

Administrative Order
No. 42
August 22, 1991

**SUBJECT: Revised Regulations and Guidelines
Governing the Establishment and
Development of Industrial Forest
Plantations (IFPs)**

Pursuant to Presidential Decree No. 705, as amended, Executive Order Nos. 725 and 278 dated September 1, 1981, and July 25, 1987, respectively, and in recognition of its role as a tool to economic recovery, the following regulations and guidelines governing the establishment and development of Industrial Forest Plantations (IFPs) are hereby promulgated:

**CHAPTER I
TITLE, POLICIES, OBJECTIVES, AND DEFINITION OF TERMS**

Section 1. Title. This Administrative Order shall be known as the "Revised Industrial Forest Plantation Management Regulations".

Section 2. Policies and Objectives. The following are the policies and objectives of Government on the establishment and development of industrial forest plantations:

- 2.1 **Policies** It is the policy of the government to ensure supply of timber and other forest products through effective protection and sustainable management of our natural forests and development of industrial forest plantations. Furthermore, the involvement of local residents/communities in the development of industrial forest plantations is considered highly desirable and, therefore, encouraged.
- 2.2 **Objectives** - The development of industrial forest plantations has the following objectives:
 - 2.2.1 To convert the country's open, denuded, brushland and inadequately-stocked residual forests into productive areas to supply the raw material requirements of forest-based and related industries, energy-generating facilities and for export;
 - 2.2.2 To promote more effective protection of the remaining natural forests;
 - 2.2.3 To improve and maintain a desirable forest ecosystem;

2.2.4 To generate employment opportunities in rural areas; and

2.2.5 To generate additional sources of foreign exchange.

Section 3. Definition of Terms.

The following terms are to be understood or interpreted as they are hereunder indicated:

- 3.1 **Adequately-stocked logged-over areas** - refer to forestlands with an existing stand of timber containing an average of at least 20 trees per hectare of dipterocarp and/or premium species with a diameter breast height (dbh) of more than 20 centimeters.
- 3.2 **Brushland** - refers to land which is predominantly covered with shrub growth or short stunted trees or shrubs.
- 3.3 **CENRO** - refers to the Community Environment and Natural Resources Office.
- 3.4 **DENR** - refers to the Department of Environment and Natural Resources.
- 3.5 **Fast-growing species** - refers to tree species that grow relatively faster than common forest trees with a mean annual increment of at least ten (10) cubic meters per hectare under favorable site conditions.
- 3.6 **FMB** - refers to the Forest Management Bureau.
- 3.7 **Inadequately-stocked logged-over areas** - refers to forestlands with an existing stand of timber containing an average per hectare of less than 20 trees of dipterocarp and/or premium species with a diameter breast height (dbh) of more than 20 centimeters.
- 3.8 **Industrial Forest Plantation (IFP)** - refers to any tract of forestland and other public and private lands planted to timber producing species including rubber, and/or non-timber species such as rattan, bamboo primarily to supply the raw material requirements of existing or proposed forest-based industries, and energy-generating plants, and related industries, as well as for export.
- 3.9 **Industrial Forest Plantation Management Agreement (IFMA)** - Agreement entered into by DENR and a qualified person, to occupy and possess,

in consideration of a specified rental, any forest land of the public domain in order to establish an industrial forest plantation.

- 3.10 **Open and Denuded Land** - refers to forestlands that has been depleted of its natural forest cover due to the activities of man, fire or other natural causes.
- 3.11 **PENRO** - refers to the Provincial Environment and Natural Resources Office.
- 3.12 **Premium species** - refers to tree species the wood of which has some special characteristics such as strength or durability, beauty, scarcity or rarity, or is used for special purposes, and included in the list of such species as embodied in DAO 78, series of 1987 and other species that may hereafter be classified as such.
- 3.13 **Regional Executive Director** - refers to the Regional Executive Directors (RED) of the 13 Regional Offices of the DENR and the Cordillera Administrative Region.
- 3.14 **Secretary** - refers to the Secretary of DENR.
- 3.15 **Undersecretary** - refers to the Undersecretary for Field Operations.

CHAPTER II

Section 4. Areas Available for IFMA and/or Disposition for Industrial Forest Plantation Development. The following areas are available for industrial forest plantation development:

- 4.1 Bare, open, denuded or grass-covered tracts of forest lands, brushlands, inadequately-stocked areas within or outside timber concessions, **Provided**, that for areas within TLA's, such areas are not programmed for reforestation as required under TLA regulations.
- 4.2 Portion and/or areas covered by grazing/pasture leases needing immediate reforestation, **Provided**, That such areas shall be excluded from the lease.
- 4.3 Government reforestation projects or portions thereof found to be more suitable for or can be better developed as industrial forest plantation in terms of benefits to the government and to the surrounding community.
- 4.4 Areas of existing TLA and TPSA which are to be converted to IFMAs, **Provided**, That the area containing adequately stocked natural forest shall not exceed 50% of the total area of the proposed lease.

