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PHILIPPINES

Country Report on Forest Product Legality Requirements and Risks

Prepared by

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1. Overview of the Philippines forestry sector

1.1 Forest resources of the country

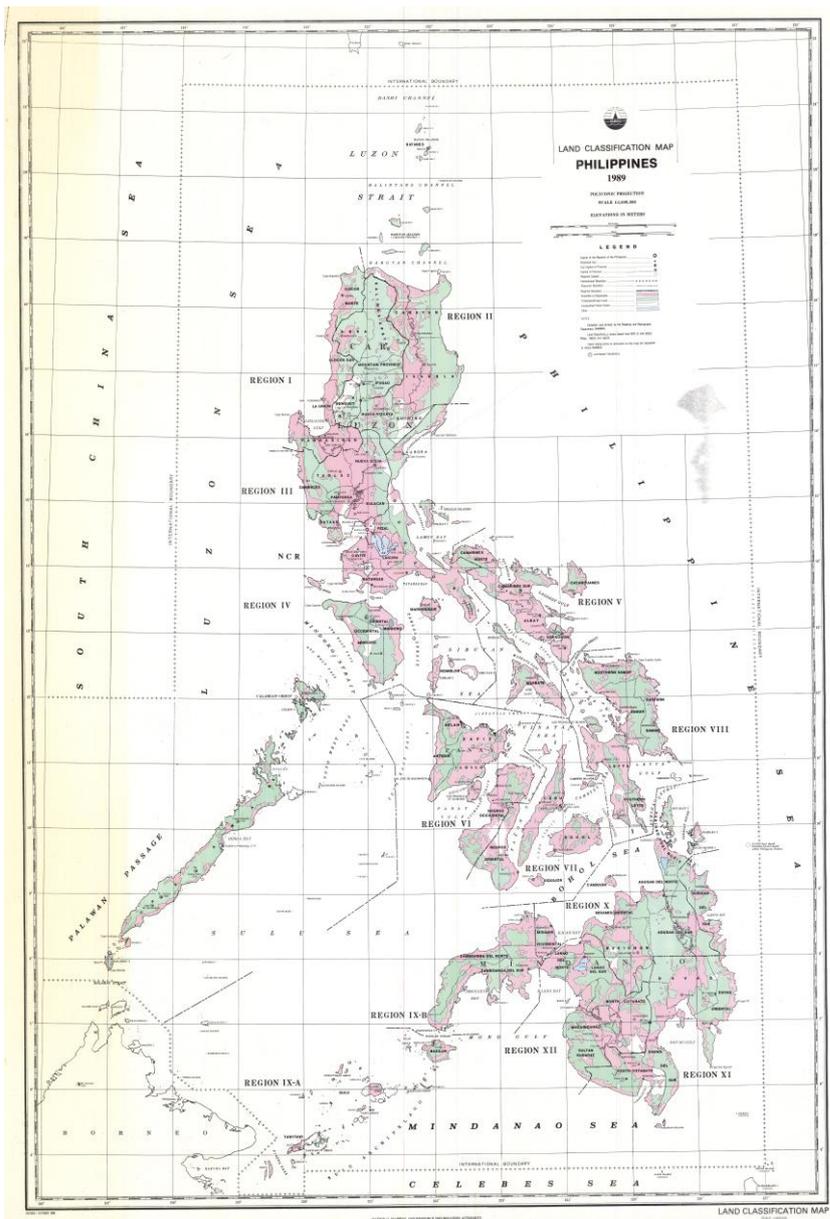
1.1.1. Landuse types

Officially, just over 15 million hectares of land are classified as “forestland” in the Philippines, with an additional 755,009 hectares of “unclassified forestland.” Combined, these comprise more than 52% of the country’s total land area, while just over 14 million hectares (47% of the country’s land area) have been classified as “alienable and disposable” (lands determined not to be required as forestland and subsequently available for private ownership). Of the country’s classified forestlands, slightly more than 10 million hectares are established “timberlands” and 4.9 million hectares are classified as various reserve forests (e.g., national parks, watershed reserves, military, and civil reservations). The country has 1.34 million hectares of national parks, wildlife areas, and game refuge and bird sanctuaries and 3.27 million hectares of watershed forest reserves (managed primarily for watershed protection).

Table 1. Area of landuse types

| Landuse type | Area (ha) |
|--|--------------|
| Forestland | 15.8 million |
| Timberlands | 10 million |
| Reserve land | 4.9 million |
| National parks, wildlife areas, and game refuge and bird sanctuaries | 1.34 million |
| Watershed forest reserves | 3.27 million |
| Unclassified forestland | 755,009 |
| Alienable and disposable | 14 million |
| Total Area | 29.9 million |

Figure 1. Land classification Map of Philippines (National Mapping and Resource Information Authority 1989). Red: Forestland, Green: Alienable and disposable



1.1.2. Vegetation types

It is important to note that, however, that although more than 15 million hectares of land are classified as “forestland” in the Philippines, actual forest cover currently extends to just 8,040,000 hectares (27% of total land area) (FAO, 2015). This reflects a loss of approximately half of the forest cover existing in the country in the 1930s (Fig. 3).

Approximately 10% of the country’s forests, or 861,000 hectares, are considered to be primary forest (also referred to as “old growth” forests in the Philippines), while nearly three-fourths (5,934,000 hectares) are “other naturally regenerated” forests. In 2015, the Philippines had an estimated 1,245,000 hectares of planted forests, or about 15.5% of the total forested area, although most of these plantations are very recently established.

According to FAO (2015), on the other hand, two-thirds of the country's forests (8,040,000ha) as of 2015 are classified as "closed forest" (i.e., greater than 40% crown cover), with 28% as "open forests" (i.e., 10-40% crown cover), and another 4.5% is mangrove forests.

While (unplanned) conversion of natural forests to other land uses (primarily agriculture) has continued at a modest pace in the country, net forest area has slightly increased in recent years, as a result of ambitious planting of trees under the National Greening Program (NGP) during 2011-2016. The National Greening Program was established under E.O. 26 in 2011, with objective of planting 1.5 billion seedlings, reforesting 1.5 million hectares of land by 2016. The NGP drew together government agencies, private sector, NGOs and community People's Organizations to reforest. Official DENR reports claim 1.7 million hectares of land were planted with 1.3 billion seedlings during the six years of the program (some people have questioned the survival rates under the program, however). In 2015, the government extended the NGP, under E.O. 193, to the year 2028, with the aim of covering the remaining 7.1 million hectares of unproductive, denuded and degraded forestlands nationwide, with program entitled, "Expanding the National Greening Program" (ENGP). Under the current phase, 1.2 million hectares are targeted for reforestation between 2017 and 2022¹. Under the NGP and ENGP, organizations and companies can make contributions to the program voluntarily, with own resources. Most of the planting to date, however, has been conducted with government funds, contracting People's Organizations and NGOs to carry out the reforestation.

Figure 2. Vegetation in Philippines in 2015 (Miettinen et al. 2016)

¹ See: <https://www.denr.gov.ph/priority-programs/national-greening-program.html>

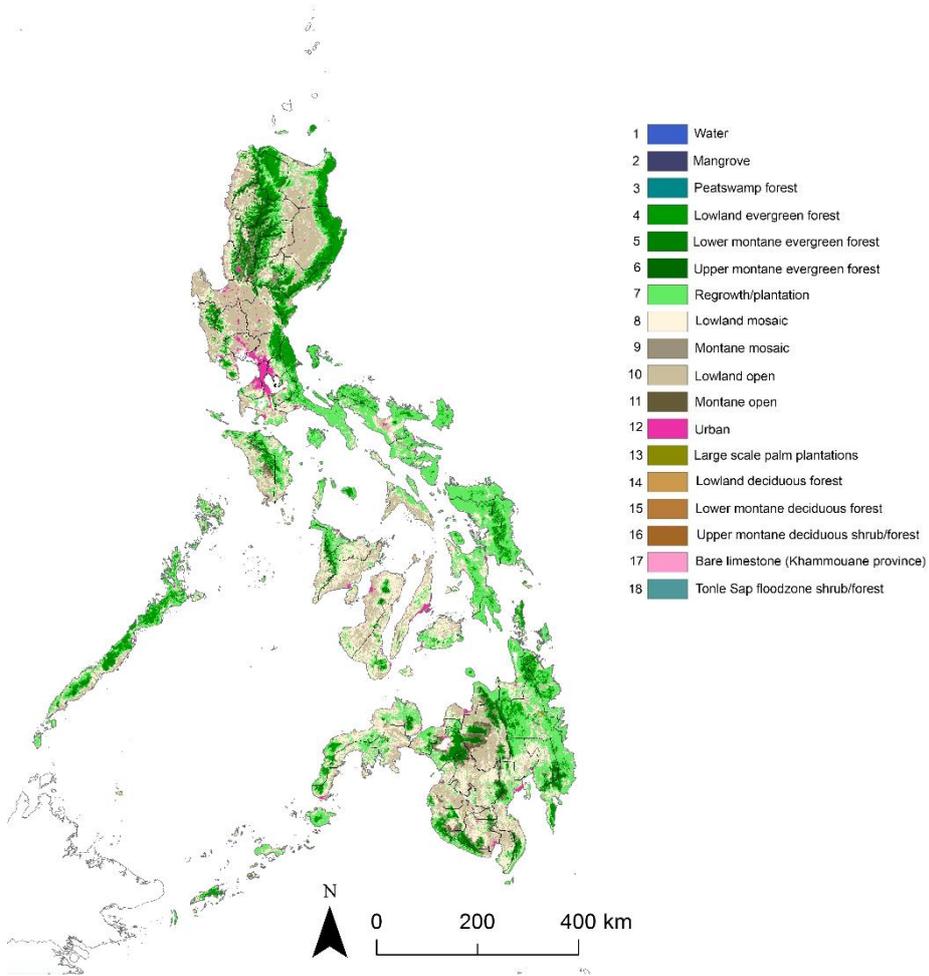
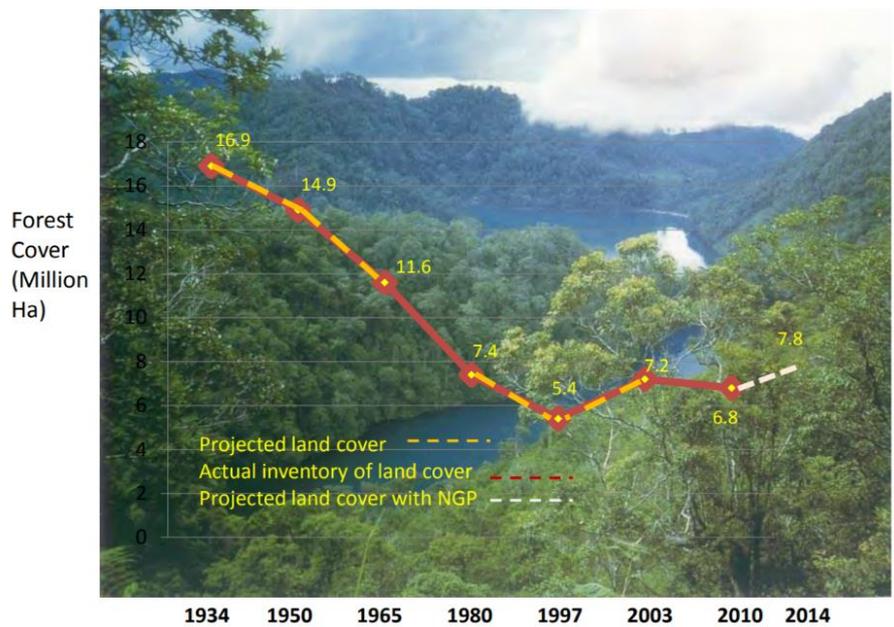


Table 2. Area of forest cover

| Landuse type | Area (ha) |
|---------------------------------------|--------------|
| Forest cover | 8,040,000 |
| Primary forests / old growth forests | 861,000 |
| "Other naturally regenerated" forests | 5,934,000 |
| Planted forest | 1,245,000 |
| Non-forest area | ? |
| Total Area | 29.9 million |

Figure 3. Historical trend of forest cover in the Philippines



Source: DENR, 2016a

The predominant natural forest type is mixed dipterocarp forests, comprising nearly two-thirds of the total. These forests are dominated by species of the Dipterocarpaceae family, with species of the *Shorea*, *Parashorea*, *Dipterocarpus*, and *Hopea* genera being dominant and traditionally the most important for timber production (prior to the moratorium on logging of natural forests). The country has less than 250,000 hectares of pine forests (*Pinus kesiya* and *Pinus merkusii*) at higher elevations, and approximately 1 million hectares of “mossy forests” (comprised mostly of short trees and shrubs, and sometimes called “montane forests” or “cloud forests”) situated at the highest mountain elevations (typically above 1,700 meters).

The Philippines was a major timber producer and exporter in the 1960s and 1970s, with production of industrial roundwood exceeding 10 million cubic meters in several years (Dauvergne 1997). Overharvesting, conversion of forests to other land uses, and degradation of forests from shifting cultivation and timber poaching caused production to decline dramatically from the 1980s onward. Concern over the continuing loss of the country’s forests led to the issuance of Executive Order No. 23, in 2011, imposing a moratorium on logging in all natural forests, which continues to the present time.

Pursuant to E.O. 23, legal timber harvesting in the Philippines is restricted to planted forests only, with rare exceptions made for clearing of natural forests for authorized infrastructure, energy and mining projects, comprising only 1% of total timber harvests (less than 10,000 cubic meters). The main plantation species include (in order of volume harvested): *Albizia falcataria* (also known scientifically as *Paraserianthes falcataria* or *Falcataria moluccana*, with common name in the Philippines usually referred to simply as “falcata”), *Acacia mangium*, *Gmelina arborea*, and *Swietenia macrophylla*. Small volumes of *Hevea brasiliensis*, *Endospermum peltatum*, *Eucalyptus deglupta*, *Leucaena leucocephala*, and *Samanea saman* are also harvested from planted sources.

1.2 Forestry and wood processing sector (e.g. log, sawn timber, plywood, wood chips, pulp and paper, furniture, etc.)

1.2.1. Log production

The Philippines produced between 800,000 and 1.2 million cubic meters of industrial roundwood each year in recent years (Table 3).²

Table 3. Industrial roundwood production consumed by local production (thousand cubic meters)

| Year | Sawlog/veneer logs | Pulpwood | Poles and piles | Total |
|------|--------------------|----------|-----------------|-------|
| 2016 | 440 | 347 | 3 | 790 |
| 2015 | 443 | 395 | 4 | 842 |
| 2014 | 631 | 465 | 6 | 1,102 |
| 2013 | 641 | 518 | 7 | 1,166 |
| 2012 | 742 | 116 | 4 | 862 |
| 2007 | 648 | 227 | 6 | 881 |
| 2002 | 288 | 106 | 9 | 403 |
| 1997 | 241 | 312 | 3 | 556 |

Source: DENR/FMB, Philippine Forestry Statistics, 2016

In 2017, the 733,474 cubic meters of logs were harvested in Philippines in total (Table 4). Since the issuance of E.O. 23, virtually all legal timber harvests in the Philippines are from planted forests and in recent years nearly all legally harvested wood is derived from private lands. Of the total legal domestic harvest in 2016, 84% in 2016, increasing to 93% (726,872) in 2017, were sourced from tree plantations grown on private lands with CTPO, Special Cutting Permit and Certificates of Verification (CVs), with 28,284 cubic meters coming from areas leased under Integrated Forest Management Agreements (IFMA), and 258 cubic meters coming from Community-Based Forest Management Agreements (CBFMA) and Integrated Social Forestry in forestlands. Less than 3,000 cubic meters was from natural forests in public timberlands or private lands under “Special Cutting Agreements” (covering approved infrastructure and construction projects, such as transmission lines, roads, mining operations, etc. requiring cutting of trees in natural forests) and exceptional approvals for cutting naturally growing trees in degraded forests being prepared for replanting; all others were harvested from plantation forests.

