



MEMORANDUM

FOR/TO : The Assistant Secretary for Legal Affairs and Enforcement (Vice-Chairperson, PTWG)
Assistant Director, Biodiversity Management Bureau
Assistant Director, Ecosystems Research and Development Bureau
Assistant Director, Environmental Management Bureau
Assistant Director, Forest Management Bureau
Assistant Director, Land Management Bureau
Assistant Director, Mines and Geosciences Bureau
Representative, Office of the Undersecretary for Legal and Administration
Representative, Office of the Undersecretary for Finance, Information Systems and Climate Change
Representative, Office of the Undersecretary Policy, Planning and International Affairs
Representative, Office of the Undersecretary for Field Operations – Luzon, Visayas and Supervising Undersecretary for Mines and Geosciences Bureau–Luzon and Visayas, Environmental Management Bureau–Luzon and Visayas
Representative, Office of the Undersecretary for Field Operations – Mindanao and Supervising Undersecretary for Mines and Geosciences Bureau-Mindanao, Environmental Management Bureau - Mindanao
Representative, Office of the Undersecretary for Integrated Environmental Science
Representative, Office of the Undersecretary for Special Concerns and Legislative Affairs
Representative, Office of the Assistant Secretary for Policy, Planning, International Affairs, and Climate Change
Representative, Office of the Assistant Secretary for FO - Luzon and Visayas
Representative, Office of the Assistant Secretary for FO - Mindanao
Representative, Legal Affairs Service
Representative, Climate Change Service
Representative, Foreign-Assisted and Special Projects Service
Representative, Strategic Communication and Initiatives Service
Representative, Geospatial Database Office

FROM : The OIC Director
Policy and Planning Service

SUBJECT: **FINAL VETTING OF THE DRAFT DAO RE: GUIDELINES IN THE COMPUTATION OF COMPENSATION FOR ISSUANCE OF APPROPRIATE MANAGEMENT ARRANGEMENTS WITHIN GOVERNMENT-FUNDED PLANTATIONS**

MEMO NO. 2024 - 980

DATE : 05 NOV 2024

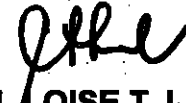
Following the agreements during the Policy Technical Working Group (PTWG) Meeting No. 2024-08 held on 18 July 2024, we would like to request the final vetting by the PTWG Members of the revised version of the proposed policy re: *Guidelines in the Computation of Compensation for Issuance of Appropriate Management Arrangements within Government-Funded Plantations* submitted by the Forest Management Bureau, aligned with the approved Summary of Agreements and further comments made by the Policy Studies Division.

In view thereof, please be informed of the following actions taken after the said PTWG meeting:

| TIMELINE | ACTIVITIES |
|--------------------------|--|
| 23 July 2024 | The PSD requested the comments and concurrence of the PTWG members to the Summary of Agreements for PTWG Meeting No. 2024-08 through email. |
| 06 August 2024 | The PPS Director issued the following memoranda: <ol style="list-style-type: none">1. Memorandum for the PTWG Members, circulating the finalized/concurred Summary of Agreements for PTWG Meeting No. 2024-08; and2. Memorandum for the proponent, endorsing officially the SOA for their reference in revising the proposed policy. |
| 23 September 2024 | The PSD received the memorandum from the FMB dated 18 September 2024, submitting the revised draft DAO. The title was revised to: <i>Guidelines in the Computation of Compensation for Issuance of Appropriate Management Arrangements within Government-Funded Plantations</i> |
| 04 October 2024 | The PPS Director issued a memorandum to FMB, providing further comments on the revised draft DAO before the circulation for final comments or concurrence of the PTWG members. |
| 28 October 2024 | The PSD received the memorandum from the FMB dated 18 October 2024, submitting the edited version of the proposed DAO |
| 30 October 2024 | The PSD requested further clarification on certain parts of the draft policy through email. |
| 04 November 2024 | The FMB submitted the latest revised version of the proposed policy to the PSD via email. |

In this regard, attached is the latest version of the draft policy proposal for final vetting of the PTWG Members. We would like to highlight that this policy is included in the list of priority policies for CY 2024. Hence, your prompt action and submission of comments or concurrence (***preferably on or before 18 November 2024***) is much appreciated. If we do not receive any comment by the deadline, we will interpret it as your concurrence on the draft policy.

For your information and consideration, please.



