (FIRM), with the vision, 'Revitalized Philippine Forestry Investment towards inclusive growth and sustainable development through local and foreign direct investment to increase the GDP contribution of the forest sector in the national economy' is a welcome initiative by DENR-FMB to promote this transition (2019).<sup>1</sup> Drawing on successful experience with decentralized environmental management and private-sector initiatives, this brief presents a tabulated summary of recommended activities to help

restore investor confidence in the Philippines and the emergence of stronger and better-organized smallholders, as well as community-based forest enterprises (CBFEs) producing both timber and NTFPs.<sup>2</sup>

### Introduction

The Philippines boasts a rich history of tree planting and forest restoration (Chokkalingam et al 2006). The latter has encompassed multiple externally funded reforestation and afforestation projects (Harrison et al 2004) and more recent government-funded programs, such as the National Greening Program (NGP), first adopted in 2011 and extended in 2016 until 2028 (DENR-Caraga 2016).

The former dipterocarp forests in the Philippines were heavily exploited during the colonial period. Even after the declaration of independence, the country continued to harvest its forests through the export and/or processing of raw logs, timber, semi-processed lumber, veneer and plywood until the early 1980s. This opened large areas for agricultural expansion and settlement. The timber boom was driven by vast profits accumulated by logging companies because the Government



was unable to capture an appropriate share of resource rents through forest revenue systems. The Government's program to develop the wood- processing industry initiated in the 1960s aimed to increase foreign exchange, create domestic value addition, stimulate employment, and use dwindling forest resources more effectively. Many companies complied by building small, inefficient and little-used mills while continuing to export logs. The Marcos administration responded in 1975 with a ban on log exports. The value of processed wood exports peaked in 1979 but declined thereafter, as did the number of Wood Processing Plants (WPPs) (Boado 1988).

The Philippines now imports timber to meet its supply-demand deficit. In 2017, 70% of locally produced timber came from the so-called 'timber corridor' in Caraga Region. Caraga, as well as Region 10, contributed 87% of lumber production in the same year. FIRM estimates that 1.4 million hectares of commercial tree plantations to be established and maintained will generate 12 million m<sup>3</sup> in annual log production by 2028 (FIRM 2019: 42).

DENR is the primary government agency responsible for the conservation, management, development and proper use of the country's environmental and natural resources, specifically forest and grazing lands, mineral resources, and lands of the public domain, as well as the licensing and regulation of natural resources. In 1987, a Reorganization Act (Executive Order [EO] No. 192) resulted in the establishment of the Forest Management Bureau (FMB) as an advisory body to DENR. The current policy and regulatory framework are largely influenced by extractive systems from the period when Timber License Agreements (TLAs) were the dominant tenure instrument and 'underlines the failure to adjust policies and strategies that respond to devolved, holistic, interconnected, and community-managed ecosystems (Carandang 2008: 35). The lack of clarity combined with the uncertainty and unpredictability in forest policies has discouraged private-sector investment in the forest sector in the Philippines. The persistence of Standard Operating Procedures (SOP) (informal payments) associated with checkpoints and spot-checks by DENR-FMB, the military and the Philippine National Police while monitoring the harvesting, transport and processing of timber has not been helpful. Improvements have been made, however, following the Integrity Development Review of DENR in 2007, which led to the creation of an Office for Internal Audit and Anti-Corruption and the subsequent establishment of a Citizen's Charter.

Two recent policy developments, both introduced in 2011, continue to dominate forest policy and institutional responses and Government efforts to address a broad array of challenges in the forest and land-use sectors.

These were encapsulated in EO No. 23, declaring a nationwide 'moratorium on the cutting and harvesting of timber in the natural and residual forests and created the anti-illegal logging task force' (logging is still permitted in plantations) and EO No. 26, which established NGP, a massive forest restoration and replanting program of the Government. A Performance Audit Report (PAO-2019-01) on the NGP was published by the Commission on Audit on 18 December 2019 (CoA 2019).

The Government has poured billions of pesos into reforestation programs for decades. Seedling production has been the largest component, representing 34% of the total cost of the NGP in 2019 (CoA 2019: 8). The dominant direct incentive provided by DENR before and during the implementation of the NGP has been the supply of free tree seedlings produced either in one of 11 DENR-FMB Mechanized and Modernized Forest Nurseries and/or procured from private nurseries.

Fast-tracking by DENR to meet NGP targets has resulted in 'missed financial opportunities for Pos', particularly after 2016 (CoA 2019:52). The Implementing Rules and Regulations of the Government Reform Act<sup>3</sup> allows a procuring entity, as a contract manager, to use negotiated procurement as a means to engage a community to implement a locally funded community-based project. DENR is authorized to award the contract of seedling production to the POs themselves.

