

DENR ADMINISTRATIVE ORDER
No. 04

SUBJECT: Revised Regulations Governing Rattan Resources

Pursuant to PD No. 705, as amended, Executive Order No. 192 dated 10 June 1987, and in line with the policy of Government of ensuring the sustainable productivity of, and equal access to, the rattan resources as a tool to economic recovery and national security, the following rules and regulations governing rattan are hereby promulgated:

CHAPTER I

TITLE, POLICIES AND OBJECTIVES

SECTION 1. Title. This Administrative Order shall be known as the Revised Regulations Governing Rattan Resources.

SECTION 2. Policies and Objectives. The policies and objectives of Government on rattan resources shall be:

- 2.1 To ensure the sustainable productivity, expanding availability, and access to, the rattan resource for the continuing support to dependent industries and the generation of employment opportunities and revenues;
- 2.2 To provide a system of rational harvesting, and gainful and efficient utilization of the resources;
- 2.3 To rationalize the industries which are dependent upon rattan as their primary raw material.

CHAPTER II

**FOREST LANDS AVAILABLE AND DISPOSITION OF
AREAS FOR THE HARVESTING OF RATTAN**

SECTION 3. Rattan Harvesting/Cutting. Rattan may be cut, gathered, transported and disposed only through a license issued by the Department of Environment and Natural Resources (DENR) following the guidelines prescribed in these regulations.

SECTION 4. Forest Lands Available for Harvesting of Rattan. Rattan may be cut and gathered in any forest lands except in experimental forests, national parks and equivalent reserves, wilderness areas, mossy forests and such other areas as may hereinafter be closed to rattan cutting and gathering. Public A or D lands not subject of applications for patents, however, may also be made available for harvesting of rattan.

SECTION 5. Identification and Delimitation of Probable Areas. The DENR shall identify, with the aid of satellite imageries, aerial photographs, forest resources maps, and other appropriate technical data and references, lands of the public domain the vegetative cover character of which indicates that the occurrence of rattan therein is highly probable.

Areas so identified shall be demarcated/delimited on a map of convenient scale as basis in determining the relative location and extent of probable areas that may be made available for the harvesting of rattan.

SECTION 6. Modes of Disposition of Available Areas. As a general policy, no license or permit to cut and gather naturally grown rattan from forest lands or other areas containing rattan shall be granted except through public bidding undertaken in consonance with this Order. PROVIDED. That, to remove undue advantage of the big entrepreneurs over the small entrepreneurs in bidding, specific areas shall be allocated for bidding between and among the big entrepreneurs, on one hand, and also specific areas for bidding between and among the small entrepreneurs, on the other hand. PROVIDED FURTHER, That areas reserved/occupied by cultural communities shall first be identified and disposed of under the special provisions for the processing of rattan applications within areas reserved/occupied by cultural communities.

SECTION 7. Inventory Requirement. Before an area is advertised for disposition or the grant of a license, the area covered thereby shall be inspected and inventoried by authorized forest officers following prescribed procedures and standards set therefor. The corresponding inspection report that shall be submitted shall contain, among others, such relevant information as: legal status of the areas; forest cover; current land-use; rattan density per hectare; and, other information that may be necessary to guide the Department Secretary and/or prospective bidders in their actions.

CHAPTER III

COMPETTIVE BIDDING

SECTION 8. Organization of Areas Subject of Competitive Bidding. Subject to the special provisions for the processing of rattan applications within reserved/occupied by cultural communities, areas previously identified as available for the harvesting of rattan shall, before they are advertised for bidding or considered for disposition under this Order, be organized into production units or blocks of appropriate sizes taking into consideration, among others, the quantity of the available resources, the raw material needs of dependent industries, and such other socio-economic factors as are essential to national economic recovery, development, and progress. As much as possible, the delineation of rattan production blocks shall consider natural boundaries. PROVIDED. That, the De-

partment shall identify which production block(s) are for the big or small entrepreneurs; PROVIDED FURTHER, That, 55 percent of the rattan production area of any region shall be allocated to the small entrepreneurs, with a paid-up capitalization of P250,000.00 or less. The big entrepreneurs with a paid-up capitalization exceeding P250,000.00 shall be allocated 45 percent of the region's rattan production area; PROVIDED FINALLY, That, at least ten percent (10%) of the region's total rattan production shall be reserved for local consumption/use where there are existing users of the product within the region.

SECTION 9. Notice of Invitation to Pre-qualify to Bid. Prospective bidders over the production unit or block organized under the immediately preceding section shall be invited to pre-qualify to bid over the subject area by way of a public announcement in at least two (2) newspapers of general circulation. The Notice of Invitation for pre-qualification shall run once for three (3) consecutive weeks for new bids and once for two (2) consecutive weeks in the case of rebidding. In addition, a copy of the Notice shall be posted at the Department and its Regional, Provincial and Community Offices where the area being advertised is located. PROVIDED, That, the Notice shall specify, among others, whether the rattan area up for bidding is for small entrepreneurs or not in accordance with Sections 6 and 8 hereof, the location and technical description of the area, the allowable cut, and other important details thereof to guide the prospective bidders.

SECTION 10. Who May Qualify. The following may qualify for prequalification, with preferential rights to Filipinos pursuant to the provisions of the Constitution:

- 10.1 Corporations, partnerships, or associations organized under the laws of the Philippines with at least 60% of the capital stock owned by Filipino citizens.
- 10.2 Owners/operators of rattan processing plants who satisfy without exception, all of the following requirements:
 - 10.2.1 The plant must have an annual rated capacity of not less than 300,000 lineal meters;
 - 10.2.2 Paid-up capital or owner's equity of at least P250,000.00; and
 - 10.2.3 DENR license to operate a rattan processing plant.
- 10.3 Individual rattan gatherers or cooperatives of rattan gatherers organized under the laws of the Philippines;
- 10.4 Individual or associations of rattan gatherers/users duly accredited by the local Action Officer of the Bagong Kilusang Kabuhayan at Kaunlaran (BKKK) or by NACIDA;
- 10.5 Individual or associations of members of indigenous cultural communities/tribal groups, duly attested by pertinent government offices on cultural community affairs;

- 10.6 Individual or associations of rebel returnees, war veterans or veterans of military campaigns, duly attested by the Department of National Defense; and
- 10.7 Holders of timber license agreement in whose concession the area being bid is situated.