CHERYL LOISE T. LEAL, EnP



DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
KAGAWARAN NG KAPALIGIRAN AT LIKAS NA YAMAN



DENR ADMINISTRATIVE ORDER
No. 2024 - _____

SUBJECT: GUIDELINES IN THE COMPUTATION OF COMPENSATION FOR ISSUANCE OF APPROPRIATE MANAGEMENT ARRANGEMENTS WITHIN GOVERNMENT-FUNDED PLANTATIONS

Pursuant to Presidential Decree No. 705, as amended (Revised Forestry Code of the Philippines), Republic Act No. 11995 (Philippine Ecosystem and Natural Capital Accounting System (PENCAS) Act), Executive Order (EO) No. 192 series of 1987 (Reorganization Act of the Department of Environment and Natural Resources), EO No.18 series of 2023 (Constituting Green Lanes for Strategic Investments), and DAO No. 2021-20 (Guidelines in Managing Untenured Forestlands with Plantations Established through Government Funds), the following guidelines are hereby issued to provide for the procedures in the computation of compensation for issuance of appropriate management arrangements within government-funded plantations.

SECTION 1. Basic Policy. The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments. In order to promote Sustainable Forest Management, it is the policy of the Government to place under any appropriate tenure instrument or management arrangement, all parcels of forestlands that are still untenured, in order to ensure the sustainable management of these lands and the resources therein.

SECTION 2. Objectives. The general objective of this Order is to prescribe the standard formulas to be used in the computation of compensation for the plantations established through government funds which shall be recouped in favor of the government.

SECTION 3. Scope and Coverage. This Order shall cover all untenured forestlands with plantations established through government funds. The areas to be covered must have the following qualifications:

1. The area is within the production zone of forestland;
2. The plantation developed in the area is not under a co-management agreement with the local government unit;
3. All plantations developed under the National Greening Program and other similar projects that were turned over to the Department of Environment and Natural Resources and are not yet covered by any appropriate tenure instrument or management arrangement; and
4. The plantation developed is not within areas covered by the Republic Act (R.A) No. 7586, as amended by R.A. No. 11038 or the Expanded National Integrated Protected Areas System Act of 2018.

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SECTION 4. Definition of Terms. For the purposes of this Order, the following terms shall be defined as follows:

4.1. Compensation – the price at which the government owned plantations can be disposed taken into consideration the cost of investments spent by the government for the seedling production, establishment, maintenance, and protection of the plantations and its assessed value taking into consideration its stumpage value, market price, and if applicable, social cost of carbon.

4.2. Maintenance Cost – the amount allotted by the DENR for carrying out maintenance and protection activities at the NGP site during the contract period, which is usually three years. Maintenance costs include activities such as ring weeding or strip brushing, fertilization, and production of seedlings for replanting, as well as some protection activities like patrolling and fireline establishment, among others, and are computed on a per hectare basis.

4.3. Plantation Establishment Cost – the amount allotted by the DENR to execute plantation establishment, which includes site preparation, hole digging, staking, outplanting and other necessary plantation activities. Usually computed on a per hectare basis.

4.4. Plantations established through government funds – shall refer to areas with government-funded reforestation projects and programs in the country.

4.5. Seedling Production Cost – amount allotted by the DENR that encompasses all activities in producing planting materials. The amount is computed on a per seedling basis based on the cost of materials used, labor for nursery activities, water, and other utilities used.

4.6. Social Cost of Carbon – is an estimate of the climate change global damages that would result from emitting one additional ton of carbon dioxide into the atmosphere that includes among other things, changes in net agricultural productivity, human health, property damages from increased flood risk and changes in energy system costs.

4.7. Survey, Mapping, and Planning Cost – amount incurred by the DENR in the identification and scoping of available areas for NGP implementation based on the qualifications and requirements provided for under E.O. 26 and 193 and its implementing rules and regulations. The cost includes other activities such as boundary delineation, coordination with local governments and implementing partners, and soil analysis. It is allocated on a per-hectare basis.

SECTION 5. Recoup of Government Investments in Untenured Forestlands. The DENR Regional Offices shall determine the compensation to be settled by tenure applicants to cover the cost of investments spent by the government for the seedling production, establishment, maintenance, and protection of the plantations and its assessed value taking into consideration its stumpage value, market price, and if applicable, carbon stock. Provided that, all future valuations and computations of ecosystem services shall be derived from and aligned with the principles and methodologies established under Natural Capital Accounting.

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SECTION 6. Determination of the Compensation. For the purposes of this Order, the following shall be applied to determine the compensation to be paid depending on the intended management for the established plantations:

6.1. Adoption of Established Plantations. If the applicant intends to continue the management and protection of the established plantations/ reforestation sites for Corporate Social Responsibility (CSR), Environmental, Social, and Governance (ESG), and Environmental Compliance purposes, the compensation shall be determined using the formula in Annex A of this Order.