- 4.5 Areas covered by canceled TLAs or portions thereof that are suitable for industrial forest plantation development, subject to limitation in paragraph 4.4.
- 4.6 Private lands and other alienable and disposable areas where DENR has issued authorization to harvest forest crops under an out-grower scheme or nucleus estate approach.
- 4.7 Adequately stocked logged over areas within timber concessions adjoining open and inadequately stocked areas, may qualify for IFMA area, **Provided**, That such areas shall be subject to sustainable management and protection.
- 4.8 For rattan plantation, the following areas may also be available:
 - 4.8.1 Recently logged-over forests;
 - 4.8.2 Second growth forests not scheduled for relogging within the next twenty (20) years.

Section 5. Identification and Delimitation of Potential IFMA Areas. - The DENR shall identify, with the aid of the latest forest resources condition maps, aerial photographs, satellite imageries and/or other appropriate technical references, lands of the public domain, the physical features of which indicate the feasibility of establishing an industrial forest plantation.

Areas so identified shall be validated on the ground and thereafter demarcated/delineated on a map of convenient scale and shall henceforth be classified as part of Permanent Forest Estate.

CHAPTER III

Section 6. Mode of Disposition of Areas. - The areas available for IFP development shall be granted to qualified applicants of IFMA in either of two (2) types: IFMA for purely plantation establishment, and IFMA for plantation development and management of natural forest combined.

Section 7. Who May Apply/Qualify. - The following may apply/qualify for IFMA:

- 7.1 Filipino citizen of legal age.

- 7.2 Corporations, partnerships or associations or cooperatives registered under Philippine laws, at least sixty percent (60%) of the capital of which is owned or controlled by Filipino citizens.
- 7.3 TLA holders in good standing who are willing to convert their TLA to IFMA.
- 7.4 Community organizations whose members reside near or adjacent to the lands applied for.

Section 8. Awarding of Area.

- 8.1 Areas which do not contain adequately stocked natural forest shall be awarded on first-come-first served basis upon filing of the application in the prescribed format shown in Annex "A" and submission of requirements provided in Sec. 9.2 hereof and payment of application fee of P0.50/hectare and fraction thereof.
- 8.2 Areas that include adequately stocked natural forest shall be awarded through competitive bidding.
- 8.3 Areas covered by existing TLA willing to convert IFMA shall, likewise, be bidded.

Section 9. Bidding Procedures.

9.1 Notice of Invitation To Pre-qualify to Bid.

Prospective bidders over available areas for IFMA identified in Sec. 8.2 and 8.3 hereof, shall be invited to pre-qualify to bid over the area by way of a public announcement in at least two (2) newspapers of general circulation, which shall run once for two (2) consecutive weeks. In addition, a copy of the Notice shall be posted at the DENR and its Regional, Provincial and Community offices concerned. **Provided**, That the Notice shall specify, among others, the location and technical description of the area.

9.2 Pre-qualification requirements - The following shall be submitted by prospective bidders:

- 9.2.1 If applicant is a government official or employee, whether in career or non-career service, written permission from the Department head or head of agency concerned.

- 9.2.2 If the applicant is a naturalized Filipino citizen, a copy of his/her Certificate of Naturalization certified by the Clerk of Court of the Regional Trial Court that issued the same.
- 9.2.3 If the applicant is a corporation, four (4) copies of the minutes of the meeting of the Board of Directors indicating the present Officers and Stockholders, Articles of Incorporation and By-Laws, and audited financial statement for the preceding year, **if the applicant was already in existence** and stating the authority of the officers to file the application in behalf of the corporation.
- 9.2.4 If the applicant uses a name, style, or trade name other than its true name, four (4) copies of the Certificate of Registration of such name, style or trade name with the Bureau of Domestic Trade, certified by an authorized officer of the Bureau.
- 9.2.5 Indicative plan of development as shown in Annex "B" hereof.
- 9.2.6 Proof of financial capability to at least undertake initial activities such as perimeter survey and preparation of a comprehensive development plan.
- 9.2.7 Four (4) certified copies of the income tax return filed for the preceding two (2) years.