SECTION 11. Prequalification Requirements. In addition to such other documents as are specified in the prequalification forms, the following requirements shall be submitted by prospective bidders.

11.1 For owners/operators of rattan processing plants:

- 11.1.1 Proof of paid-up capital or owner's equity of not less than P250,000.00.
- 11.1.2 License to operate a rattan processing plants issued by DENR.
- 11.1.3 If corporate body: a) certified photocopy of Certificate of Registration issued by the Securities and Exchange Commission (SEC); b) certified photocopy of Articles of Incorporation and By-Laws; c) description and background of current stockholders, directors, and officers including their nationalities, biodata and related experiences.
- 11.1.4 Audited Financial Statements for the immediate past three (3) years;
- 11.1.5 List and quantity of rattan product lines;
- 11.1.6 Past export revenues from processed rattan products, if any duly certified by the Central Bank;
- 11.1.7 Sworn statement authorizing representative(s) of DENR to verify submitted information; and
- 11.1.8 Statement of undertaking to employ, wherever applicable, members of cultural communities and local residents in its operations.

11.2 For individual local rattan gatherers:

- 11.2.1 Certification from the Provincial Governor/Mayor concerned that the individual rattan gatherer is a bonafide resident of the municipality/province where subject rattan area is located;
- 11.2.2 Proof of available capital and credit lines;

- 11.2.3 Supply contract/marketing agreement/rattan purchase order with/from existing rattan furniture or rattancraft manufacturers, and
- 11.2.4 Sworn statement authorizing DENR representative(s) to verify submitted information.

11.3 *For cooperatives of rattan gatherers:*

- 11.3.1 Certificate of registration issued by the Bureau of Cooperatives Development (BCOD);
- 11.3.2 Certificate from the Mayor/Provincial Governor concerned that the members of the Cooperative are bonafide residents of the municipality/province where the area is located;
- 11.3.3 Certificate of training issued by BCOD;
- 11.3.4 Audited Financial Statements for the immediate past three (3) years;
- 11.3.5 Proof of available capital and credit lines;
- 11.3.6 Supply contract/marketing agreement/rattan purchase order with/from existing rattan furniture or rattancraft manufacturers; and
- 11.3.7 Sworn statement authorizing DENR representative(s) to verify submitted information.

11.4 *For individual BKKK-accredited rattan gatherer or NACIDA registered rattan user:*

- 11.4.1 Certificate of accreditation by local BKKK Action Officer or certified copy of NACIDA-registration;
- 11.4.2 Proof of available capital or credit lines;
- 11.4.3 List and quantity of product lines;
- 11.4.4 Marketing/supply agreements/rattan purchase order; and
- 11.4.5 Sworn statement authorizing DENR representative(s) to verify submitted information.

11.5 *For associations of BKKK-accredited rattan gatherers/users, or NACIDA-registered rattan users as the case may be:*

- 11.5.1 Articles of Association duly accredited by the BKKK Action Officer concerned;
- 11.5.2 Articles of Association duly registered with the NACIDA;
- 11.5.3 Proof of available capital or credit lines;
- 11.5.4 List and quantity of product lines;
- 11.5.5 Marketing/supply agreements/rattan purchase order; and
- 11.5.6 Sworn statement authorizing DENR representative(s) to verify submitted information.

11.6 *For individual or associations of members of indigenous cultural communities/tribal groups:*

- 11.6.1 Certification from the Chieftain/Head of the cultural community or tribe, attested by the Provincial Governor/Mayor concerned, that the individual or members of the association is/are bonafide resident(s) of the province/municipality where the area is located;
- 11.6.2 Certification from the pertinent government office concerned with affairs of Muslims or cultural communities, that is a duly recognized association;
- 11.6.3 Proofs of available capital and/or credit lines;
- 11.6.4 Supply contract/marketing agreement/rattan purchase order with existing rattan furniture or rattan craft manufacturers; and
- 11.6.5 Sworn statement authorizing DENR representative(s) to verify submitted information.

11.7 *For individual or associations of rebel returnees or war veterans or veterans of military campaigns:*

- 11.7.1 Certification from the Mayor/Provincial Governor concerned that the individual or members of the association is/are bonafide resident(s) of the municipality/province where the area is located;
- 11.7.2 Certification from the Department of National Defense that the individual or members of the association is/are truly rebel returnees, war veterans or veterans of military campaigns, and if an association is a duly recognized association of rebel returnees, war veterans or veterans of military campaigns;

- 11.7.3 Proof of available capital and/or credit lines;
- 11.7.4 Supply contract/marketing agreement rattan purchase order with existing rattan furniture or rattan craft manufacturers; and
- 11.7.5 Sworn statement authorizing DENR representative(s) to verify submitted information.

