



TREE PLANTATIONS FOR CBFM DEVELOPMENT

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EcoGovernance



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ACRONYMS

ADB	-	Asian Development Bank
CBFM	-	Community-Based Forest Management
CBFMA	-	Community-Based Forest Management Agreement
CENRO	-	Community Environment and Natural Resources Officer
CSC	-	Certificate of Stewardship Contract
CTO	-	Certificate of Timber Ownership
CU	-	Credit Union
DAI	-	Development Alternatives, Inc.
DAO	-	Department Administrative Order
DBP	-	Development Bank of the Philippines
DENR	-	Department of Environment and Natural Resources
DILG	-	Department of the Interior and Local Government
DTI	-	Department of Trade and Industry
ENRO	-	Environment and Natural Resource Officer
EO	-	Executive Order
IFMA	-	Industrial Forest Management Agreement
IRR	-	Internal Rate of Return
ISF	-	Integrated Social Forestry
JBIC	-	Japanese Bank for International Cooperation
JMC	-	Joint Memorandum Circular
LBP	-	Land Bank of the Philippines
LGC	-	Local Government Code
LGU	-	Local Government Unit
MOA	-	Memorandum of Agreement
NGO	-	Non-Governmental Organization
NS	-	Natural Timber Stands
OG	-	Old-Growth Forest
PENRO	-	Provincial Environment and Natural Resources Officer
PO	-	Peoples' Organization
PV	-	Present Value of Net Cash Flows
RA	-	Republic Act
ROI	-	Return on Investment
SPLTP	-	Special Private Land Timber Permit
USAID	-	United States Agency for International Development

EXECUTIVE SUMMARY

INTRODUCTION

This paper reports the results of a two-and-a-half week study meant to spearhead an analysis of the appropriate policy environment, incentives, and implementation mechanisms for the following: (a) the deregulation of the harvesting, processing, and marketing of planted trees in CBFM areas and LGU-managed forestlands, (b) the establishment of LGU-funded tree plantations, and (c) for inducing private sector investments on community-level forest utilization. The study included a quick review of documents pertinent to the development of CBFMA and five days in the field interviewing DENR, LGU, and CBFMA officials and members. An effort was made to observe from an outsider's viewpoint and to issue recommendations "outside the box" of current thinking, if appropriate.

BACKGROUND

Historical perspective reveals a contradiction between expressed government natural resource policies and the implementation of those policies in the Philippines. On the one hand, the government strives to develop participative programs for dealing with the constantly exploding population; while on the other hand, the government holds rigidly to the management of natural resources under the Regalian Doctrine. As a result, the nation is running out of timber, what with vast numbers of people having reduced the tree growing potential of forestlands through settlement and subsistence agriculture. For the most part, private enterprise has abandoned the idea of investing in forestry projects.

As the Philippine Constitution was last revised in 1987, it does not deal out effectively with current natural resource issues. In addition, natural resource legislation is as dated as the Constitution. As a result, the executive agencies have been forced to develop programs that meet the general public's expressed desires, while at the same time conforming to the dictates of antiquated laws. The results of these moves have shown the impossibility of the situation.

In order to cope with the twin problems of wood shortage and populated forest areas, the DENR has developed and implemented community-based forest management programs over the last several decades. Concepts have evolved from foreign-funded joint ventures, to the present Community-Based Forest Management Agreement Program (CBFMA) that harmonizes community tree-farming and agricultural crop production on DENR land. The LGU has been partially empowered to aid in initiating, funding, and regulating these projects. Progress has been good, but there is room for improvement in the implementation process. This study reviewed the opportunities for improvement in several key areas.

THE DEREGULATION OF PLANTED TREES

DENR now has total control over the administration of CBFMA and LGU-initiated tree farms. Current regulations and implementing procedures are based on natural stand exploitation. Regulatory guidelines are rigid, voluminous, and full of requirements that do not apply to the planting, harvesting, transporting, and processing of planted trees. Furthermore, these regulations are subject to several interpretations, thereby frequently leading to conflicts.

Local people claim that corruption is the only motive behind the imposition of these regulations on private citizens who have planted trees on public or private lands. Long delays often mark the issuance of permits for harvesting and transporting logs. Farmers have trouble understanding the

regulations and filling out forms. The DENR insists on scaling logs and wood products at various points. In short, the regulations now imposed for tree plantation operations are:

- all-inclusive (but not tailored to local situations),
- not suited to planted tree operations (as they are developed for natural stand management),
- imposed on lands not owned or managed by the government (they are private lands),
- often imposed where DENR has no ownership interest or license to extract forest charges. It is doubtful that the DENR has the legal right to enforce regulations on privately produced trees any more than the agency has the right to impose this type of regulations on agricultural products.

Still, DENR officials explain that these regulations are meant to scale harvested wood for the purpose of assessing forest charges. They also claim that there are regulations because of the need to monitor log movement between the forest and processing centers.

The need for scaling logs and monitoring log movement, while applicable to natural stand harvest control, are not needed to control operations in tree plantations. For planted trees, forest charges should be based on estimated tree growth rather than on harvested volumes. Forest charges should be assessed in terms of the amount of money per plantation hectare per year (to be applied from the second rotation onwards). And there are much simpler systems for monitoring the movement of planted trees than the cumbersome system the DENR now uses. (An example is provided in the main body of the report.)

If the responsibility for assessing forest charges and monitoring log movement is fully devolved to the LGU as now planned, it would be beneficial for the LGUs to develop, from scratch, a new method for assessing forest charges, along with a whole new system for log monitoring. The new systems should be geared to planted tree operations and tailored to fit local conditions.

THE ESTABLISHMENT OF LGU-FUNDED TREE PLANTATIONS

Nationwide LGU involvement in forestry projects, in general, and in tree planting, in particular, is spotty at best. However, the Governor of Nueva Vizcaya has been very active in initiating, funding, and monitoring several tree-planting projects under the Trees for Legacy Program. A federation of Integrated Social Forestry members has a one-thousand hectare *Gmelina* plantation on DENR land. This was established under the auspices of a co-management agreement between the DENR and the LGU.

The process for conversion to CBMFA is underway. An additional ten hectares of *Gmelina* and mahogany have been planted by local school children under the Governor's Trees for Education Program. This effort was partly funded by proceeds from the sale of raffle tickets in Bayombong.

The Governor of Nueva Vizcaya has likewise taken the initiative of issuing Certificates of Timber Ownership (CTO) to the participants of these tree-growing projects. Unlike the Certificate of Stewardship Contract (CSC) offered by the DENR signifying land tenure, the CTO gives full ownership of the valuable tree assets and may thus be sold or used as loan collateral.

Credited for the success of the Governor's projects is the goodwill between the local LGU and the DENR officials involved.

The success of the Governor's forestry undertakings, however, is more of an exception than the general rule. More typically, LGUs are lukewarm about joining DENR in forestry projects that consume an inordinate amount of time and effort without any accompanying political benefit for the local officials.

The main reason for the LGUs' lack of interest in forestry projects, according to several LGU officials, would be the phraseology in several portions of the Local Government Code, RA 7160, that go, "... subject to the supervision, control, and review of the DENR..." Most LGUs do not wish to become involved in projects for which they may have to borrow funds but over which they had no control.