Among the 15 regions in Philippines, log production is active in Mindanao Islands (Regions 9-13), where 86% of planted tree logs and 77% of natural tree logs were produced in 2017. Region 13 (Caraga Region), northeast of Mindanao, particularly produced 67% of planted tree logs and 77% of natural tree logs.

² This does not include the very large volume of “coco lumber” produced from coconut palms, which is not regulated by DENR, and which supplies a large portion of domestic timber needs. Estimates of the volume of coco lumber produced each year vary, but actual volumes are likely to be several million cubic meters.

Table 4. Log production by the timber license/permit: 2017 (in cubic meter)

| Region | Total | | | CTPO / PTPOC | Special Permit | Cutting | CBFM/ ISF | PLTP | | CV | | IFMA | | Others | |
|--------------------|----------------|--------------------|----------------|-----------------|--------------------|--------------|--------------|--------------------|------------|--------------------|----------------|--------------------|---------------|--------------------|---------------|
| | Total | Naturally Grown | Planted | Planted | Naturally Grown | Planted | Planted | Naturally Grown | Planted | Naturally Grown | Planted | Naturally Grown | Planted | Naturally Grown | Planted |
| PHILIPPINES | 733.474 | 2.912 | 730.563 | 541.257 | a | 2.543 | 258 | 4 | 770 | 36 | 147.072 | 2.252 | 26.032 | 619 | 12.632 |
| CAR | 1.439 | 552 | 887 | 34 | - | 2 | - | - | 35 | 18 | 259 | - | - | 535 | 556 |
| Region 1 | 4.106 | - | 4.106 | - | - | 57 | - | - | - | - | 4.049 | - | - | - | - |
| Region 2 | 333 | - | 333 | - | - | - | - | - | - | - | - | - | - | - | 333 |
| Region 3 | 1.669 | - | 1.669 | - | - | 738 | - | - | - | - | 277 | - | - | - | 654 |
| Region 4A | 8.091 | - | 8.091 | 4.460 | - | - | - | - | - | - | 3.632 | - | - | - | - |
| MIMAROPA | 8.016 | 58 | 7.958 | 3.907 | - | 35 | - | 3 | 735 | 10 | 1.175 | - | - | 45 | 2.106 |
| Region 5 | 716 | 12 | 703 | 78 | - | 339 | - | 1 | - | - | 108 | - | - | 11 | 178 |
| Region 6 | 14.370 | - | 14.370 | - | - | - | - | - | - | - | 14.282 | - | - | - | 88 |
| Region 7 | 28.609 | - | 28.609 | 27.312 | - | - | - | - | - | - | 654 | - | - | - | 643 |
| Region 8 | 33.595 | 38 | 33.557 | - | a | 1.372 | - | - | - | 8 | 27.998 | - | - | 29 | 4.188 |
| Region 9 | 33.280 | - | 33.280 | - | - | - | 258 | - | - | - | 14.612 | - | 18.078 | - | 332 |
| Region 10 | 55.961 | - | 55.961 | 945 | - | - | - | - | - | - | 53.712 | - | - | - | 1.305 |
| Region 11 | 24.272 | - | 24.272 | 23.640 | - | - | - | - | - | - | 598 | - | - | - | 35 |
| Region 12 | 26.492 | - | 26.492 | 58 | - | - | - | - | - | - | 25.699 | - | - | - | 735 |
| Region 13 | 492.525 | 2.252 | 490.274 | 480.824 | - | - | - | - | - | - | 17 | 2.252 | 7.954 | - | 1.479 |

CTPO: Certificate of Tree Plantation Ownership. PTPOC (Private Tree Plantation Ownership Certificate) is the previous name

CBFM: Community-Based Forest Management

ISF: Integrated Social Forestry

PLTP: Private Land Timber Permit

CV: Self-Monitoring Form/Certificate of Verification

IFMA: Integrated Forest Management Agreement

Others: Other Timber License/ Permit: Tree Cutting Permit, Muyong Resource Permit, Certificate of Timber Origin/ Certificate of Lumber Origin, and Special Private Land Timber Permit

a - less than one cubic meter

Source: DENR/FMB, Philippine Forestry Statistics, 2017

Among the 733,474 cubic meters of logs harvested in 2017, 99.6% (780,563 cubic meter) was planted trees. The main plantation species harvested included: *Albizia falcataria* (498,251 cubic meters), *Swietenia macropylla* (68,550 cubic meters), *Gmelina arborea* (56,556 cubic meters) and *Acacia mangium* (53,449 cubic meters).

1.2.2. Wood Products

As of 2016, there were 171 licensed primary wood processing plants in the Philippines, including sawmills (11), mini-sawmills (115), veneer (44) and plywood mills (20), and integrated wood processing facilities (21) (DENR, 2016). The vast majority of plants were located on the southern island of Mindanao. The combined permitted annual log requirement for all mills in the country stood at 1.8 million cubic meters (DENR, 2016), although actual processing levels were substantially less, due to some mills not operating or operating at reduced capacity.

In 2014 (latest year of available data), there were 1,923 forest-based industries in total registered with DENR, including manufacturers of secondary wood products, furniture manufacturers, and paper and paper products factories. Official employment across these manufacturing establishments totalled 73,819 (DENR 2016). Furniture factories are no longer required to obtain Wood Processing Plant Permits from DENR, so these figures do not capture all forest-based industries. It is recognized that there are a very large number of small enterprises engaged informally in the sector, especially in the furniture industry. According to the Chamber of Furniture Industries of the Philippines, the number of small-scale and cottage industries, including sub-contractors, numbers more than 5,000 as of 2018 (Salvio Valenzuela, personal communication 2018), while other less-accurate estimates range as high as 15,000 but at earlier time. Most of these small enterprises are supplying furniture, cabinets and other products to local domestic consumers, with only a small subset engaged in exporting finished products (Salvio Valenzuela, personal communication 2018).

Utilizing domestic log supply, augmented with imported logs and primary wood products (see below in section 1.3 for imports of raw materials), Philippine manufacturers produced the following volumes of processed wood products in recent years (Table 5).

Table 5. Production of processed wood products (thousand cubic meters)

| Year | Sawnwood | Veneer | Plywood | Fiberboard | Blockboard |
|------|----------|--------|---------|------------|------------|
| 2016 | 425 | 59 | 152 | 6 | 59 |
| 2015 | 322 | 59 | 146 | 54 | 87 |
| 2014 | 496 | 40 | 164 | 22 | 49 |
| 2013 | 450 | 60 | 199 | 13 | 58 |
| 2012 | 218 | 129 | 297 | 5 | 22 |
| 2007 | 362 | 124 | 281 | 6 | 56 |
| 2002 | 163 | 172 | 360 | 4 | 45 |
| 1997 | 351 | 62 | 484 | NA | 27 |

Source: DENR/FMB, Philippine Forestry Statistics, 2016

1.3. Trade of wood products (export and import): countries, product types, species, volume and values of trade

1.3.1. Import

The Philippines imports significant volumes of logs and primary processed forest products (Table 6). In roundwood equivalents, the volume of wood imports exceeds the volume of domestic legally harvested timber. Imported wood is consumed directly in the country or used in the further manufacturing of higher value wood products.

Table 6. Imports of logs and primary processed wood products 1997-2017
(volume in thousand cubic meters; value in thousand US\$ CIF)

| Year | Log 1/ | | Lumber | | Plywood 2/ | | Veneer 3/ | |
|------|---------|-------------|-----------|-------------|------------|-------------|-----------|------------|
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| 2017 | 66.497 | 10,287,099 | 254.200 | 57,908,305 | 596.543 | 223,118,928 | 60.309 | 20,056,486 |
| 2016 | 113.496 | 25,588,806 | 326.799 | 119,764,380 | 517.702 | 209,058,417 | 25.252 | 11,738,617 |
| 2015 | 98.143 | 15,328,658 | 1,144,691 | 80,883,393 | 292.127 | 149,922,423 | 23.732 | 9,201,666 |
| 2014 | 50.685 | 8,338,568 | 207.362 | 108,932,244 | 411.269 | 167,080,385 | 14.826 | 9,517,850 |
| 2013 | 118.988 | 20,772,261 | 240.197 | 123,074,085 | 195.037 | 107,813,877 | 30.642 | 12,628,214 |
| 2012 | 107.334 | 23,671,598 | 218.607 | 98,925,060 | 95.183 | 72,146,314 | 59.507 | 22,048,772 |
| 2011 | 87.240 | 18,318,556 | 159.974 | 77,311,893 | 94.231 | 76,711,777 | 38.011 | 12,672,509 |
| 2010 | 27.737 | 6,600,612 | 136.574 | 55,196,603 | 61.163 | 39,558,652 | 25.683 | 6,821,327 |
| 2009 | 35.349 | 6,972,798 | 128.754 | 47,702,732 | 3.886 | 1,485,791 | 22.875 | 5,486,361 |
| 2008 | 72.918 | 16,728,539 | 134.846 | 52,019,144 | 1.523 | 526.994 | 27.262 | 9,265,276 |
| 2007 | 88.735 | 22,490,333 | 174.456 | 90,702,741 | 4.348 | 2,355,433 | 18.101 | 4,719,608 |
| 2006 | 65.185 | 19,742,069 | 261.193 | 95,719,492 | 6.207 | 4,067,817 | 26.602 | 7,335,531 |
| 2005 | 164.959 | 23,867,765 | 362.509 | 117,742,543 | 3.959 | 1,473,557 | 64.426 | 16,712,755 |
| 2004 | 177.107 | 17,877,077 | 246.685 | 88,400,636 | 1.963 | 1,086,528 | 51.232 | 12,293,977 |
| 2003 | 355.787 | 33,107,917 | 338.064 | 105,403,457 | 5.091 | 2,120,825 | 91.143 | 22,354,132 |
| 2002 | 434.175 | 40,613,551 | 401.086 | 103,885,902 | 650 | 198.625 | 74.505 | 17,915,349 |
| 2001 | 551.327 | 44,707,227 | 370.809 | 86,270,886 | 402 | 201.067 | 105.427 | 26,370,676 |
| 2000 | 584.759 | 54,340,693 | 358.514 | 79,810,286 | 1.015 | 638.864 | 119.337 | 31,521,947 |
| 1999 | 583.643 | 69,450,136 | 381.235 | 116,771,575 | 1.019 | 551.638 | 138.248 | 40,248,741 |
| 1998 | 434.903 | 54,874,834 | 296.147 | 71,187,685 | 2.034 | 651.322 | 63.317 | 16,586,240 |
| 1997 | 768.474 | 117,821,197 | 411.657 | 112,638,911 | 1.032 | 478.277 | 86.420 | 27,569,438 |

1/ - Not included: Treated with paint, stains, creosote or other preservatives (from CY 2007 onwards)

2/ - Plywood consisting solely of sheets of wood from CY 1996-2009

3/ - Veneer sheets and corestock for the manufacture of plywood from CY 1996-2007

Source: DENR/FMB, Philippine Forestry Statistics, 2017

Imports of raw logs came primarily from Canada, with lesser volumes imported from Malaysia – mainly from Sabah, and Papua New Guinea (FAO, 2018). Philippines imported huge volume of round log during 1990s and early 2000s, after President Corazon Aquino cancelled most of the logging license and banned all logging operations in the remaining primary forests and forests in steep areas and at high elevations in the country.

Imports of sawnwood came mainly from Malaysia (34%) –mostly from Sarawak, with other smaller volumes from several other countries.

Major suppliers of imported plywood in 2016 were China (72%), Malaysia (14%) – especially from Sabah and Japan (10%). The import volume has increased drastically since 2012.

Table 7. Leading source countries of primary forest product imports into the Philippines, 2017

(volumes in cubic meters; values in US\$ FOB)

| Source countries | Volume | Value |
|--------------------------|----------------|--------------------|
| Logs | | |
| Malaysia | 42,581 | 5,181,084 |
| Solomon Islands | 27,000 | 7,082,958 |
| Papua New Guinea | 5,716 | 600,740 |
| South Africa | 2,864 | 226,952 |
| USA | 1,507 | 316,914 |
| Others | 26,299 | 520,624 |
| Total | 81,667 | 13,929,172 |
| Sawnwood (lumber) | | |
| Malaysia | 175,594 | 26,545,964 |
| Canada | 28,164 | 11,930,138 |
| Gabon | 10,812 | 2,468,892 |
| USA | 10,236 | 4,011,727 |
| Papua New Guinea | 6,738 | 1,147,327 |
| Others | 22,656 | 7,040,772 |
| Total | 254,200 | 53,144,820 |
| Plywood | | |
| China | 516,723 | 138,388,240 |
| Japan | 46,569 | 41,758,722 |
| Malaysia | 13,205 | 16,350,356 |
| Vietnam | 10,274 | 3,904,562 |
| Indonesia | 6,725 | 7,581,734 |
| Others | 3,497 | 2,362,505 |
| Total | 596,543 | 210,346,119 |
| Veneer | | |
| China | 30,096 | 10,568,901 |
| Malaysia | 11,796 | 2,305,042 |
| New Zealand | 7,597 | 2,834,892 |
| Vietnam | 1,866 | 514,112 |
| Solomon Islands | 1,391 | 317,825 |
| Others | 7,563 | 2,432,266 |
| Total | 60,309 | 18,973,038 |

Source: Philippine Statistics Authority

Table 8. Forest-based product export from Malaysia to Philippines in 2016

(volume in thousand cubic meters)

| | Logs | Sawnwood | Plywood | Veneer |
|---------------------|-------|----------|---------|--------|
| Peninsular Malaysia | 0 | 42.34 | 10.10 | 0.3 |
| Sabah | 44.67 | 19.42 | 29.04 | 2.65 |
| Sarawak | 0 | 169.77 | 17.57 | 0.62 |

| | | | | |
|-------|-------|--------|-------|------|
| Total | 44.67 | 231.53 | 47.45 | 3.31 |
|-------|-------|--------|-------|------|

Source: Malaysian Timber Industry Board³

Across all wood-product lines (including logs, primary wood products and secondary wood products), the Philippines imported more than US\$2.0 billion worth of products in 2017 (Table 7). More than half of the total (US\$1.2 billion value) was paper and articles of paper and paperboard, with China (26%), Indonesia (13%) and the United States (10%) being the leading suppliers (FAO, 2018).⁴