11.8 For holders of timber license agreements:

- 11.8.1 Certified copy of the TLA;
- 11.8.2 Certification from a wood industry association recognized by DENR that they are members of good standing;
- 11.8.3 If corporate body: a) certified photocopy of Certificate of Registration issued by the SEC; b) certified photocopy of Articles of Incorporation and By-Laws; c) description and background of current stockholders, directors, and officers, including their nationalities, biodata, and related experiences.
- 11.8.4 Audited Financial Statements for the immediate past three (3) years;
- 11.8.5 Statement of undertaking to employ, wherever applicable, members of cultural communities and local residents in the operations;
- 11.8.6 Sworn statement authorizing DENR representative(s) to verify submitted information;
- 11.8.7 Supply contract/marketing agreement/rattan purchase order with existing rattan furniture manufacturers;

11.9 For partnerships/corporations:

- 11.9.1 Certified photocopy of Certificate of Registration issued by the SEC;
- 11.9.2 Certified photocopy of Articles of Partnership/Incorporation and By-Laws;
- 11.9.3 Description and background of current stockholders, directors, and officers including their nationalities, biodata, and related experiences;
- 11.9.4 Audited Financial Statements for the immediate past three (3) years;

- 11.9.5 Proof of available capital and/or credit lines;
- 11.9.6 Statement of undertaking to employ, wherever applicable, members of cultural communities and local residents in its operations;
- 11.9.7 Sworn statement authorizing DENR representative(s) to verify submitted information; and
- 11.9.8 Supply contract/marketing agreement/rattan purchase order with existing rattan furniture manufacturers.

SECTION 12. *Submission of Documents/Requirements.* Pre-qualification documents, together with the necessary supporting requirements for big entrepreneurs, shall be submitted in two (2) copies at the Office of the Secretary, DENR, in sealed envelopes not later than the time and date specified in the Notice of Invitation to Prequalify. All papers and documents submitted by prospective bidders shall be made public unless authorized by the Secretary. In case of small entrepreneurs, the submission shall be at the Office of the Regional Executive Director.

SECTION 13. *Screening and Awards Committee.* The DENR Secretary, shall create a Rattan Screening and Awards Committee (RSAC) which shall be primarily responsible for the proper receipt, recording, safekeeping and evaluation of prequalification and bid proposals pertaining to the rattan resources for big entrepreneurs, including the conduct of bidding and recommendations for the award of an area being disposed in accordance with these regulations.

The members of the RSAC shall be designated by the Secretary and shall be composed of a Chairman, and Executive Officer, and two (2) members from the technical forestry group with a rank not lower than a Division Chief or its equivalent and Commission on Audit representative as observer.

The Regional Executive Director in each region shall also create a Regional RSAC to handle the prequalification and bidding of rattan resources for small entrepreneurs.

SECTION 14. *Evaluation of Prequalification Requirements.* The RSAC shall, upon receipt of a prospective bidder's prequalification documents and supporting papers, immediately number the pages of the submitted documents, and record the same and time of receipt, including the number of pages. Forthwith, the RSAC shall start evaluating the documents taking into account the completeness of requirements and the following considerations:

- 14.1. *Financial capacity* – prospective bidder should have a net worth which should at least equal to the floor price of rattan for the area to be bidded. This may be supplemented by proofs of available cash capital and credit line facilities. The floor price shall be determined by the DENR, following guidelines to be promulgated therefor.

- 14.2 *Technical competence* – proof of technical know-how and experience, and/or ability to hire the services of competent technical personnel;
- 14.3 *Community development obligations* – firm plans and commitments for the upliftment of the socio-economic status of the rural citizenry within its sphere of operations.
- 14.4 *Standing of prospective bidder* – prospective bidder should be of good standing status and that they are not in the blacklisted or suspended category.

SECTION 15. Action on Prequalification Documents. If, upon evaluation, the RSAC is convinced that the prospective bidder meets all the requirements, the application for prequalification shall be stamped "PREQUALIFIED" and shall be submitted to the Secretary for review and approval. Subsequently, the Committee shall inform the concerned parties within five (5) days after approval that they have prequalified.

On the other hand, application of prospective bidders who do not meet the prequalification requirements shall be stamped "PREDISQUALIFIED" and shall likewise be submitted to the Secretary for his information and record. Predisqualified applicants shall be informed in writing within five (5) days that they have been predisqualified.

SECTION 16. Rattan Bid Proposal Forms and Particulars. Bid proposal forms and particulars on an area to be bid shall be made available by the RSAC to prequalified bidders upon request, and payment of the corresponding fees therefor.

SECTION 17. Submission of Bid Proposals. Bid proposals shall be submitted in two (2) copies and in sealed envelopes to the RSAC within the period specified in the public notice. Proposals submitted after the prescribed period shall not be accepted by the RSAC.

SECTION 18. Receiving and Opening of Bids. Bid proposals submitted to the RSAC within the specified period and in accordance with these regulations shall be stamped by the record officer of the Committee indicating the date and time of receipt thereof. The same is recorded thereafter in chronological order in a permanent record book provided for the purpose. RSAC Chairman shall see to it that the sealed envelopes are properly secured and shall not be opened until the specified date and time.

The Chairman shall open the sealed bids publicly at the place, time, and date stated in the notice which shall be attended by the bidders or their authorized representatives. Every page of a bid proposal, including the documents attached thereto, shall be numbered consecutively and initialed by the RSAC records officer.

After the opening and the numbering of the pages of the bid proposals have been completed, the corresponding abstract shall be prepared which shall be signed by the committee members and the resident auditor or his representative, attaching thereto all the bids with their corresponding supporting papers/documents and the proceedings of the bidding.

SECTION 19. Bid Guaranty. All bid proposals shall be accompanied by a Bid Guaranty equivalent to twenty-five percent (25%) of the bid price being offered by the proponent and shall be in the form of a Manager's Check issued by a reputable bank in favor of the DENR. Failure to submit the required bid guaranty with the bid tender shall be sufficient cause for rejection. Full amount of the bid guaranty shall be returned to losing bidders.

