

PRIVATE SECTOR INVESTMENT IN PHILIPPINE FORESTRY: ISSUES AND CONCERNS

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OUTLINE

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VI. FACTORS AFFECTING LOW INVESTMENTS OF PRIVATE SECTOR IN PLANTATION ESTABLISHMENT

VII. WAY FORWARD

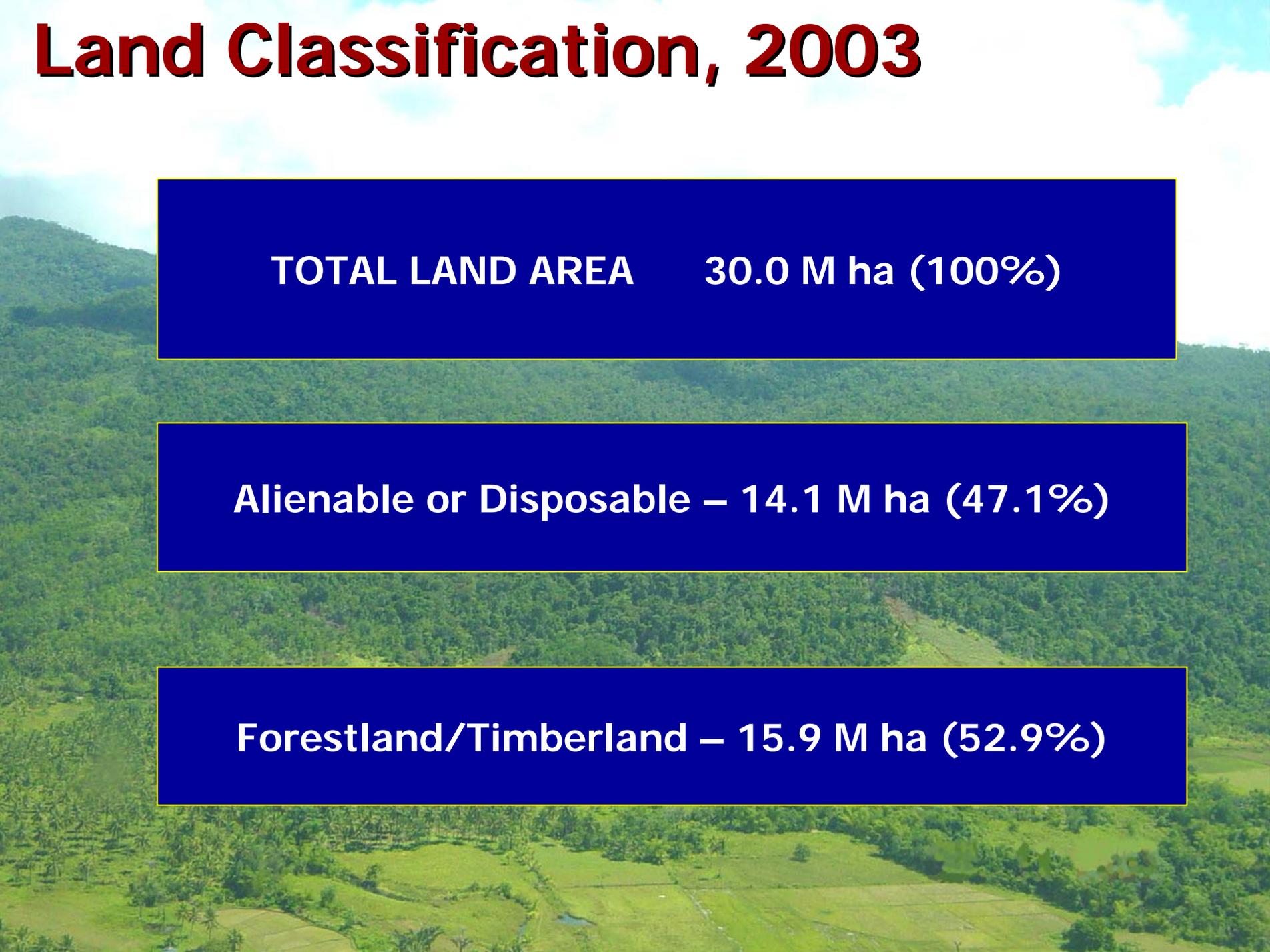
I. PHILIPPINE FORESTRY SITUATION



South-East Asia



Land Classification, 2003

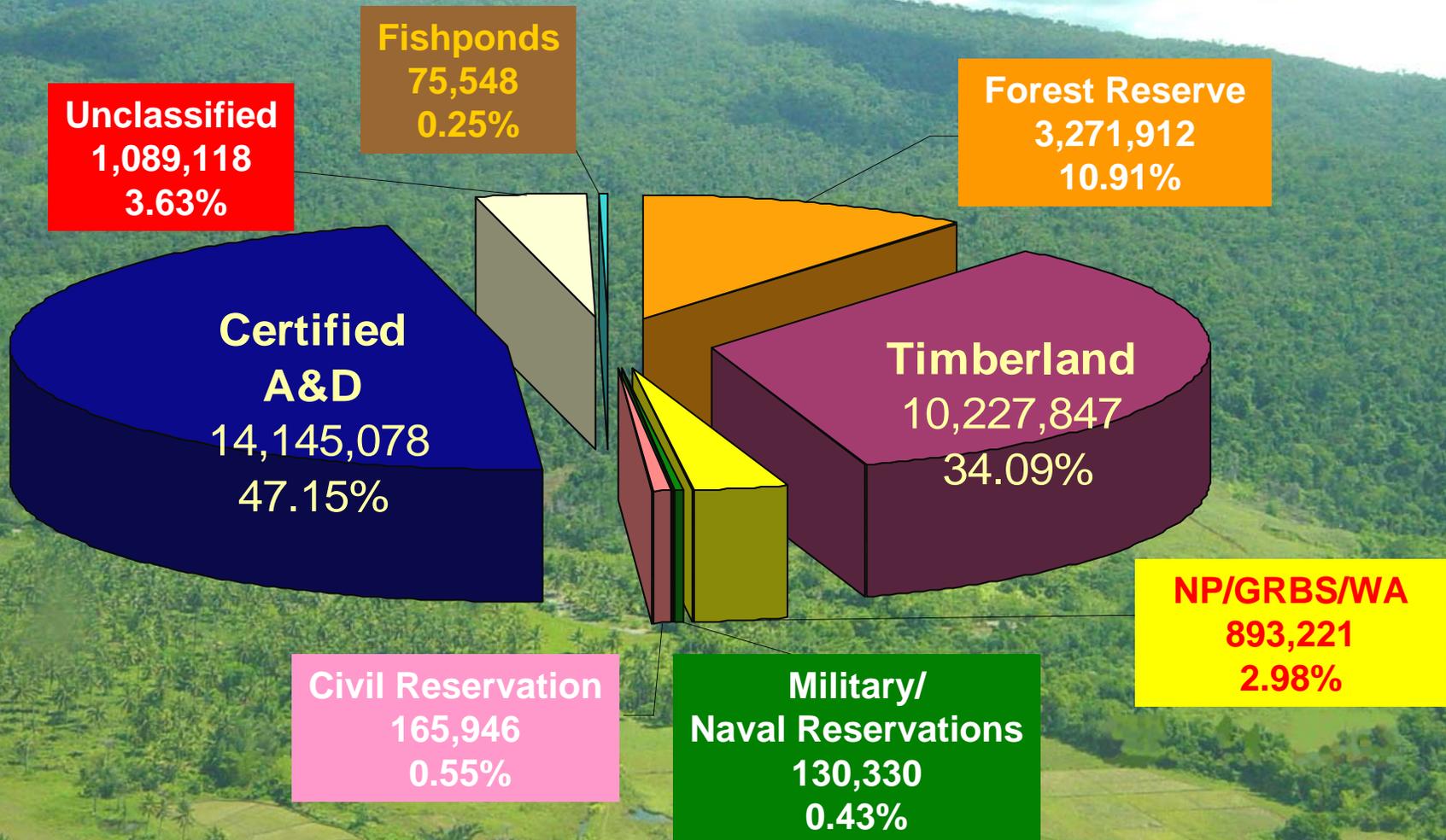
An aerial photograph of a lush green landscape. In the foreground, there are several rectangular green fields, likely agricultural, separated by narrow paths or roads. A small stream or river flows through the fields. The middle ground is dominated by a dense, continuous expanse of green forest covering a hillside. The background shows more forested hills under a bright sky with some light clouds.

TOTAL LAND AREA 30.0 M ha (100%)

Alienable or Disposable – 14.1 M ha (47.1%)