Table 9. Forest-based product imports into Philippines, 2017 (value in thousand US\$ FOB)

| Forest-Based Products | Unit | Quantity | Value |
|--|-----------------------|---------------|------------------|
| Paper and Articles of Paper and Paperboard | <i>net kilogram</i> | 1,366,593,259 | 1,223,019 |
| Wood-Based Manufactured Articles | <i>gross kilogram</i> | 299,489,668 | 226,234 |
| Plywood and Plywood Veneered Panels | <i>cubic meter</i> | 596,543 | 210,346 |
| Forest-Based Furniture | <i>gross kilogram</i> | 147,881,423 | 137,481 |
| Pulp and Waste Paper | <i>net kilogram</i> | 230,220,747 | 87,036 |
| Lumber | <i>cubic meter</i> | 254,200 | 53,145 |
| Fiberboard | <i>net kilogram</i> | 64,290,646 | 35,336 |
| Particleboard | <i>gross kilogram</i> | 59,723,543 | 26,482 |
| Veneer and Other Wood Worked | <i>cubic meter</i> | 60,309 | 18,793 |
| Roundwood | - | <i>m</i> | 13,755 |
| Wood Continuously Shaped | <i>gross kilogram</i> | 5,194,610 | 7,784 |
| Densified Wood and Reconstituted Wood | <i>cubic meter</i> | 6,088,628 | 2,046 |
| Wood Residues | <i>net kilogram</i> | 23,816,819 | 1,183 |
| Non-Timber Forest Products | <i>net kilogram</i> | 829,544 | 891 |
| Wood Chips and Particles | <i>gross kilogram</i> | 17,662,103 | 651 |
| Wood Wool, Wood Flour | <i>net kilogram</i> | 2,029,571 | 308 |
| Selected Non-Timber Manufactured Articles | - | <i>m</i> | 191 |
| Wood Charcoal | <i>net kilogram</i> | 120,066 | 64 |
| Wood Simply Shaped | <i>gross kilogram</i> | 53,800 | 20 |
| Total Forest-based Products Imports | | | 2,044,764 |
| Total Philippine Imports | | | 92,660,272 |
| Forest Products Imports as % of the Total Imports (in terms of value) | | | 2.21 |

a - less than one thousand US \$

m - indicates miscellaneous unit of measurements

Source: Philippine Statistics Authority (PSA)

1.3.2. Exports

Processing domestic and imported raw materials, the Philippines produces value-added products for domestic consumption and for export. Most wood-product exports from the Philippines are secondary and tertiary value-added products. Total forest-based product exports reached nearly US\$1.7 billion in 2017 (Table 10). The vast majority of these exports (US\$1.2 billion value) were of “wood-based manufactured articles” (e.g., doors, windows,

³ <http://www.mtc.com.my/resources-TradeInfo-2016.php>

⁴ The Philippines has only limited paper-making capacity, all based only on use of recycled paper and imported pulp.

joinery, mouldings, flooring, wooden utensils, wooden toys, etc.), mostly exported to Japan. In value terms, forest-based product exports constituted more than 2.7 % of all exports from the Philippines in 2016 (DENR, 2017). The volume of exported “wood-based manufactured articles” was obviously decreased, but maybe temporarily, from 2016 (US\$2.8 billion) most likely because of fire of the largest factory in Cavite Export Processing Zone in February 2017.

After “other wood-based manufactured articles,” the other main exports from the Philippines (albeit much smaller value) include pulp and waste paper (mainly exported to the UK, Netherlands and Japan), paper and articles of paper and paperboard (exported mainly to Indonesia, USA and Malaysia) and furniture (DENR, 2017). The United States was traditionally the main market for exported Philippine furniture, but in recent years the share going to the U.S. has declined to less than 40%. As a result of Philippine exporters’ efforts to diversify their markets for furniture, the share of exports to Japan and the Middle East has increased significantly (Salvio Valenzuela, personal communication).

The Philippines also exported US\$81 million worth of wooden furniture in 2017. The country also exported 249,005 cubic meters of sawnwood (lumber) in 2017. Some 37,079 tons of charcoal was exported in 2017, valued at US\$21.7 million. Exports of wood chips/particles were very minimal (US\$343,000) in 2016 (DENR, 2017).

By far, the leading buyer of Philippine exports of wood products is Japan, which imported approximately 69% of all Philippine exports in 2017 (Table 12). Other leading importers of Philippine wood products include the United States (particularly of furniture), United Kingdom, China and the Netherlands (DENR, 2017).

Table 10. Forest-based Products Export 2017 (Value in thousand US \$, FOB)

| Forest-Based Products | Unit | Quantity | Value |
|--|-----------------------|-----------------|------------------|
| Wood-Based Manufactured Articles | <i>gross kilogram</i> | 727,786,369 | 1,219,985 |
| Paper and Articles of Paper and Paperboard | <i>net kilogram</i> | 89,898,103 | 114,880 |
| Pulp and Waste Paper | <i>net kilogram</i> | 142,200,282 | 111,518 |
| Lumber | <i>cubic meter</i> | 249,005 | 94,485 |
| Forest-Based Furniture | <i>gross kilogram</i> | 19,348,489 | 81,156 |
| Plywood and Plywood Veneered Panels | <i>cubic meter</i> | 25,830 | 54,466 |
| Wood Charcoal | <i>net kilogram</i> | 37,079,277 | 21,707 |
| Selected Non-Timber Manufactured Articles | - | <i>m</i> | 16,517 |
| Fiberboard | <i>net kilogram</i> | 2,068,460 | 11,753 |
| Wood Continuously Shaped | <i>gross kilogram</i> | 1,374,775 | 7,810 |
| Particleboard | <i>gross kilogram</i> | 535,395 | 3,178 |
| Non-Timber Forest Products | <i>net kilogram</i> | 761,557 | 1,265 |
| Veneer and Other Wood Worked | <i>cubic meter</i> | 1,086 | 556 |
| Wood Chips and Particles | <i>gross kilogram</i> | 4,939,493 | 343 |
| Wood Residues | <i>net kilogram</i> | 704,489 | 139 |
| Densified Wood and Reconstituted Wood | <i>cubic meter</i> | 21,915 | 121 |
| Log | <i>net kilogram</i> | 11 | 14 |
| Wood Simply Shaped | <i>gross kilogram</i> | 20 | <i>a</i> |
| Total Forest-based Products Exports | | | 1,739,893 |
| Total Philippine Exports | | | 62,874,635 |

Forest Products Exports as % of the Total Exports (in terms of value)**277**

a - less than one thousand US \$

m - indicates miscellaneous unit of measurements

Source: Philippine Statistics Authority (PSA)

Table 11. Exports of processed wood products: 1997-2017

| Year | Lumber | | Plywood 1/ | | Veneer 2/ | |
|------|--------|--------|------------|--------|-----------|--------|
| | Volume | Value | Volume | Value | Volume | Value |
| 2017 | 249 | 94,485 | 26 | 54,466 | 1 | 556 |
| 2016 | 189 | 25,931 | a | 418 | a | 242 |
| 2015 | 267 | 37,346 | a | 401 | 1 | 808 |
| 2014 | 310 | 69,42 | 2 | 1,819 | 4 | 3,269 |
| 2013 | 240 | 74,132 | 4 | 3,773 | 3 | 3,078 |
| 2012 | 392 | 28,046 | 13 | 10,986 | 32 | 13,475 |
| 2011 | 405 | 24,377 | 40 | 24,336 | 15 | 1,347 |
| 2010 | 377 | 10,587 | 24 | 14,963 | 3 | 2,057 |
| 2009 | 293 | 9,629 | 33 | 21,921 | 4 | 1,301 |
| 2008 | 215 | 11,602 | 39 | 19,237 | 4 | 2,003 |
| 2007 | 208 | 14,342 | 37 | 14,81 | 6 | 3,57 |
| 2006 | 184 | 13,198 | 20 | 9,619 | 6 | 4,019 |
| 2005 | 130 | 8,487 | | 7,734 | 6 | 3,596 |
| 2004 | 125 | 9,737 | 42 | 15,466 | 7 | 3,225 |
| 2003 | 119 | 12,12 | 10 | 3,287 | 4 | 2,382 |
| 2002 | 91 | 10,267 | 7 | 3,029 | 6 | 3,089 |
| 2001 | 105 | 15,959 | a | 200 | 3 | 1,547 |
| 2000 | 120 | 20,457 | 2 | 2,056 | 5 | 2,962 |
| 1999 | 69 | 8,739 | a | 343 | 5 | 2,89 |
| 1998 | 41 | 5,543 | a | 80 | 32 | 11,748 |
| 1997 | 141 | 21,852 | a | 17 | 31 | 14,385 |

a - less than one thousand cubic meter

1/ - Plywood consisting solely of sheets of wood from CY 1998 to 2005

2/ - Veneer sheets and corestock for the manufacture of plywood from CY 1998-2007

Source: Philippine Statistics Authority (PSA)

Table 12. Leading importing countries (buyers) of forest products exported from the Philippines, 2017

(values in US\$ FOB)

| Importing countries | Value |
|--|----------------------|
| Japan | |
| Other wood-based manufactured articles | 1,196,117,564 |
| Lumber | 69,180,802 |
| Plywood | 53,161,727 |
| Forest-based furniture | 23,888,823 |
| Pulp and waste paper | 15,576,383 |
| Others | 49,553,613 |
| Total | 1,407,478,912 |

| | |
|---|----------------------|
| | |
| United States of America | |
| Forest-based furniture | 36,078,072 |
| Paper and paperboard | 18,415,383 |
| Selected NTFPs | 13,187,620 |
| Pulp and waste paper | 10,856,931 |
| Other wood-based manufactured articles | 9,276,726 |
| Others | 746,375 |
| Total | 88,561,107 |
| | |
| China | |
| Lumber | 24,520,915 |
| Paper and paperboard | 7,245,739 |
| Pulp and waste paper | 4,680,292 |
| Charcoal | 3,950,372 |
| Forest-based furniture | 1,295,977 |
| Others | 1,080,956 |
| Total | 42,774,251 |
| | |
| United Kingdom | |
| Pulp and waste paper | 29,102,967 |
| Forest-base furniture | 1,772,213 |
| Other wood-based manufactured articles | 682,388 |
| Paper and paperboard | 623,077 |
| Selected NTFPs | 114,760 |
| Others | 9,042 |
| Total | 32,304,447 |
| | |
| Netherlands | |
| Pulp and waste paper | 20,668,077 |
| Forest-based furniture | 1,506,934 |
| Other wood-based manufactured articles | 671,188 |
| Paper and paperboard | 257,156 |
| Selected NTFPs | 123,871 |
| Others | 129,413 |
| Total | 23,356,639 |
| | |
| Total all forest product exports | 1,739,892,911 |

Source: Philippine Statistics Authority

2. Overview of the relevant government organisations

2.1 Legal authorities

Table 13 provides a list of the key organizations and agencies responsible for administering and regulating for forest and wood-based sector in the Philippines.

Department of Environment and Natural Resources (DENR) officials, normally Community Environment and Natural Resources Officers (CENROs), are responsible for all local level monitoring and control. There are 173 CENROs across the country, and CENROs are the first point of contact for individuals and companies wishing to secure tenure (use rights) of public forestlands. CENROs receive all applications, conduct required field inspections, and make decisions/recommendations on approvals or denial of requests. CENROs are likewise responsible for reviewing management plans (e.g., Five Year Workplans, Annual Operations Plans, Accomplishment Reports, etc.) and surveying plantations proposed for harvest, verifying inventories and volumes to be harvested, certifying plantations of private plantation owners, etc.

At the time of transport, CENROs inspect logs and sawntimber to be transport and verify volumes and specifics of the transport. CENROs also receive applications for wood processing plant permits and recommend to higher DENR officials for approval or rejection, according to level of decision required.

DENR also assigns “in-plant scalers” at all wood processing plants to monitor and verify incoming wood. CCTV cameras are required to be installed in the receiving areas of wood processing plants to record the receipt and transfer of wood. Daily/weekly/monthly/quarterly reports of wood inputs and outputs are required to be filed with DENR (different frequency for different types of plants).

Labor practices and worker health and safety issues are monitored by the Department of Labor and Employment, which is authorized to make random inspections of manufacturing plants and other places of business. DOLE is authorized to inspect records of employees, review payment and benefit practices, and investigate worker conditions. Violations of the Labor Code of the Philippines can result in fines or suspension of operations.

Table 13. Organisations/agencies responsible for harvesting, processing, distribution and trade of woods and wood products

| Name of organisation | Roles and responsibilities |
|--|---|
| Department of Environment and Natural Resources (DENR) | <ul style="list-style-type: none"> ▪ Primary government agency responsible for the conservation, management, development, and proper use of the country’s environment and natural resources (including forest and grazing lands in the public domain, reservations, and watershed areas) ▪ Licenses and regulates all natural resources utilization, including harvesting, transport and wood utilization through its nationwide network of offices ▪ Maintains staff and offices at national, regional, provincial and community levels, with corresponding authorities and functions at each level |
| Forest Management Bureau of DENR (FMB) | <ul style="list-style-type: none"> ▪ Provides technical guidance to DENR’s central and field offices for the effective protection, development and conservation of forestlands and watersheds ▪ Recommends policies and programs for the implementation of sustainable forest management |

| Name of organisation | Roles and responsibilities |
|--|---|
| Biodiversity Management Bureau of DENR (BMB) | <ul style="list-style-type: none"> ▪ Recommends policies, guidelines, rules and regulations for the establishment and management of the country's Integrated Protected Areas System, including national parks and reserves ▪ Recommends policies, guidelines and regulations for conserving biodiversity ▪ Maintains lists of endangered Philippine flora and fauna and develops programs for their conservation ▪ Designated authority for CITES, including issuing CITES certificates for export of all CITES-listed species |
| Environmental Management Bureau of DENR (EMB) | <ul style="list-style-type: none"> ▪ Responsible for overseeing the country's Environmental Impact Assessment processes ▪ Reviews and approves/rejects requests for Environmental Clearance Certificates (ECCs), which are required for operation of wood processing plants |
| National Mapping and Resource Information Authority of DENR (NAMRIA) | <ul style="list-style-type: none"> ▪ Provides mapmaking services and acts as the central mapping agency, depository, and distribution facility for natural resources data in the form of maps, charts, texts, and statistics |
| Regional Environment and Natural Resources Offices, DENR | <ul style="list-style-type: none"> ▪ DENR maintains 16 regional offices, which play important roles in issuing approvals and certifications directly or reviewing those issued by Community Environment and Natural Resources Officers (CENROs) under Municipal Governments and Provincial Environment and Natural Resources Officers (PENROs) |
| Provincial Environment and Natural Resources Offices (PENROs), DENR | <ul style="list-style-type: none"> ▪ Provincial oversight of natural resources management ▪ Review and oversight of Community Environment and Natural Resources Officers (CENROs) |
| Community Environment and Natural Resources Officers (CENROs) | <ul style="list-style-type: none"> ▪ The CENROs are DENR staff who are assigned to work at municipal level (usually covering 4-10 municipalities each), in coordination with local governments (provinces, independent cities, cities and municipalities and barangays), but under the direct supervision of relevant PENROs. In practical terms, it is a "matrix" type of management, because the CENROs report directly to PENROs and take guidance from DENR (Head Office, Regional DENR Office and Provincial DENR office) but also coordinate with local municipal mayors. ▪ CENROs play major roles in almost every aspect of forestry in the country at field level. ▪ There are 173 CENROs across the country. |