6.2. Established plantations for Sustainable Management Purposes. In case that the established plantation is to be applied for a plantation, the compensation shall be computed using the formula in Annex B of this Order.

6.3. Established Plantations to be Affected by Development Projects. In case that the established plantations are to be affected by development projects such as infrastructure projects, energy projects, and tourism-related projects, the compensation shall be determined using the formula in Annex C of this Order. This is in consideration of the carbon stock and value of the above ground and below ground biomass of the existing trees in the plantation which will be harvested to allow uses of forestlands other than plantation purposes. Provided, that the trees cut/ removed shall be turned over to the government at the cost of the tenure holder.

6.4. Community-developed plantations. In cases where Peoples' Organizations (POs) intend to apply for the expansion of their tenured area to cover any plantation developed using government funds, payment of compensation shall be required which shall be computed using the formula in Annex B of this Order. The area expansion of the tenure shall be in accordance with existing laws, rules, and regulations.

The DENR shall review the formulas, as deemed necessary, in consideration of current market prices, data availability, existing social cost of carbon, and policy directions. Attached as Annex D of this Order are the description of parameters for each prescribed standard formula. The DENR shall issue a memorandum to update the Annexes of this Order.

SECTION 7. Payment. Tenure applicants shall be required to pay the computed compensation for the established plantations. This is on top of other forestry-related fees required to be paid by the tenure applicant based on existing laws, rules and regulations of the respective tenorial instrument being applied for. The applicant will be notified to settle the compensation once all requirements have been satisfied and the agreement is already for signature of the approving authority. The tenure applicant shall pay the required compensation within 60 days upon receipt of the notification letter from the DENR. The template for the notification letter is attached as Annex E.

In cases where two (2) or more applicants are applying for the same government-funded plantation, the management arrangement/ tenorial instrument will be issued to the first applicant to satisfy all the requirements and is found to be meritorious.

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Payment shall be settled at the concerned PENR Office, consistent with the DENR One Fund Policy. The DENR shall adopt and implement an online or electronic mechanism in collecting/accepting of payments from tenure applicants.

SECTION 8. Roll-out and Capacity Building. The DENR, through the Forest Management Bureau, shall provide capacity building to the DENR Field Offices to ensure proper implementation of this Order.

SECTION 9. Transitory Provision. All existing partners/ tenure holders, with issued management arrangement or tenorial instrument covering any plantation established through government funds, who have settled compensation for the subject plantation shall not be required to provide additional monetary payment pursuant to this Order.

SECTION 10. Separability Clause. If any provision of this Order shall be held invalid or unconstitutional, the other portions or provisions hereof which are not affected shall continue in full force and effect.

SECTION 11. Repealing Clause. All other DENR circulars, orders, memoranda, and issuances inconsistent herewith shall be amended or repealed accordingly.

SECTION 12. Effectivity. This Order shall take effect in fifteen (15) days after publication in a newspaper of general circulation and upon submission to the Office of the National Administrative Register (ONAR) of the U.P. Law Center.

MARIA ANTONIA YULO LOYZAGA
Secretary

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**ANNEX A. Standard Formula for Adoption of Established Plantations
(reforestation, management, and protection)**

Compensation = Investment Cost

$$C = IC$$

Where:

C = Compensation for the Established Plantation
IC = Investment Cost incurred by the Government, which shall be
computed as:
(Survey, Mapping, and Planning Cost + Plantation Establishment
Cost + Seedling Production Cost + Maintenance Cost

Sample Computation

$$C = IC$$

Given:

SMPC = 100,000.00

PEC = 120,000.00

SPC = 40,000.00

MC = 18,000.00

IC = 100,000.00 + 120,000.00 + 40,000.00 + 18,000.00

FP = 278,000.00

228 **ANNEX B. Standard Formula for Sustainable Management of Established**
229 **Plantations**

230
$$C = (\text{Price} \times \text{Stumpage Value}) + \text{Investment Cost}$$

231
$$C = [(P \times V) \times (\text{SVF})] + (\text{IC} \times A)$$

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235 **Where:**

C = Compensation for Timber Plantation

P = Price of commodity (Php/ cu.m.), approximated by the average of timber species in the area where the government-funded plantation site is located (Philippine Forestry Statistics Data)

V = Total volume based on 100% actual inventory of the plantation being applied for

SVF = Stumpage Value Factor based on distance of plantation to nearest road network/ river

IC = Investment Cost incurred by the Government, which shall be computed as:

(Survey, Mapping, and Planning Cost + Plantation Establishment Cost + Seedling Production Cost + Maintenance Cost)

The IC depends on the percentage area to be covered by the tenure application.