SECTION 20. Evaluation of Bids. The following general guidelines shall govern the evaluation of bid proposals:

- 20.1 Bid shall be prepared in the form as prescribed in the instruction supplied to bidders;
- 20.2 There shall at least be two (2) competing bidders at the time of opening of bids. In the event that there is only one bidder, the bid shall be returned unopened and the area advertised anew for rebidding.
- 20.3 A bid which does not comply with the conditions or requirements set forth in the bid documents shall be rejected.
- 20.4 The Secretary reserves the right to reject any or all bid proposals when, in his opinion, public interest will be adversely affected. The right is also reserved to waive the consideration of minor deviations in the bids which do not affect the substance and validity of the bids, or to disregard any bid which is obviously unbalanced particularly in the major items.
- 20.5 After the bids have been evaluated, the Committee shall submit a report of its findings to the Secretary who shall decide as to whom the area shall be awarded.

SECTION 21. Basis of Award. The area subject of bid shall be awarded to the highest bidder. The highest bidder is one who, having complied with the necessary requirements, offers the highest cash value of the rattan resources within the bidden area, exclusive of license fees and other government charges; PROVIDED That, the bid offer is not lower than the-floor price for rattan as determined by the Department, PROVIDED FURTHER, that, if there are two or more equal highest bids and one of the equal bids is that of the former licensee, the former licensee's bid shall be accepted; PROVIDED FURTHER, That, if his bid is not one of such equal highest bids, the former licensee shall be given the option to raise his bid to equal that of the highest bidder, which option must be exercised within three (3) days, exclusive of Sundays and Holidays from the time the highest bid is announced, otherwise said option shall be deemed waived; PROVIDED, FURTHERMORE, That, in the case where the former licensee waives his option as in the foregoing, or the bidding did not include the former licensee, equal highest bids shall be resolved consonant to the following rattan bidder hierarchy of priority (highest to lowest): individuals or associations of indigenous cultural community/tribal group; owners/operators of rattan processing plants; war veterans or veterans of military campaigns; rebel returnees; holders of TLAs and lastly, corporations/partnerships; PROVIDED, FINALLY, That for equal bids between an individual or community, preference

shall be to the community, except if the individual is the former licensee; among communities of the same category, preference shall be given to the community with the greatest number of membership; and between or among corporations or partnerships, preference shall be given to the one with the greatest percentage of ownership by Filipino citizens.

SECTION 22. Decision of Award. The Secretary, based on a review of the evaluation report of RSAC, shall make his decision as to whom the area shall be awarded and for which a Notice of Award shall be issued; **PROVIDED**, That, should the awardee refuse or fail to comply with the requirements called for in the Notice of Award within the period prescribed therein, the award shall be nullified and the Bid Guaranty submitted shall be forfeited in favor of the Government; **PROVIDED FURTHER**, That, in such an eventuality, the second highest complying bidder shall be considered provided that his bid is at least 75% of the highest bid but in no case less than the floor price for rattan; and, **PROVIDED FINALLY**, That these rules shall apply to the third highest bidder in case of refusal on the part of the second highest bidder, and so on.

SECTION 23. Issuance of Rattan Cutting License. A license for the cutting, gathering, transport, utilization and disposition shall be issued by the Undersecretary for Operations by authority of the Secretary in favor of the winning bidder after compliance with the administrative fees and requirements provided in these regulations, and other pertinent regulations of the Department.

CHAPTER IV

RATTAN CUTTING LICENSE

SECTION 24. Rattan Cutting License. Rattan may be cut, gathered and transported only thru a license issued by the DENR in consonance with rules herein provided.

SECTION 25. Maximum Area Under Rattan Cutting License. Consistent with the state-adopted policy of providing equitable access to rattan resources without disturbing the regular flow of raw materials to industries dependent thereto the maximum area for individuals shall be 5,000 hectares; for corporations, partnerships, associations, cooperatives, 30,000 hectares. **PROVIDED**, That, licensees may avail of more than one rattan cutting license located in different areas/regions but in no case shall the aggregate area of these exceed the maximum area limit corresponding their classification; **PROVIDED**, **FURTHER**, That, in each rattan license area should be able to sustain an annual allowable cut of 50,000 lineal meters.

SECTION 26. Sustained Yield Cut. The sustained yield cut that may be granted annually under a rattan cutting license shall be determined in accordance with the following formula:

$$SYC = \frac{A \times D}{r} \times f$$

Where:

- SYC = Sustained yield cut in lineal meters on annual basis
- A = forested area in hectares
- D = average density per hectare in lineal meters
- r = rotation period of 15 years
- f = recovery factor of 85%

provided there should be separate allowable cut computation for rattan two (2) centimeters in diameter or larger and rattans less than two (2) centimeters in diameter.

SECTION 27. Duration of License. An original rattan cutting license issued in consonance herewith shall have duration of not more than ten (10) years, renewable only for a similar period at the option of the Department Secretary, subject to the provisions of the succeeding section.

SECTION 28. Renewal of License. A rattan cutting license may be renewed upon an application duly filed and the necessary requirements complied with, and upon proof that there is still sufficient rattan available for harvesting to warrant a viable and economic operation, subject to satisfactory performance and compliance with license terms and conditions.

SECTION 29. Privileges Under a Rattan Cutting License. A holder of a license issued in consonance with this Order shall be entitled to the following privileges:

- 29.1 To enter designated areas with forest lands in order to cut and gather, to the exclusion of others, rattan; PROVIDED, That, no timber or forest products other than rattan shall be cut or gathered; and PROVIDED FURTHER, That, in case the area or portion thereof covered by the license is within a timber concession, the activities of the rattan licensee shall be undertaken in coordination with the timber licensee or licensees concerned;
- 29.2 To transport rattan poles and to dispose same for the local manufacture of rattan furniture or handicrafts, subject to the provisions of Section 30 hereof.
- 29.3 To have priority, subject to the provisions of these regulations, over the area specified in the license for development into rattan plantation; and
- 29.4 To cut, gather and transport an amount of rattan poles or materials, the quantity of which shall be within the sustained yield annual allowable cut specified in the license.