| | |
|--|---|
| National Commission on Indigenous Peoples (NCIP) | <ul style="list-style-type: none"> ▪ Responsible for protecting the rights of the indigenous peoples of the Philippines, including support of indigenous peoples in gaining official recognition of ancestral domains in accordance with the Indigenous Peoples' Rights Act of 1997 ▪ Issues Certificates of Ancestral Domain Titles and Certificates of Ancestral Land Titles ▪ Registers claims to ancestral domains (Certificates of Ancestral Domain Claims) pending review of claims and potential issuance of titles |
| Department of Trade and Industry (DTI) | <ul style="list-style-type: none"> ▪ Responsible for formulating trade and industry policies ▪ Works to increase competitiveness and ease of doing business; promotes trade and investment ▪ Issues Export Declaration documents ▪ Maintains 28 Philippine Foreign Trade and Investment Centers around the world, including in Osaka and Tokyo |

| | |
|--|---|
| Bureau of Plant Industry, Department of Agriculture (BPI) | <ul style="list-style-type: none"> ▪ Issues phytosanitary certificates for export of plant products ▪ Issues sanitary and phytosanitary import clearance for importing plant materials and products |
| Securities and Exchange Commission (SEC) | <ul style="list-style-type: none"> ▪ Develops and regulates the country's capital markets and private company registrations required to operate businesses ▪ Promotes good corporate governance ▪ Facilitates access to financial products and resources |
| Land Registration Authority (LRA), under the Department of Justice | <ul style="list-style-type: none"> ▪ Issues decrees of registration and certificates of title and registers documents, patents and other land transactions, providing records of land ownership ▪ Issues subsequent or transfer certificates of title ▪ Maintains the title history or records of transaction involving titled or registered lands |
| Bureau of Customs, Department of Finance (BoC) | <ul style="list-style-type: none"> ▪ Responsible for regulating and facilitating trade ▪ Assesses and collects import duties and taxes ▪ Combats illegal trade and other forms of customs fraud ▪ Operates customs management systems ▪ Registers importers and exporters |
| Department of Labor and Employment (DOLE) | <ul style="list-style-type: none"> ▪ Primary policy-making, programming, coordinating and administrative agency related to labor and employment ▪ Responsible for enforcing labor laws and occupational health and safety regulations |
| Department of Science and Technology (DOST) | <ul style="list-style-type: none"> ▪ The Forest Products Research and Development Institute (FPRDI), under DOST, is responsible for development of new products and technologies for the forest sector ▪ The Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development (PCAARRD), under DOST, is responsible for supporting policies and programs related to technical development (including in forestry) and supporting technology dissemination and adoption |
| Municipal Governments | <ul style="list-style-type: none"> ▪ Philippines has three levels of local government units (except the Autonomous Region of Muslim Mindanao and the Cordillera Administrative Region); Provinces – Components cities / Municipalities – Barangays. ▪ As of March 31, 2017, there are 1,489 Municipalities across the country. ▪ Issues registration of local business activities, including wood processing and trading (i.e., Mayor's permits) ▪ Coordinate with Community Environment and Natural Resources Officers (CENROs) ▪ Are authorized to hire Municipal Environment and Natural Resources Officers (MENROs) to handle local environment and natural resources concerns. MENROs will typically coordinate closely with CENROs at local level. |

3. Legislation on harvesting of forest resources

3.1. Laws and regulation on harvesting of forest resources

Table 14 provides a list of key legislation and regulations governing forest and resource tenure, forest management, timber harvesting, etc. HTML links are provided to most key laws and regulations.

Table 14. Laws and regulations regulating access to forests, management of forest and issuance of permits and licenses

| Name of laws and regulations | Year (both first published and latest reform years) | Description |
|---|--|---|
| Presidential Decree 705 (PD 705), known as the "Revised Forestry Code of the Philippines" | <ul style="list-style-type: none"> ▪ Promulgated May 1975 | <p>Serves as the basic forestry law of the Philippines, outlining administration, management principles, timber harvesting, forest utilization, wood processing, forest protection, reforestation, fees, etc.</p> <p>https://www.lawphil.net/statutes/presdecs/pd1975/pd_705_1975.html</p> |
| Executive Order No. 23 | <ul style="list-style-type: none"> ▪ February 2011 | <p>Declared moratorium on timber harvesting in all natural and residual forests of the country and created an Anti-illegal Logging Task Force.</p> <p>https://server2.denr.gov.ph/uploads/r added/ executive_order_no_23_692.pdf</p> |
| Executive Order No. 263 | <ul style="list-style-type: none"> ▪ July 1995 | <p>Adopted community-based forest management as the national strategy to ensure the sustainable development of the country's forestlands resources and provided mechanisms for its implementation.</p> <p>https://www.lawphil.net/executive/execord/eo1995/eo_263_1995.html</p> |
| DENR Administrative Order 2004-29 | <ul style="list-style-type: none"> ▪ August 2004 | <p>Revised rules and regulations for the implementation of Executive Order 263, otherwise known as the "Community-Based Forest Management (CBFM) Strategy":</p> <ul style="list-style-type: none"> • consolidated and unified all previous people-oriented forest management approaches • elaborated community-based forest management as the main strategy for managing the country's forests • established eligibility for people's organizations to engage in CBFM and procedures for designating CBFM agreements, including application requirements, tenurial benefits, governance, and management practices <p>http://policy.denr.gov.ph/dao2004/dao2004-29.pdf</p> |
| DENR Administrative Order 2004-30 | <ul style="list-style-type: none"> ▪ August 2004 | <p>Outlines the requirements, eligibility and procedures for individuals and groups to obtain tenure over small tracts of degraded forest land for the purposes of tree farming under the Socialized Industrial Forest Management Program, and elaborates rights and responsibilities, including timber harvesting provisions. Allocations of 1-20 hectares to be awarded to individuals/single families and 20-500 hectares to associations, partnerships and cooperatives for periods of 25 years, renewable.</p> <p>http://policy.denr.gov.ph/dao2004/dao2004-30.pdf</p> |
| DENR Administrative Order 1999-53 | <ul style="list-style-type: none"> ▪ December 1999 | <p>Establishes rules and regulations governing the Integrated Forest Management Program:</p> <ul style="list-style-type: none"> • elaborates eligibility and conditions for issuance of Integrated Forest Management Agreements (IFMAs) of not less than 500 hectares, including conversion of cancelled or expired Timber License Agreements (i.e. former timber concessions) to IFMAs • outlines benefits and responsibilities of IFMA holders |

| Name of laws and regulations | Year (both first published and latest reform years) | Description |
|--|--|---|
| | | <ul style="list-style-type: none"> clarifies practices and rules governing management, harvesting, reforestation, etc. in IFMA leased areas http://policy.denr.gov.ph/1999/fordao99-53.pdf |
| DENR Administrative Order 1998-45 | <ul style="list-style-type: none"> June 1998 | <p>Guidelines on the issuance and transfer of Certificates of Stewardship within CBFM areas:</p> <ul style="list-style-type: none"> clarifies the conditions and terms for issuing Certificates of Stewardship Contracts (CSCs) tenure rights for up to 10 hectares of forestland to eligible forest occupants, for 25 years, renewable outlined conditions under which area awarded can be sold or transferred was one of the first instruments in the country to provide recognized tenure rights to forest dwellers http://policy.denr.gov.ph/1998/dao98-45.pdf |
| DENR Memorandum Circular 1999-20 | <ul style="list-style-type: none"> July 1999 | <p>Provides important “Supplemental Guidelines Governing the Registration, Harvesting, Transport and Marketing of Timber By-Products Coming from Private Plantations Within Private Lands or Tax Declared Alienable or Disposable Lands.” Outlines procedures for registering forest plantations grown on private lands and allowing for simplified harvesting, transport and marketing procedures.</p> http://policy.denr.gov.ph/1999/formo99-20.pdf |
| Republic Act No. 7586 “National Integrated Protected Areas System Act of 1992” | <ul style="list-style-type: none"> Promulgated June 1992 | <p>Provides for establishment and management of National Integrated Protected Areas System, including national parks, strict nature reserves, national monuments, and other protected areas.</p> http://extwprlegs1.fao.org/docs/pdf/phi19796.pdf |
| Republic Act No. 9147 “Wildlife Resources Conservation and Protection Act” | <ul style="list-style-type: none"> Promulgated July 2001 | <p>Provides legal protection for and outlines management of the country’s wildlife resources, including endangered and threatened flora and fauna. Governs the collection and trade of wildlife species, and names the DENR Protected Areas and Wildlife Bureau (now known as the Biodiversity Management Bureau) as the designated authority for trade of species listed under CITES.</p> https://www.lawphil.net/statutes/repacts/ra2001/ra_9147_2001.html |
| Republic Act No. 8371 “Indigenous Peoples’ Rights Act of 1997” (IPRA) | <ul style="list-style-type: none"> Promulgated October 1997 | <p>Recognizes, protects, and promotes the rights of indigenous cultural communities and indigenous peoples:</p> <ul style="list-style-type: none"> recognizes the rights of indigenous cultural communities and indigenous people to their ancestral domains and the applicability of customary laws governing property rights or relations in determining the ownership and extent of ancestral domain provides for issuance of Certificates of Ancestral Domain Claims/Title requires Free, Prior and Informed Consent for any initiatives or programs affecting ancestral domain lands |

| Name of laws and regulations | Year (both first published and latest reform years) | Description |
|--|--|--|
| | | <ul style="list-style-type: none"> • acknowledges rights of indigenous people to manage and use natural resources within ancestral domain • created the National Commission on Indigenous Peoples to support rights of indigenous cultural communities and indigenous people http://extwprlegs1.fao.org/docs/pdf/phi13930.pdf |
| Republic Act No. 9175 “Chainsaw Act of 2002” | <ul style="list-style-type: none"> ▪ Promulgated November 2002 | <ul style="list-style-type: none"> • Regulates the ownership, possession, sale, importation and use of chain saws. • Requires owners and those in possession of chain saws to have valid permits https://www.lawphil.net/statutes/repacts/ra2002/ra_9175_2002.html |
| Presidential Decree 442 (PD 442), “Labor Code of the Philippines” | <ul style="list-style-type: none"> ▪ Promulgated November 1974 ▪ Various sections revised numerous times | <p>Basic labor code of the Philippines, governing worker and employer rights and responsibilities, working conditions, occupational health and safety, benefits, protections, etc. Various sections of PD 442 have been amended over the years, with a recent DOLE compilation, incorporating all updated clauses and amendments (see DOLE website).</p> https://www.dole.gov.ph/ |

3.2. Legal rights over forests

3.2.1. Public domain / forestlands

In the Philippines, all lands in the “public domain” otherwise known as “forestlands” (totalling 15.8 million hectares) are owned by the state. Lands that have been determined to be not required to remain as “forestland” are classified as “alienable and disposable lands” which are largely held under private ownership. The government, as the custodian of the public domain lands, grants tenurial rights over qualifying forestlands under various tenurial instruments and agreements. The area covered by such tenure instruments issued by DENR currently totals 2.8 million hectares. In addition, 5.5 million hectares have been titled to Indigenous Cultural Communities (ICCs) and Indigenous Peoples (IPs), although there are various tenure instruments overlapping with some ancestral domain titled lands, leading to confusion and conflict in some instances (Gillian Dunuan, personal communication). In practice, there are also large areas of public land that are occupied by “encroachers” who have not been granted legal authority to occupy and use the public land.

The Philippines is a global leader in recognizing and enforcing the rights of local communities and IPs and in facilitating the participatory engagement of all stakeholders in planning and decision making related to natural resources management. The country is strongly populated with active NGOs and Peoples Organizations (POs) that effectively represent the views of affected local stakeholders in most decision-making processes.

Prior to the 1990s, the Philippines' main allocation of forest utilization was through Timber License Agreements (TLAs), granted to commercial logging firms and providing timber harvesting rights to hundreds of thousands of hectares of natural forests.

The reform was started as early as 1975, PD 705 (which still serves as the country's basic forestry code) acknowledged the presence of millions of upland shifting cultivators living in classified forestlands, and halted prosecution as encroachers those who had lived in the forests prior to 1975. In 1982, the government initiated the Integrated Social Forestry Program (ISFP) that granted Certificates of Stewardship Contracts (CSCs) to forest occupants, providing secure tenure for 25 years, renewable (Pulhin, et al., 2008). The ouster of the Marcos regime in 1986 paved the way for rapid democratization and led to greater social justice and equity in the country's forest policies. In 1989, the issuance of the DENR Administrative Order No. 123 established the Community Forestry Program (CFP), which provided upland farmers legal access to forest resources, including the right to harvest timber from natural forests within their allocated lands. In 1995, President Ramos issued Executive Order No. 263, a landmark policy institutionalizing the Community-Based Forest Management (CBFM) Program as the national strategy for attaining sustainable forest management. Under the program, local communities were provided tenure under various instruments (most commonly Community-Based Forest Management Agreements, or CBFMAs) for 25 years, renewable and began phasing out the TLA system.

In phasing out the TLA concession system, the country converted some existing and cancelled TLAs to Integrated Forest Management Agreements (IFMAs).

There are currently only two remaining TLAs in existence, covering 119,560 hectares, with both having harvesting operations suspended under the moratorium on logging in natural forests (E.O. 23).

In 1995, Ancestral domain claims of Indigenous Peoples (IPs) were also documented and recognized. In 1997, the Indigenous Peoples' Rights Act (IPRA) – one of the world's most progressive laws related to IPs – was enacted. The IPRA provides for indigenous cultural communities (ICCs) and IPs to assert their ownership over ancestral domains (those demonstrated to have been occupied since time immemorial), which are legally recognized as privately owned under Certificates of Ancestral Domain Title (CADT) or Certificates of Ancestral Land Title (CALT) granted to qualified ICCs or IPs. Under the IPRA, ICCs and IPs have the right to develop, control and use lands and resources within their designated ancestral lands. Among other rights and protections, ICCs and IPs are also guaranteed the right to an informed and intelligent participation in the formulation and implementation of any project, government or private, which will affect or impact upon the ancestral domains (i.e., Free, Prior and Informed Consent). The National Commission on Indigenous Peoples (NCIP) has a wide mandate for ensuring and protecting the rights of ICCs and IPs under IPRA.

Other forestland was allocated to individuals/households, communities, associations and other organizations under a number of different tenure allocation arrangements. In most processes allocating forestlands under various tenure instruments, regulations require the active engagement of local people in the delineation, designation and management of the areas. The main forestland tenure arrangements are summarized below.

3.2.1.1. Community-Based Forest Management Agreements (CBFMAs)

CBFMAs are agreements between the government and a local community, represented by a People's Organization (PO). POs are required to represent local people and serve as the legal tenure holder. The community acts as forest manager, with established rights and responsibilities, with a term of 25 years, renewable for another 25 years. As of 2017, there are 1,884 formal CBFMAs in the country, covering a total area of 1,615,598 hectares (about 10% of all forestland). Nearly 200,000 families are officially registered as engaged in forest management under CBFMAs. (ref. DAO 2004-29: Revised Rules and Regulations for the Implementation of EO 263 and Community Based Forest Management Strategy, 2004). In practice, several POs holding CBFMAs are inactive due to weak governance and disincentives associated with unstable policies regarding forest utilization (e.g., current restrictions on harvest on timber from natural forests).

3.2.1.2. Integrated Forest Management Agreements (IFMAs)

IFMAs are entered into by the DENR and a qualified person or entity to manage forestland, in consideration of a specified rental, in order to establish an industrial forest. As of 2017, there were 102 valid IFMAs in the Philippines, covering 727,983 hectares (about 5% of all forestland). Many of the IFMAs cover former TLAs areas that expired or were cancelled and subsequently converted to IFMAs. Ownership rights related to IFMAs can be transferred/conveyed to another entity, but only with the approval of the Secretary of DENR (ref. DAO 1999-53: Regulation Governing the Integrated Forest Management Program, 1999).