9.3 Submission of Documents/Requirements.

Prequalification documents, together with the necessary supporting requirements shall be submitted in four (4) copies at the Office of the concerned DENR Regional Executive Director, in sealed envelopes not later than the time and date specified in the Notice of Invitation to Prequalify. All papers and documents submitted by the prospective bidders shall not be made public unless authorized by the Secretary.

9.4 Screening and Awards Committee.

The Secretary, shall create an IFMA Screening and Awards Committee (IFSAC) which shall be primarily responsible for the proper receipt, recording, safekeeping and evaluation of prequalification and bid proposals pertaining to the potential IFMA areas for 1,000 hectares or more, including the conduct of bidding and recommendations for the award of an area being disposed in accordance with these regulations.

The members of the IFSAC shall be designated by the Secretary and shall be composed of an Undersecretary as Chairman, an 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 concerned shall also create IFSAC to handle the pre-qualification and bidding of potential IFMA areas of less than 1,000 hectares.

9.5 **Evaluation of Prequalification Requirements.**

The IFSAC 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 the date and time of the receipt including the number of pages. Forthwith, the IFSAC shall start evaluating the documents taking into account the completeness of requirements as specified in 9.2 and the following considerations:

9.5.1 **Financial capacity** - prospective bidder should have an available capital at least to undertake initial activities such as survey and preparation of development plan. This may be supplemented by proofs of available credit line facilities.

9.5.2 **Technical competence** - proof of technical know-how and experience, and/or ability to hire the services of competent technical personnel.

9.6 **Action on Prequalification Documents.**

If, upon evaluation, the prospective bidder meets all the requirements, the application for prequalification shall be stamped "**PREQUALIFIED**" and shall be submitted to the RED or the Secretary, as the case may be, 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, applications of prospective bidders who do not meet the requirements shall be stamped "**PREDISQUALIFIED**" and shall likewise be submitted to the RED or the Secretary, as the case may be, for his information

and record. Predisqualified applicants shall be informed in writing within five (5) days that they have been predisqualified.

9.7 IFMA Bid Proposal Forms and Particulars.

Bid proposal forms and particulars on an area to be bidded shall be made available by the IFSAC to prequalified bidders upon request, and payment of the corresponding fees therefor.

9.8 Submission of Bid Proposals.

Bid proposals shall be submitted in five (5) copies and in sealed envelopes plainly marked to the IFSAC within the period specified in the public notice. Proposals submitted after the prescribed period shall not be accepted by the IFSAC. All bids must be accompanied by a Bidders Bond of not less than Two Pesos (P2.00/hectare) in cash or surety bond from a reputable bonding company.

9.9 Receiving and Opening of Bids.

Bid proposals shall be submitted to the IFSAC 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 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 IFSAC members.

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.

9.10 Performance Bond.

The Performance Bond shall be 10% of the assumed net value (assumed market price of P2,500 per cubic meter, less production and other costs, assumed at P1,500 per cubic meter), but in no case be less than P6,000/ha of the area of natural forest within the IFMA.

9.11 **Evaluation of Bids.** The following general guidelines shall govern the evaluation of bid proposals:

- 9.11.1 Bid shall be prepared in the form as prescribed in the instruction supplied to bidders.
- 9.11.2 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.
- 9.11.3 A bid which does not comply with the conditions or requirements set forth in the bid shall be rejected.
- 9.11.4 The Secretary, or the Regional Executive Director concerned, as the case may be, 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.
- 9.11.5 After the bids have been evaluated, the committee shall submit a report of its findings to the Secretary, or the RED concerned, who shall decide as to whom the area shall be awarded.

9.12 **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 performance bond for the bidden area; **Provided**, That the bid offer is not lower than P6,000/ha of the area covered by adequately-stocked residual natural forests for development and management 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 selected; **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) working days 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 in favor of the corporation or partnership with the greatest percentage of ownership by Filipino citizens; **Provided, Finally**, That if the equal highest bids are still equal in terms of

ownership by Filipino citizens, the bidder with the biggest paid up capital shall be deemed the winning bid.

9.13 **Decision of Award.**

The RED or the Secretary, as the case may be, based on a review of the evaluation report of IFSAC, 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 Bidder's bond 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 Six Thousand Pesos (P6,000) per hectare of area; 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 10. Preparation and Issuance of IFMA. - An IFMA, together with final sketch plan of the area, either for pure plantation development or for combined plantation development and management of natural forest, shall be prepared in the Regional Office in an IFMA form hereto attached as Annex "C", approval of which shall be made by the following DENR officials, as follows:

below 1,000 hectares	-	Regional Executive Director
1,000 - 2,000 hectares	-	Undersecretary for Field Operations
Over 2,000 hectares	-	Secretary.