Furthermore, the recurrent costs of reforestation and afforestation programs could be effectively reduced if the Government were to adopt a more supportive enabling environment to promote the emergence of CBFEs. The standing volume of second-growth production forests in the Philippines is estimated at more than 217 million m<sup>3</sup>, representing a natural-resource asset worth more than USD 13 billion (or USD 60/m<sup>3</sup>) that could generate 60,000 full-time jobs by selling 500,000 m<sup>3</sup> of timber per year (Pulhin and Ramirez 2016).

Although the forestry sector's contribution to the Philippines' gross national product (GNP) has declined from 2.4% in the 1980s to 0.07% in 2006, it remains significant in diminishing the impacts of poverty by providing habitats for formal and informal settlements and resources to sustain livelihoods.

The forestry sector's underestimated value can be observed in its contribution of PHP 5.26 billion (0.12%) to the national gross domestic product (GDP) of the Philippines in 2013 (Carandang 2012, SEPO 2015, Esplana and Quizon 2017).

Experience from other countries in Southeast Asia indicates that the businesses of most smallholding timber growers are not strictly market oriented. Consequently, opportunities to make a better income from timber selling are often lost although timber plantations and NTFPs do generate important additional income for smallholders. There is often a wide range in timber prices at the village, watershed, provincial and regional levels but the farm-gate price generally lies at the lower end of the range. This is generally because of 1) poor quality of logs produced by farmers; 2) low bargaining power of farmers when selling their timber; 3) high transaction costs due to cumbersome timber market regulations; and 4) transport costs (Rohadi et al 2015).

Forest sector small-to-medium-sized enterprises (SMEs), like SMEs in general, suffer in the Philippines from limited access to business and financial services, lack of support to enhance their competitiveness, regulatory measures that constrain their ability to operate in a 'legal' space or that create perverse incentives, and limited access to markets. These and other challenges and constraints for SMEs have been widely

identified but recommendations and efforts to address them have often been fragmented and sector-bounded, limiting the effectiveness of the intervention. For example, FIRM (DAO 2019–22) refers to incentives with reference to only one of the potential investment areas, namely the planting, development and processing of biomass resources (FIRM: 24–25).

The share of Gross Value Added (GVA) in forestry to GDP has progressively declined from 2006 to 2016 (FIRM: 41) in contrast to the projections of both the Philippines Revised Forestry Master Plan (2006) and the Philippines Forestry Sector Outlook (DENR-FMB 2010) suggesting that significant improvements to the enabling policy and institutional environment are still needed. There is now a critical need to move beyond a culture of tree planting, meeting planting targets, and providing direct incentives such as tree seedlings, to one that also recognizes the importance of smallholders' tree and forest management and entrepreneurship and marketing of timber and NTFPs. This also requires good end-markets for smallholders' timber processing. Both are already present, for example, in Caraga Region (Carandang et al 2015).

### The Integrated Natural Resources and Environmental Management Project Approach

The Integrated Natural Resources and Environmental Management Project (INREMP), co-financed by the Asian Development Bank, International Fund for Agricultural Development, Global Environment Facility and the Government of the Philippines, seeks to address unsustainable forest land use and management practices in four river basins and 23 watersheds (Chico, Cordillera Administrative Region; Wahig-Inabanga, Bohol, Region 7; Upper Bukidnon, Region 10; and Lake Lanao, Bangsamoro Autonomous Region in Muslim Mindanao) during the period August 2013 to December 2020. The objectives of INREMP are to:

1. reduce and reverse the degradation of watersheds and associated environmental services caused by forest degradation and unsustainable farming practices; and
2. provide incentives to local communities, local government units (LGUs) and DENR to improve natural resource management (NRM) by generating sufficient and tangible economic benefits.

## Results

### Forestlands in the Philippines

The Philippines has a total land area of 30 million hectares, 47% (14.2 million hectares) of which is identified as Alienable & Disposable (A&D) lands while the other 53% (15.8 million hectares) is classified as forestlands. A significant part of public forestlands is without forest cover. The country's forest cover has progressively declined from an estimated 17 million hectares in 1934 to 6.8 million remaining in 2010 (SEPO 2015).

Many of these forests are in fragmented stands. Forest loss has been due to, among others, commercial logging, illegal timber extraction, agricultural expansion, population growth, migration, weak forest governance, local elite capture, failure to collect rents from licensees, mining, and conversion of forestland to agricultural, residential and commercial uses (Carandang et al 2013).