IFMA holders, as part of the process of formalizing their agreements, are required obtain an Environmental Compliance Certificate (ECC) – a document issued by DENR certifying that a proposed project or undertaking in a particular area, as evaluated through the processes of an Environmental Impact Assessment (EIA) or an Initial Environment Evaluation (IEE), will not bring about an unacceptable environmental impact and that the proponent has complied with the requirements of the environmental impact statement (EIS) system, as appropriate.

DAO 1999-53 regulations on designating IFMAs specifically require consultation with dependent communities in delineating the areas to be included and management activities to be implemented. Lands claimed by ICCs/IPs under ancestral domain/land claims or covered under any other tenurial instruments issued by DENR under the ISFP, Community Forest Program, or other people-oriented forestry programs are not eligible to be included under IFMAs, unless with free, prior and informed consent (FPIC) of the holders. FPIC of upland communities and IPs within the IFMA area regarding the socioeconomic, political and cultural impacts of any project or development activities are also required.

3.2.1.3. Socialized Industrial Forest Management Agreements (SIFMAs)

SIFMAs are established between DENR and families (1-20 hectares) or associations/partnerships/cooperatives (20-500 hectares) for the right to develop, utilize and manage small tracts of forestland, consistent with the principles of sustainable development. As of 2017, there were 1,511 SIFMAs in the country, covering 32,005 hectares, 2% of all forestlands (ref. DAO 1996-24: Rules and Regulations Governing the Socialized Industrial Forest Management Program, 1996).

There are a number of other tenure instruments and agreements issued by DENR for the utilization of forestland, including Tree Farm Lease Agreements (TFLAs), Agroforestry Farm Lease Agreements (AFFLAs), and others, but the total area covered by these agreements is relatively small.

Ancestral domains

With the promulgation of the Indigenous Peoples' Rights Act of 1997 (IPRA), "ancestral domains" of Indigenous Peoples (IPs) were legally recognized. Through IPRA, ancestral domains were recognized in legislation as "private", with ownership and authority over all natural resources within the recognized areas. Approximately 5.5 million hectares of land have been recognized as ancestral domains under the provisions of the IPRA. Forest resources are explicitly recognized as eligible to be managed under customary management practices and DENR has an initiative to document relevant traditional and sustainable indigenous natural resources management practices. Under the IPRA, IPs can apply for Certificate of Ancestral Domain Title (CADT) or Certificate of Ancestral Land Title (CALT) – the former generally being larger areas granted to communities, with the latter generally being small areas granted to individuals or households. CADTs and CALTs certify ownership of the land and resources in perpetuity. IPs can also initially apply for a Certificate of Ancestral Domain Claim (CADC) to document their claims while awaiting verification of their claims and subsequent issuance of title. IPRA prohibits the selling of ancestral domain lands outside of the indigenous cultural community awarded ownership. In essence, except for the alienation right which is in principle retained by the state, the rights to use, control and exclude others with respect to established ancestral domains and lands have been vested to the IPs identified as legitimate owners. A major issue of uncertainty in some ancestral domain areas, however, is the clause of IPRA that states that property and use rights within the ancestral domains existing prior to the enactment of the IPRA shall be recognized and respected. Such property and use rights (e.g., IFMAs) were bestowed in many areas claimed as ancestral domains prior to IPRA, leading to uncertainty and ambiguity, as well as delays in issuing CADTs and CALTs and/or renewing IFMAs (Gillian Dunuan, personal communication). IPs and ICCs that have recognized title of their ancestral domains are still subject to all national laws and regulations related to forests. Thus, while IPs and ICCs are allowed to harvest timber from natural forests for their own use, they are not allowed to sell such wood commercially. They may, however, harvest and sell timber from plantations within the same parameters as other owners of private plantations.

3.2.2. Private lands

Prior to 2011, holders of various forest tenure agreements were able to harvest timber from *natural* forests under prescribed conditions, and according to management plans. Arising from concern over illegal logging and unsustainable forest harvesting, however, the government issued Executive Order No. 23 in 2011, imposing a moratorium on timber harvesting in all natural and residual forests. The restriction on harvesting timber in natural forests remains in effect and most key informants do not expect such restrictions to be lifted in the foreseeable future.

Thus, since 2011 (and until such time as the moratorium imposed under E.O. 23 may be lifted, if ever), the only legal timber harvests in the Philippines are from *planted* forests (with very few special exceptions made for clearing to facilitate official infrastructure and development projects). As there are small areas of plantation forest within CBFMAs, IFMAs, SIFMAs, and other forestlands covered under various tenure agreements, these can be legally harvested, but the majority of the country's legal domestic timber harvests (more than 80%) are now sourced from forest plantations grown on privately owned land (DENR 2016).

Forest plantations are increasingly grown on private alienable and disposable (A&D) lands. These lands are not covered by DENR-issued tenure arrangements, but rather are governed by titling and registration practices of the Land Registration Authority (LRA). Individuals and corporations with legal ownership of A&D lands are encouraged to establish commercial tree plantations. Plantations owners intending to harvest and sell timber from private plantations are urged to register their plantations, obtaining a Certificate of Tree Plantation Ownership (CTPO) (previously called "Private Tree Plantation Ownership Certificate (PTPOC)") from the local Community Environment and Natural Resources Officers (CENRO) under Municipal Governments. Such registration paves the way for subsequent harvesting, transport and sale of harvested plantation wood. Plantation registration requires evidence of land ownership, certification from the barangay captain (village leader) that the applicant is the rightful owner of the plantation, and photos of the tree plantation.

Table 15. License types of forest and permits for management, harvesting and transporting of wood

| License type | Permits for management, harvesting, and transporting |
|--|--|
| Public domain / Forestlands [15.8 million ha] Area issued tenure: 2.8 million ha Area titled to ICCs and IPs: 5.5 million ha | |
| Community-Based Forest Management Agreements (CBFMAs) [1,615,598 ha] | (1) 25-year Comprehensive Resource Management Framework (approved by DENR) Five-Year Work Plan (approved by DENR or CENRO?) (2) Certificates of Stewardship Contracts (CSCs) granted by Integrated Social Forestry Program (ISFP) Farm Plan Certificate of Timber Origin (CTO) (issued by CENRO) |
| Integrated Forest Management Agreements (IFMAs) [961,510 ha] | Initial Environmental Examination (approved by DENR) 25-year Comprehensive Resource Management Plan (approved by DENR) Environmental Compliance Certificate (ECC) (issued by DENR) Certificate of Timber Origin (CTO) (issued by CENRO) |
| Socialized Industrial Forest Management Agreements (SIFMAs) [32,219 ha] | Annual plan (approved by DENR?) Permitted to harvest freely any planted trees Cutting permit (issued by CENRO) Certificate of Timber Origin (CTO) (issued by CENRO) |
| Tree Farm Lease Agreements (TFLAs) | |

| | |
|--|--|
| Agroforestry Farm Lease Agreements (AFFLAs) | |
| Timber License Agreements (TLAs) [119,560 ha] | |
| Alienable and disposable lands | |
| Private land | <p>Titled and registered by the Land Registration Authority (LRA)</p> <p>(1) Certificate of Tree Plantation Ownership (CTPO) (registered by CENRO) - With CTPO, only Self-Monitoring Form (SMF) (endorsed by CENRO) is required for harvest and transport of plantation timber</p> <p>(2) Area without CTPO A cutting permit and a Certificate of Verification (CV) for transport (issued by CENRO) are required</p> <p>(3) Private Land Timber Permit (PLTP) for harvest of naturally growing trees on private lands (other than premium species)</p> <p>(4) Special Private Land Timber Permit (SPLTP) for planted and naturally growing premium hardwoods such as narra (<i>Pterocarpus indicus</i>) and Benguet pine (<i>Pinus keyisia</i>)</p> <p>Transport agreement</p> |

3.3. Timber source types, management and harvesting planning and permits

With the issuance of Executive Order No. 23, in 2011, virtually all legal timber harvest in the Philippines is sourced from plantation forests and planted trees in agroforests and on farms. In harvesting plantation-grown timber, various environmental restrictions also apply, mainly that no harvesting is allowed on slopes greater than 50% or at elevations about 1,000 meters. Also, no harvesting is allowed within 20-meter buffer strips from either bank of rivers or streams. All timber harvesting is banned within national parks and protected areas.

Timber can be harvested from areas within CBFMAs, CSCs, IFMAs, SIFMAs and private lands, but only sourced from planted trees (with very few exceptions made for clearing associated with official infrastructure projects, mining and energy development programs and approved site preparation for tree planting within IFMAs). Local Community Environment and Natural Resources Officers (CENROs) are largely responsible for monitoring compliance of timber harvesting regulations. CENROs inspect areas of CBFMAs, IFMAs and others on public land during and after harvesting operations and report any infractions to the PENRO and Regional DENR offices, as appropriate.

Benefit sharing arrangements related to forest resources in the Philippines are generally favorable to local people. In most cases, local communities, associations and individual households are exempt from forest charges, particularly for timber harvested from planted forests.

DENR is responsible to monitoring and combating illegal timber harvesting. For harvesting within public land held under various tenure instruments, DENR officials (usually the CENRO and/or his/her staffs) routinely conduct field site visits of areas to be harvested and/or areas that have recently been harvested. Careful attention is given to any potential harvests outside approved harvest areas, violations of cutting restrictions associated with environmental

values, etc. Old forms – used during the era of TLAs – are still in use, but violations during harvests of planted trees are relatively rare.

Specific legal requirements pertaining to harvesting under each of these tenure arrangements are as follows:

3.3.1. Public domain / forestlands

For all areas covered under tenure instruments on public forestland (e.g., IFMAs, CBFMAs, SIFMAs, etc.), if trees were planted by the government or entities other than the current tenure holders, a 30% share of the gross revenue must be paid to the government and 70% going to the tenure holder(s) at the time of harvesting the planted trees. If, however, the trees were planted and tended by the current tenure holder, 100% of the revenue is retained by the tenure holder(s).

3.3.1.1. Community-Based Forest Management (CBFMs) Agreements

The CBFM area must have an approved 25-year Comprehensive Resource Management Framework, which requires community consultation, delineation and survey of the area, tree marking, review and approval by DENR (at community, provincial and regional levels), PO members, the local government unit, and other stakeholders. Harvesting must follow prescriptions outlined in the area's approved Five-Year Work Plan and 100% inventory of all trees to be harvested must be completed and informed to the CENRO. The process of developing and approving the Five-Year Work Plan generally takes approximately two months and several hundreds (or even thousands) of dollars (Pulhin and Ramiriz, 2016; Gritten, et al., 2013). Harvested timber from plantation forests is free of forest charges. If the trees were planted on the area prior to the issuance of the CBFMA tenure instrument to the community, the revenue from the sale of harvesting timber is shared, with 70% going to the community and 30% to the government. If the community itself planted the trees being harvested, the entire revenue accrues to the community.

Certificate of Stewardship Contracts (CSC)

CSC holders granted by Integrated Social Forestry Program (ISFP) are expected to develop a simple annual plan for management planning purposes. Harvesting of planted trees in CSC-covered areas is permitted according to procedures and regulations similar to CBFM areas, with the exception that the guiding document is an individual "Farm Plan" rather than a Five-Year Work Plan. Full 100% inventory of all trees to be harvested is required. Harvested timber from plantation forests is free of forest charges. Most CSCs are now incorporated within CBFMAs.

3.3.1.2. Integrated Forest Management Agreements

IFMA holders must conduct an Initial Environmental Examination (with subsequent approved Environmental Compliance Certificate) for the area and prepare a 25-year Comprehensive Resource Management Plan, to be approved by relevant DENR officials. Five-Year Work Plans and Annual Operations Plans guide specific operations, including harvesting. Currently (since issuance of E.O. 23), harvesting of planted trees only is permitted. Annual Accomplishment Reports must be provided to DENR each year outlining the main management activities

carried out. Plantation trees can be harvested according to the approved plans, with restrictions on harvesting trees on slopes greater than 50%, elevations above 1,000 meters, and within 20-meter strips along river and stream banks. Full 100% inventory of all trees to be harvested is required. Harvested timber from plantation forests is free of forest charges.

While the terms of agreement for IFMAs are subject to individual negotiation with DENR at the time of issuance, they are also exempt from forest charges for timber coming from plantations.

Under current conditions, many IFMAs are inactive or conducting only minimal forest management activities due to the restrictions on harvesting timber in natural forests. IFMA managers complain that they continue to incur significant costs associated with protecting forest resources within their designated areas, but are largely unable to realize revenues.

3.3.1.3. Socialized Industrial Forest Management Agreements (SIFMA)

SIFMA holders are expected to develop a simple annual plan for management purposes. SIFMA holders are permitted to harvest freely any planted trees except those determined to be needed for environmental protection purposes (e.g., on slopes greater than 50%, and along riverbanks and streams). Full 100% inventory of all trees to be harvested is required. A cutting permit issued by the CENRO is required. Harvested timber from plantation forests is free of forest charges.

3.3.2. Private lands

Commercial plantations established on private lands should be registered and issued with a Certificate of Tree Plantation Ownership (CTPO) (previously called "Private Tree Plantation Ownership Certificate (PTPOC)") prior to harvesting. No specific management plans or harvesting permits are required for harvesting timber from private plantations or privately owned planted trees if the owner has previously obtained a CTPO. The exception is planted narra (*Pterocarpus indicus*, sometimes referred to as "Philippine rosewood"), which is considered a premium species, requiring a "Special Private Land Timber Permit" (SPLTP), pursuant to Section 4 of DENR Administrative Order No. 58, dated September 30, 1993.

At the time of harvest, 100% inventory of trees to be harvested should be completed and informed to the CENRO. The owner of a CTPO registered plantation completes a Self Monitoring Form (SMF) validated by the CENRO, which – together with attached tally sheets (elaborating the species and volume of harvested wood to be transported and sold) and a copy of the transport agreement – are sufficient to facilitate transport and sales.

For planted trees harvested from private lands, not registered under a CTPO, the CENRO issues a cutting permit and a Certificate of Verification (CV), which facilitates transport.

It is also possible for private land owners with naturally growing trees (i.e., not planted) to obtain a Private Land Timber Permit (PLTP), authorizing approval to harvest such trees. However, the procedures for approval are very detailed and complicated, and few approvals are granted.

3.3.3. Chain saw ownership permit

All individuals or groups/corporations using chain saws for timber harvesting are required by law (Republic Act No. 9175) to have a valid permit. Under implementing rules (DAO 2003-24), chain saw dealers must have a permit from DENR to import and/or sell chain saws as well. Those eligible to legally own chain saws include holders of CBFMAs, IFMAs, SIFMAs, CSCs, and private tree farmers. Ownership permits of chain saw are granted by the local CENRO, who issues a Certificate of Registration to qualified owners, valid for two years, renewable, for those engaged in forestry operations. Owners must provide supporting documentation indicating eligibility and need for chain saw ownership and details of saw (brand, model, serial number, etc.). (Reference: <http://policy.denr.gov.ph/2003/dao2003-24.pdf>).

Additional environmental concerns could relate to the use and proper disposal of lubricants used for timber harvesting equipment. As most harvesting in the Philippines is currently carried out only with chainsaws and light equipment (no heavy skidders or bulldozers), the risks related to improper handling and disposal of such chemicals are low.