Another problem cited was the propensity of elected local officials to shun long-term projects such as the establishment and development of tree plantations. As governors and mayors are elected every three years, they do not want to invest their valuable time in promoting low-profile, high-risk ventures. Instead, they prefer roads, bridges, dams, etc that create far more political benefits for much less effort.

In order to make forestry projects more high profile, and to set targets for producing wood for future domestic consumption, the DENR and the LGUs might do well to work together in developing a national tree-planting program. This program should run for 10 to 15 years, with the intent to establish sufficient plantations to eliminate the need for wood imports and to achieve self-sufficiency in domestic wood supply as soon as possible. A rough calculation suggests that the program would need to target between 250,000 and 350,000 hectares of tree plantations in order to generate the 5 to 7 million cubic meters of wood needed by the nation each year. Once planted, the supply should be sustained by immediately replanting on each hectare harvested.

PRIVATE SECTOR INVESTMENTS ON COMMUNITY-LEVEL FOREST UTILIZATION

One role of the private investor is to invest in wood processing facilities in order to create markets for CBFM-planted trees. Another role is to finance CBFM tree planting in order to ensure a future raw material source for the mills.

For the private investor, stand-alone tree plantation investments are not attractive. The returns do not offset the cost of capital, considering the long time it takes to grow trees and considering, too, the risks associated with tree farming. Alternative investments offer better returns for less risk.

Still the combination of tree-farming and wood processing does offer attractive returns. And these returns are enhanced if the investor can obtain suitable logs from outside sources at the outset of mill construction. This fact forms the basis for the strategy to bring private investment into LGU/CBFM ventures. On the one hand the investor creates a market for community-level grown trees, while on the other hand, the investor finances tree plantations to assure a sustained source of wood in the future.

The strategy for inducing the private investor to participate in CBFM activity assumes that there will be sufficient existing sources of mature planted trees (normally privately produced trees) available to the investor who wishes to operate a small mill. The investor will then review CBFM tree-planting plans with the LGU and DENR to determine the potential annual volumes that could be harvested from CBFM lands over time. Thereafter the investor could then design a mill to ultimately use the log supply. However, the mill would have to be built in modules. Phase I would size the mill for the wood supply immediately available. Succeeding phases of mill construction would depend on how well the wood supply targets are met though time.

The private investor might also join forces with the LGU for the financing and technical requirements necessary for establishing plantations, selling these plantations to CBFM at crown closure, and to be assured of the right of first refusal of the trees at the time of harvest. The CBFM would finance the plantation purchase using proceeds from a Land Bank of the Philippines (LBP) loan arranged through the LGU.

The schemes described above are not theoretical. A furniture-making factory in Quirino Province has already started operations using the principles just described. The owner started with

Gmelina trees grown by farmers on private land, and now has plans to expand operations. He has also planted trees on more than 500 hectares to ensure a future raw material supply for his factory.

It should be noted that private entrepreneurs do not want to enter into any agreements with government in the belief that they can only thrive under free market conditions and in the absence of encumbering rules and regulations.

WINDOWS FOR FUNDING LGU-MANAGED PLANTATIONS

The Land Bank of the Philippines will provide low interest, long-term loans for forestry projects under a special loan program backed by funding from the Japanese Bank of International Cooperation (JBIC). Loans may be granted to qualified LGUs upon submission of 20 percent of the normal IRA allotment as collateral. The program has been in existence since the year 2000. No LGUs have applied for a loan through this facility, however.

Both the LBP and the Development Bank of the Philippines (DBP) are ready and willing to provide their services in floating bonds for financing forestry projects. Qualified LGUs can avail of these services that include the marketing of bonds, making arrangements with financial institutions involved, and the payment of bond values to bondholders at bond maturity.

There have been instances when substantial amounts of money were raised by LGUs through raffles, fundraising events, etc. These appear to be good ways of generating financing for small projects on communal lands.

CONCLUSIONS

1. The Philippines is running out of harvestable natural stand timber and has made little progress in planting trees to provide for current, and future, domestic wood consumption.
2. A significant portion of government forestland has become unsuitable for growing trees. An estimated 25 million people occupy forestlands now used to provide subsistence through agricultural and pastoral pursuits.
3. National policies have shifted away from the need to grow trees toward the more popular demands for environmental protection and social equity programs.
4. The current regulations and implementing procedures for forestry operations are based on natural timber extraction and should not be perpetuated for managing planted tree operations.
5. Current regulations and implementing procedures are dual-purpose. Some are used to determine the value of harvested trees for purposes of assessing forest charges; some are used to monitor log and wood product movements. The two applications should be clearly delineated when drafting regulations and implementing procedures for planted tree operations.
6. Regulations that are based on the constitutional requirement for government to control, supervise, and review activities under co-management, joint venture, and profit-sharing partnerships have dampened the enthusiasm for investing in tree planting by the LGUs, the private sector, and community groups.
7. The method for calculating forest charges for planted trees is antiquated and should be replaced. If forest charges are to be assessed on planted trees, the charges might better be levied on a per hectare per year basis that is tied to plantation growth. This would save the trouble of scaling every truckload of logs.
8. There should be no government regulations, rules, or forest charges imposed on planted trees raised on private lands.

9. The decision to use CBFMA as the main vehicle for forest management has diverted attention away from the need to promote, through IFMA, substantial private sector investment on both plantation establishment and wood processing.
10. The CBFMA is an excellent concept for empowering scattered individuals with group responsibility and authority. However, CBFMA should be considered an agro-forestry-based social program rather than promoted as the solution to the nation's timber deficiency problems.
11. The Governor of Nueva Vizcaya has had considerable success in implementing tree planting under the Trees for Legacy Program. The Governor attributes a large measure of this success to the cooperative nature of the DENR management and the ability to work out difficulties despite encumbering regulations and implementing procedures.
12. The majority of LGUs, particularly their mayors, do not support tree-planting programs due to the time and effort required to do so and because of the lack of political currency of such programs. LGU officials are elected for three-year periods and feel compelled to devote their time to programs that show results in the short term.
13. The private sector has largely abandoned large investments in forestry activity (IFMA) due to inconsistent national policies on forest development and because of the erratic execution of policies postulated. The interests of private business (profits) and those of local government officials (elections) tend to clash with each other under partnership arrangements; particularly when government has the upper hand in the partnership.
14. Small private investors have already started investing in mills and are providing markets for tree-farm logs grown mostly on private lands.
15. Programs to entice private investors into CBFM forestry activity are best left to the offices of LGUs. Private investors can be instrumental in creating markets for CBFM trees, and may be willing to invest in tree plantations on CBFM. However, these ventures will probably work best under free market conditions without contractual arrangements with government having to exist.
16. The Land Bank of the Philippines has a program for issuing low-cost, long-term loans for forestry projects through the LGUs. Thus far there have been no takers, though.
17. Many banks, including the LBP and the DBP, are ready and willing to provide services that would involve floating bonds to finance forestry projects for CBFM through LGUs.
18. Other methods of raising money for small forestry projects include raffles, fundraisers, credit union savings, etc. These, however, require a willingness to work hard and lots of imagination.