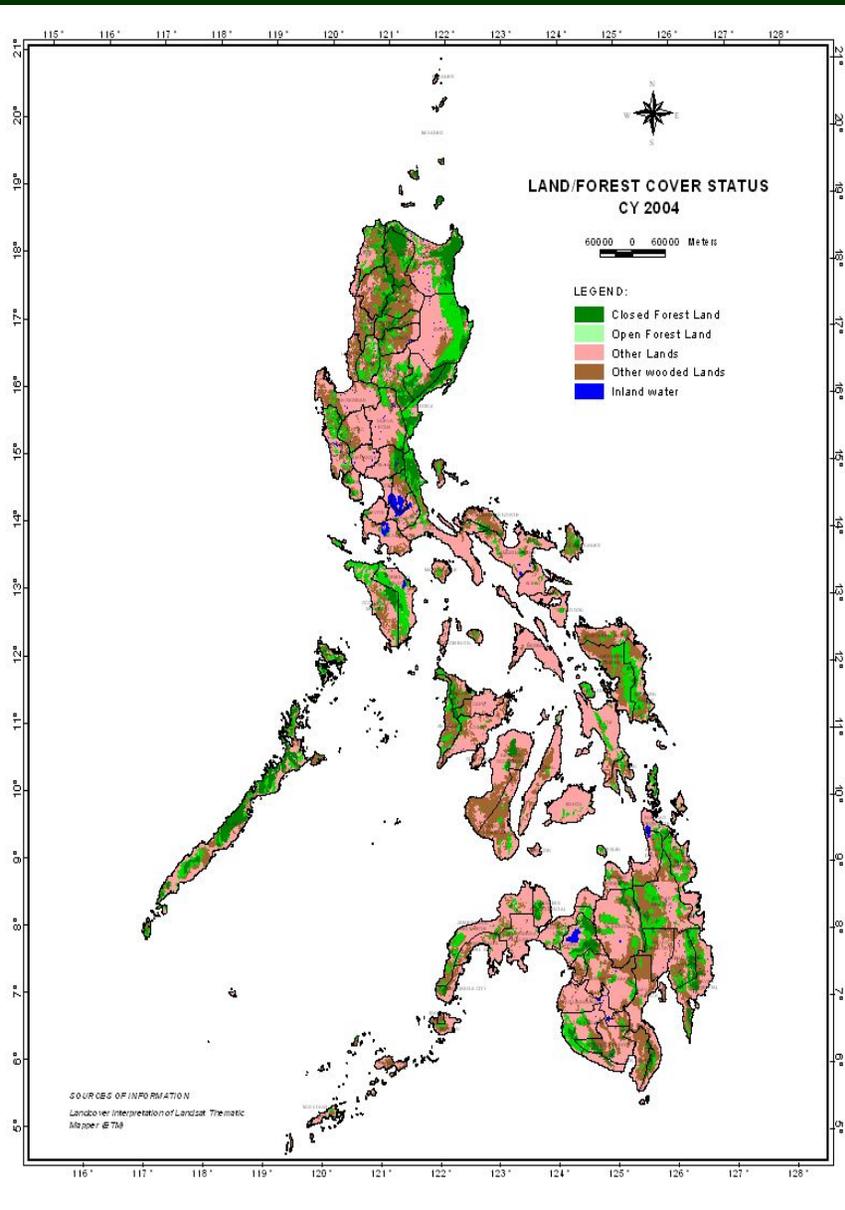
Forestland/Timberland – 15.9 M ha (52.9%)

DISTRIBUTION OF FOREST LANDS (Those not in blue)



Forest Cover 2003

TOTAL FOREST AREA: 15.9 M ha



Closed Forest
2.56 M ha
(36%)



Plantations
0.33 M ha
(5%)

**Forest Cover:
7.2 M ha**

45% of
TFA



Open Forest
4.03 M ha
(56%)



Mangrove
0.25 M ha
(3%)

24% of
TLA

Forest Cover

Within Forestland – 6.5 M ha (90%)

Within A & D – 0.7 M ha (10%)

Forest Cover	Within Forestland		Within A & D		Total	
	Area (M ha)	%	Area (M ha)	%	Area (M ha)	%
Closed	2.481	34.61	0.080	1.12	2.561	35.73
Open	3.516	49.04	0.515	7.18	4.031	56.22
Mangrove	0.154	2.15	0.094	1.31	0.247	3.46
Plantation	0.282	3.93	0.048	0.67	0.330	4.60
Total	6.433	89.73	0.737	10.27	7.169	100.0

II. REVIEW OF PHILIPPINE FORESTRY

A. Pre-colonial period

27 m ha are forested.

90% of total land area of 30m ha

B. Colonial period (Spain, Japan, US)

Timber harvesting (Country became a big exporter of logs and timber) (4th in terms of lumber production)

Revenue generation

Perpetuation of forest resource (Reforestation not successful)

C. Post Colonial Exploitation (1946-1980)

Large scale logging (Country a major exporter to US and Japan)

Logging privilege based on political patronage

Little or no reforestation

Forest destruction peaked at 200,000 ha / yr

D. 1980s to Present

Ban on log and lumber export

Philippines became timber importer

Policies geared towards plantation establishments

Community based forestry

Local government participation

III. INSTITUTIONS INVOLVED IN FOREST MANAGEMENT

- A. Department of Environment and Natural Resources (DENR) – primary government agency
- B. Local Government Units (LGUs)
- C. Protected Area Management Board (PAMB)
(Multisectoral body for Protected Areas)
- D. Other agencies (by special laws)