3.4. Protected species

Pursuant to Republic Act 9147 (“Wildlife Resources Conservation and Protection Act of 2001,” the Biodiversity Management Bureau, in collaboration with the Forest Management Bureau of DENR maintains a “List of Threatened Philippine Plant Species,” categorized as “critically endangered,” “endangered,” “vulnerable,” and “other threatened species.” The most updated list was issued in May 2017 (DENR Administrative Order 2017-11).⁵ The current list includes 388 tree species, including several that were previously harvested as commercial timber species in the past (prior to issuance of E.O. 23). The List of Threatened Philippine Plant Species, however, refers only to wild populations. Thus, if tree on the list have been planted and registered with DENR, they can legally be harvested and entered into the supply chain. The species most likely to fall into this category is narra (*Pterocarpus indicus*), the wild populations of which are listed as “vulnerable.” Tree growers who have planted narra are currently required to obtain a "Special Private Land Timber Permit" (SPLTP) to harvest their planted trees.

Three trees native to the Philippines are listed in Appendix II under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). These are *Aquilaria spp.* and *Gyrinops spp.* (common name: agarwood) and *Gonystylus spp.* (common name: ramin). There has been no authorized commercial trade of these species into or from the Philippines in the past several years.

Additionally, neotropical populations of big-leafed mahogany (*Swietenia macrophylla*) have been listed under Annex II of CITES. *Swietenia macrophylla* is not native to the Philippines, but is commonly planted in the country. Wood and wood products of planted *Swietenia macrophylla* in the Philippines are not covered by CITES and can be freely traded without CITES certificates. Theoretically, at-risk mahogany wood could be imported into the Philippines from neotropical range countries and “laundered” as plantation-grown wood from the Philippines,

⁵ <https://server2.denr.gov.ph/uploads/rmdd/dao-2017-11.pdf>

but there are no indications of any occurrences of this taking place, thus the risk associated with products made from *Swietenia macrophylla* from the Philippines appears to be very low.

3.3.5. Risks related to forestland and resource tenure, and related rights to harvest and sell forest products

3.3.5.1. Risk associated with the forest tenure instruments

There is the potential for overlapping and competing claims to the resources. Although every effort is made to identify potentially conflicting rights to use each area as part of the process of developing each agreement, tenure disputes do arise – sometimes leading to protracted legal battles.

While consultation principles and protection of the rights of ICCs and IPs are well embedded in most forest resources tenure allocation processes and management decision making, risks arise as a result of tenure conflicts (overlapping claims). This has arisen as a particular concern with CADTs/CALTs, where resource use agreements established prior to 1997 (e.g., IFMAs) have legal authority to retain use rights under the IPRA. There have also been some instances of improper or inadequate FPIC processes conducted to gain approval from IPs and ICCs to carry out forestry-related activities in ancestral domain areas.

3.3.5.2. Risk related to timber harvesting and clarity of timber ownership

Another risk is timber entering into the supply chain from areas outside those covered by the tenure instrument under which harvesting approval has been granted (i.e., timber theft or substitution of timber from nearby areas).

Theft of timber from planted forests is relatively infrequent as owners tend to monitor and guard their planted trees carefully. Timber substitution (with consent of the actual owner) is, however, recognized as an ongoing practice, and while it may not result in unsustainable harvesting, it is a legal infraction.

3.3.5.3. Risk related falsification of species

A third risk (in consideration of current policy prohibiting the harvest of timber from natural forests) is the falsification of species, whereby timber from nearby *natural* forests is harvested and sold as *plantation*-grown wood.

Laundering of natural forest species as plantation-grown timber is difficult to carry out (in the absence of collusion with DENR monitoring authorities), as most plantations species are readily identifiable as such.

Legality risks for wood harvested from plantations in the Philippines are low. Most legally harvested wood is currently sourced from private plantations, with clear ownership, and there are few restrictions on such harvests. Legality risks are also low for wood harvested from plantations on public forestland (covered by various tenure instruments) as DENR monitoring is rigorous in most instances. The main plantation species grown in the Philippines are *Paraserianthes falcataria* (*syn. Albizia falcataria*), *Acacia mangium*, *Gmelina arborea*, and *Swietenia macrophylla*, with smaller areas of *Eucalyptus deglupta*, *Pinus kesiya*, *Casuarina equisetifolia*, *Leucaena leucocephala*, *Pterocarpus indicus*, and *Samanea saman*. Wood and

wood products from any of these species – with the exception of narra (*Pterocarpus indicus*) – can generally be considered low risk if accompanied by usual documentation.

Products made from *Pterocarpus indicus* should be considered more carefully as this is a premium species that also grows in natural forests and is illegal to cut from natural stands. It is legal, however, to cut *Pterocarpus indicus*, if the trees were planted (not naturally growing), provided a “Special Private Land Timber Permit” is issued by DENR to allow for harvest of this particular tree species.

As most legal domestic timber harvesting now is conducted in private plantations, with minimal legal requirements, violations are few. Correspondingly, DENR control measures for monitoring or inspecting harvests on private lands is minimal.

Following the issuance of E.O. 23 and the establishment of the Anti-illegal Logging Task Force, surveillance and enforcement was stepped up, resulting in a reduction in the number of illegal logging “hotspots” (municipalities) from 197 in 2011, to just 17 in 2016 (DENR, 2017). However, it is widely recognized that illegal logging of timber from natural forests still continues (sometimes in collusion with authorities and/or with the protection of politicians and other influential individuals). In cases of illegal harvest of timber from natural forests, the harvested timber is mainly used locally and sold in domestic markets in contravention of timber trade regulations. The biggest risk of such wood entering the export markets is by being used as the raw material in manufacturing high-value tertiary specialty products that are susceptible to being overlooked by monitoring officials.

As there are very few legal exceptions (less than 10,000 cubic meters in 2016) to the restrictions on cutting of trees in natural forests. Therefore, any wood or wood products of non-planted species (i.e., species found in natural forests) from the Philippines should be considered very high risk, unless manufactured from imported wood with clear evidence of legal sourcing.

3.5. Employment and safety in forest management and harvesting operation

Legal requirements for employment of forestry and wood processing operations are governed by the Labor Code of the Philippines of 1974 (PD 442), as amended over the years. The Labor Code specifies conditions for employment and rights and responsibilities of workers and employers. There are no specific sections in the Labor Code dealing with forestry field workers or those engaged in timber harvesting, which are considered under sections dealing with agricultural workers. Workers in wood processing plants fall under regulations related to industrial workers, including occupational health and safety.

The Labor Code outlines working hours, minimum wages (as periodically established by Regional Tripartite Wages and Productivity Boards), overtime compensation entitlements, holiday leave, maternity leave, enrolment in the State Insurance Fund (covering disability, medical, and death benefits and retirement), provision of personal protection equipment, and various other benefits, etc. Children below 15 years of age may not be employed except under the sole responsibility of their parents, and teenagers between 15 and 18 years of age may not be employed in hazardous work. “Payment by results” or compensation for “piecework” must

equal or exceed the minimum daily wage for hourly labor, and not require more than eight hours to accomplish.

The Department of Labor and Employment (DOLE) is responsible for monitoring and enforcement of the conditions of the Labor Code and has the authority to shut down or impose fines on employers failing to comply. In practice, on-sight inspections and reviews by DOLE are reportedly rare, with most compliance checks made via self-reporting and document verification.

Legality risks could arise from potential illegal employment of under-age children, failure to pay workers established minimum wages, and “payment by results” (payment for “piecework”) that fails to reach minimum wage thresholds. These aspects are particularly risky with regard to legality with respect to forest harvesting operators and contractors in remote areas less closely monitored by DOLE officials. While larger wood processing plants are believed to be largely compliant with labor legislation and regulations, compliance by small operators is recognized far less than universal.

Closer scrutiny of even larger corporations by DOLE often reveals violations of the Labor Code, as with investigations of a Japanese-owned major wood-products exporter to Japan – after a major fire in 2017.⁶ DOLE reviews, following a devastating fire in February 2017 in which at least three employees died, uncovered violations of worker safety regulations and improper deductions from workers’ salaries (see: <https://www.rappler.com/nation/172010-dole-peza-cavite-factory-fire-hti-violated-labor-safety-standards>).

As monitoring and enforcement of the Labor Code are outside the authority of forestry officials, coordination with DOLE officials is essential if compliance with labor laws is to be considered a serious element of timber legality.

4. Legislations on transportation and processing of wood and wood products

4.1 Laws and regulation on transportation and processing of wood and wood products

Table 16 list key laws and regulations related to transport and processing of timber and wood products. HTML links are provided for most laws and regulations.

Table 16. Laws and regulations regulating transportation and processing of wood and wood products

⁶ HTI suffered a second serious fire in early 2018.

| Name of laws and regulations | Year | Description |
|---|--|---|
| Presidential Decree 705 (PD 705), known as the "Revised Forestry Code of the Philippines" | <ul style="list-style-type: none"> Promulgated May 1975 | <p>Serves as the basic forestry law of the Philippines, outlining administration, management principles, timber harvesting, forest utilization, wood processing, forest protection, reforestation, fees, etc.</p> <p>https://www.lawphil.net/statutes/presdecs/pd1975/pd_705_1975.html</p> |
| DENR Administrative Orders 1994-07 and 2007-31 | <ul style="list-style-type: none"> February 1994 Revised guidelines issued 2007 | <p>Together these two administrative orders prescribe the requirements for issuing Certificates of Origin by DENR for logs, timber, lumber and non-timber forest products which are required for transporting such materials. DAO 1994-07 also prescribes requirements for transporting finished, semi-finished and knock-down forest products.</p> <p>http://policy.denr.gov.ph/1994/ForDao_1994-07.pdf http://policy.denr.gov.ph/2003/dao2003-24.pdf</p> |
| Ministry Administrative Order 1986-50 and DENR Administrative Orders 2003-41 and 2003-53 | <ul style="list-style-type: none"> First issued 1986 Revised guidelines issued in 2003 | <p>Outlines procedures for issuance of "Permit to Establish and Operate Wood Processing Plant"</p> <p>http://policy.denr.gov.ph/2003/dao2003-41.pdf http://policy.denr.gov.ph/2003/dao2003-53.pdf</p> |
| DENR Administrative Order 2003-30 | <ul style="list-style-type: none"> June 2003 | <p>Elaborates Implementing Rules and Regulations (IRR) for the Philippine Environmental Impact Statement (EIS) System, including requirements to secure and Environmental Clearance Certificate (ECC) or Certificate of Non-Coverage (CNC) required to obtain a Permit to Establish and Operate Wood Processing Plant</p> <p>http://policy.denr.gov.ph/2003/dao2003-30.pdf</p> |
| DENR Memorandum Circular 1994-18 | <ul style="list-style-type: none"> May 1994 | <p>Outlines procedures for approval of log/lumber supply contracts, which can be used as important supporting documentation in applying for Permit to Establish and Operate Wood Processing Plant</p> <p>http://policy.denr.gov.ph/1994/ForMC_1994-18.pdf</p> |

4.2. Transportation of logs

4.2.1. Public domain / forestlands

All logs being transported from areas under CBFMA, IFMA, CSCs and SIFMA tenured areas must be accompanied by a "Certificate of Timber Origin" (CTO) issued by the CENRO in the location where the timber originates. The request for the CTO must specify:

- number of pieces, volume and value of the logs to be transported;
- date of transport/loading;
- point of loading;
- mode of transport/type of conveyance;
- name and address of consignee;
- point of destination; and
- expected duration of shipment

The CTO request should also be accompanied by tally sheets that contain detailed information on the logs to be transported (log numbers, species, and dimensions) and receipts showing evidence of payment of fees (if any apply). The CENRO inspects the documents and the logs to be transported for accuracy before issuing the CTO.

4.2.2. Private lands

For logs coming from private lands covered by a Certificate of Tree Plantation Ownership (CTPO), a Self Monitoring Form (SMF) validated by the CENRO – with attached tally sheets (elaborating the species and volume of harvested wood to be transported and sold) and a copy of the transport agreement – are sufficient to facilitate transport and sales. For planted trees harvested from private lands, not registered under a CTPO, the CENRO issues a cutting permit and a Certificate of Verification (CV), which facilitates transport and validates that the timber is being transported from a private plantation.

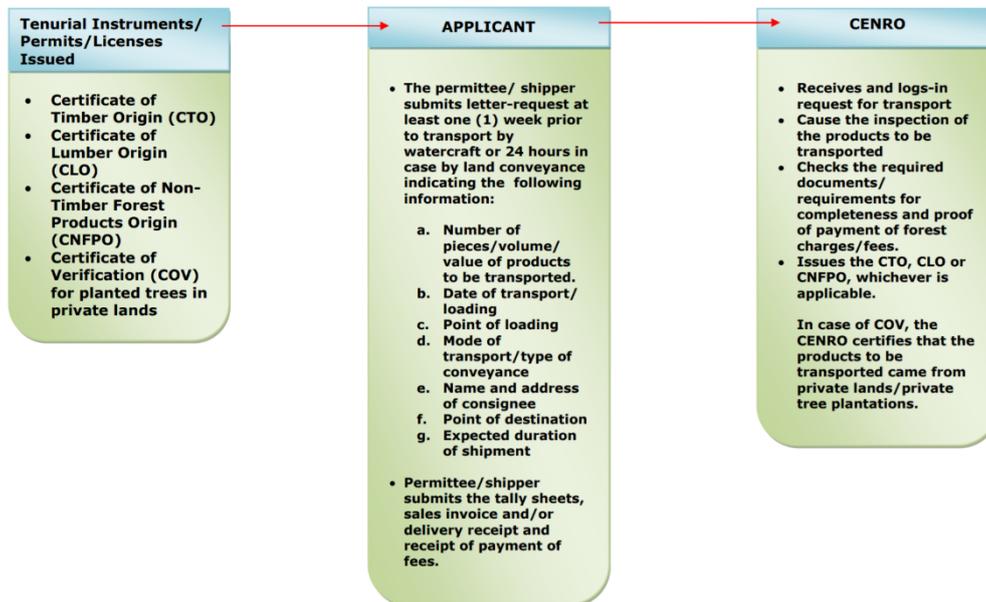
Normally, a “Transport Agreement with Owner of Conveyance” is required, unless the hauler is also the owner of the truck.

For tracking and business management purposes, buyers of raw material normally issue purchase orders describing the volumes of material, species, and other characteristics. Delivery receipts are commonly issued by the receiving processing plant and should be referenced back to the relevant CTO or Self Monitoring Form covering the source of the material and transport. Records of timber received should be allocated to stock, production or sales and maintain reference links between the purchase orders, production batch unit numbers, or sales orders, as applies.

At the time of transport, CENROs inspect logs and sawntimber to be transport and verify volumes and specifics of the transport.

Figure 4. Issuance of the certification of the origin for logs, timber, lumber and non-timber forest products (DENR ADMINISTRATIVE ORDER No 1994-07)

**ISSUANCE OF CERTIFICATE OF ORIGIN FOR LOGS, TIMBER, LUMBER AND
NON-TIMBER FOREST PRODUCTS**
(DENR ADMINISTRATIVE ORDER No. 1994-07)



4.3. Processing wood and wood products

All wood processing companies are required to be properly registered with the relevant government authorities and obtain required permits. CENROs receive applications for wood processing plant permits and recommend to higher DENR officials for approval or rejection, according to level of decision required. Companies must be registered with the Securities and Exchange Commission, which is a basic requirement for business operation in the Philippines. Municipal governments also usually require a local business permit, issued by the Office of the Mayor.