A = Area applied / Total plantation area

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237 **Sample Computation:**

$$FP = [(P \times V) \times (\text{SVF})] + (\text{IC} \times A)$$

Given:

P = Php 2,033.33 (Region 10)

A = 3 hectares

V = 100 cu.m.

IC = Php 72,000.00

SVF = 0.28 (8 kilometers away from the nearest road network/pick up point)

$$FP = ((2033.33 \times 100)(0.28)) + ((72,000.00 \times (3)))$$

$$FP = (56,933.24) + (216,000.00)$$

$$FP = \text{Php } \underline{\underline{272,933.24}}$$

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240 **ANNEX C. Standard Formula for Established Plantations to be Affected by**
241 **Development Projects (with harvesting)**

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243 $C = (\text{Price} \times \text{Stumpage Value}) + \text{Investment Cost} + \text{Cost of Carbon}$

244
245 $C = [(P \times V) \times (\text{SVF})] + (\text{IC} \times A) + [((\text{AGB} + \text{BGB}) \times \text{CF}) \times \text{SCC}]$

246
247 **Where:**

C = Compensation of Timber Plantation (with carbon component)

P = Price of commodity (Php/ cu.m.), approximated by the average of timber species in the area where the government-funded plantation site is located (Philippine Forestry Statistics Data)

V = Total volume based on 100% actual inventory of the plantation being applied for

SVF = Stumpage Value Factor based on distance of plantation to nearest road network/ pick up point for hauling activity

IC = Investment Cost incurred by the Government, which shall be computed as:

(Survey, Mapping, and Planning Cost + Plantation Establishment Cost + Seedling Production Cost + Maintenance Cost)

The IC depends on the percentage area to be covered by the tenure application.

A = Applied area / Total plantation area

AGB = Above Ground Biomass is Volume multiplied by the Basic Wood Density (BWD), where $\text{AGB} = V \times \text{BWD}$

BGB = Below Ground Biomass is a fraction of AGB and can be derived by multiplying AGB by the sum of 1 and Root-Shoot Ratio (RS), where $\text{BGB} = \text{AGB} (1 + \text{RS})$

CF = Carbon Fraction is the fraction of carbon stored in tree biomass

SCC = Social Cost of Carbon

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249 **Sample Computation:**

250
251 $C = [(P \times V) \times (\text{SVF})] + (\text{IC} \times A) + [((\text{AGB} + \text{BGB}) \times \text{CF}) \times \text{SCC}]$

252
253 **Given:**

254 P = Php 2,033.33 (Region 10)

255 A = 3 hectares

256 V = 100 cu.m.

257 IC = Php 72,000.00

258 SVF = 0.28 (8 kilometers away from the nearest road network/pick up point)

259 AGB = $100 \times 0.54 = 54$

260 BGB = $54(1 + 0.37) = 73.98$

261
262 $C = [((2033.33 \times 100)(0.28)) + ((72,000.00 \times (3)) + [((54 + 73.98) \times 0.47) \times 2474]]$

263 $C = [(56,933.24) + (216,000.00) + [(60.15) \times 2474]$

264 $C = 272,933.24 + 148,812.60$

265 **C = Php 421,745.84**

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ANNEX D. Parameters and Data Sources

| Parameter | | Data Source/ Value | | | | | | | | |
|---|---|---|---|------------|--------------|------|---------------------------|------|------------------------|------|
| A | Area Applied/ Total Area of Plantation | Based on the tenure application | | | | | | | | |
| V | Total Timber Volume | Value will be derived on the actual 100% ground inventory of the area applied for tenure issuance | | | | | | | | |
| SVF | Stumpage Value Factor | <p>Stumpage Value Factor based on the results of the 2016 FMB conducted Study on Approaches to Stumpage Valuation in the Philippines:</p> <table border="0"> <tr> <td>Distance to the nearest road Network</td> <td>SVF</td> </tr> <tr> <td>< 100 meters</td> <td>0.56</td> </tr> <tr> <td>100 meters – 4 kilometers</td> <td>0.47</td> </tr> <tr> <td>4 kilometers and above</td> <td>0.28</td> </tr> </table> | Distance to the nearest road Network | SVF | < 100 meters | 0.56 | 100 meters – 4 kilometers | 0.47 | 4 kilometers and above | 0.28 |
| Distance to the nearest road Network | SVF | | | | | | | | | |
| < 100 meters | 0.56 | | | | | | | | | |
| 100 meters – 4 kilometers | 0.47 | | | | | | | | | |
| 4 kilometers and above | 0.28 | | | | | | | | | |
| SCC | Social Cost of Carbon | 2016 World Bank and US Environment Protection Agency (US EPA) Study on "Pilot Ecosystem Account for Southern Philippines", this study recommends the adoption of the SCC value at the same discount rate corresponding to the year nearest to 2022 which is \$42 per ton of CO2 for the year 2020. At the average exchange rate for the month of September 2022 of P58.91: 1 USD, said SCC in pesos would be P2,474.00 per ton of CO2. | | | | | | | | |
| P | Mill Gate Price of Logs | Price of commodity (Php/ cu.m.), approximated by the average price of timber species in the area where the NGP site is located (Philippine Forestry Statistics Data). | | | | | | | | |
| IC | Investment Cost incurred by the Government (Includes Plantation Establishment Cost, Seedling Production Cost and Maintenance Cost) | Based on the investment cost for timber plantation per FMB Technical Bulletin No. 10-A dated 2019. | | | | | | | | |
| AGB | Aboveground Biomass | AGB= Volume x Basic Wood Density (BWD) | | | | | | | | |