DENR issued Administrative Order (AO) No. 2008-24<sup>4</sup> in 2008, which provided clear guidelines for delineating the boundaries between forestlands, national parks and agricultural lands. DENR completed the Forestland Boundary Assessment and Delineation in 2017. It covered 80 provinces and a total of 89,092 km of forestland boundary lines were delineated. As a result, about 345,286 hectares currently regarded as forest lands are proposed to be reclassified or converted to A&D lands. A recent initiative to delineate the Philippines' specific forest limits culminated in three bills (Senate Bill nos. 35, 741

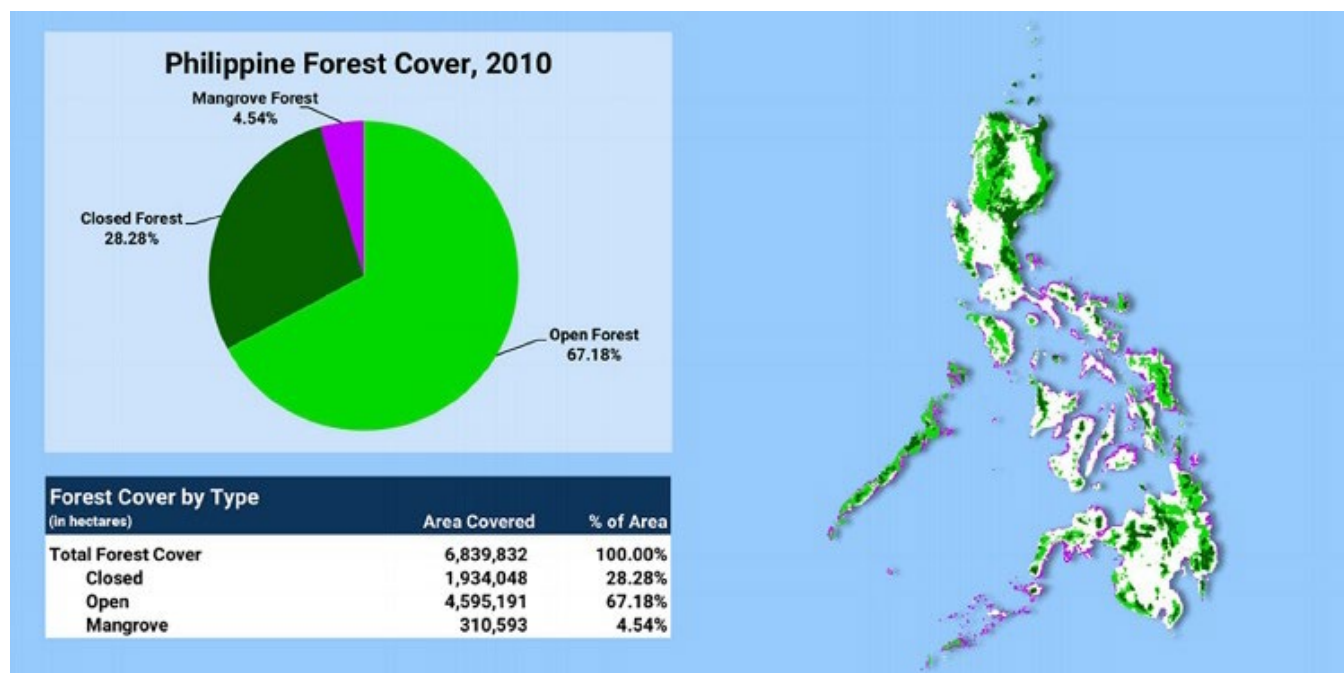


Figure 1. Philippine Forest Cover in 2010

Source: Presentation of Dr. Eng. Enrico C. Paringit of Department of Geodetic Engineering, UP Diliman during the Land Cover/Land Use Changes and

Impacts on Environment in South/Southeast Asia, International Regional Science Meeting, May 28–30, 2018 [<https://lcluc.umd.edu/sites/default/files/Enrico.pdf>]

*Table 1. Areas of forestland under the private sector from 1970 to 2018 (in thousand hectares)*

Type of agreement	1970/1971		1980		1990		1995		2000		2018	
TLA	461	10,598	261	7939	97	3620	41	1600	19	910	2	120
IFMA/ITPLA			12	88	81	30	248	538	184	548	127	961
CBFMA									600	1971	1884	1616
Tree farm			101	9	101	1	128	18	155	19	53	6
Agroforestry			2	1	94	11	84	97	80	91	0.4	2
<b>Total</b>				<b>8037</b>		<b>4189</b>		<b>2253</b>		<b>3539</b>		<b>2799</b>

Sources: DENR/FMB 1980, 1990, 2000; and 2018; ITPLA = Industrial Tree Plantation Lease Agreement

and 861), which are pending in the Senate Committee on Environment and Natural Resources since 2018.

DENR-FMB has successfully developed a watershed-based integrated ecosystem management approach as the national planning framework for forestlands. However, weaknesses remain in terms of on-ground delineation of forestland boundaries, leading to widespread encroachment and forest degradation. By clearly defining the location and extent of forests, uncertainty is lessened, particularly for private investors (SEPO 2018:4). The capacities and resources of LGUs to develop, implement and monitor both Forest Land-Use Plans (FLUPs) and Comprehensive Land-Use Plans (CLUPs) are limited.