CHAPTER IV
INDUSTRIAL FOREST PLANTATION MANAGEMENT AGREEMENT

Section 11. Size of the Area. - The minimum area for IFP is 100 hectares and the maximum area shall be the area that can be developed within five (5) years by the lessee but not to exceed 20,000 hectares; **Provided, however**, that the foregoing limitations shall not preclude the granting of additional areas on a case to case basis depending upon the satisfactory performance of the lessee as determined through evaluation of the accomplishment thereof; **Provided**, That only open and denuded areas shall be granted.

Section 12. Duration of the Agreement. - The IFMA shall have a duration of twenty-five (25) years renewable for another twenty-five (25) years, **Provided**, That the terms of the IFMA shall be subject to future legislative action on the mode of disposition and scheme on the utilization and development of natural resources in accordance with the 1987 Constitution.

Section 13. Terms and Conditions of the Agreement. - The IFMA issued in consonance with this regulation shall be subject to the following provisions:

13.1 IFMA solely for plantation development

- 13.1.1 The Lessee shall delineate and mark on the ground the boundaries of the IFMA and its sub-areas under the supervision of the DENR within six (6) months from the issuance of the IFMA and shall preserve the monuments and other land marks indicating corners and outlines along the boundaries and within the confines of the area covered by the IFMA.
- 13.1.2 The Lessee shall submit within six (6) months from issuance of the IFMA a Comprehensive Management and Development Program in the prescribed form shown in Annex "D" for the leased area for the approval of the LESSOR which shall form part of the Agreement.
- 13.1.3 The Lessee shall plant and raise in the leased area, forest tree species including rubber and/or non-timber species such as rattan, bamboo, buri, etc., for the production of timber, pulpwood, fuelwood and other non-timber forest products.
- 13.1.4 The Lessee may interplant secondary crops within the leased area.
- 13.1.5 The Lessee shall utilize the leased area only for the purpose for which the IFMA is granted.
- 13.1.6 The Lessee shall improve and plant at least 30% of the area granted within three (3) years from the execution of the IFMA; and the balance of the area within two (2) years; or in such a way that the whole area can be developed in five (5) years.
- 13.1.7 The Lessee shall protect the leased area from forest fires and other forms of forest destructions and to place his employees or workers under the direction of foresters or other authorized agents of the Secretary whenever required.

- 13.1.8 The Lessee shall submit Semi-Annual and Annual reports of activities showing among others, the number of hectares developed during the period, species planted, survival rate, number and size of nurseries established, kinds of seedlings raised, and other improvements introduced.
 - 13.1.9 The Lessee shall not unreasonably impede, obstruct or in any manner prevent the passage of legitimate licensees, lessees, permittees, and/or other forest users and the public, by virtue of the IFMA.
 - 13.1.10 The Lessee shall not construct permanent infrastructure that are not necessary in the development of the Industrial Forest Plantation such as buildings of concrete and strong materials. Furthermore, any road network planned for construction shall be subject to approval of the Secretary.
 - 13.1.11 No trees in the leased area shall be cut regardless of species, if found within twenty (20) meters from banks of rivers or creeks of at least five (5) meters in width and of public roads. In case said 20 meters strip is bereft of trees, same shall be reforested by the lessee.
 - 13.1.12 Open, denuded, brushland or inadequately-stocked areas along the banks of streams with channels less than five (5) meters in width shall be planted with trees and may be harvested if included in the duly approved Industrial Forest Plantation Development Plan.
 - 13.1.13 The Lessee shall protect and conserve unique, rare and endangered trees, palms and wildlife identified as such under existing rules, laws and regulations within the lease area.
- 13.2 **IFMA for combined plantation development and management of natural forest** - In addition to the conditions in the preceding paragraphs IFMA covering combined plantation development and management of natural forest shall be subject to the following conditions:
- 13.2.1 The Lessee may, in accordance with the approved development and management plan of the leased area, be allowed to cut and utilize naturally grown trees in adequately stocked logged-over areas on a sustainable basis in accordance with selective logging regulations; **Provided**, That the lessee may be authorized to cut within adequately

stocked residual forests only after all open, denuded, inadequately stocked areas shall have been developed/planted.

13.2.2 The Lessee shall undertake sustainable and unified management and protection of natural forest.

13.2.3 The Lessee shall strictly observe and/or implement all possible measures to protect areas for environmental purposes.