SECTION 30. General Conditions Under Which a Rattan Cutting License is Issued.
The cutting, gathering, transporting and disposition of rattan under a license issued in consonance with these regulations shall be subject to the following general conditions pertinent conditions contained in Section 58 hereof:

- 30.1 The license is granted upon the expressed condition that the licensee assumes responsibility for any or all acts connected with his operations;
- 30.2 The licensee shall only cut and ship out the rattan variety, grades, sizes and quantities as specified in the supply contract, marketing agreement or rattan purchase orders but in no case should exceed the annual allowable cut granted.
- 30.3 The licensee shall submit to the Community Environment and National Resources Office (CENRO) concerned a quarterly and annual report on the rattan poles cut/collected/transported under the license indicating the species, volume/quantity cut and utilized and to whom rattan was supplied, among other information related to disposal of the resource.
- 30.4 In the case of cooperatives and/or associations, to keep and maintain a book of accounts which should be kept readily available for inspection/verification by authorized forest officers and/or agents of the Department;
- 30.5 Only rattan with a length of 25 linear meters or longer shall be cut and gathered; however, they may be transported in the shorter standard lengths;
- 30.6 In the harvesting of rattan, care must be exercised to prevent damage to trees and young rattan plants;
- 30.7 Holders of rattan cutting licenses who do not own/operate rattan processing plants shall dispose their production in consonance with rules and regulations provided therefor;
- 30.8 The licensee agrees, unconditionally, to comply with all applicable forest and related laws, rules and regulations governing the cutting, and/or gathering, transport, disposition and/or utilization of forest products;
- 30.9 Depending upon the market demands and processing requirements, including species suitability, the allowable cut of rattan poles (unsplit) authorized under the license may be converted to split rattan at the empirical conversion ratio of twelve (12) linear meters (unsplit) to a kilo of split rattan; PROVIDED, That, the CENRO Officer concerned shall be properly and priorly notified of any undertaking for any conversion thereof;
- 30.10 The licensee shall plant the required number of rattan seedlings for every linear meter of rattan pole cut, as determined by the Department Secretary or his authorized representative, or following the scheme as may be provided for the purpose.

30.11 The Department shall delimit on the ground at the expense of the license holder, the boundary of the area covered by the license following guidelines provided for the purpose ; and

30.12 To submit, following the guidelines provided for the purpose, an annual cutting and replanting plan, for approval by the Regional Executive Director concerned.

CHAPTER V

RATTAN PROCESSING AND UTILIZATION

SECTION 31. Rationalization of the Rattan Industry. While the establishment, operation and expansion of rattan processing plants shall be encouraged, their location, capacities and types shall be regulated consistent with the industry rationalization program. Processing plants which are inefficient, wasteful, uneconomical, perennially short in raw materials, or which are not responsive to the rationalization program may be phased-out, suspended, or cancelled by the Secretary.

SECTION 32. Rattan Pole Production and Processing. The national production of raw rattan poles shall be regulated in order that it shall not exceed the annual sustained yield capacity of the rattan resource. Rattan whether split or unsplit, produced by rattan cutting license holders who are not themselves processors shall dispose their production to legitimate rattan processing plant license holders and/or users through a rattan supply contract/agreement approved by the Secretary or his authorized representative. Processing of rattan nearer to its source is encouraged by the Department.

SECTION 33. Rattan processing Plant License. The rattan resource may only be processed with rattan processing plant license issued by the Secretary or his authorized representative.

SECTION 34. Establishment/Expansion of Rattan Processing Plant License. Authority to establish a rattan processing plant license may be issued by the Department Secretary, upon an application duly filed, subject to the provisions of this Order. The Regional Executive Director concerned, shall forthwith issue the necessary license to operate rattan processing plant if all the requirements prescribed herein have been properly complied with.

The expansion of capacities of existing rattan processing plants may be granted by the Regional Executive Director concerned after a field evaluation/verification of the existing capacity of the plant and proof of availability of raw materials to sustain continuous normal operations.

SECTION 35. Who May Apply. The following may apply for a license to establish, operate, or expand a rattan processing plant:

- 35.1 A person, who at the time of application, owns and operates a rattan processing plant; and
- 32.2 A person, who at the time of application possesses the necessary qualifications to establish a rattan processing plant.

SECTION 36. Application Requirements. For an application for a license to be given due course, the prescribed application form shall be accomplished by the applicant and filed with the DENR Regional Office concerned, together with the following requirements:

- 36.1 In case the application is for a license to operate or expand an existing rattan processing plant:
 - 36.1.1 Proof of the existence and ownership of a rattan processing plant;
 - 36.1.2 Certificate of registration issued to the applicant to engage in business in the Philippines; and
 - 36.1.3 Business plan indicating, among others, management and work force, plant lay-out, machinery and procedures of processing product lines, markets and marketing channels, and audited financial statement for the immediate past three (3) years.
 - 36.1.4 Clearance from Community/Provincial Environment and Natural Resources officer concerned that expansion of the plant will not be pollutive and will not cause any damage to the environment.
- 36.2 In case the application is for a license to establish a new rattan processing plant:
 - 36.2.1 Certificate of registration issued to the applicant to engage in business in the Philippines;
 - 36.2.2 A complete feasibility study; and
 - 36.2.3 A rattan pole supply contract with a rattan cutting licensee/ licensees.
 - 36.2.4 Clearance from Community/Provincial Environment and Natural Resources officer concerned that the plant will not be pollutive and will not cause any damage to the environment.
 - 36.2.5 Clearance from the Housing and Land Use Regulatory Board.

SECTION 37. Duration of License. An original rattan processing plant license shall have a duration of five (5) years which may be renewed for a similar period upon proof of availability of sufficient rattan supply and proper compliance with existing laws and regulations including pertinent conditions stipulated in Section 58 hereof and the terms and conditions stipulated in the license.