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INTRODUCTION

The analyses, conclusions, and recommendations made in this report reflect observations made over a period of two and a half weeks while spearheading a study of appropriate policy, incentives, and implementation mechanisms for the following: (a) the deregulation of the harvesting, processing, and marketing of planted trees in CBFM areas and LGU-managed forestlands; (b) the establishment of LGU-funded tree plantations; (c) developing strategies for private sector investment on community-level forest utilization; and (d) exploring possible windows for funding LGU-managed tree plantations. The study included a quick review of documents pertinent to the development of CBFM; laws, regulations, and implementing guidelines concerned with planted trees; and a five-day field trip to Cebu, Bohol, Nueva Vizcaya Province and Quirino Province to interview Department of Environment and Natural Resources (DENR) officials, consult local LGUs, and talk with individual CBFM members. An effort was made to observe from an outsider's viewpoint and to make recommendations "outside the box" of current thinking.

BACKGROUND

It is important to know something about the history of the Philippines in order to understand how natural resource policy developed and to appreciate the situation that the Philippine government faces today in making policies to prepare for the future.

The history of the Philippines is the story of a sparsely populated land of plenty that evolved over a long period of colonial exploitation to achieve independence during a post-war boom in the world economy. Since then its natural resources such as minerals and wood have been exploited vigorously. A large proportion of these raw materials were exported in order to raise cash that would allow the government to cope with a rapidly expanding population and finance a booming national economy.

The forests disappeared at an alarming rate such that today there is but a small fraction of old growth left. Logged-over natural stands exist on a fragment of their original areas and are in various stages of degradation. In summary, state lands and state natural resources have become more and more unavailable to the majority of the Filipino people.

Continued population growth prompted more and more agricultural activity that eventually took over most of the lowland areas and expanded into the more accessible upland forest areas as well. Many of these lands, formally in the public domain, were reclassified as agriculture lands and then converted to alien and disposable status. These lands were subsequently awarded to individuals and corporations as titled properties.

But the population continued to explode. Since the Philippines achieved independence alone, the population has increased from 17 million to approximately 80 million circa 2004 (Seve 1995). The population demographics also changed dramatically. As land became less available to the poorer

classes in the agricultural lowlands, people moved into the uplands and created subsistence farms within the forest.

At first these migrants who were considered squatters were largely ignored except for occasional reminders that they stayed out of the productive forest as much as possible. However, the need to deal equitably with this sector was finally recognized as evinced by the enactment of Presidential Decree 705 of 1975 which recognized the plight of itinerant forest settlers and allowed their continued presence on Public Domain lands. According to the Philippine Population Institute, by the year 2000, an estimated 25-million people occupied DENR forestland (Guiang 2001).

CURRENT SITUATION

Over the last thirty years, the DENR has exerted considerable effort to organize the forest population into community groups, issue tenure on a long-term renewable lease basis, and devise ways to provide the forest tenants livelihood through agro-forestry pursuits. Sustainability of livelihood has since become the core issue of natural resource management (Guiang 2001).

Many problems face today's forest manager. However, within the context of dealing with problems that most directly apply to the concerns of this study, two major issues emerge. The first is the nation's running out of natural stand timber and its having made little progress in creating industrial plantations capable of supplying wood for current and future domestic consumption. The second involves the lack of any inclination or ability of the people who eke out a living on DENR forestland and require considerable attention from DENR's limited operational resources to produce timber crops of any significance.

In an attempt to cope with the need to increase plantation establishment and given the need to deal with forest occupants in an equitable manner, the DENR has launched the Community-Based Forest Management Agreement (CBFMA) to instigate tree-planting on heavily populated DENR lands. Industrial Forest Management Agreements (IFMA), on the other hand, extends incentives to the private sector for them to invest in tree farming.

The principle elements for implementing this strategy are national policies that emphasize the following: (a) the empowerment of people through the awarding of land tenure to communities and individuals in the form of 25-year renewable leases; (b) the co-management of forest activities by the DENR and the Department of Local Government (DILG) through their assignment to the Local Government Units (LGUs); (c) the granting of increased natural resource access to private industry and community-based groups; and (d) the development of consistent national priorities on economic forest development, the protection of the environment, and social equity enhancement.

Recent reports, white papers, and correspondence between consultants and the DENR indicate trends that will greatly improve the use of the country's forest-based resources. The most important of these trends are as follows: (a) a movement toward a more secure land and timber tenure for forestland occupants; (b) the implementation of the Community-Based Forest Management (CBFM) Program and the intent to alienate community planted plantations from State ownership; (c) the increased harmonization of forest development and forest-land protection activities between the DENR and the LGUs; (d) the encouragement extended to private corporations and individuals for them to participate in community-managed forest activities and milling investments; and (e) the willingness of LGUs to raise money for forest development through loans, bonds, and fundraising events, among others.

Unfortunately, such enthusiasm has not yet been translated into effective action largely because the nation's legislative and judicial branches rigidly adhere to the tenets of the Regalian Doctrine that covers all aspects of national forest policy. The Doctrine declares that all natural resources should be tightly held by the State. That is, all "timber" is treated as a natural resource owned by the State. This definition, for all intents and purposes, now includes planted trees as well naturally grown indigenous trees. In addition, all forestry activities on government lands must be managed under partnerships—co-management, joint venture, or profit-sharing agreements—between the government and other parties, with the government always having the upper hand in these partnerships.

In addition, the focus of national forest policies has veered from the need to grow wood to the popular environmental and social aspects of forest management. This makes it very difficult for the executive branches' implementing agencies and local government units to realign their strategies, regulations, and implementing guidelines such that natural forest management, at all levels of government, will be harmonized and will provide for the good of the Philippine people.

THE DEREGULATION OF PLANTED TREES WITHIN THE CBFM AREAS

Regulations applicable to the growing and harvesting of planted trees are now based on the criteria developed for regulating timber from natural stands. All these regulations derive from the provisions in the Constitution which state that all "timber" is State property and must be managed under partnerships between government and other parties. These constitutional dictates have been enacted through legislation, presidential decrees, and department orders, for which implementing guidelines and locally enforced implementing procedures are in place. Having been devised, amended, recalled, and re-constituted over the years, descriptions of these regulations are now contained in a 716-page book entitled *A Compilation of Environment and Natural Resources Policy Issues* (1993).

Further, to ensure that operating procedures reflect the dictates of national policy, regulations for timber management have been designed to accomplish the following: (a) government's having an equitable share with other parties in the co-management, joint venture, and profit-sharing arrangements pertaining to government land or in government timber; (b) government's receiving the correct payment in terms of forest charges upon the removal of government timber by corporations, community groups, or private parties; and (c) the strict monitoring of the cutting, harvesting, and processing of timber so as to guard against theft and other illegal activities.

EQUITABLE PROFIT SHARING AND THE COLLECTION OF FOREST CHARGES

For reasons already stated, that is, by virtue of its entering co-management, joint venture, or profit-sharing arrangements with other parties, the DENR can and does control the use of forestlands in the Philippines and may utilize government timber besides. Corollary to this, the DENR is similarly entitled to a share of the proceeds from planted trees which are now considered forest produce in the same way that the tree producers are entitled to the same under the terms of the partnership agreements. Unfortunately, it is sometimes difficult for communities and individuals to understand why the government insists on controlling assets (such as planted trees) that seem to be owned fully by these communities and individuals.