➤ Agriculture handled by another agency

➤ Energy handled by another agency

IV. POLICIES AFFECTING FOREST MANAGEMENT

- **State ownership of forest lands and resources (Constitution)**
- **Phasing out of Timber License Agreements to Joint Venture, Co-Production, Production Sharing (Constitution)**
- **New Mode is Integrated Forest Management Agreement**
- **Two major classification of forests**
 - ❖ Production Forests (Timberland)
 - ❖ Protection Forests (National Parks)

- Community Based Forestry as the strategy towards sustainable forest management
(EO 263)
- Involvement of LGU in forest management
- Ban on logging in old growth forest

V. PRIVATE SECTOR INVESTMENTS IN FOREST LANDS

A. Tenurial Instruments in Forest Lands

Production Forests

Timber License Agreement

Integrated Forest Management
Agreements (IFMA)

Socialized Industrial Forest Management
Agreements

Community Based Forest Management Agreements

Tree Farm Lease Agreements

Forest Grazing Management Agreements

Special Land Use Permits

Protection Forest Lands

Protected Areas CBFMAs

Special Land Use Permits

B. Incentives to Private Sector (IFMA)

IFMA (1991 – DAO 42)

- a) reduced payment of forest charges (25% of regular forest charges on plantation products and land rentals)
- b) exemption from payment of certain internal revenue taxes (VAT)

- c) plantation development expenses are tax deductible
- d) credit assistance
- e) entitlement to fair compensation upon termination of IFMA

- f) inclusion of adequately stocked areas which can be logged after completion of plantation development work.

(1993 – DAO 60)

Additional incentives

no restriction on the export of logs and lumber harvested from IFMA plantations

automatic conversion of TLAs to IFMA

increased area from 20K ha to 40K ha

IFMA transferable

(1997 – AO 04) Amendments

- withdrawal of right to harvest natural forests (natural forests to be managed as protection forests)
- IFMA to be subject to Environmental Impact Assessment

1998 – AO 99-53

- plantation products not subject to forest charges
- good performers may be granted additional IFMAs
- restored privileged of harvesting adequately stocked secondary forest

Status of Tenurial Instruments Issued

Integrated Forest Management Agreements As of June, 2007

Region	No of IFMAS	Area (ha)	Species Planted	Area Planted(ha)
CAR	3	25,111	Ipil-ipil, mahogany, narra, agoho, acacia, gmelina, teak, mangium, bagras, matchwood, coffee,	270
1	3	2,709		1,088
2	8	38,185		3,799
3	22	147,634		14,160
4 A	4	49,287		340
4 B	1	928		735
5	-	-		-
6	2	9,464		2,473
7	5	3,372		2,658
8	6	3,999		1,067
9	16	77,597		24,773
10	5	42,102		6,726
11	19	69,805		4,423
12	24	38,527		15,417
13	22	233,015	53,400	
ARMM	13	49,993	0	
TOTAL	153	791,728		131,330

TIMBER LICENSE AGREEMENTS

Region	Total Area (ha)	AAC (M3)	Operable Second Growth (ha)	Annual Cutting Area (ha)
Luzon (3)	97,150	-	16,776	463
Visayas (2)	126,845	-	-	-
Mindanao (5)	214,068	143,942	63,222	2,473
Total	438,063	143,942	79,998	2,936

Other Tenorial Instruments Issued
(As of June, 2007)

Tenorial Instrument	Number	Total Area (ha)	Area Planted (ha)
SIFMA	1,804	35,243	5,843.95
Tree Farm Lease	127	127	4,782.61
Agroforest Lease	61	75,518	4,648.75
Special Land Use	100	1463	
Forest Land for Tourism	3	803	

VI. FACTORS AFFECTING LOW INVESTMENTS OF PRIVATE SECTOR IN FORESTRY

- A. Absence of updated forestry legislation (unstable administrative forest policies)
- B. Contentious issue of whether to include natural forest harvesting in IFMA
- C. Effectiveness of incentives

25 year term renewable is seen as insufficient for long term investment

Credit incentives not working – low value of state forest lands as collateral to financing institutions

Tax incentives and tariff free importation not that attractive

D. Long gestation period prior to harvest

VII. Future Scenario

- A. Philippines will continue to be dependent on agriculture, forestry and mining
- B. Demand for wood and other forest products will increase
- C. For forestry to be able to contribute significantly:

Need to legislate updated forestry law

Need to revisit integrated forest management program

D. For plantation establishment to accelerate

- ❖ Consider government doing plantation and harvesting by private sector
- ❖ Involve LGU in plantation establishment

E. For private sector to increase investment

- ❖ Deregulate trade of plantation timber
- ❖ Re-evaluate existing wood export bans

THANK YOU!

ITTO Investment Forum
Bangkok, Thailand
August 5-8, 2007