### Forest policy

The Revised Forestry Code of the Philippines enshrined in Presidential Decree (PD) 705 s. 1975 remains the only overarching policy framework to govern the use, management and protection of the country's forest resources even though 'most of its provisions have become obsolete, particularly the allocation of forestlands and tenure' (FIRM: 47). The adoption of EO 318 on Promoting Sustainable Forest Management in the Philippines in 2004 constituted an interim policy pending

Congress enacting a comprehensive Sustainable Forest Management Act (SFMA) to replace the Revised Forestry Code. Currently, there are an estimated 97 laws, Executive Orders, Memorandum Orders, Memorandum Circulars, AOs, and proclamations during the period 1980–2019 governing land and forest administration (Domingo and Manejar 2019: 17).

A draft SFMA has been languishing in the country's legislature for more than three decades. The enactment of the SFM Bill remains elusive due to the lack of widespread support from members of both Houses of Congress. This has resulted in a changing and increasingly complex policy arena as there has been a significant increase in the number of LGUs and National Government Agencies (NGAs) involved in the sustainable management and development of forest resources. Policy provisions for the allocation of forestland to the private sector have changed almost every time DENR leadership changed. This legislative vacuum has been exacerbated by 'policy inflation' as the Government of the Philippines/DENR-FMB responded to new global opportunities and challenges after 2005 (for example, DENR-FMB 2016)<sup>5</sup>. These responses were not matched by any significant increase in either human or financial resources at a time when most externally funded NRM projects had finished and DENR-

*Table 2. Overview of forest land tenure instruments in 2018*

Total area of instrument (ha)	Type and total number of instrument
1,615,598	1884 CBFMA (Community-Based Forest Management Agreement)
961,510	127 IFMA (Integrated Forest Management Agreement)
119,650 *	2 TLA (Timber License Agreement)
53,536	186 FLGMA (Forest Land Grazing Management Agreement)
32,219	1530 SIFMA (Socialized Industrial Forest Management Agreement)
5870	53 TFLA (Tree Farm Lease Agreement)
5275	115 PFDA (Private Forest Development Agreement)
3856	35 FLAg (Forest Land Use Agreement)
516	126 SLUP (Special Land Use Permit)
398	2 AFFLA (Agroforestry Farm Lease Agreement)
306	32 FLAgT (Forest Land Use Agreement for Tourism purposes)
67	14 SPLULA (Special Land Use Lease Agreement)
2,798,711	TOTAL AREA ALLOCATED TO TENURE INSTRUMENTS

Source: FMB 2018. \* TLAs no longer valid due to EO 26 s. 2011

FMB was, concomitantly, expected to strengthen support for LGUs<sup>6</sup>. A new draft DENR AO — Implementing Rules and Regulations of EO No. 318 of 2004 — was submitted to the DENR Secretary in mid-2019 after an 18-month consultative process (Dolom et al 2018).

### Tenure instruments in Philippine forestlands

The main tenure instrument in the 1970s was the Timber License Agreement (TLA) reflecting the then-dominant timber policy orientation, as shown in Table 1. A plethora of different forest tenure instruments introduced since has been followed by more recent attempts to rationalize and simplify the types of forest tenurial arrangements (Guiang and Castillo 2006).

Security of land and resource tenure is a critical enabling incentive both in reducing deforestation and forest degradation and in defining which individuals and groups may gain from investments. The lack of clarity and consistency has led to the absence of effective land governance in the Philippines. Clear tenure arrangements are necessary on forestlands and A&D lands to maintain forest cover, biodiversity, provision of environmental services, and to provide confidence to potential investors. This challenge is particularly acute in the context of multiple tenurial instruments where only 38% of production forests are under some form of tenurial agreement (FIRM: 13). Multiple policy fiats, multiple planning frameworks and proposals for financing mechanisms in the framework of Reducing Emissions for Deforestation and Forest Degradation (REDD Plus) also render this context more complex. Convergence initiatives among NGAs have not yet been able to process or manage tenurial conflicts and overlaps (De Vera 2017).

The dominant tenure instrument is now the Community-Based Forest Management Agreement (CBFMA), highlighting the success of EO No. 263 adopted in 1995 (Table 2).