CHAPTER V INCENTIVES

Section 14. Incentives. - A holder of IFMA issued in consonance with the Order shall be entitled to the following incentives:

- 14.1 **Reduced Payment of Forest Charges and Land Rentals.** The Lessee shall pay only 25% of regular forest charge due on plantation product from IFMA in accordance with P.D. 705, as amended. The government incentives on IFMA development shall be in accordance with the provisions of Sec. 36 of P.D. 705, as amended, as well as the incentives provided under the Board of Investment Priorities Plan and any incentive that may be provided by law in the future.
- 14.2 **Exemption from payment of certain Internal Revenue Taxes.** Timber and other forest products planted and grown in IFP areas bartered or exchanged by the management agreement holder, in their original state, shall be exempted from the payment of value added tax pursuant to Executive Order (E.O.) No. 273, Series of 1987. The IFMA holder shall, likewise, not be subject to any obligation prescribed in, or arising out of, the provisions of the National Internal Revenue Code on withholding tax at source upon interest paid on borrowings incurred for development and operation of the Industrial Forest Plantation as provided in PD 705, as amended;
- 14.3 **Integrity of Boundary and Status of Area.** The boundaries and legal status of the area covered by an IFMA once established shall not be altered or modified.
- 14.4 **Plantation development expenses, tax deductible.** Amount expended by a lessee in the establishment, development, and operations of an IFMA prior to the time when the production state is reached may, at the option of the lessee, be regarded as ordinary and necessary business or as capital expenditures and, therefore, tax deductible.

- 14.5 **Credit Assistance.** Holders of IFMA may apply with the Development Bank of the Philippines, Land Bank of the Philippines, the Central Bank and other government and private financing institutions for assistance in obtaining long term and low interest loans.
- 14.6 **Other Incentives.** They shall be entitled to other incentives provided for under the Omnibus Investment Code. All other applicable incentives enumerated under Sec. 36 of P.D. 705, as amended, shall apply to IFMA holders.
- 14.7 **Entitlement to Fair Compensation.** Upon the expiration of the IFMA or on its termination when public interest demands, all permanent improvements in the area shall be retained in the area but the LESSEE shall be entitled to fair compensation for such permanent improvements, the amount of which shall be mutually agreed upon by both the DENR and the Lessee.

CHAPTER VI HARVESTING AND UTILIZATION

Section 15. Harvesting and Utilization. - Trees and other products planted under IFMA belong to the lessee who shall have the right to harvest, sell and utilize said planted trees and other products at specified time and volume based on the development plan approved by the DENR.

The Lessee may export logs and other forest products harvested from IFMA plantations in any form without restriction as to quantity and volume, **Provided**, That logs including lumber produced from natural forest covered by the IFMA shall not be exported.

CHAPTER VII GENERAL PROVISIONS

Section 16. Monitoring and Control. - The following shall be adopted to provide an effective monitoring and control system for the development and operation of IFMAs:

- 16.1 The FMB and the concerned RED offices, PENROs and CENROs shall maintain identical sets of complete documents including maps of each operating agreement holder.

- 16.2 The IFMA holder shall submit to the CENRO a semi-annual and annual accomplishment reports on the development of the IFMA in the prescribed format shown in Annex "E".
- 16.3 The CENRO shall submit through the PENRO and the DENR Regional Office the semi-annual and annual accomplishment reports on the status of forest plantation development within its jurisdiction and copy furnish the Central Office.
- 16.4 The DENR Regional Office shall within thirty (30) days after submission of report from the CENRO prepare a summarized report to FMB which shall likewise submit report to the Secretary with its comments and recommendation and maintain a nationwide status chart of IFMA activities.

Section 17. Grounds for the Cancellation of IFMA. - The Secretary upon the recommendation of the Regional Executive Director may cancel IFMA after an investigation, depending on the gravity of the offense, or the adverse effect on the management of forest land and resources based on any of the following grounds:

- 17.1 If the privilege was obtained through fraud, misrepresentation or omission of material facts existing at the time of the filing of the applications.
- 17.2 Failure of a privilege holder to pay and/or settle any forestry account, such as, rental, forest charges, and permit fees, when they become due and upon prior notice to the lessee and the Borrower.
- 17.3 Violation of any of the terms and conditions of, or failure to comply with or perform the obligations imposed in the agreement, or pertinent laws, or policies affecting the exercise of the privilege granted therein, or any of the provisions of this Order.
- 17.4 Conducting an operation in violation of the approved management or operations plan, or outside the area covered by the privilege.
- 17.5 Failure to provide the necessary protection, management and development over the area covered by the privilege granted in his favor.
- 17.6 Illegal logging within the natural forest.
- 17.7 Failure to exercise the privilege granted within the prescribed period, or, if not prescribed, within four (4) months from the issuance of the agreement.