| Parameter | | Data Source/ Value |
|------------------|-----------------------------|---|
| | | Where, BWD is 0.54 based on the average of wood density of species in FRA 2003. |
| BGB | Below Ground Biomass | BGB= AGB (1 + Root to Shoot Ratio (RS)) Where, RS is 0.37 based on the IPCC 2006 Guidelines for National Greenhouse Inventories Table 4.4 (Tropical Rainforest). |
| CF | Carbon Factor | Based on the IPCC 2006 Guidelines for National Greenhouse Inventories Table 4.4 (Tropical Rainforest), the carbon factor (CF) is 0.47 . |

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293 **ANNEX E. Notification Letter Template**

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296 **NOTICE OF PAYMENT**

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298 [(Day) (Month) (year)]

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300 [NAME OF TENURE APPLICANT]
301 [Position in the Cooperative/Organization]
302 [Name of Cooperative/Organization]
303 [Address]

304
305 Dear Mr./Ms. _____

306
307 Greetings!

308
309 This pertains to the application of (Name of Cooperative/Organization/Individual) for
310 (Type of tenurial instrument) covering an area of _____ hectares of forest land with
311 _____ hectares of government-funded plantations located in
312 _____

313
314 Pursuant to DAO _____, you are hereby notified to pay the required compensation
315 amounting to (amount in words and in figures) for the government-funded plantations
316 that will be covered by your applied area. In this regard, you are requested to settle the
317 above-mentioned amount at the PENRO **within 60 working days** from the receipt of
318 this Notification Letter.

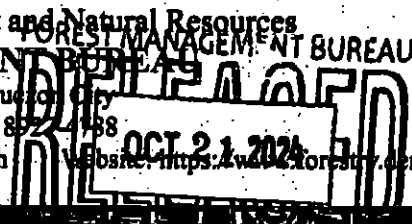
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320 Please ensure that the payment is made within the specified period to avoid any
321 inconvenience. Failure to pay the required compensation within the allotted time will
322 result in the **cancellation of your tenure application** and forfeiture of any rights you
323 may have under the pending application.

324
325 Should you have any questions or need further clarification, please do not hesitate to
contact us at [insert contact information].

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327 Thank you.

328
329 Very truly yours,

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331 _____
332 Regional Executive Director
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RECORDS UNIT

MEMORANDUM

FOR : The Director
Policy and Planning Service

FROM : The OIC – Assistant Secretary for Field Operations – Mindanao, and
Director, in concurrent capacity

SUBJECT : **REVISED DRAFT DENR ADMINISTRATIVE ORDER RE:
GUIDELINES IN THE COMPUTATION OF COMPENSATION FOR
ISSUANCE OF APPROPRIATE MANAGEMENT
ARRANGEMENTS WITHIN GOVERNMENT-FUNDED
PLANTATIONS**

DATE : **OCT 18 2024**

This has reference to your Memorandum dated October 04, 2024 re: Revised Draft DENR Administrative Order re: Guidelines in the Computation of Appropriate Management Arrangements within Government-Funded Plantations.

In this regard, please be informed that we have revised Annex C of the draft DAO re: Standard Formula for Established Plantations to be Affected by Development Projects (with harvesting), particularly the sample computation of compensation.

Further, please be informed that the flowchart/diagram was not attached to the draft DAO, considering that the existing procedures under existing laws, rules and regulations governing the issuance of tenure instruments shall prevail.

FOR YOUR INFORMATION AND CONSIDERATION, PLEASE.


ARLEIGH J. ADORABLE, RPF, CESO III