Nevertheless, an estimated 17–22 million people living in the uplands of the Philippines — half of whom are indigenous people's (IP) groups and indigenous cultural communities (ICCs) — currently have no written land tenure arrangement and are often considered illegal or landless. In many cases, this is because their Certificates of Stewardship Contract (CSC) expired and/or were not renewed. IPs and ICCs can play critical roles in managing and protecting forest landscapes within their ancestral domains (Camacho et al 2012, Fa et al 2020). Despite efforts in the past to streamline tenure instruments — including a unified tenure system established through JAO 2012-01 signed between DENR, Department of Agrarian Reform (DAR), Department of Agriculture (DA) and the Department of Interior and Local Government (DILG) — agreements have rarely been reached and implementation problems have been rooted in Government inertia, the ambiguity of who takes leading roles, and limited capacity to enforce (De Vera 2017). Further, current tenurial arrangements have not ensured livelihoods, economic development and sustainable forest use due to their narrow focus, insecurity and conflicts with other titles and instruments (Pulhin et al 2008, DENR and German Agency for International Cooperation [GIZ] 2015:12; Esplana and Quizon 2017).

DENR-FMB is currently exploring the potential adoption of new SFMAs, which, if considered as part of a FIRM proposal — 'Identification/validation, mapping, and assessment of potential

investment areas (FIRM: 48-49) — represents a promising initiative to simplify, harmonize and streamline land tenure to stimulate new domestic and foreign direct investment in the forest sector. The promulgation of the proposed National Land Use Act would provide additional clarity as an overarching legal framework on land-related issues.

### Decentralization and community-based forest management

Over the past century, forest policy in the Philippines has evolved from a corporate TLA approach towards a CBFM system. Industrial-scale forest plantations were relatively unsuccessful. Four decades since the inception of the Integrated Social Forestry Program in 1982, forest policy now recognizes local communities and indigenous peoples as joint forest managers, if not the custodians of the land and forest resources. Three milestone policy instruments adopted in the 1990s underscored the role of public and community involvement in land and forest resource management. These were the Local Government Code or Republic Act (RA) 7160 in 1991, the National Integrated Protected Area System (NIPAS) (RA 7586) in 1992 (as amended by RA 11038, the Expanded NIPAS Act of 2018) and the Indigenous Peoples' Rights Act (IPRA) (RA 8371) in 1997.

The promulgation of the Local Government Code in 1991 has not been followed up by adequate decentralization of human and financial resources to govern natural resources at the local (provincial, municipality and barangay) level. This is manifested in terms of shortages of staff and limited budgets at LGU level. This has been compounded by the continued (over-) regulatory and tree-planting foci of DENR-FMB, changing tenurial arrangements (for example, following the promulgation of the Indigenous Peoples' Rights Act (IPRA) in 1997 and the expiry/non-renewal of 50% of the former Certificates of Stewardship Contracts (CSCs)), and restricted capacity development of, and coordination with, LGUs and other 'third-party' forest managers (for example, NGOs, CSOs, schools, private sector). It is not known how many co-management agreements and/or sub-management agreements have been reached between DENR and LGUs to co-manage public forestlands. These factors have all contributed to restricting DENR's abilities to either significantly improve the management of open-access forests or restore degraded forestlands by mobilizing private-sector investments. Major investments are needed to develop the capacities of LGUs and other third-party forest managers combined with focused information and education campaigns. One key recommendation of the CoA 2019 Performance Audit Report on the NGP was to make community organizing a pre-requisite before proceeding with the program.

Emerging lessons after three decades of CBFM in the Philippines indicate that unstable policies, overly bureaucratic procedures, project-based approaches, and weak institutional support systems have limited effective implementation.

Furthermore, 'progress on the ground in terms of achieving CBFM's goal of sustainable and equitable forest management remains elusive' (Pulhin et al 2007:865, Rebugio et al 2010). Recent research has also highlighted that the promise of community forestry (to reduce rural poverty, improve reforestation and potentially offset carbon emissions) has often failed either partly or completely (Baynes et al 2015).



A large number of existing CBFMA contracts are ending their first 25-year mandate and will be subject to renewal. As a result, the new Free, Prior Informed Consent (FPIC) requirement of the National Commission on Indigenous Peoples involves a new and complex seven-step process to obtain a Certificate of Pre-Condition from IPs and ICCs given the (now) primacy of customary laws, traditions and practices following the IPRA. During the period 2015–2040, an estimated 1941 CBFMA contracts will expire, with 379 expiring in 2025 alone.

### Promoting sustainable forest management through community-based forest enterprises

An estimated 1.4 million hectares of plantations were established by 2001, of which only 150,190 hectares were planted by the private sector (10.6%). Only 78,440 hectares of industrial timber plantations (5.5% of the total) were established during the same period, suggesting that the range of incentives provided was ineffective. The major constraint was probably limited financial resources for extensive plantings as no substantial credit support was provided by either government or financial institutions. Hence, the only alternative was to generate revenues from exploiting natural forests to finance plantation development.