Table 1 below illustrates the relationships pertaining to permutations of land and timber ownership and indicates where current agreements fall within the matrix.

Table 1. Land and Timber Ownership vis-à-vis Agreement Type

	<i>Timber</i>	<i>Ownership</i>	
	DENR	JOINT	PRIVATE
Land Ownership			
DENR	OG/NS/PARKS		
JOINT	CBFM/IFMA	CBFM/IFMA	
PRIVATE	SPLTP		

Table 1 also points out several interesting facts:

First, there is no arguing with the fact that the DENR needs to strictly control old growth timber (OG), natural stands reserved for environmental protection of the land (NS), and park areas set aside for biodiversity protection and because of their unique features that are attractive to the general public.

Second, there is a need for the DENR to keep track of developments in areas co-managed by CBFM and IFMA so it could accurately measure the volume of natural stand timber removals, information necessary for determining the correct forest charges.

Third, there is some justification for DENR to regulate the harvest of jointly-owned planted trees on CBFM and IFMA co-managed areas in order to ensure equitable profit sharing and/or receipt of forest charges from removed timber.

Fourth, there is justification for DENR to monitor the removal of natural stand timber from private lands in order to assess forest charges.

There seems to be no reason for the DENR to enforce regulations on privately owned timber (planted trees) on privately owned lands, however as the Department has no economic interest or legal hold on privately owned land and timber.

Based on the aforementioned discussion, three alternative ways for deregulating planted trees grown on DENR land seem apparent:

1. Convert the present DENR land occupied by members of CBFM or individuals that hold Certificates of Stewardship Contracts into privately held titled properties.

It appears that the Constitution allows the reclassification of lands from forest to agricultural lands through the application of the principles of agrarian reform (Article XIII, Section 6). Article XII, Section 2 states in part, "With the exception of agricultural lands, all other natural resources shall not be alienated..."

It would also appear that a window of opportunity to reclassify individually held forest lands to agricultural lands (as that is the main use for these lands) exists, as does their conversion into titled properties. Should this be possible, the time to initiate their conversion into private lands would be upon the expiration of the first 25-year lease. The land transfer should be based on preset standards on improvements to the land.

The land area dedicated to this purpose should range between one-fourth and one-half of a hectare per family unit, allowing plenty of room for housing and subsistence farming. Further, the land units should be laid out in such a manner as to give individual farmers

the best land for farming while permitting the CBFM to congregate the remaining lands under its domain into contiguous tree plantations.

Individual farmers should have the right to consider any and all crops grown on their land, trees included, as privately owned assets. Thus far, talks with CBFM members in Bohol and Nueva Vizcaya indicated how farmers appeared inclined to consider anything grown on “their” property as their own.

Revenue from trees grown on CBFM communal lands would be subject to profit-sharing schemes unless other means were found to divest DENR of its rights to proceeds from trees grown on DENR lands.

2. Reclassify planted trees as agricultural or agro-forestry crops to avoid treating revenues from planted trees as forest-derived revenues.

Some justification exists for treating planted trees as agricultural crops: the trees are planted and harvested under a regular regime much like farm crops. However, arguments against thinking of trees as farm crops exist as well. Unlike farm crops, planted trees take years to grow to maturity. And unlike fruit trees, most planted trees bear no edible product.

Finding a way to clearly remove planted trees from the “timber” category is crucial. Perhaps, planted trees could be classified as “agro-forestry” products for this purpose?

3. Restructure payments for forest charges to DENR into land rent fees based on the estimated annual growth rates of the species planted.

The DENR will start assessing forest charges for planted trees after the harvest of the first rotation. In order to measure the volumes produced at each harvest site, the DENR will require that the logs be scaled before they are transported to processing plants. The deregulation of the harvesting operations of planted trees will be difficult to justify under these circumstances.

It may be possible to shift the basis for DENR’s collection of forest charges from actual volume harvested to estimated volume grown. Forest charges could then be assessed as an annual cost per hectare, and extended by the area within each plantation. Doing so would eliminate the need for the DENR to actually scale logs before transport. This need is the primary reason behind the creation of cumbersome regulations on harvest operations.

MONITORING

One of the reasons DENR officials give for maintaining strict regulations on planted trees is the need to monitor log movement between the forest and processing centers. This argument is fallacious: data generated from the enforcement of regulations does not help monitor logs. Clearly separating the need for regulations that apply to the determination of wood volumes harvested, from implementing procedures for monitoring is the better option for detecting illegal activities such as timber poaching.

The current monitoring system is designed to guard against illegal activities in high-valued natural stands. The system is cumbersome and unworkable for the most part. Strict adherence to the rules creates long delays in the log movement process. The rules, moreover, are also subject to interpretation. During instances when forest operators and government officers have different opinions as to the interpretation of rules, government officers tend to relax their interpretation of rules after money has changed hands.

While there was an apparent need to monitor the movement of planted trees, formulating a new set of monitoring procedures for planted trees seemed preferable to trying to cut and fit the rules already in place for harvest in natural stands.

Several differences have been noted between operations in natural stands and operations in planted tree plantations. Examples of these are the following:

1. Natural stands are normally harvested by selective cutting, whereas planted trees are normally harvested through a series of clear-cuts.
2. Natural stand logs vary considerably in volume, value, species composition, and weight, whereas planted tree logs will be relatively homogeneous within the limits of a few species;
3. Natural stand logs are very valuable and can sustain transport costs over long distances, whereas planted tree logs will normally be processed near the harvesting site.

The basic requirements for developing a system for plantation log monitoring are as follows: (a) the verification of log origin and ownership; (b) a trip ticket with a description of the log loads transported; (c) log scaling and grading by an independent private agency; (c) the verification of logs received at their expected destination; (d) an accounting system for matching logs transported, with logs scaled and logs received at the destination point; and (e) the distribution of log production data to interested parties and agencies.

Verification of log origin and ownership may be done through a review of the land title or tenure documents, contractual documents, or evidence of plantation pre-registration with appropriate government offices. The amount of the immediate harvest would then be determined and matched against any allowable cut established by the proper supervising authority. Upon satisfaction of this requirement, the plantation owner would be issued a book of pre-numbered trip tickets sufficient to cover the number of truckloads estimated for planned harvesting.

The trip ticket provides a license to transport logs. Each load would be accompanied by a trip ticket containing a description of the load (number of logs by species), the point of origin, the time and date dispatched, a description of the vehicle used for transport, and the name and signature of the log owner's representative.

The truck would then stop at a scaling bureau station for the logs to be scaled in terms of species, volume, and grade. If the scaling bureau station had a weighing scale, the load might be weighed to check for compliance with Department of Transportation and Communications (DOTC) regulations. A scale ticket would be filled out and two copies given to the truck driver.

At the receiving station the truck driver would submit one copy of the trip ticket and one copy of the scale ticket to the site representative who may or may not check the scaled logs prior to issuing the truck driver a receipt for the log load.

Copies of the trip ticket, the scale ticket, and the load receipt would then be collated by the log seller and the log buyer after which the set would serve as the basis for individual log accountability systems. The scaling bureau would forward the scale data to government agencies as required.

