

RESOLUTION ADOPTING THE ACTION PLAN TO STRENGTHEN POLICIES AND OPPORTUNITIES FOR FOREST INVESTMENT IN THE PHILIPPINES

WHEREAS, the Forest Management Bureau (FMB), the International Tropical Timber Organization (ITTO), the Food and Agriculture Organization (FAO) of the UN, and the Philippine Wood Producers Association (PWPA) held a National Forum to Strengthen Policies and Opportunities for Forest Investment in the Philippines on 12-14 August, 2009 in Makati City, Philippines:

WHEREAS, the Forum brought together 143 participants from government agencies, private and community investors, banking and financial institutions, multilateral and bilateral funding agencies including academic institutions and non-governmental organizations;

WHEREAS, the Forum participants presented and discussed opportunities and constraints in forest investment and how these can be addressed, the various traditional and innovative financing mechanism available to investors and how these can be availed of by investors;

WHEREAS, recommendations and proposed actions were identified to strengthen policies relating to forest investments, and to stimulate and enhance forest investments by appropriate financial mechanisms;

WHEREAS, the recommendations and proposed actions have been evaluated and consolidated unto an Action Plan by the participants of the Forum (Annex A, Action Plan) which provides details on what action needs to be done, who will do the actions, and the time for implementation;

WHEREAS, the implementation of the Action Plan can provide the necessary financing for forest investments and enhance the growth of forest - based industries including community medium and small-scale enterprises;

WHEREFORE, the participants in the Forum hereby adopt the Action Plan resulting from the Forum for immediate implementation.

Done in the City of Makati, Philippines, this 14th day of August 2009.

ANNEX A. ACTION PLAN TO STRENGTHEN POLICIES AND OPPORTUNITIES FOR FOREST INVESTMENT IN THE PHILIPPINES

POLICY / INSTITUTIONAL				
SPECIFIC POLICIES	RECOMMENDATION	ACTION PLAN	RESPONSIBLE AGENCY	TIME FRAME
1. Requirement on plantation in private lands* <ul style="list-style-type: none"> - registration - 100% inventory - transport permit <i>* referring to DOJ opinion (planted trees in private lands are consider agricultural crops)</i>	<p>Farmer to inform CENRO of the location, area, species planted, number of trees for monitoring purposes.</p> <p>KRAs for CENRO (number of tree farmers registered and area planted)</p> <p>DENR to issue certification (only at the CENRO level)</p> <p>SMF to be issued by a registered Forester or deputized forest officer to accompany transport</p> <p>COV in areas where there is no Reg. Forester</p> <p>Formulation of safety nets for tree growers vis-à-vis harvesting of trees planted</p>	Amend existing policies (DAO 2004-04, DAO 99-20 and other relevant issuances)	FMB/DENR	3 months (endorsed to the Office of the Secretary by PTWG)

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	within their private lands			
2. Absence of tenure instrument for agroforestry Note: consider areas with SAPA & PACBRMA	Provide tenure instrument of 25 years renewable for another 25 years for agroforestry areas	Prepare relevant tenure instrument Amend existing MOA (DAO 2005-25)	FMB/DENR	3 months (endorsed to the Office of the Secretary by PTWG)
3. Arbitrary cancellation/suspension of existing tenure instruments including moratorium of harvesting rights	Need adjudication between government and tenure holder (special body to tackle the issue of cancellation) Need to educate relevant personnel	Establish/organize an adjudication system (i.e PAB- EMB)	FMB/PWPA	15 months (systems in placed)
4. Unilateral suspension/cancellation existing instruments due to natural calamities or violation of certain regulations in specific areas	Suspension of activities should be site specific with duration No suspension/cancellation of agreements without direct cause	Provide guidelines for the action of the Secretary For longer term, work for an EO	FMB/DENR/PWP A	2 months (draft guidelines endorsed by the FMB Director to the Secretary)
5. Rationalization of	Government to verify the	Immediate approval of	FMB/PWPA/CFI	1 month

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processing plants	<p>source from the veneer/sawmill operator</p> <p>Remove regulatory portion of the plan. Make it a plan that guide the investor</p>	<p>pending regional rationalization plan - Representation with the Secretary</p> <p>Dialogue with concerned industries and DILG re: ways on how they can help DENR and private sector police its ranks</p>	P/DILG	3 months (private sector initiated)
6. Institutionalization of forest certification, chain of custody and timber tracking (i.e C&I, PTTS) <p>Note: Do it within the context of ASEAN</p>	Submit proposal to ITTO and other potential donors	Endorsement of the proposal by the National ITTO Focal point to ITTO for possible funding	FMB Director	3 months
7. Forest Industry Investment and Development Board	Revive and resubmit the proposal for the creation of the Forest Based Industries Board (currently at the Office of the President)	<p>Endorsement of the DENR Secretary for the approval of the President</p> <p>Revisit the draft EO</p> <p>Prepare instrument for</p>	<p>FMB/DENR/PWP A</p> <p>FMB/DENR/PWP</p>	<p>2 months</p> <p>6 months</p>