The dominant tenure instrument in the Philippines is now the CBFMA (1884 agreements with POs covering more than 1.6 million hectares), managed by smallholders, following similar trends throughout tropical Asia (Byerlee 2014). Nevertheless, current forest management planning, regulation, monitoring and policymaking remains influenced by the timber-oriented rules and regulations of the TLA era. The requirements to obtain approvals to cut and transport timber products are, in essence, the same for community organizations and private-sector tenure holders. The high degree of regulation, and hence transaction costs, is similar to what was formerly applied to holders of TLAs and Integrated Forest Management Agreements.

The nationwide moratorium has not led to either improved forest management or strengthened forest or biodiversity conservation as domestic demand for timber products in the Philippines has remained strong and access to an estimated five million hectares of forestlands is open due to weak enforcement capacities (Guiang 2001). For example, the devolution of forest protection authority to Provincial Environment and Natural Resources Offices (PENROs) and Community Environment and Natural Resources Offices (CENROs) was not complemented with additional labor or fiscal resources: 'Existing forest guards were each left in charge of

between 4000–7000 hectares of forest, which was too large for accurate monitoring and too open to armed threats with little to no security detail' (Domingo and Manejar 2019:44).

A series of policy restrictions on commercial operations in natural forests and the nationwide logging moratorium introduced in 2011 triggered a shift in accessing timber from natural forests to plantation forests. Due to the difficulties in accessing forestlands to establish tree plantations, many farmers in Mindanao also shifted to planting trees on private land. This had several advantages, including the price of plantation wood remaining stable given the lack of wood supply from natural forests, and a good existing road network for easy transport and marketing. The remaining WPPs in Butuan City served as a ready market for plantation wood for the smallholding tree farmers holding Private Tree Plantation Ownership Certificates. Many downstream industries — such as trading, trucking and final processing of products — were also created. Additional incentives — such as tax breaks on revenues, provision of low-interest and long-maturing loans, less stringent requirements for wood processors, improving access to price information, improved maintenance of farm-to-markets roads used by tree farmers, and opportunities to export plantation logs — may enable other provinces to replicate the success in Caraga Region.

Despite widespread support for SMEs, the success of such enterprises in the forest sector has been mixed. Forest sector SMEs, like SMEs more generally, suffer in the Philippines from limited access to business and financial services, lack of support to enhance their competitiveness, regulatory measures that constrain their ability to operate in a 'legal' space or that create perverse incentives, and limited access to markets.

DENR-FMB's 'fixation' on regulation, extractive timber-driven systems, and tree planting underlines failures to adjust policies and strategies that respond to devolved, holistic, interconnected, and community-managed ecosystems.

The Philippines is still in an initial phase of providing direct incentives, such as tree seedlings, but has the potential to accelerate with revisions of the enabling policy and institutional environment.

A summarized overview of key challenges and key recommended activities to facilitate the shift from 'tree planting' to promoting community-based forest enterprises in the Philippines is presented in Table 3.

**Table 3. Activities to facilitate the shift from 'tree planting' to promoting Community-Based Forest Enterprises in the Philippines**

Challenge	Source	Recommendations
<b>A. Barriers to financing private investments in Sustainable Forest Management in the Philippines</b>		
Lack of reliable information.	FIRM, 2019 Short-term target activities 2018-2020	<ul style="list-style-type: none"> <li>An 'Investment Ready Registry' for use at both national and regional levels is being piloted in eight regions. Approve Technical Bulletin (Policy Review Committee of FMB) and expand to all regions in the country (FIDD-FMB).</li> <li>Amend and update DMC No. 2011-01, 8 March 2011 (DA, DAR and DENR).</li> <li>Develop new public-private partnerships to establish and manage NGP and Enhanced NGP sites (DENR).</li> </ul>
Absence of centralized DENR database and weaknesses in the input control and data management.	CoA, PAO-2019-01: 90-91 CoA, PAO-2019-01: 87-90	
Limited private sector engagement in NGP.		