SECTION 38. Rattan Importation. To supplement locally source rattan supply, the importation of rattan in its raw and/or semi-worked form shall be encouraged. The Department shall not issue permits for importation. The licensee, however, should possess the necessary permits from the other government agencies involved in importation including the Plant Quarantine Service of the Department of Agriculture to prevent the introduction of exotic plant pests and diseases.

CHAPTER VI

RATTAN PLANTATION ESTABLISHMENT AND DEVELOPMENT

SECTION 39. Development of Rattan Plantations. The development of rattan plantations as an alternative source of raw materials shall be encouraged and pursued.

SECTION 40. Forest Lands Available for Rattan Plantation Development. Except in specific areas in forest lands mentioned in Section 4 hereof, the following, whether inside timber concession or not, may be made available for rattan plantation development:

- 40.1 Brushlands and open lands;
- 40.2 Recently logged-over forests;
- 40.3 Second growth forests not scheduled for relogging within the next twenty (20) years;
- 40.4 Established plantations inside forest tree plantation development projects or existing government reforestation projects.

SECTION 41. Rattan Plantation Lease. The development of rattan plantations within forest lands may be allowed only under a lease issued by the Secretary, upon recommendation of the Regional Executive Director concerned and in compliance with the requirements prescribed herein.

A rattan plantation lease shall have a duration of twenty-five (25) years, renewable for a similar period; PROVIDED, That the terms and conditions stipulated in the lease and applicable laws and regulations are properly complied with.

SECTION 42. Who May Apply. The following persons may obtain a lease to establish and develop rattan plantations inside forest lands:

- 42.1 Holders of rattan processing plant permits;
- 42.2 Holders of rattan cutting permits;
- 42.3 Holders of timber license agreements or other timber licenses, and industrial tree plantations, tree farms and agro-forestry farms, provided that the area applied for is within their respective concession holdings;
- 42.4 Filipino citizens who are residents of the community near, adjacent, or surrounding forest lands desired to be developed into rattan plantations; and
- 42.5 Filipino citizens possessing the qualifications to lease forest lands.

SECTION 43. Application Requirements. For an application for a lease to be given due course, the prescribed application form shall be accomplished by the applicant and filed with the DENR Regional Office concerned, together with the following requirements:

43.1 Common Requirements

- 43.1.1 A certification from the local community environment and natural resources officer concerned that the area is available, accessible, and suitable for development into plantation by way of new, supplemental, or enrichment planting;
- 43.1.2 A rattan plantation development and management plan prepared by or under the supervision of, and signed and sealed by a registered forester;
- 43.1.3 Proof of financial capability to engage in such rattan plantation activity to the extent of at least ten thousand pesos (P10,000.00) per hectare;
- 43.1.4 If a corporate body, partnership, or association:
 - (a) certified photocopy of the Articles of Incorporation, Partnership or Association, By-Laws, as the case may be; (b) Certified photocopy of Registration with the Securities and Exchange Commission; (c) description and background of current stockholders, directors and officers, including their nationalities, biodata and relevant experiences.

43.2 Specific Requirements

- 43.2.1 *For holders of a rattan processing plant license* – copy of existing rattan processing plant license.
- 43.2.2 *For holders of a rattan cutting permit* – copy of existing and valid rattan cutting license:

43.2.3 *For holders of a license agreement or timber license* — Copy of existing and valid timber license agreement or other forms of timber license;

Project feasibility study;

43.2.4 *For holders of a tree plantation lease* — Copy of existing and valid forest tree plantation lease agreement;

Feasibility study.

43.2.5 *For individual persons* — a certification from the Mayor/Provincial Governor concerned that the applicant is a bonafide resident of the municipality/province where the area applied for is located.

No area shall be leased for rattan plantation purposes if such area during the inventory conducted by the local Community Environment and Natural Resources Officer (CENRO), contains more than five hundred (500) growing rattan seedlings or plants more or less uniformly and widely spread over each hectare of forest lands.

SECTION 44. *Size of Rattan Plantation.* The size of area that may be the subject of rattan plantation lease shall not be more than 30,000 hectares, provided that the initial grant shall not be more than 5,000 hectares.

SECTION 45. *Obligation of the Lessee.* The lessee shall strictly observe the following and the pertinent conditions stipulated in Section 58 hereof:

45.1 To undertake at his own expense the delimitation of the boundary of the leased area, in coordination with the Department, and to be familiar with and be responsible for the maintenance of said boundary;

45.2 To protect his area, his rattan plantation, the forest land and its resources where his rattan plantation is located as well as its immediate vicinity against manmade/mancaused disturbances or destructions;

45.3 To do no timber cutting, unnecessary underbrushing, forest floor clearing and burning, or gathering of any other forest products, or undertaking of any activities not consistent with the purposes of the lease;

45.4 To implement strictly his program of rattan plantation development following as closely as possible the schedule of planting, maintenance and improvement;

45.5 To follow, as closely as possible, accepted silvicultural and utilization practices, as well as the rotation cycle, for rattan:

- 45.5.1 The minimum stocking requirement is 400 uniformly spaced seedlings per hectare. When possible, fertilization should be applied in order to hasten the growth of rattan plants;
- 45.5.2 Unless otherwise provided for in the approved rattan plantation management development plan, only mature canes shall be cut.
- 45.5.3 Cutting into proper pole lengths and avoiding injury to the rinds of canes should be observed so as to minimize wastage.

SECTION 46. Incentives. To encourage the establishment of rattan plantations the following incentives are hereby granted to holders of rattan plantation lease:

- 46.1 The minimum rental fee of P0.50 centavos per hectare shall be imposed, provided that there will be no rental fee payments for the first five (5) years of the lease;
- 46.2 Provision of rattan seedlings at production cost and free technical assistance by DENR field personnel;
- 46.3 Forest charges on the rattan cut out of the plantation shall be fifty (50%) percent of the regular assessment; and
- 46.4 Rattan raised in plantation belongs to the lessee who shall have the right to sell, contract, convey, or dispose of the said rattan in any manner he sees fit, in accordance with forestry laws, rules and regulations, provided that no exportation of raw rattan canes shall be allowed.