- 17.8 Abandonment of the area as evidenced by his absence whether actual or constructive for a period of six (6) months.

Section 18. Finality and Execution of Orders of Cancellation -

The decisions on orders of cancellation of IFMA shall become final and executory after thirty (30) days from receipt thereof by the IFMA holder unless the latter files a motion for reconsideration or an appeal, as the case may be, with the Office of the Secretary.

Section 19. Transfers - Unless authorized by the Secretary, and with the consent of the Borrower for areas covered by sub-loans, no lessee may transfer, exchange, sell or convey his/her lease agreement or any of his/her rights therein or any of his assets used in connection therewith. The lessee may be allowed to transfer or convey IFMA only on the following conditions:

- 19.1 Lessee has been in existence for at least three (3) years;
- 19.2 Lessee has not violated any forest laws, rules and regulations;
- 19.3 Lessee has been faithfully complying with the terms and conditions of the IFMA;
- 19.4 Transferee has all the qualifications and none of the disqualifications to hold an IFMA;
- 19.5 There is no evidence that such transfer or conveyance is being made for purposes of speculation; and
- 19.6 Transferee shall assume all the obligations of the transferor.

Section 20. Transitory Provision. - In the interim, whereby the new identification and delimitation of potential areas for IFMA have not yet been completed, all existing ITP leases shall be evaluated within six (6) months from the issuance of this Order and those which have not complied with the terms and conditions of the lease shall be considered for cancellation and the area covered thereby, if still suitable for IFMA, shall be opened for bidding. Meanwhile, those active ITPs shall be converted into IFMA as provided in these regulations.

Section 21. Repealing Clause. This Order repeals/amends provisions of existing regulations, Memoranda, Circulars, and other issuances which are inconsistent herewith.

Section 22. Effectivity. This Order shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of national circulation.

FULGENCIO S. FACTORAN, JR.
Secretary

NOTE: Annex E Omitted

**APPLICATION FOR INDUSTRIAL FOREST
PLANTATION MANAGEMENT AGREEMENT**

Application No. _____

The Secretary
Department of Environment and Natural Resources
Visayas Avenue
Diliman, Quezon City

Sir:

In consonance with the provisions of P.D. No. 705, as amended, Executive Order No. 725, dated September 9, 1981, and all pertinent regulations in the matter, I/We hereby apply for an Industrial Forest Plantation Management Agreement, the particulars of which are as follows:

Approximate Area :
Location :

Province -
Municipality/City -
Barrio -
Sitio -

Boundaries :

North :
East :
South :
West :

I/We understand that the filing of this application does not convey the right to enter, occupy or develop the area applied for until an agreement has been issued to me/us by the Secretary of Environment and Natural Resources or his duly authorized representative.

The required fee of P _____, which is **NOT** refundable is herewith enclosed.

Very truly yours,

(Applicant)

Residence Certificate No. _____

Date issued _____

Place _____

Address: _____

Name of IFMA Applicant: _____

**OUTLINE OF INDICATIVE IFP
DEVELOPMENT/MANAGEMENT PLAN**

- I. INTRODUCTION
- II. DEVELOPMENT OBJECTIVES
 - A. General
 - B. Specific
- III. RESOURCES DATA
- IV. PLAN OF DEVELOPMENT
 - A. Forest Surveys
 - 1. Boundary Survey and Delimitations
 - 2. Timber and Other Forest Products Inventory
 - B. Infrastructure Development
 - 1. Access Roads
 - 2. Office and Employee Quarters
 - 3. Water System
 - C. Nursery Development Program
 - 1. Identification and Selection of Nursery Site
 - 2. Site Preparation
 - 3. Construction/establishment of Nursery Facilities and Other Infrastructure
 - 4. Species Sources and Seedling Production Schedule
 - D. Plantation Development Program
 - 1. Annual Planting Program

- 1.1 Area
- 1.2 Species
- 1.3 Maintenance

2. Employment Program

E. Utilization and Product Disposition

- 1. End Use
- 2. Harvest and Transport Systems
- 3. Dependent Industries
- 4. Export Market

V. Financial Resources

VI. Technical Knowhow

VII. Appendices

- 1. Maps
- 2. History of Area
- 3. History of Applicant
- 4. Others Relevant in the Plan

Submitted by:

(Applicant)

Prepared by/in collaboration with:

(Registered Forester)

Attested by:

(CENRO)

Republic of the Philippines
Department of Environment and Natural Resources
OFFICE OF THE SECRETARY
Diliman, Quezon City