Challenge	Source	Recommendations
Limited access to credit.	MoA between DENR and DBP, August 2019	<ul style="list-style-type: none"> <li>• DBP to develop clear and transparent guidelines on types of financial services (grants, loans, cost-sharing arrangements etc) available through DBP Financing Program (DBP and DENR).</li> <li>• Commission review of earlier experience with loan financing by the Philippines Development Bank (DENR).</li> <li>• Facilitate improved CBFMA, SME and smallholder access to credit and micro-financing for forestry and agroforestry value chains, drawing on the experience of the Department of Trade and Industry with the bamboo and abaca value chains (cf. GIZ-supported Expansion and Diversification of the Abaca Sustainability Initiative, and the Agricultural Credit Policy Council).</li> <li>• Explore the potential to establish MoA with Land Bank of the Philippines (DENR).</li> </ul>
Tax reforms.	Department of Finance, 2020	<ul style="list-style-type: none"> <li>• Comprehensive tax reform package to include lowering corporate income tax for all SMEs (DOF).</li> </ul>
<b>B. Direct Incentives</b>		
The provision and distribution of free tree seedlings produced in 11 DENR mechanized and modernized forest nurseries and/or procured from private nurseries has resulted in 'missed financial opportunities for POs'.	CoA, PAO-2019-01:52	<ul style="list-style-type: none"> <li>• Facilitate seedling production by POs, cooperatives, NGOs, SMEs, and LGUs to meet Enhanced NGP planting targets through community-managed procurement of locally funded projects (DENR).</li> <li>• Revision of TB No. 10 s. 2014 (DENR).</li> <li>• Revision of MC No. 2012-01 (DENR) to reflect preferences of POs for fast-growing exotic species.</li> </ul>
Strengthen Enhanced NGP as a convergence initiative as 'DENR was not able to implement this on a national scale' although 'there are pockets of successes on the local level'.	CoA, PAO-2019-01:68–72	<ul style="list-style-type: none"> <li>• To assist POs, cooperatives, NGOs, SMEs and LGUs etc establish an in-house 'clearing mechanism' to compile and collate information on available grants, credit facilities and training support services available from different NGAs and the respective requirements to access each of them (DENR in collaboration with NGAs).</li> </ul>
Need for greater clarity and transparency in forest-sector incentives available to SMEs and investors.  FIRM provides a generic framework and only specifies incentives for one Potential Investment Area (biomass plantations).	FIRM, 2019: 25	<ul style="list-style-type: none"> <li>• Develop detailed guidelines on the fiscal and non-fiscal incentives available to prospective SMEs and investors for all Potential Investment Areas specified in the FIRM (roundwood and wood-based products, bamboo, rattan, biomass, high-value crops including coffee, cocoa and rubber, cattle grazing and ecotourism) (FIDD-FMB).</li> <li>• Develop effective IRRs to implement the seven (7) strategic components of the FIRM (DENR and FMB).</li> <li>• Clarify incentives for biomass plantations including Income Tax Holiday, Exemption from Duties on Renewable Energy machinery, equipment, and materials; tax exemption for carbon credits; financial assistance program etc while incentives for farmers engaged in the plantation of biomass resources shall be entitled to duty-free importation and exemption from payment of value-added tax on all types of agricultural inputs, equipment and machinery (DENR, FMB, and DOE).</li> <li>• As part of efforts to 'Institutionalize forestry investment support mechanisms', establish an in-house 'clearing mechanism' to compile and collate information on available incentives provided by the Board of Investments, Bureau of Customs, Bureau of Internal Revenue, Department of Energy and Department of Budget Management.</li> </ul>
<b>C. Indirect incentives</b>		
Unclear, and changing, forest-policy framework based on multiple policy fiats.  The Sustainable Forest Management Bill has been languishing in the legislature for more than 30 years.	Presidential Decree 705 s. 1975: Revised Forestry Code of the Philippines  Dolom et al 2019	<ul style="list-style-type: none"> <li>• Adopt the proposed Implementing Rules and Regulations of EO No. 318 s. 2004 submitted to DENR Secretary in mid-2019 following an 18-month consultative process (DENR)</li> <li>• Advocacy for the promulgation of three (3) bills (DENR) viz <ul style="list-style-type: none"> <li>• Sustainable Forest Management Act</li> <li>• National Land Use Act</li> <li>• Land Administration Reform Act</li> </ul> </li> </ul>
Insecure land and resource tenure.  Only 38% of production forests are under some form of tenurial agreement.	SEPO 2018  FIRM 2019:13  De Vera 2017	<ul style="list-style-type: none"> <li>• Advocacy for the promulgation of Forestland Boundary Assessment and Delineation Act (DENR).</li> <li>• Finalize and approve a DAO and attendant IRRs to simplify, harmonize and streamline current tenurial arrangements as SFMAs of variable duration (25–50 years for fast-growing exotic and indigenous species, respectively, both renewable) (DENR and FMB).</li> <li>• Strengthen implementation of JAO No. 1 s, 2012 (DENR, DA, DAR and NCIP).</li> </ul>