Ideally, the government agency that enforces all regulations pertaining to CBFM planted trees should be the local LGU. It should be responsible for issuing permits to harvest, transport, and process trees from production plantations. The LGU should be responsible for planning, implementing, and monitoring planted tree projects within CBFM. It should similarly handle the calculation of Annual Allowable Cuts should these be deemed necessary for insuring timber production sustainability.

THE ESTABLISHMENT OF LGU-FUNDED TREE PLANTATIONS

Nationwide LGU involvement in forestry projects in general, and in tree planting in particular, is spotty at best. However, the governor of Nueva Vizcaya has been very active in initiating, funding, and monitoring several tree-planting projects under the “Trees for Legacy” Program. A federation of Integrated Social Forestry (IFS) members has also planted an excellent *Gmelina* plantation on 1000 ha of DENR land under the auspices of a co-management agreement between the DENR and the LGU. The process for conversion to CBMFA is underway. A further ten hectares of *Gmelina* and mahogany have been planted by local school children under the Trees for Education Program sponsored by the governor. This effort was partly funded through the sale of raffle tickets in Bayombong.

The governor has taken the initiative to issue Certificates of Timber Ownership (CTO) to the participants of these tree-growing projects. Unlike the Certificate of Stewardship Contract (CSC) offered by the DENR signifying leased land tenure, the CTO gives full ownership of the valuable tree assets and may be sold or used as loan collateral, a practice that may be questioned by the DENR, however. Further, it may prove presumptuous to give total unencumbered planted tree ownership to members of the CBFM.

The reason behind the success of the projects just mentioned is the goodwill between the local LGU and the DENR officials involved. In light of the example given above, it would seem that LGU-initiated tree farms should be replicated all over the country. This example is, however, the exception to the rule. More typically, LGUs show a lack of interest in joining the DENR in lackluster forestry projects that consume an inordinate amount of time and effort but fail to reap any political benefits. Most LGUs, in fact, state that they are unwilling to initiate plantation activity requiring LGU financing when the DENR holds ultimate control over the operations.

Table 2 gives a brief history of legislation leading up to the establishment of CBFM. It sheds some light on the problem pointed out by reluctant LGUs.

Table 2. Key Policies and Regulations Leading to CBFMA Implementation

Policy Instrument	Year Issued	Focus	Problems Areas
Philippine Constitution	1987	Participatory approach to forest management while maintaining State ownership of land and timber.	Article XII, Sec. 2 “All lands....forests or timber...are owned by the State.development and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production sharing agreements...for a period not exceeding twenty-five years.”

Policy Instrument	Year Issued	Focus	Problems Areas
Revised Forestry Code 705	1975	The adoption of...land classification and the delineation of forest lands... the conduct of a census and the recognition of forest occupants.	<ul style="list-style-type: none"> • Reduced focus on reforestation and forestland rehabilitation. • Institutionalized processes, regulations, and operational guidelines' not being attuned to present policies and programs.
Local Government Code RA 7160	1991	Partial devolution of some forest management functions from the DENR to the LGU	<ul style="list-style-type: none"> • Functions' not being fully devolved • Partnership's being one-sided because per the Code, the partnership was "subject to the supervision, control, and review of the DENR".
Executive Order 263	1995	DENR's having the mandate to adopt CBFM as the strategy for sustainable forestry and social justice.	Absence of legislative support.
DOA 96-29	1995	Rules and regulations for implementing EO 263	Absence of legislative support. Amendments could easily be effected through a change in the DENR's leadership.
JMC 98-01	1998	Rules and regulations for implementing amendments to RA 7160	Perpetuated an unequal partnership as it provided that the partnership was "subject to supervision, control, and review by DENR."
Implementing procedures for harvesting, transporting, and processing timber		Majority of these implementing procedures address the harvesting of natural stands. The procedures, however, are not specifically backed by legislation or DENR implementing guidelines.	Specific implementing procedures for planted trees are not clearly separated from those for harvesting natural stands. Where new procedures have been issued, they have been partially adopted by DENR officials at best.

Partially adopted from "Impacts and Effectiveness of Logging Bans in Natural Forests" (Guiang 2001).

Table 2 illustrates three major problems now hindering the LGUs' initiation and development of forestry projects:

1. The ability of the DENR to take full control of forestry projects as provided for in the Constitution, and reinforced by subsequent legislation, thereby making the DENR-LGU/CBFM partnership a lop-sided affair;
2. Executive Order 263, which spells out some of the implementing guidelines for CBFM. It is not adequately backed by legislation so that the guidelines could not be applied with confidence;

3. The fact that implementing procedures for forestry operations under CBFMA have merely been lifted from guidelines for natural stand management and do not specifically apply to planted tree operations.

After Republic Act No. 7160 of 1991 provided the legal license for LGUs to join forces with the DENR in managing community-based forestry projects, the last twelve years have seen the devolvement process experiencing partial success. According to several LGUs, the words "... subject to the control, supervision, and review of the DENR ..." frequently stated in the Act (see Chapter 2 Section 17 Para 3, for example) may provide the main reason behind why complete success has not been attained. Most LGUs hesitate to involve themselves in projects for which they may have to borrow funds, but over which they do not have full control.

Other problems relating to the inadequate devolvement of responsibility for forest projects to the LGUs have been identified by both the DENR and the LGUs. That the rate of return for stand-alone tree growing projects is lower than expected is a problem common to both parties. Both entities have also noted how unclear the guidelines for implementing the transfer of responsibilities from DENR to LGUs are. Further, neither the DENR nor the LGUs wish to take on the responsibility for drafting environmental impact studies (*EcoGov Aide Memoir* October 2002).

From the point of view of the DENR, the major issue is the LGUs' lack of technical competence to take over forest project management, an inadequacy the DENR does not have the resources to subsidize. While a provision for hiring Environment and Natural Resources Officers (ENRO) for fielding to the provincial and municipal offices exists, this is not mandatory. Thus far most of these positions have not been filled.

The LGUs in turn declare that the local DENR officials are unfamiliar with the concept of devolution and do not actively help facilitate the transition. In addition, the LGUs also are concerned about maintaining an ecological balance within the production and protection zones in their area of jurisdiction.

A final problem is the fact that elected local officials tend to shun long-term projects such as the establishment and development of tree plantations. As governors and mayors only have three-year terms they do not want to invest their valuable time in promoting low-profile, high-risk ventures. Instead they opt for roads, bridges, dams, etc, as these translate to more political benefits while requiring less effort.

Recommendations for improving the devolvement of responsibility for community-based forest operations from DENR to LGU are as follows:

1. DENR and LGUs should join hands at the local level and make a determined effort to clarify the issues and find ways to work around the problem areas noted together.

The LGU-initiated tree planting in Nueva Vizcaya has proceeded very well. The close cooperation between the LGU and the DENR is said to be a critical factor to the project's success. If it works in one place, it should work in others.

2. The DENR at the national level should investigate the legal necessity of including words that offend and cause a reluctance to participate in plantation development in the agreements it forges with LGUs.

The words, "Subject to DENR control, supervision, and review" seem to annoy most LGUs and appear to dampen their enthusiasm to initiate and finance community-based forestry projects. Finding a way to eliminate this phraseology might help the situation.