Prior to operation, the owners of wood processing companies must secure from DENR a “Wood Processing Plant Permit” (which requires an “Environmental Clearance Certificate,” issued by the Environmental Management Bureau of DENR, as a precondition). New applications for Wood Processing Plant Permits must be approved by the Secretary of DENR, while renewals can be approved by the relevant Regional Executive Director. As part of the conditions specified in the terms of the Wood Processing Plant Permit, the daily log consumption and lumber production must be recorded to ensure that logs processed are legal and production matches available legal log supply. In cases where the wood processing plant is to be located within and adjacent to designated forestlands, a Special Land Use Permit is also issued by DENR, with consideration simultaneous to the Wood Processing Plant Permit.

According to the Foreign Investments Act of 1991, foreign entities are allowed to invest in forestry activities in the Philippines – including wood processing – with equity participation up to 100 percent (https://asean.org/storage/2016/08/P79_Foreign-Investments-Act-of-

[1991.pdf](#)). Additionally, industrial tree plantations are among the priority investment activities that may be given incentives under the Philippine Investment Priorities Plan (IPP).

Systems for tracking wood through the manufacturing stages to finished product are not explicitly required by law, but are required under the terms of Wood Processing Plant Permits and other DENR monitoring requirements. Timber processors are expected to maintain documentation of raw material received, used, and disposed (through sales or transfer). This allows for monitoring and tracking of wood stocks and calculation of recovery rates. The company should maintain records of raw material stock, which is allocated to defined production batches, allowing for timber to be traced back to specific sources covered by purchase orders, CTOs, Self Monitoring Forms, CVs, etc.

Wood processing plants are also required (under the conditions of their Wood Processing Plant Permits) to install and maintain CCTV cameras in the wood receiving areas. DENR also assigns “in-plant scalers” to wood processing plants to monitor in-coming wood for legality, required documentation, etc. Although in-plant scalers are supposed to be present at all wood processing plants, in actual practice scalers are not always present, especially at smaller processing plants.

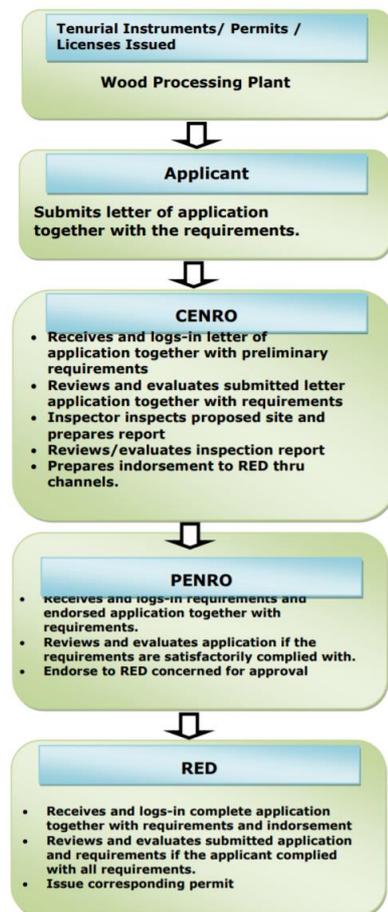
There also appears to be gaps in the monitoring and tracking of manufacturers of furniture and tertiary wood products. DENR systems were established to monitor forest harvesting, transport and processing of primary wood products, but monitoring of furniture and finished product manufacturing facilities appears to be inconsistent.⁷

Legality risks associated with wood processing include illegally operating mills and processing of illegally sourced timber. Most such illegal activities are small scale and feeding into local domestic commodity chains, not large commercial ventures or export markets. Nonetheless, their combined impact and volumes may be substantial (albeit unknown). Careless record maintenance could result in the inability to trace finished products back to original raw material sources.

Figure 5. Existing Flowchart for the processing and approval of WOOD PROCESSING PERMIT (MAO 50, series of 1986 as amended by DENR ADMINISTRATIVE ORDER No 2003-41)

⁷ For example, it appears that furniture factories are not generally required to obtain a Wood Processing Plant Permit, but are expected to maintain and report receipts and disposition of wood stocks.

**EXISTING FLOWCHART FOR THE PROCESSING AND APPROVAL OF
WOOD PROCESSING PLANT PERMIT**
(MAO 50, series of 1986 as amended by DENR Administrative Order No. 2003-41)



4.4. Transportation of wood and wood products

Transport of processed lumber from sawmills to wood dealers or plants for further processing requires a permit similar to that for transporting logs. In fact, the same form covers both types of transport. In the case of lumber, a "Certificate of Lumber Origin" (CLO) is issued by CENRO in the location where the lumber originates, based on:

- number of pieces, volume and dimensions of the lumber to be transported
- date of transport/loading
- point of loading
- mode of transport/type of conveyance
- name and address of consignee
- point of destination
- expected duration of shipment

The CLO request should also be accompanied by tally sheets that contain detailed information on the lumber to be transported (number of pieces, species, dimensions and volume) and receipts showing evidence of payment of fees (if any apply). The CENRO inspects the documents and the lumber to be transported for accuracy before issuing the CLO.

Transport of finished wood products other than lumber (e.g., furniture, doors, windows, cabinets, wooden articles) does not require a transport permit.

A key element in guarding against illegal harvest and transport of timber are DENR highway checkpoints, which can be established at 117 locations throughout the country. At such checkpoints, those transporting logs or sawnwood must have proper CTOs or CLOs for transport; if not the wood materials are confiscated and legal action initiated.

Risk in transportation of log and wood

In the past, legality risks related to falsification or “recycling” of documents. However, with implementation of computerized issuance of the transport documents, these risks have been minimized.

Transport documents are stamped by DENR monitoring stations, rendering them difficult to be reused. Stolen or illegal logs could potentially enter the supply chain if checks are not made properly or in the event of collusion with DENR and other authorities occurs, or if transport is authorized without careful matching against actual sources and declared volumes. Careless record maintenance could result in the inability to trace finished products back to original raw material sources. The fact that DENR does not require transport permits for finished wood products opens potential opportunities for the legality of these articles to be questioned if the source of the raw material from which they were manufactured cannot be verified.

5. Legislation on trading woods and wood products

5.1. Laws and regulation on trading woods and wood products

5.1.1. Imports

DENR Administrative Order 1999-46 governs the entry and disposition of imported logs, lumber, veneer, plywood, other wood-based panels, poles and piles, pulpwood and wood chips. Only holders of TLAs, IFMAs or Wood Processing Plant Permits, or registered wood dealers and their agents can import logs, sawnwood and other wood-based products into the Philippines. Imports of logs, sawnwood and most other wood products have been liberalized to help ensure adequate raw material supplies for wood processors and domestic consumption.

Issuance of a “Certificate of Registration as Log/lumber Dealer” is guided by Republic Act No. 1239 of 1955, FAO 26 Series of 1956 and DAO 1994-08. To obtain a Certificate of Registration as Log/Lumber Dealer, the applicant must submit to DENR (initially to the CENRO) at least 16 items of support, including: SEC and mayor’s business registrations, registration to import wood products, copies of sales/supply contract with foreign suppliers, copies of import documents, receipts for all fees required, copies of tax returns for the past two years, pictures of the proposed wood/lumber yard site, business plan, evidence of financial liquidity, etc. The

application is referred by the CENRO to the Regional Executive Director (through the PENRO) for approval.

Individuals or corporations intending to import wood products are expected to record or register their “Certification of Registration as Log/Lumber Dealer” with the Philippine Wood Products Association (PWPA) and then or subsequently have the certificate approved by the relevant Office of the Regional Executive Director as a valid “Authority to Import Wood Materials.”

Importers are also required to have copies of sale/supply contracts with the foreign exporter of wood materials (valid for at least one year), duly authenticated by the Philippine commercial attache/embassy at the country of origin of the wood materials. This process reportedly constrains the easy importation of wood from some countries as wood exporters in other countries are often not located near to Philippine embassies or consulates (Salvio Valenzuela, Nicolaas de Lange, personal communication).

The entry and discharge of imported wood materials into the Philippines (at approved port locations only) shall be in accordance with the requirements and procedures of the Bureau of Customs and Bureau of Plant Industry’s Plant Quarantine Office. Each shipment must be accompanied by a Phytosanitary Certificate issued by the country of origin, indicating the kind of quarantine treatment requested and/or applied, if any.

Importers must also abide by basic import regulations of the Bureau of Customs (BoC), including accreditation with BoC. Accredited importers (or customs brokers) can access BoC’s Electronic to Mobile (E2M) system to lodge import entries electronically, including Customs Import Declaration. The E2M system allows customs officers and traders to electronically process most customs transactions, although importers are still required to submit hard copies of import documents and attachments to the Entry Processing Unit for verification. The E2M system does not deal with permits and/or licenses issued by other government agencies, which must be applied for separately (e.g., wood imports further regulated by DENR).

Businesses importing into the Philippines must provide the following documents when their goods arrive:

- Packing list
- Invoice
- Bill of lading
- Import Permit
- Customs Import Declaration
- Certificate of Origin

Subsequent to review and possible inspection, the BoC issues release instructions or clearance of imported commodities. The approved “Authority to Import” or “Certificate of Registration to Import Wood Materials” granted by the DENR and the clearance of the imported commodities issued by the Bureau of Customs are sufficient documents for the imported wood materials to be moved from the port of entry to the point of destination. However, the importer is required, upon arrival of the shipment at the point of destination, to provide the CENRO concerned with copies of the following documents: (1) “Authority to Import” or “Certificate of Registration to Import Wood Materials;” (2) the Phytosanitary Certificate issued by the country of origin; (3) the Bill of lading; and (4) the Summary of the Packing List.

Each month, subsequent to import, the importer is required to provide to the CENRO concerned a report that provides: (1) balance of imported wood stocks carried over from the previous month; (2) additional purchases received during the month under report; (3) total volume/quantity handled; (4) volume processed/sold; and (5) balance of stocks of imported wood at the end of the month.

Under the terms of approval for importing wood materials, the importer can be subject to inspection by authorized DENR personnel to inspect the premises where the imported wood materials are stored and to examine records concerning withdrawals or disposition of the wood.

One area that requires further examination is the extent of oversight and monitoring of wood imports and processing in export processing zones, from which value-added products are then directly exported. Such facilities sometimes operate to some extent outside the general oversight of normal regulators from DENR, DOLE, and local authorities and are subject to regulation by the Philippine Economic Zone Authority (PEZA). However, according to a wood processing company in Cavite Export Processing Zone, they are reporting types, origin, and volume of imported wood to DENR annually and understanding this regulation is also imposed to companies located in the Export Processing Zone.

As the Philippines imports significant volumes of wood from other countries, which is then further processed in making finished wood products, the legality of imported wood is highly dependent on the legality systems in place in the exporting countries. The greatest assurance of legality of imported wood involves imports of low-risk species, from low-risk countries, with independent verification or certification. At the opposite end of the spectrum are imports of high-risk species from high-risk countries, without independent verification/certification. Current Philippine imports run the entire spectrum, but are increasingly shifting toward lower risk imports. The draft *Guidebook on Requirements for Chain of Custody Systems & Monitoring Compliance* by the Philippines Timber Associations, formulated jointly by the Department of Trade & Industry (DTI), the Chamber of Furniture Industries of the Philippines (CFIP), and the Philippine Wood Producers Association (PWPA), in collaboration with DENR/FMB and FAO, provides guidance for wood importers in conducting due diligence related to imports (see: https://issuu.com/naniegonzales/docs/cfip_duediligence).

5.1.2. Exports

Exporting entities need to be registered with the Department of Trade and Industry (for sole proprietorships), the Securities and Exchange Commission (for partnerships and corporations), or the Cooperative Development Authority (for cooperatives) and have all other registrations up to date, as applicable (e.g., Mayor's Permit, Bureau of Internal Revenue, Social Security System, Department of Labor and Employment, PhilHealth, PAG-IBIG Fund, and DENR).

Exporters are required to register with BoC using the Electronic 2 Mobile (E2M) Customs Administration, via the Client Profile Registration System (CPRS). Export transactions cannot be processed unless the client is duly registered with the CPRS. For most exporters, the CPRS approving authority is the Philippines Exporters Confederation, Inc. (www.philexport.ph). Registered exporters are assigned a Unique Reference Number (URN), which becomes a part of the exporter's CPRS profile, valid for 12 months, renewable annually.

Exports of wood products from the Philippines are regulated under DENR Administrative Order 1991-54 and DAO 1993-33. Individuals, licensed wood processors/dealers, and other corporations/partnerships/associations planning to export wood products must request an “Export Authority” from the DENR, through the CENRO where the products to be exported are located. The request must include information on the products intended to be exported, species, dimensions, number of pieces, volumes, etc. and be accompanied by copies of the purchase order, Letter of Credit issued by the Central Bank of the Philippines, permit to operate wood processing plant (if applicable), tax returns for the past three years, and a sworn statement authorizing DENR representatives to verify submitted information. Applicants other than licensed wood processors or dealers may be required to submit additional documents. If the products to be exported were produced from planted trees, the CENRO also provides certification to that effect. If the products were derived from public lands or include products produced from planted premium hardwood species (e.g., *Pterocarpus indicus*), a copy of the required Special Permit is also included with the application. The CENRO dispatches a team to verify the products/commodities to be exported and the expected date and location of the loading for export and conveyance to be used.

The application for Export Authority is forwarded by the CENRO to the DENR Regional Executive Director, through the PENRO, along with the CENRO’s verification report. If approved, the Regional Executive Director returns the Export Authority to the CENRO and the exporter. The approved Export Authority also serves as the authority covering transport from the processing plant to the final export loading point.

The CENRO is responsible for overseeing the transport and loading of the products/commodities approved for export. If inspection of the shipment is consistent with the Export Authority, the CENRO issues an Export Clearance Certificate, copies of which are provided to DENR Office of the Secretary, Office of the Undersecretary for Staff Bureaus, Forest Management Bureau FMB and RED concerned. The CENRO is also required to observe the actual loading to ensure that only the authorized wood products are loaded for export. If the shipment is in order, the CENRO issues an Export Compliance Certificate for the authorized wood products.

For most export destinations, a Phytosanitary Certificate is required to export all wood and forest products. Phytosanitary Certificates (BPI “Q” Form 11) for exports from the Philippines are issued by the Bureau of Plant Industry’s Plant Quarantine Service only, following submission of BPI “Q” Form 10 (Request for Inspection), and actual inspection of the items to be exported.

Exporters prepare a pro-forma invoice, covering the items to be exported, and obtains signature from the buyer in the importing country confirming the purchase. A Bill of Lading is prepared in collaboration with the courier or carrier that will handle the shipping to the importing country. Finally, the exporter makes an Export Declaration and obtains Authority to Load via the E2M BoC online service (supported in the case of wood products by the DENR’s Export Clearance Certificate).

The BoC can also issue a Certificate of Origin for the exporter. For shipments to Japan, a “JP” Certificate of Origin is issued to confirm products exported from the Philippines to Japan under the Philippines-Japan Economic Partnership Agreement (PJEPA).

The exporter will also normally prepare a Packing List, which for wood and forest products may be authenticated by the CENRO concerned.