Challenge	Source	Recommendations
Strengthen capacity development of LGUs (provincial, municipal and barangay) and other third-party forest managers (POs, cooperatives, NGOs, SMEs etc.)  'Community organizing is not the priority of NGP'	Local Government Code (RA 7160) 1991  NIPAS (RA 7586) 1992 (amended by Expanded NIPAS (RA 11038) 2018  IPRA (RA 8371) 1997 CoA, PAO 2019	<ul style="list-style-type: none"> <li>• Provision of on-the-job training opportunities to develop DENR and FMB facilitation skills. UPLB-CFNR and other partners — such as FFP, NTFP EP, ASOG, PIDS and RECOFTC — could be contracted to deliver tailor-made courses to strengthen community-organizing and -facilitation skills.</li> <li>• Establish a database of co-management agreements and/or sub-management agreements with LGUs (DENR and FMB).</li> <li>• Field-test the Regional Forest Stewardship Standard for Smallholders</li> <li>• Additional support for forestry and agroforestry research and development to promote inclusion of LGUs, POs, NGOs, SMEs etc.</li> </ul>
Simplifying and harmonizing the continuous implementation of CBFMs to improve development outcomes.	DENR and FMB to review and streamline processes:	<ul style="list-style-type: none"> <li>• Simplify the preparation and approvals of both Community Resource Management Frameworks (CRMF) (DAO 96-29) and CBFM Five-Year Work Plans (FWP) (DAO 2000-29 and DAO 2004-9) and reduce associated costs using new direct and indirect incentives for smallholders (DENR and FMB).</li> <li>• Strengthen in-house legal expertise at central and regional levels to oversee and expedite FPIC processes for soon-to-expire CBFMAs in ancestral domains that will need to secure Certificates of Pre-Condition following the IPRA Law 1997, NCIP AO No. 3, s 2012 (Revised FPIC Guidelines) and JAO No. 1 s, 2012 (DENR and FMB in collaboration with NCIP at regional levels).</li> <li>• Simplify the Certificate of Tree Plantation Ownership registration process (DMC 99-20 and DMC 97-07) and reduce the associated costs for smallholders (DENR and FMB).</li> <li>• Expedite the renewal of expiring CRMFs and CBFMAs in the context of the anticipated introduction of new SFMAs. This will require, in some cases, compliance with the NCIP Certificate of Pre-Condition requirement to undertake an FPIC process in ancestral domain lands (DENR and FMB).</li> </ul>
Strengthening the emergence of CBFEs by simplifying and harmonizing harvesting, transportation and processing regulations for smallholders and SMEs.	DENR and FMB to review and streamline processes:	<ul style="list-style-type: none"> <li>• Simplify the preparation and approvals of both Community Resource Management Frameworks (CRMF) (DAO 96-29) and CBFM Five-Year Work Plans (FWP) (DAO 2000-29 and DAO 2004-9) and reduce associated costs using new direct and indirect incentives for smallholders (DENR and FMB).</li> <li>• Strengthen in-house legal expertise at central and regional levels to oversee and expedite FPIC processes for soon-to-expire CBFMAs in ancestral domains that will need to secure Certificates of Pre-Condition following the IPRA Law 1997, NCIP AO No. 3, s 2012 (Revised FPIC Guidelines) and JAO No. 1 s, 2012 (DENR and FMB in collaboration with NCIP at regional levels).</li> <li>• Simplify the Certificate of Tree Plantation Ownership registration process (DMC 99-20 and DMC 97-07) and reduce the associated costs for smallholders (DENR and FMB).</li> <li>• Expedite the renewal of expiring CRMFs and CBFMAs in the context of the anticipated introduction of new SFMAs. This will require, in some cases, compliance with the NCIP Certificate of Pre-Condition requirement to undertake an FPIC process in ancestral domain lands (DENR and FMB).</li> </ul>

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## Endnotes

- 1 FIRM was developed, in part, in response to Republic Act 11032 s. 2018 on the Ease of Doing Business and Efficient Government Service Delivery as a way to reduce regulatory transaction costs associated with the production, harvesting, transport and processing of timber from private lands thereby making timber plantations a more attractive business for smallholders.
- 2 This policy brief draws on the key findings of three INREMP reports: a) Tenure Instruments in the Philippine Forestlands (ICRAF 2020a); Policy Review and Institutional Analysis for CFISP Development (ICRAF 2020b); and Incentives and Disincentives for Policy and Institutional Mainstreaming of CFISPs (ICRAF 2020c).
- 3 Government Procurement Policy Board, Approving Guidelines on Community-Managed Procurement as a supplement to the Community Participation Procurement Manual (CPPM), Government Procurement Policy Board Resolution No. 28-2016, 20 April 2016.
- 4 In accordance with Section 4, Article XII of the 1987 Philippine Constitution.
- 5 This resulted in the promulgation of the Biofuels Act (RA 9367) in 2006, preparing a list of CITES-related threatened species in 2007 (DAO No. 2007-01), the development of the Philippine National REDD-plus Strategy in 2010 (EO No. 881, s. 2010), engagement in a dialogue to inform and prepare possible FLEGT Voluntary Partnership Agreement after 2012, the adoption of the Philippine Master Plan for Climate Resilient Forestry Development in January 2016, and the preparation of a Forestry Investment Road Map in 2019 (ICRAF 2020b)
- 6 For example, the devolution of forest protection to PENROs and CENROs was not complemented with additional labor or fiscal resources.

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