3. DENR should propose the legislation of the mandate for CBFM as expressed in EO 263.

If EO 263's not having been legislated poses a potential problem, then the DENR might propose its legislation by Congress.

4. DENR should assign qualified personnel to man the vacant ENRO posts under LGUs.

A quick way to solve the lack of technical expertise within the LGUs would be to assign DENR foresters to LGUs to perform forestry functions and train LGU staff in forest management technology. While this should be a temporary assignment during which the DENR continues to employ the forester and pays his/her salary, the LGU should have day-to-day management authority over the DENR forester and should pay all expenses relating to the CBFM activity.

5. DENR and LGUs should jointly develop and initiate a high-profile tree-planting program on CBFM areas that will, in conjunction with tree planting on IFMA areas, provide sufficient timber to satisfy the nation's domestic wood requirements in the near future.

In 2002, the Philippines imported over 500,000 cm of wood products and round logs to satisfy the estimated 5 million cm annual domestic wood requirement. This quantity appears incredible, given that the nation has the best overall potential in the world for growing and processing wood. Concern over this problem should be greater than it actually is because unless something is done quickly, the country will run out of wood very soon.

The last program to address this issue was the National Forestation Program financed by ADB and the JBIC in the late 1980s and early 1990s. This program, however, was deemed a failure in that few industrial plantations were established. But to begin with, there were never any targets set specifically for industrial plantations. Moreover, most of the money geared for the project was spent "greening up the Philippines" in an effort to protect watersheds and other sensitive areas.

Needed now are targets for establishing industrial tree plantations on a large scale and the high-level monitoring of performance against those targets. Statistics for wood consumption by region and by municipalities can be used as basis for setting tree planting targets in term of volumes needed and the species to be planted, which would be determined by wood usage. Such a program can be realized through either of two ways:

- by seeking foreign assistance and incurring more backbreaking debt in the process
- by releasing mature second-growth natural stands for harvesting, with the objectives of harvesting enough wood to satisfy immediate wood consumption needs and plowing a large proportion of profits back into the land in the form of industrial plantations.

If done in a planned and systematic manner, and if well-supervised at the national and local levels, some 250,000 to 300,000 hectares of industrial plantations could be established within a 10 to 15-year period after which expansion could be limited or stopped, and natural stands cut as appropriate. Such a level of industrial plantations would suffice for the harvest of five to seven million centimeters per year and to meet domestic wood requirements in perpetuity provided that the harvested area would be replanted immediately after logging.

STRATEGIES TO ENTICE PRIVATE INVESTMENT IN COMMUNITY-LEVEL FOREST UTILIZATION

The private sector has all but abandoned the idea of investing in forestry projects for the following reasons: (a) there is a ban on harvesting natural stand timber; (b) investors are not psychologically prepared to switch to a plantation-based mode of operation; (c) investors are reluctant to enter into partnerships for growing trees for future processing with the government; and (d) the risks inherent in long-term tree growing far overshadow any perceived gains from future processing activities.

The government, as dictated by the Constitution and forestry regulations, requires that tree-growing ventures be undertaken in partnership with the government through co-management, joint-venture, or profit-sharing agreements. The private sector knows that partnerships of any kind are risky propositions. Partnerships between profit-seeking private enterprise and election-fearing government have few chances of working. The private sector is also wary about making substantial investments in the face of government's tendency to impose voluminous, conflicting, and obscure regulations and then enforcing these regulations in an arbitrary manner. The large private investor has thus gone elsewhere with his money.

The small private investor is in the same box, except that now a window of opportunity for utilizing trees grown on private land to get started in the wood processing business. There is not a lot of money in such an undertaking presently, but the future for this business could be good. Moreover, the entity that goes into milling plantation wood now will be in the best position to compete for this raw material in the future.

Private investors will tend to invest in community-level forest utilization if the incentives for doing so offset perceived disincentives. The major incentive for making any investment is the potential to realize profit on monies invested without having to take significant risk.

For the private investor, stand-alone tree plantation investments per se are not attractive. The returns do not offset the cost of capital considering the long period it takes to grow trees. There are risks associated with tree farming besides. Alternative investments offer better returns for less risk (Christophersen 1996).

However, the combination of tree-farming and wood processing does offer attractive returns which may be enhanced if the private investor can obtain suitable logs from outside sources at the outset of mill construction. This knowledge forms the basis for the recommended strategy to bring private investment capital into play: doing so can create markets for community-level grown trees.

The primary role of the private investor in community-level wood utilization is to create markets for logs that have been, and will be, grown under CBFM initiatives. However, it also seems that private investors are willing to lend technical and financial support for the establishment of CBFM tree farms in order to ensure the continuing supply of raw materials for their mills.

It is probably not necessary to devise ways to entice private investors into investing in processing facilities because already, private investors appreciate the profit potential of processing trees grown on private lands. Also, these far-seeing people have decided to invest in tree plantations themselves in order to ensure their future source of raw materials supply. It seems appropriate that we accept the bird in hand rather than trying to dream up ways to capture birds still in the bush. The following describes the bird in hand.

In Quirino Province, a private investor recently built a small furniture-making plant that breaks down the logs into cants and then re-saws them into furniture components. The plant uses Gmelina logs extracted from small private farmlands in the vicinity and makes furniture for various government offices on a contract basis. Charcoal is made from the waste wood generated by the milling process.

The owner of this mill has already embarked on his own tree-growing projects with over 500 hectares already planted on a combination of private and DENR lands. The plantations are from one to four years old. The owner expects to begin using the wood from these plantations within the next five years. By then he expects to expand the mill facilities. In the meantime he will use logs grown by others. He also plans to gear his mill expansion based on the quantity of logs he can produce in his own tree farms, plus the amount of wood he can source elsewhere.

This small mill has already generated much interest in tree-growing, from as far away as Bayombong in Nueva Vizcaya. Apparently, a market already in existence is much more attractive than markets on the drawing board.

The strategy to induce private investment in both milling and tree growing is based on the example just cited. First, there must be existing plantations that could attract a private investor interested in building a processing plant. Second, the LGU should play an active role in matching the investor's expectations with the situation at hand. The LGU may even provide the service of obtaining loans from the Land Bank of the Philippines or other sources. The LGU should also provide the linkage between the private investor and the CBFM targeted to be the wood supplying partner.

The normal sequence for this type of investment would be to start by determining the potential wood supply that could be sustained over time by tree planting in CBFM and private areas. The investor would then design a mill bearing in mind that wood supply. The mill would be built in modules, with Phase I, the mill sized in accordance with the wood supply immediately available. Succeeding phases of the mill construction would depend upon how well the wood supply targets are met through time.

There could be many variations on this theme. One envisioned scenario puts the private investor in the role of planting trees on areas controlled by the CBFM and maintaining the trees until crown closure. When the trees are free to grow, the CBFM would take out a loan through the LGU to pay the private investor his planting costs plus an agreed upon interest charge. The trees would then revert to CBFM ownership. At the time of harvest, the CBFM would pay off the loan and interest, while the private investor would have first right of refusal for purchasing the logs grown in those tree farms. Loans suitable for this scheme are available at the Land Bank of the Philippines under reasonable terms. These loans will be described in the next section of this report.