The Philippines Standard Commodity Classification used for classifying export products is an integration of the ASEAN Harmonized Tariff Nomenclature (AHTN) based on the Harmonized Commodity Description and Coding System (HS) issued by the World Customs Organizations (WCO), and the Standard International Trade Classification (SITC) by the United Nations Statistics Division (UNSD).

Risk

Legality risks at the final export stage relate to false or mis-declarations of products (including species and product categories) and false or mis-declaration of volumes and values. These risks can be mitigated with thorough and scrupulous review of Export Authority and related export documentation, coupled with on-site inspection by DENR of items to be shipped.

5.2. Legally required documents or records

Table 17 lists required documents for importing and exporting wood and wood products into and out of the Philippines.

Table 17. Legally required documents to import and export wood and wood products

| Name of document | Description | Issuing authority |
|---|---|--|
| <i>Imports</i> | | |
| Certificate of Registration as Log/lumber Dealer | Ensures eligibility of importer to import wood products into the Philippines | DENR Regional Executive Director |
| Authority to Import Wood Materials | Authorizes wood imports | DENR Regional Executive Director |
| Sale/supply contracts with the foreign exporter of wood materials | Validates legitimacy of wood exporter | Philippine commercial attache/embassy in the country of origin of the wood materials being exported to the Philippines |
| Phytosanitary Certificate | Certifies products as disease free and/or receiving phytosanitary treatment | Authorized agency in the exporting country |
| Bureau of Customs registration | Provides Unique Reference Number for all transactions and approvals with BoC | Philippines Exporters Confederation, Inc. |
| Invoice | Detailing products to be exported and agreed prices | Exporter |
| Bill of lading | To acknowledge receipt of cargo for shipment | Courier or freight handler (or their agent) |
| Packing list | Detailed descriptions of contents of each crate, box or container being shipped | Exporter |
| Customs Import Declaration | Official declaration of goods imported | Bureau of Customs |

| | | |
|-----------------------|--|---|
| Certificate of Origin | Confirms the originating country of items being imported | Designated authority in exporting country |
|-----------------------|--|---|

| Exports | | |
|--|--|--|
| Sales invoice | Detailing products to be exported and agreed prices | Exporter |
| Bill of lading | To acknowledge receipt of cargo for shipment | Courier or freight handler (or their agent) |
| Phytosanitary Certificate (BPI Form "Q" No. 11) | Certifies products are disease free and/or received phytosanitary treatment | Bureau of Plant Industry, Plant Quarantine Service (Department of Agriculture) |
| Export Authority | Authorizes exporter to proceed with requested exports | DENR Regional Executive Director |
| Special Permit | Provides special approval of exports if products were made from plantation-grown wood of premium species (e.g., <i>Pterocarpus indicus</i>) | DENR Regional Executive Director |
| Export Clearance Certificate and Export Compliance Certificate | Confirms products loaded for shipment conform with those authorized in the Export Authority | DENR CENRO |
| Export Declaration | Detailed declaration of items and products to be exported | Submitted by the exporter to the Bureau of Customs |
| Authority to Load | Allows exporter to load shipment onto ship or plane | Bureau of Customs |
| Certificate of Origin (for exports to Japan, a "JP Certificate of Origin" is prepared) | Verifies country of origin of exported products | Bureau of Customs |
| Packing list | Detailed descriptions of contents of each crate, box or container being shipped | Exporter (authenticated by CENRO) |

6. Others

6.1. International framework / trade agreement relevant to combatting illegal harvesting and associated trade

The Philippines is a member country of the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation Forum (APEC), the International Tropical Timber Organization (ITTO), and the Food and Agriculture Organization of the United Nations (FAO) – all of which are working to combat illegal forest harvesting and associated trade. The Philippines has engaged with several projects and initiatives of these organizations related to timber legality, including an ongoing ITTO-supported project to develop a Timber Legality Assurance System (TLAS).

The Philippines is a signatory party of the Convention on International Trade of Endangered Species of Wild Fauna and Flora (CITES).

Within ASEAN, the Philippines has been active in working groups addressing FLEG, the Pan ASEAN Timber Certification Initiative, and the development of ASEAN criteria and indicators for sustainable forest management (which would provide a foundation for legality definition and national certification systems) and the ASEAN Chain-of-Custody Framework.

The Philippines also participates actively in APEC's Expert Group on Illegal Logging and Associated Trade (EGILAT).

The Philippines has been collaborating with the European Union (EU) in advancing toward meeting EU Timber Regulation requirements, including support from the EU FLEGT Facility of the European Forest Institute (EFI) and the FAO EU FLEGT Programme. DENR and forestry sector entities have indicated interest in engaging in negotiations toward concluding a Voluntary Partnership Agreement (VPA) with the EU, but action in this regard is pending approval from the Department of Foreign Affairs to enter into negotiations.

The Philippines has adopted the UN Harmonized Commodity Description and Coding Systems (HS) for trade of all products, including wood and wood products. The Philippines also ascribes to the ASEAN Harmonised Tariff Nomenclature (AHTN), which is also based on the HS of the World Customs Organization. Under ASEAN, the Philippines is in the process of developing the Philippine National Single Window to streamline customs and trade procedures and facilitate exchange of documentation for trade among ASEAN countries. Forest and wood products are eventually expected to fall under the NSW system, which is still under development.

6.2. Voluntary schemes on legality / sustainability of wood and wood products

A small number of forests in the Philippines obtained FSC certification in the past, but at present there are no FSC-certified forests in the country (previous FSC certificates have lapsed). There are currently 10 companies that have FSC Chain-of-Custody certification.

The Philippines has had discussions with the Programme for the Endorsement of Forest Certification (PEFC) and has taken initial steps in developing a national forest certification system that could be considered by PEFC for endorsement. Industry groups have proposed an Interim National Governing Body for a Philippine Forest Certification System, but the effort is awaiting further development of the TLAS by DENR-FMB as a critical component supporting certification (Tommy Valdez, personal communication).

A joint effort by the Department of Trade & Industry (DTI), the Chamber of Furniture Industries in the Philippines (CFIP), and the Philippine Wood Producers Association (PWPA) – in collaboration with DENR/FMB and FAO – has led to the drafting of a Guidebook on Requirements for Chain of Custody Systems & Monitoring Compliance by the Philippines Timber Associations (see: https://issuu.com/naniegonzales/docs/cfip_duediligence), which represents a voluntary initiative by the private sector to demonstrate legality and assist buyers in their due diligence efforts when importing wood products into the Philippines from other countries. The guidebook is intended to be a dynamic document; as such, it is currently in “draft” format, but provides a useful initial framework for guiding chain of custody procedures and due

diligence practices demanded by the EU Timber Regulation and U.S. Lacey Act Amendment (Bill Maynard, personal communication).

6.3. Other Observations and Comments

The forestry situation in the Philippines is currently in flux, with various changes and reforms underway with respect to policy, legislation, and regulation. The sector has been significantly constrained by unstable and frequently shifting policies over the past two decades. After years of effort, however, there is currently increased optimism that Congress may finally pass new basic forestry legislation (“Sustainable Forestry Act”) within 2019, following compromises made by industry, NGOs, government and other interest groups, which have rallied behind a consolidated draft bill. If successfully enacted, new forestry legislation could pave the way for reinvigorating the sector by providing stability, incentives for investment, and reduction of regulatory burden.

Under current policy and regulation, very small volume of timber from natural forests is permitted to be harvested in the Philippines. As the vast majority of existing plantations of harvestable age are comprised of species that are not harvested from natural forests, the legality of domestic timber harvests should be relatively easy to determine and validate, according to species.

With respect to sustainability, buyers of wood and wood products derived from plantation-grown timber also can feel relatively confident, since the majority of plantations are not grown in environmentally sensitive areas.

It should be noted, however, that guidelines for tree planting under the National Greening Program now emphasize the planting of native species. In the future, if such plantations are to be harvested, the easy determination of legality according to species as a main consideration will no longer be possible. For the time being, however, this challenge is still many years away.

Frequent news reports and anecdotal evidence from rural areas indicate that illegal harvesting of timber from natural forests continues in many areas of the country. Interested buyers can still procure lumber, cabinets, flooring, wooden furniture, etc. made from wood from natural forests, particularly in areas located close to natural forests. Even furniture made from premium protected species such as narra (*Pterocarpus indicus*) and ebony (*Diospyros* spp.) can be obtained, although reportedly now much more difficult to purchase than in the past (Anonymous sources, personal communication). Evidence suggests that most such illegally harvested wood remains in the domestic market, however, and not generally entering the export market.

Any products made from wood of species other than those commonly grown in plantations in the Philippines would need to be manufactured from imported raw material to be legal. The legality of such products would depend on the source(s) of raw material, assurances of legality of the imports, and due diligence practices of importers. Of course, the strongest assurances of legality of imported raw materials derives from certification of forest management and chain-of-custody.

Without an established TLAS, and no existing independent third-party certified forests in the Philippines, it is sometimes difficult to provide solid assurance of legality of wood and wood products, especially for tertiary value-added products. Thus, timber may in fact be legal, but may lack robust documentation to validate such. This gap will hopefully be closed soon with development of a national TLAS.

Labor laws are detailed and complex in the Philippines and compliance monitoring by DOLE is generally inconsistent – generally more robust for established factories and businesses, but often dependent on the rigor of monitoring by local DOLE officials. Less rigorous monitoring is undoubtedly conducted for timber harvesting in rural areas, especially with respect to subcontractors and casual employees who are sometimes paid less than minimum wages, not given full legal benefits, or provided with personal protection equipment.

7. Interviews/Field Survey (Logistic Records)

7.1. Interviews

Table 18. List of interviews

| Date | Name of interviewees | Title | Organisation | Main topics |
|--|--------------------------|---|---|--|
| 29/6/18 | Bruno Cammaert | Forestry Officer | FAO-EU FLEGT Programme | General issues of legality; sources of information; contacts |
| 29/6/18 3/8/18 | Erica Pohnan | Consultant | FAO-EU FLEGT Programme | General issues of legality; sources of information; contacts in Philippines |
| 29/6/18 | Josil Murray | Consultant | FAO-EU FLEGT Programme | General issues of legality; sources of information; contacts |
| 13/8/18 22/8/18 (plus email comms. on various dates) | Mayumi Quintos-Natividad | Assistant Director | Forest Management Bureau, DENR | General issues of legality; sources of information and contacts; clarification of issues identified in desk review |
| 1/8/18 (via email) | Juan M. Pulhin | Professor | University of the Philippines – Los Banos | Forest tenure; regulations government harvest and transport of timber |
| 2/8/18 (via email) | Edwino S. Fernando | Professor | University of the Philippines – Los Banos | Endangered, threatened and vulnerable tree species of the Philippines |
| 2/8/18 6/8/18 10/8/18 (via email and skype) | Tong Pei Sin | Lecturer | University Tunku Abdul Rahman, Malaysia | Trade of CITES-listed tree species in Southeast Asia |
| 13/8/18 | Edna Nuestro | Chief, Forest Policy, Planning & Knowledge Management Division (FPPKMD) | Forest Management Bureau, DENR | Legislation, regulations and policies related to forest management and timber legality |

| | | | | |
|-------------------------------|----------------------------------|--|--|---|
| 13/8/18 | Fe Oliveros | Chief, Forest Policy Section, FPPKMD | Forest Management Bureau, DENR | Legislation, regulations and policies related to forest management and timber legality |
| 13/8/18 | Eugene Estrada | Chief, Knowledge & Information Systems Section, FPPKMD | Forest Management Bureau, DENR | Data on forest area, forest cover, classification, production and trade |
| 13/8/18 | Bonifacio Rabang | Chief, Forest Geospatial Data & Information System, FPPKMD | Forest Management Bureau, DENR | Forestland classification, forest areas, tenurial allocations |
| 13/8/18 | Orlie Panganiban | Chief, Forest Resources Management Division (FRMD) | Forest Management Bureau, DENR | Forest management, harvesting, transport, processing requirements |
| 13/8/18 | Raul Briz | Chief, Forest Protection Section | Forest Management Bureau, DENR | FLEGT, certification initiatives |
| 13/8/18 | Nely Butic | Forester, Corporate & Industrial Forest Section | Forest Management Bureau, DENR | Forest tenurial instruments, ancestral domain claims |
| 13/8/18 | Roberto Oliveros | Technical Assistant, Office of the Director | Forest Management Bureau, DENR | Management, harvesting, transport requirements in the field; wood processing plant requirements |
| 14/8/18 | Patrick C. Dugan | President | Bagong Pagasa Foundation | Practical aspects of legality enforcement in field operations |
| 14/8/18 | Rowena Soriaga, Kumiko Shimamoto | Staff Researchers | Environmental Science for Social Change | Legality requirements and circumvention in the field; Indigenous Peoples rights |
| 15/8/18 | Maila Vasquez | Executive Director | Philippine Wood Producers Association | Industry perspectives on legal requirements and challenges of operating |
| 15/8/18 | June Alvarez | President and Executive Director | Philippine Center for Environmental Protection and Sustainable Development, Inc. | Efforts to advance policy and legislation on sustainable forest management, including certification |
| 16/8/18 | Salvio Valenzuela | Executive Director | Chamber of Furniture Industries of the Philippines, Inc. | Perspectives of furniture industry with respect to wood supplies and trade |
| 16/8/18 | Priscila Dolom | Director | Forestry Development Center | Formulation of rules and regulations on sustainable forest management, including SFM legislation |
| 16/8/18 | Tommy Valdez | President | Society of Filipino Foresters, Inc. | Formulation of new SFM legislation |
| 17/8/18 | Karl Villegas | Staff Forester | FAO EU FLEGT Programme | FLEGT initiatives in Philippines |
| 15/8/18 16/8/18 17/8/18 | Tom Blomley | Consultant | Acacia Natural Resource Consultants | EU FLEGT initiatives in the Philippines |
| 20/8/18 | Gil Mendoza | Forestry Consultant | Independent Consultant | Forest legality policy and regulatory framework |
| 16/8/18 22/8/18 | Bill Maynard | Consultant | Global Forestry Services | Guidebook on Chain-of-Custody |

| | | | | |
|---------|-------------------|---|--|---|
| 22/8/18 | Janet Martires | Executive Director | Yakap Kalikasan | Review of IFMA holders, issues and operations |
| 23/8/18 | Gillian Dunuan | Officer in Charge, Ancestral Domains Office | National Commission on Indigenous Peoples (NCIP) | Indigenous Peoples rights, ancestral domain tenure, resource use rights |
| 23/8/18 | Mark Ramirez | Executive Director | Resources Environment and Economics Center for Studies, Inc. (REECS) | Forest tenure; regulations government harvest and transport of timber |
| 24/8/18 | Nenette Marte | Executive Assistant | FILTRA Timber | Timber import procedures, timber trading |
| 24/8/18 | Nicolaas de Lange | President | Designs Ligna | Timber sourcing, manufacturing plant operations, export procedures |

7.2. Field Survey

Surveys were conducted in the Philippines, 13-24 August 2018, in Manila and surrounding areas. The surveys comprised individual meetings with key informants and focus group discussions with various interest groups. Discussions were designed to collect data, information and documents, and validate pre-identified findings from initial desk work. Site visits were also made to the manufacturing facility of Designs Ligna (San Pedro, Laguna) and the timber trading firm FILTRA Timber (Makati) as well as to several furniture and wood product outlets in Metro Manila.

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