Where deemed meritorious, the DENR may enter into rattan plantation development contract with any interested and/or qualified individual or entity through joint venture, production sharing or any appropriate arrangement.

CHAPTER VII

REGULATORY FEES

SECTION 47 Old rates stipulated in Chapter 5 of BFD Administrative Order No. 2-85 shall be retained except for rate of the license fee to operate rattan processing plants which shall be P25.00 for every P10,000.00 capitalization provided that the total license fee due is not less than P1,000.00 and at most P5,000.00 only.

CHAPTER VIII

CRIMINAL OFFENSES AND PENALTIES

SECTION 49. Criminal Offenses and Penalties. The cutting, harvesting, gathering or transporting of rattan without a permit shall be illegal and any person or persons committing such act or acts shall be punished in accordance with Section 68 of Presidential Decree No. 705, as amended, and appropriate laws. Confiscated or seized rattan poles shall be immediately disposed of through public bidding following the guidelines to be prescribed by the Secretary.

The operation, expansion or establishment of rattan processing plant without a license, likewise, shall be illegal and any person or persons committing such act or acts shall be punished by perpetual disqualification from ever acquiring such license or rattan cutting permit.

SECTION 49. Causes for the Suspension, Revocation, and/or Cancellation of Licenses/Leases. Depending upon the degree of, and the mitigating circumstances attendant to the violation, a license or lease may be suspended, cancelled and/or revoked for any of the following reasons:

- 49.1 For late or non-payment of the required fees within the prescribed period;
- 49.2 Cutting without an approved annual cutting operations plan;
- 49.3 Cutting outside the area covered by the rattan cutting license;
- 49.4 Cutting outside the approved annual cutting operations plan;
- 49.5 Cutting in excess of the annual allowable cut;
- 49.6 Cutting of immature canes;
- 49.7 Invoicing of rattan materials coming from illegal or questionable sources;
- 49.8 Illegally transporting rattan materials;
- 49.9 Failure to submit the required annual planting plan or to satisfactorily replant the areas prescribed in approved plan;
- 49.10 Failure to delimit the license boundaries within the prescribed period;
- 49.11 Failure to effectively protect the area under license;
- 49.12 Refusal to allow authorized forest officers to enter the area under license, or the processing plant premises, or to make available documents as may be required by said forest officers;

- 49.13 Cutting of forest products other than what is specified in the license;
- 49.14 For processing illegally cut/transported rattan;
- 49.15 Failure to properly enter into the **Rattan Registry Book** all rattan material deliveries, whether purchased or not from its own rattan license, immediately or soon after delivery;
- 49.16 For unauthorized expansion of his rattan processing plant capacity;
- 49.17 For grossly unsatisfactory performance as verified and reported by authorized forest officers;
- 49.18 For violation of existing forest and related laws, rules and regulations and the terms and conditions of the license or lease.

Persons found and verified to have cut rattan, or have operated a rattan processing plant without the necessary license, shall be perpetually disqualified from acquiring any forestry license related to the utilization of this resource, without prejudice to the imposition of such other sanctions as may be warranted.

CHAPTER IX

RATTAN SPECIAL DEPOSIT

SECTION 50. Purpose and Nature of Special Deposit. There shall be collected from holders of rattan cutting licenses a specific amount which will accrue to a Rattan Special Deposit, in addition to the basic forest charges provided for under existing forestry laws, and regulations, which amount shall be expended for the rattan replanting obligations of said licensees. The special deposit collected in consonance herewith shall be considered as a trust fund deposit to be treated in accordance with Section 65 and 66 of PD 705, as amended.

SECTION 51. Amount of Special Deposit. The rattan special deposit to be collected pursuant hereof shall be in the amount of FIFTY CENTAVOS (P0.50) for every lineal meter of rattan which is two (2) centimeters in diameter or larger, and TWENTY CENTAVOS (P0.20) for every lineal meter of rattan which is below two (2) centimeters in diameter. The conversion factor from kilogram to lineal meter, where this is necessary to assess the rattan deposit, shall be in accordance with existing regulations or as determined by the DENR.

SECTION 52. Assessment. Every holder of a duly issued rattan cutting license shall pay the specified amount based on the annual allowable cut stipulated in the license.

SECTION 53. Collection. The amount specified herein as Special Rattan Deposit shall be collected by the Regional Executive Director, to be deposited with any DENR-accredited bank and may be withdrawn only on the basis of a consolidated annual budget work program for the specific purpose of establishing rattan plantations or in the prosecution of the rattan replanting program of the concerned rattan cutting license holder.

SECTION 54. Manner of Collection. The special deposit shall be collected at the time of issuance of a new permit or renewal thereof, but in no case shall it be less than FIFTY PERCENT (50%) of the assessed amount to be deposited annually. The balance of the deposit may be paid in quarterly installments during the year.

SECTION 55. Use of Special Deposit. The special deposit collected in consonance herewith shall be utilized for the replanting of areas with rattan in pursuance to the terms and conditions of the rattan cutting license.

SECTION 56. Sub-Contracting. Holders of rattan cutting licenses may subcontract to private parties or government entities duly accredited by the Regional Executive Director or his authorized representative, to undertake the replanting of rattan within the area covered by the license or within areas for rattan plantation development. The rattan replanting/plantation development activities shall be funded by special deposit contributed by the licensee and shall be monitored and evaluated by the Regional Executive Director or his authorized representative. Approval of the sub-contract shall be considered as substantial compliance with the rattan replanting requirement called for in the rattan cutting license.