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	Establishment of an Interim FIDB	interim FIDB (designate 1 Undersecretary)	A	
8. Incentives to good performers from the industry	Establish a performance based incentive system	Prepare the mechanics	FMB/PWPA/CFI P/PCHI	6 months (government initiated)
9. Harvesting of tree plantations in public lands	Approve it at Regional Level Remove clearance from National Level IEE as part of plan	Amend the existing instruments	FMB/DENR/PWP A	3 months (endorsed by FMB Director to the Secretary)
10. Ownership of resources in CADT/CALC/CLOA and other relevant areas such as titled lands in reservations.	Issuance of reiteration of the state ownership of natural resources in ancestral lands.	Issue a joint clarificatory DAO, MC etc. on the ownership of natural resources	FMB/DENR/NCI P/DAR	4 months
11. Implementation of EO 318 (Omnibus Forestry Code)	Finalize and issue the IRR	Finalize the Forestry Omnibus Code	FMB/DENR/Eco GOV/ Academe/FDC	6 months

TRADITIONAL FINANCING MECHANISMS				
Traditional Financing Mechanism	RECOMMENDATION	ACTION PLAN	RESPONSIBLE AGENCY	TIME FRAME
1, Private Investment	<ul style="list-style-type: none"> FMB in coordination with the Regional Offices to conduct a rapid assessment on the potential areas and update investment portfolio. 	<ul style="list-style-type: none"> Regional offices to submit to FMB the potential areas for investment in accordance with the prescribed format Philforest to provide data to FMB 	FMB, Regional Offices & PhilForest	3 months
	<ul style="list-style-type: none"> To have a regular forest inventory program. 	<ul style="list-style-type: none"> Incorporate the activity in the regular budget of DENR 	FMS	More than 1 year
	<ul style="list-style-type: none"> Investment on human capital to support forest investments. (Development Training Module) 	<ul style="list-style-type: none"> Conduct training need assessment Design a training module in coordination with HRDS Develop proposal for funding 	FMB & DENR HRDS	3 months
	<ul style="list-style-type: none"> Update existing Information Management System 	<ul style="list-style-type: none"> Identify necessary information for bioenergy and plantation establishment and incorporate in the DENR-MIS Program 	FMB & PHILFOREST	6 months

		<p>and later include in the regular budget</p> <ul style="list-style-type: none"> FMB and PhilForest meantime will initially handle the information management 		
	<ul style="list-style-type: none"> Tenure agreement as collateral 	FMB should review past experiences on the Memorandum of Understanding between the DENR and Land Bank of the Philippines accepting the ISF Certificate as collateral	FMB	3 months
	<ul style="list-style-type: none"> FOSLA / SLAI – increase repayment period 	Prepare a project proposal for FOSLA Board to consider the extension payment period for tree plantation devt project	FOSLA	6 months
	<ul style="list-style-type: none"> Creation of Office to help private investors (administrative) i.e. Philippine Forest Corporation 	Create a team represented by FMB, PFC & NRDC to prepare proposal	FMB, PFC, NRDC	More than 1 year
	<ul style="list-style-type: none"> Assess if trees and products within properly managed forests can serve as collateral for commercial banks 	Check any appropriate legislation which can be used to make trees as collateral	FMB & PWPA	3 months
2. ODA	<ul style="list-style-type: none"> Give banks economic information on the profitability of tree plantation (CBA, criteria for management) 	FMB to prepare documents needed for the dialogue with banking institutions	FMB	3 months

	collaboration between the government and private sector.			
	<ul style="list-style-type: none"> Look at plantation establishment as a social and environmental services – to be able to negotiate with appropriate institutions for lowering rates. 	Dialogue with banking institutions	FMB	6 months
	<ul style="list-style-type: none"> Department of Finance shall provide guarantee to the loans extended to investors, with a lower interest rates (6 – 9%) 	FMB to prepare needed materials Meeting with Dept of Finance	FMB	6 months
	<ul style="list-style-type: none"> Tenure agreement to serve as collateral for bank loans 	Dialogue with banking institutions	FMB	3 months
	<ul style="list-style-type: none"> Look at how ODA are being programmed relative to other sources of funding 	<ul style="list-style-type: none"> FMB to review Vietnam experience wherein regular inventory is being conducted which is every 5 years) Review the past & current ODA budget allocation for the Forestry sector 	FMB	3 months
	<ul style="list-style-type: none"> FASPO should assess if ODA can directly give loan to tree farmers 	FASPO to coordinate with ODA to evaluate options FASPO to review international experiences that have improved	FASPO	3 months

		provision of credit to farmers (eg Vietnam)		
3. Public Sector	<ul style="list-style-type: none"> Forestry Plans to be harmonized with CLUPs 	Develop a mechanism on how the Forestry Master Plan can be incorporated in the CLUPs	CENRO & Sangguniang Bayan	More than 1 year
4. Forest charges and fees	<ul style="list-style-type: none"> Fees collected should be put into a Trust Fund 	Make presentation with appropriate agencies Lobby for the approval of SFM Act	FMB/Philforest	More than 1 year
	<ul style="list-style-type: none"> Automatic appropriation of forest charges and fees for specific forestry projects 	Make presentation with appropriate agencies To expand the function of Philforest to collect fees/charges	FMS & PHILFOREST	3 months
	<ul style="list-style-type: none"> FMS to update collection of fees and charges. And evaluate how they are being used 	Regional Offices to submit report	FMS	3 months