INDUSTRIAL FOREST PLANTATION MANAGEMENT AGREEMENT
NO. _____

OF

(Name of Lessee)

(Location of the Area)

This AGREEMENT, made and entered into by and between: the SECRETARY OF ENVIRONMENT AND NATURAL RESOURCES, for and in behalf of the Republic of the Philippines, hereinafter referred to as the LESSOR, and _____ with residence and postal address at _____ hereinafter referred to as the LESSEE:

WITNESSETH, THAT:

WHEREAS, the establishment of Industrial Forest Plantations is encouraged as Government policy to accelerate the country's reforestation efforts which shall promote ecological balance and assure an adequate supply of timber and non-timber products to meet local and foreign demands;

WHEREAS, P.D. 705, as amended, Executive Order No. 725 and other existing laws, rules and regulations provide for incentives to qualified developers and operators of Industrial Forest Plantation;

WHEREAS, the LESSOR and the LESSEE are desirous of entering into this Industrial Forest Plantation Management Agreement (IFMA);

(LESSEE)

(LESSOR)

(WITNESS)

(WITNESS)

(WITNESS)

(WITNESS)

NOW, THEREFORE, for and in consideration of the foregoing premises, the LESSOR as Secretary of Environment and Natural Resources and by virtue of the authority of Presidential Decree No. 705, as amended, otherwise known as the Revised Forestry Code of the Philippines, hereby leases to the **LESSEE**

_____ hectares of public forest land for Industrial Forest Plantation purposes covering a period of twenty-five (25) years to expire on _____, automatically renewable for another twenty-five (25) years which land is located at

Sitio/s _____
Barrio/s _____
Municipality/ies of _____
Province of _____

Philippines, the description and boundaries of which are shown in the attached sketch which forms part of this (IFMA).

This **IFMA** shall be for the planting of timber and/or non-timber products to supply the requirements of existing and proposed forest-based (and other related) and/or for export industries subject to the following terms and conditions:

1. The **LESSEE** shall delineate and mark on the ground the boundaries of the leased area and its sub-areas under the supervision of the DENR within six (6) months from the issuance of the Management IFMA and shall conserve and preserve the monuments and other land marks indicating corners and outlines along the boundaries and within the confines of the area covered by this management agreement.

After the final boundary delineation, the boundaries of the area covered by this **IFMA** shall not be altered or modified except when public interest demands.

_____	_____	_____	_____
(LESSEE)		(LESSOR)	
_____	_____	_____	_____
(WITNESS)	(WITNESS)	(WITNESS)	(WITNESS)

2. To insure normal balance of forest cover, the **LESSEE** shall within six (6) months upon approval of the IFMA, submit a Comprehensive Management and Development program for the leased area for approval of the **LESSOR** which shall form part of this IFMA upon its approval. No revisions shall be made on such program without the mutual consent of both parties. All operations and planting of forest crops, in harmonized combination with secondary crops, shall follow the schedule in the Development and Management Plan of the area, **Provided**, that precautionary measures shall be instituted to minimize surface run-off, soil erosion and other land imbalance. Non-compliance with such rules and regulations shall be sufficient ground for the cancellation of this IFMA.
3. The **LESSEE** shall plant and raise in the leased area, industrial forest trees including rattan, rubber, bamboo, etc., for the production of timber, pulpwood, and other crops, if found viable.
4. The Lessee shall plant forest species as main crop and may interplant secondary crops within the perimeter of the leased area.
5. The **LESSEE** shall utilize the leased area only for the purpose for which this IFMA is granted.
6. The **LESSEE** shall improve and plant at least 30% of the area herein granted within three (3) years from the execution of this IFMA and the balance of the area within two (2) years; or in such a way that the whole area can be developed in five (5) years.
7. The **LESSEE** shall protect the leased area from forest fires and other forms of forest destruction, and to place his employees or workers under the direction of foresters or other authorized agents of the Secretary of Department of Environment and Natural Resources, whenever required.
8. The **LESSEE** shall submit Semi-Annual and Annual reports for activities showing, among others, the number of hectares developed during the period, species planted, survival rate, number and size of nurseries established, kinds of seedlings raised, and other improvements introduced.