CHAPTER XI

MISCELLANEOUS PROVISIONS

SECTION 57. Transitory Provision. In the interim where the new division of forest areas into production blocks and/or inventory of rattan in the area has not been completed, the existing and available inventory data shall be adopted. PROVIDED, That the winning bidder shall agree to conduct with DENR, within six (6) months of award of the bid, an update inventory and to defray costs therefor, which amount excluding the cost incurred in connection with Section 30.10 hereof, shall be deductible to the bid price. PROVIDED, FURTHER, That, the winning bidder shall agree to an amendment of the initially set annual allowable cut or sustained yield cut (SYC) based on the update inventory. PROVIDED FINALLY, That, in all areas where there are interested bidders or where the prospective bidders are not willing to undertake the update inventory, these areas shall be unavailable for rattan production until such time that these have been organized into production blocks and the resource inventory has been completed.

SECTION 58. Additional Conditions for Rattan Cutting, Processing and Plantation License/Leases. In addition to the general conditions prescribed herein, the following conditions shall also apply to the rattan cutting permits and leases issued in consonance with these regulations:

- 58.1 No subsequent cutting of rattan shall be allowed in residual or second growth forests which have been the subject of an initial cutting of rattan until after the tenth year; PROVIDED, That a recutting may be allowed therein as certified by the local Community Environment and Natural Resources Officer and upon approval by the Regional Executive Director concerned.
- 58.2 The licensee/lessee assumes responsibility for any or all acts of his agents and employees;
- 58.3 Authorized forest officers shall have free access to the area under license or any of the facilities set up by the licensee/lessee, including all records pertaining to the operation of the license or lease issued;
- 58.4 Establishment of rattan plantations by the license holder may be allowed, subject to approval of the Regional Executive Director concerned; PROVIDED, That, if the establishment and concerned development of the plantation shall be undertaken through the services of a consultancy or a management firm, the development plan therefor shall be priorly approved by the Regional Executive Director concerned;
- 58.5 Holders of rattan cutting licenses or rattan plantation leases shall employ the required number of forest concession guards as may be prescribed by the Regional Executive Director concerned;

SECTION 59. Definition of Terms. As used in this Order, the following definitions shall apply:

- 59.1 *"Bid"* refers to a proposal or offering for the purchase of, or the privilege to utilize forest products within a given tract of land.
- 59.2 *"Bidding"* is the process of determining the awardee to a license or lease for the privilege to utilize forest products within a given tract of land.
- 59.3 *"Experimental forest"* refers to a tract of forest land established purposely for experiment, research, or study on forest resources as well as their influences on man and the environment, and vice-versa.
- 59.4 *"Floor price"* refers to the minimum fair market value at which a forest product may be offered for bid.
- 59.5 *"Forest land"* refers to the public forest, permanent forests, or forest reserves and reservations.
- 59.6 *"Lease"* is a privilege granted by the State to a person to occupy and possess, in consideration of specified rental, any forest land of the public domain in order to undertake any authorized activity thereon.

- 59.7 *“License”* is a privilege granted by the State to a person to utilize specified forest resources within any forest land without any right of occupation or possession over the same, or to conduct any activity involving the utilization of other forest resources.
- 59.8 *“National Park”* refers to forest land reservation essentially of primitive or wilderness character which has been withdrawn from settlement to preserve the scenery, the natural and historic objectives and the wild animals or plants therein, and to provide enjoyment of these features in such a manner as will leave them unimpaired for the future generation.
- 59.9 *“Person”* refers to natural as well as juridical person, such as individual, partnership, association, cooperative or corporation.
- 59.10 *“Rationalization”* refers to the organization of a business through sound management principles and simplified procedures to obtain greater efficiency and profitability of operation.
- 59.11 *“Rattan”* refers to a group of cane like climbing palm species such as palasan (*Calamus maximus Blanco*), limuran (*C. ornatus Blanco*), bala-nog (*C. symphysipus Blanco*), and *Daemonorops Spp.*, belonging to the family *Palmae* generally found in moist tropical rain forests.
- 59.12 *“Rattan industry”* refers to the small, medium or large scale productive activity involving, in the main, the cutting, gathering, transporting, trading, processing or manufacturing of rattan.
- 59.13 *“Rattan processing plant”* is any mechanical set-up, device, machine or combination of machines used for the purpose of converting raw, unworked rattan materials into semi-finished or finished rattan-generic products, ready for assembly into furniture.
- 59.14 *“Raw/unworked rattan”* means a piece of rattan pole that has not undergone any processing or manufacturing except cutting to sizes or application of preservatives.
- 59.15 *“Rattan product”* refers to any material directly derived from a rattan plant such as: raw rattan (split or unsplit), poles (scraped or unscraped), furniture stocks, handicrafts, basketing and the like.
- 59.16 *“Secretary”* refers to the Secretary of the Department of Environment and Natural Resources.
- 59.17 *“Semi-worked rattan”* means a piece of pole that has undergone preliminary processing but cannot be directly assembled into a furniture piece.

- 59.18 “*Small entrepreneurs*” refer to proponents of a rattan cutting enterprise with capitalization of not more than ONE HUNDRED THOUSAND PESOS (P100,000.00).
- 59.19 “*Big entrepreneurs*” refers to proponents of a rattan cutting enterprise with capitalization exceeding ONE HUNDRED THOUSAND PESOS (P100,000.00).
- 59.20 “*Rattan abandoned*” refers to cut rattan poles which have been left in the cutting areas and/or collection points for more than two weeks without appropriate preservative treatment, and that signs of extensive staining and deterioration have set in.
- 59.21 “*Wilderness area*” refers to the land of the public domain, which has been reserved as such by the President, by virtue of Letter of Instructions No. 917, as amended, to preserve its natural conditions, maintain its hydrologic quality and restrict public use, in the interest of national welfare and security.

SECTION 60. Effectivity. This Order takes effect immediately and supersedes BFD Administrative Order No. 2-85 dated 21 January 1985, as amended.

FULGENCIO S. FACTORAN, JR.
Secretary

Signed on January 10, 1989