It has been established that many individual tree-growers must maintain a source of livelihood during between the tree-planting period and harvest time. Since non-CBFM tree-growers on private or public land may also avail of the service described above through direct arrangements with the private investor or through the good offices of the LGU, arrangements of this nature would minimize the tree-farmers' interim expenditures and could also provide interim employment to the farmer who elects to plant and tend trees for the private investor.

It is recommended, at this time, that contractual agreements between private investors and the government should not be considered. Private interests tend to shy away from working too closely with government agencies for reasons given earlier in this report. The main reason for the present success of private interests starting forest-based enterprises is the fact that investments

have been small and tied to trees mature enough to harvest. When CBFM wood starts to enter the market, it should do so under free enterprise conditions and at market-driven prices, rather than as a condition of agreements between the LGU/DENR/CBFM and the private investor.

In summary, it seems that the best way to attract private investment in an effort to create markets for CBFM-grown trees is to produce those trees. Once the trees are available in sufficient quantities that could maintain mill operations, private investors will compete with each other to invest in processing centers and product distribution.

WINDOWS FOR FUNDING LGU-MANAGED TREE PLANTATIONS

Growing trees is a long-term investment that requires long-term financing. Unfortunately, the orientation of most financial aid currently available to tree-growers in the rural areas is short-term.

There are many credit programs available through governmental departments, banks, cooperatives, and NGOs. In all, there are 111 credit programs of which 46 relate to micro-finance and 13 directly to poverty alleviation. Some of these programs are channeled directly to the end-borrower, while others are funneled through one financial intermediary to entities more directly involved with the borrower. This arrangement seems to be favored by many end-borrowers.

For targeted credit programs the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) are the major suppliers of funds to cooperatives and the NGOs. Apart from these special credit programs, rural lending is mostly short-term. This is due to the reliance of rural banks on short-term liabilities and their general experience of better loan recovery on short-term rather than longer-term loans (Lucock 1997). Unfortunately, members of CBFM do not have access to this type of financial assistance because they normally do not have collateral to put down against loans. These DENR tenants do not own the land on which they reside. Neither do they own other enduring assets which they could offer as collateral.

Some LGUs have issued Certificates of Timber Ownership (CTO) to CBFM members in an attempt to give them some form of collateral for loans. However, this move will almost surely be overturned by the DENR because, by law and as stipulated in the co-management agreements, the DENR retains an economic interest in all non-agricultural crops grown on DENR lands. It also remains to be seen whether or not financial institutions would accept ownership of trees as collateral, given the high risks of damage by fire or other natural and man-made calamities.

At present, and until the situation changes regarding land tenure and profit-sharing arrangements, CBFM will have to depend on the LGUs to provide financial assistance for forestry projects. The LGUs, if motivated, have the ability to provide collateral for loans: they can put up a portion of their IRA allotment for the purpose. LGUs also have the benefit of political power and influence that will facilitate contact and deals with private investors and lending institutions.

LONG-TERM LOANS THROUGH THE LAND BANK OF THE PHILIPPINES

Discussions held with officials of the Land Bank of the Philippines revealed that LBP does have a special lending program for forestry projects that allows reasonable interest rates (9 to 11 percent), grace periods for interest-only payments of up to five years or longer, and a maximum loan duration of 15 years. Available money for forestry project loans derives from a loan to LBP by the Japanese Bank for International Cooperation (JBIC) that has an interest rate of 1.7 percent. This loan to LBP has a thirty-year duration.

Procedures for implementing forestry project loans are as follows:

1. LGU applies to the local LBP lending center. Submissions required include financial statements for three years and a development plan for the area where the loan will be utilized.
2. LGUs will be pre-qualified into risk categories. Prime LGUs will not need to produce collateral but will instead receive favored treatment in terms of the following: the term of the loan, the grace periods applied, the interest rates charged, etc. LGUs ranked from high to low-medium will need to assign 20 percent of their annual IRA allotment as collateral and will have less favorable loan terms.

This program has been in effect since the year 2000 but has had no takers as yet.

BOND ISSUES THROUGH THE LBP, THE DBP AND OTHER BANKS

The issuance of bonds for financing forestry projects was discussed with both the LBP and the DBP. Both banks were receptive to the concept and declared their readiness to take on bond issuance immediately. The banks would handle all aspects of arranging for bond issues and their marketing. The procedures for bond issuance are:

1. The LGU applies with the Bank for a bond issue in the amount of the financing needed.
2. The bank performs a due diligence to determine the lending power of the LGU.
3. The bank charges a fee for the due diligence. The amount charged is equivalent to a small percentage of the bond amount.
4. The bank markets the bonds.
5. The LGU repays the principal and interest to the bank at bond maturity.
6. The bank pays the bondholders.

LOANS DIRECT TO COMMUNITIES OR INDIVIDUALS

It is possible for the CBFM leadership or individuals to receive loans for forestry projects through the LBP if sufficient collateral can be obtained. The Bank accepts heavy equipment, housing, and other appropriate assets as collateral for these loans. Loan terms can be negotiated, but will not be as favorable as special loans under the JBIC program.

FUND-RAISING EVENTS AND RAFFLES

It is possible to raise money for forestry projects through local or national fundraising events, raffles, etc. For example, the Governor of Nueva Vizcaya reported that a local civic group raised one hundred thousand pesos for financing a small Trees for Legacy Project by conducting a raffle.

CONCLUSIONS

1. The Philippines is running out of harvestable natural stand timber and has made little progress in planting trees to provide for current, and future, domestic wood consumption.
2. A significant portion of government forestland has become unsuitable for growing trees. An estimated 25 million people occupy forest lands now used to provide subsistence through agricultural and pastoral pursuits.
3. National policies have shifted away from the need to grow trees toward the more popular demands for environmental protection and social equity programs.
4. The current regulations and implementing procedures for forestry operations are based on natural timber extraction and should not be perpetuated for managing planted tree operations.
5. Current regulations and implementing procedures are dual-purpose. Some are used to determine the value of harvested trees for purposes of assessing forest charges; some are used to monitor log and wood product movements. The two applications should be clearly delineated when drafting regulations and implementing procedures for planted tree operations.
6. Regulations that are based on the constitutional requirement for government to control, supervise, and review activities under co-management, joint venture, and profit-sharing partnerships have dampened the enthusiasm for investing in tree planting by the LGUs, the private sector, and community groups.
7. The method for calculating forest charges for planted trees is antiquated and should be replaced. If forest charges are to be assessed on planted trees, the charges might better be levied on a per hectare per year basis that is tied to plantation growth. This would save the trouble of scaling every truckload of logs.
8. There should be no government regulations, rules, or forest charges imposed on planted trees raised on private lands.
9. The decision to use CBFMA as the main vehicle for forest management has diverted attention away from the need to promote, through IFMA, substantial private sector investment on both plantation establishment and wood processing.
10. The CBFMA is an excellent concept for empowering scattered individuals with group responsibility and authority. However, CBFMA should be considered an agro-forestry-based social program rather than promoted as the solution to the nation's timber deficiency problems.
11. The Governor of Nueva Vizcaya has had considerable success in implementing tree planting under the Trees for Legacy Program. The Governor attributes a large measure of this success to the cooperative nature of the DENR management and the ability to work out difficulties despite encumbering regulations and implementing procedures.
12. The majority of LGUs, particularly their mayors, do not support tree-planting programs due to the time and effort required to do so and because of the lack of political currency of such programs. LGU officials are elected for three-year periods and feel compelled to devote their time to programs that show results in the short term.