INNOVATIVE FINANCING MECHANISMS

RECOMMENDATION	RATIONALE	TASK/ACTIVITY	INSTITUTIONS	TIME FRAME
1. Establish a Forest Development Fund with the following functions: <i>a. Fund generation from various sources (annual appropriations; EPIRA/environmental charges collected by MERALCO, LTO, irrigation, LUWA, forest charges, fees from registrations and fines, sales of confiscated logs & other forest</i>	For increased and coordinated generation of funds that can be used for identified forestry development and related support projects	1.1 Establishment of legal mechanism (Act or Executive Order) 1.2 Mobilization of Fund institutions 1.3 Develop potential fund generating mechanisms 1.4 Set up the mechanisms to actually	Inter-agency Board chaired by DENR with representation from various collecting agencies to provide policy and management oversight; DENR to lead in mobilizing studies and	Establishment of the Fund within 1-2 years; simultaneous conduct of exploratory studies organized by

<p><i>products, royalties; PES; PTFCF and FPE; CDM, REDD, and voluntary carbon trading; portion of EVAT for petroleum and taxation of idle lands; products, CDF of congressmen; selling of Forestry Bonds (including promotion of individual investments); aggregation of equity from small investors in trust operations; operation of sister city concept; donations; etc.) or coordination for funds like PES that are collected and used by other agencies in watershed management and forest restoration (NPC, MWSS concessionaires, etc.)</i></p> <p><i>b. Fund allocation to forest development and related R&D projects</i></p> <p><i>c. Providing guarantee for non-collateralized loans for forest development</i></p> <p><i>d. M&E and IEC</i></p>		realize the generation of targeted financing sources	resources for exploring potential financing sources; actual Fund management to be handed by professional fund managers taking directions from the Board	DENR followed by setting up of the implementing mechanisms
<p>2. Operate a National Forest Certification System</p>	<p>Not only to access markets and premium prices for certified forest products, but also to provide guarantees for loans of forest development projects thereby reducing or transferring the risk from banks</p>	<p>2.1 Transform existing C&I into a forest certification standards</p> <p>2.2 Develop a national forest certification organization</p> <p>2.3 Develop third-party certifiers from the academe, NGOs, and other organizations</p> <p>2.4 Operation</p> <p>2.5 Align with ASEAN initiative or with FSC</p>	<p>1. DENR as the national forest certification organization</p> <p>2. Academe, NGOs, and other organizations third-party certifiers</p> <p>3. NGOs and civil society as countercheck of forest certification organizations and third-party certifiers</p>	<p>Operation of a national forest certification system is doable within 2 years</p>

	that provide loans for forest development projects			
3. Operate a Forest Valuation System	To provide standardized valuation of projects that change ownership	3.1 Formulate the methodology 3.2 Provide training 3.3 Operation	1. DENR as the valuation issuer 2. Pool of trained experts as valuation estimators	Doable within 2 years
4. Promote an open market for forest products and provide market information services	To assist forest development projects in accessing markets so that they can pay for loans and plough back the financing for forest development	4.1 Establish a unit within DENR 4.2 Develop a forest products market information system 4.3 Develop links with markets such as through the internet	Options: Based at DENR; MOA with DTI in market promotion of forest products; contract professional marketing groups for market promotion and operation of marketing systems	Task 4.1 within 1 year Tasks 4.2 and 4.3 after another 1-2 years
5. Promote contract tree growing	To link contract tree growers with institutions responsible for forest restoration which provide the financing	5.1 Formulate a system for accrediting tree growers 5.2 Train certifiers 5.3 Link accredited tree growers with their market	DENR	Within 2 years
6. Use of SSS pension funds for forest plantations	To use SSS funds to provide loans for plantation development by private sector	Formulate mechanism and guidelines for use of SSS pension funds	SSS-FMB-DENR	Within 1 year
7. Promote knowledge sharing and information exchange on innovative financing mechanisms	Exchange of successful experiences and	Draft document on successful experiences and lessons learned in	FMB-GFIs-Commercial banks, ODA	Within 1 year With ODA funding

	<p>lessons learned in financing forest investments in the country and from other tropical countries</p>	<p>innovative financing of forest investments in the country and abroad for replication</p> <p>Conduct of interactive forum</p>		
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