13. The private sector has largely abandoned large investments in forestry activity (IFMA) due to inconsistent national policies on forest development and because of the erratic execution of policies postulated. The interests of private business (profits) and those of local government officials (elections) tend to clash with each other under partnership arrangements; particularly when government has the upper hand in the partnership.
14. Small private investors have already started investing in mills and are providing markets for tree-farm logs grown mostly on private lands.
15. Programs to entice private investors into CBFM forestry activity are best left to the offices of LGUs. Private investors can be instrumental in creating markets for CBFM trees, and may be willing to invest in tree plantations on CBFM. However, these ventures will probably work best under free market conditions without contractual arrangements with government having to exist.
16. The Land Bank of the Philippines has a program for issuing low-cost, long-term loans for forestry projects through the LGUs. Thus far there have been no takers, though.
17. Many banks, including the LBP and the DBP, are ready and willing to provide services that would involve floating bonds to finance forestry projects for CBFM through LGUs.
18. Other methods of raising money for small forestry projects include raffles, fundraisers, credit union savings, etc. These, however, require a willingness to work hard and lots of imagination.

RECOMMENDATIONS

1. That the DENR initiate and develop a national program for planting trees on 250,000 to 350,000 hectares over the next 10 to 15 years in order to eliminate the need for wood imports in the future, to satisfy the nation's future domestic wood consumption needs, and to provide for export of wood products in the future.
2. That the national program for planting trees be financed by allowing community-based organizations and private enterprise to harvest mature second-growth natural stands in CBFM and IFMA areas for a period of 10 to 15 years. That a limited amount of log exports be allowed in order to improve the nation's balance of trades. And that the level of trees cut be limited to the volume needed to provide for some log exports and to satisfy domestic wood requirements, during the period needed to grow plantations to maturity.
3. That the DENR investigate the legal possibility of transferring CBFMA, IFMA and other leased DENR lands, now under intensive tree-farming and agriculture, to private ownership upon the expiration of the lease after the first 25 years. This may be possible through a two-step approach by which the land would be classified as agricultural and converted as such to titled lands if, or when, a legal vehicle can be found to do this.
4. That the current implementing procedures for forestry operations be scrapped and new sets of implementing procedures be drafted. The new set should clearly distinguish between natural stand harvesting operations and planted tree harvesting operations.
5. That the DENR revise calculations of planted tree forest charges to per hectare per year fees based on expected plantation growth rates. That the practice of scaling planted tree logs in the forest be abolished.

6. That a private log-scaling bureau be initiated to provide independent scale services that are resorted to when settling conflicts between log sellers and log buyers.
7. That an effort be made to separate regulations and implementing procedures that determine wood values for calculating forest charges, from regulations and procedures for monitoring log and wood product transportation.
8. That the DENR stop applying government rules and regulations to planted trees on private lands. That log flow monitoring should not provide an excuse for imposing government regulations on private landholders.
9. That the DENR amend, or eliminate, the current statement in the LGC, and CBFM MOAs, which gives the DENR overriding "control, supervision, and review" over all actions and decisions taken in CBFM management.
10. That the DENR provide DENR foresters, on a special assignment basis, to work with LGUs for purposes of providing technical forestry expertise. That the foresters be kept on the DENR payroll, even as the expenses they incur while doing project work are charged to the LGUs. These DENR foresters should report directly to the LGUs for the duration of their assignment.
11. That the DENR and LGUs be given incentives for working harmoniously to cement good relations and for trying to solve CBFM problems at a personal level without holding up projects or going to court to prove a point.
12. That the LGUs continue to expand and consolidate CBFMA areas by incorporating existing federations and associations of forest communities not actively participating in other projects.
13. That the DENR and LGUs work at arms' length with private investors willing to finance processing centers for CBFM wood, and willing to finance CBFM forestry activity, in order to avoid encumbering the investors with agreements that might not be to their favor. That the DENR and LGUs make every effort to allow private investors to work out their arrangements under free market conditions.
14. That the LGUs actively seek uses for forestry project funds and apply for loans with the Land Bank of the Philippines for the purpose.
15. That the LGUs look into the feasibility of financing CBFM tree-planting projects by floating bond issues through appropriate banks.
16. That the LGUs and DENR officials conduct raffles, fundraising activities and other methods to help finance tree planting on CBFM areas.

LIST OF PEOPLE MET

17 March to 3 April, 2003

Manila

Romeo T. Acosta	Director, Forest Management Bureau, DENR
Leonardo D. Angeles	Executive Director, Philippine Wood Products Assn.
Domingo T. Bacalla	Chief Mgt Specialist, CBFM Div., FMB, DENR
Jerry P. Bisson	Chief, Office of Environmental Management, USAID
Melinda C. Cruz	Asst. Dept. Mgr., Land Bank of the Philippines
Romeo A. Icasiano	Asst. Vice President, Development Bank of the Philippines

Region VII

Gem Castillo	EcoGovernment Project
Charito Chin	EcoGovernment Project
Allan Hilot	CENRO Staff, Tagbilaran City, Region VII, DENR
Arius C. Ilano, Sr.	PENRO, Tagbilaran City, Region VII, DENR
Eduardo Inting	Division Chief FRDO
Lita Juaton	CBFM Desk Officer, Tagbilaran City, Region VII, DENR
Pedie Jumawid	CENRO, Candijay, Region VII, DENR
Fulgencio Onez	Furniture Maker, Boctol, Bohol, Region VII
Modesto Sapid	Peoples' Organization Member
Ben Taer	CENRO, Tagbilaran City, Region VII, DENR
Vicente Terek	People's Organization President

Region II

Rudolfo Q. Agbayani	Governor, Nueva Vizcaya, Region II
Buenaventura L. Dolom	EcoGovernment Project, Bayombong, N.V.
Jose Cabato	CENRO, Diffun, Quirino Prov., Region II, DENR
Jonas Camat	Chief, Technical Services, Bayombang, N.V.
Narciso Dalloran	Chief, CBFM and For. Res. Services, Bayombang, N.V.
Rudy Laguna	Teacher, Caliat School –Trees for Legacy Organizer
Dominador Lapada	Teacher, Caliat School –Trees for Legacy Organizer
Arnold Macaraeg	Federation President, Vista Hills Kakilangan.
Emilio Matzan	Owner, Marcher Wood Industries Corp., Quirino Prov.
Dupinio Minto	President, Vista Hills Kakilangan Upland Farmers.
Jennifer Ongat	Teacher, Caliat School –Trees for Legacy Organizer
Roger Serrano	EcoGovernment Project, Bayombang, N.V.
Federico C. Sacatani	PENRO, Diffun, Quirino Prov., Region II, DENR
Francisco Tolentino	Provincial Government ENRO, Nueva Vizcaya, Region II
Richard Tolentino	Bookkeeper, Marcher Wood Indus Corp., Quirino Prov.
Zita B. Toribio	Policy Development Associate, EcoGovernment Project

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