_____ (LESSEE)		_____ (LESSOR)	
_____ (WITNESS)	_____ (WITNESS)	_____ (WITNESS)	_____ (WITNESS)

9. The **LESSEE** shall not unreasonably impede, obstruct or in any manner prevent the passage of legitimate licensees, lessees, permittees and/or other forest users and the public, by virtue of the IFMA herein granted.
10. The **LESSEE** shall not construct permanent infrastructure that are not necessary in the development of Industrial Forest Plantation such as buildings of concrete and strong materials. Furthermore, road network planned for construction shall be subject to the approval of the Secretary.
11. No trees in the leased area shall be cut regardless of species, if found within twenty (20) meters from banks of rivers or creeks of at least five (5) meters in width and of public roads. In case said 20 meter strip is bereft of trees, same shall be reforested by the lessee.
12. Open, denuded, brushland and inadequately-stocked areas along stream channels below five (5) meters in width shall be planted with trees and maybe harvested, if included in the duly approved Industrial Forest Plantation Development Plan.
13. The **LESSEE** shall protect and conserve unique, rare and endangered trees, palms and wildlife identified under existing rules, laws and regulations within the leased area.
14. The **LESSOR** reserves the right to permit, if public interest requires, the opening of such portions of the area under lease for logging, mining, and other public right-of-way, which shall not be more than ten (10) meters wide, **Provided**, That the person or entity granted the right-of-way shall pay the **LESSEE** a reasonable compensation for any damage to improvements, if any, occasioned by such opening.
15. No rental shall be collected during the first five (5) years from date of the issuance of the agreement; from the sixth year to the tenth year, the annual rental shall be fifty (P0.50) centavos per hectare; and thereafter, the annual rental shall be one peso (P1.00) per hectare; **Provided**, That failure to pay without justifiable cause the annual rental on or before the end of the first month of the 6th year shall subject the lessee to surcharge based on the amount of the original rental according to the following schedule:

(LESSEE)		(LESSOR)	
(WITNESS)	(WITNESS)	(WITNESS)	(WITNESS)

Period	% Surcharge
Rental paid from 2nd to 3rd month	- 10%
Rental paid from 4th to 6th month	- 15%
Rental paid from 7th to 9th month	- 20%
Rental paid from 11th to 12th month	- 25%

16. The LESSEE shall not assign or sublease the leased area or any portion thereof. Neither shall the LESSEE encumber the leased area in whole or in part, to any lending entity for the purpose of credit financing, without the prior approval of the LESSOR.

17. Upon the expiration of this IFMA or its termination when public interest demands, all permanent improvements introduced shall remain in the area, but the LESSEE shall be entitled to fair compensation for such improvements introduced by the LESSEE on the leased area in an amount to be determined mutually by both the DENR and the lessee.

The LESSEE shall be entitled to compensation to permanent infrastructure introduced by the LESSEE based on their fair market value as of the expiration date. The LESSEE may remove the temporary or semi-permanent structures, unless the LESSOR opts to retain them by paying their fair market value as of the expiration date. The value of the improvements shall be determined mutually by both parties.

18. Upon the cancellation of the IFMA through fault of the lessee, the improvements existing thereon shall revert to and become the property of the government. In case the same is granted to another lessee, such improvements shall be appraised accordingly, the new grantee shall either rent them or pay the value thereof.

19. The IFMA shall terminate upon the death of the lessee. An IFMA may be issued to his surviving heirs if duly qualified to hold the same in accordance with the requirements of this regulation upon filing of an application within six (6) months from the death of the lessee.

_____	_____		
(LESSEE)	(LESSOR)		
_____	_____	_____	_____
(WITNESS)	(WITNESS)	(WITNESS)	(WITNESS)

- 20. This IFMA maybe renewed for another twenty five (25) years upon filing of an application for renewal at least six (6) months prior to its expiration. Provided, finally, that if no renewal application is filed at all, upon the expiration of the IFMA thereof, the subject forest area shall be considered vacant and its disposition shall be governed by existing regulations.
- 21. This IFMA is non-transferable and non-negotiable except when authorized by the Secretary.

Additional conditions: (For IFMA for plantation development and management of natural forest combined)

- 22. The LESSEE shall be allowed to cut and utilize naturally grown trees in adequately stocked natural forest in accordance with selective logging operations and only after all open, denuded brushland and inadequately stocked areas have been developed/planted.
- 23. The LESSEE shall undertake sustainable and unified management and protection of natural forest within the leased area.

_____ (LESSEE)		_____ (LESSOR)	
_____ (WITNESS)	_____ (WITNESS)	_____ (WITNESS)	_____ (WITNESS)

24. The LESSEE shall strictly observe and/or implement all possible measures to protect areas for environmental purposes.

Quezon City, Philippines

_____, 19____

For and in behalf of the
Republic of the Philippines

Secretary, DENR
(LESSOR)

(LESSEE)

WITNESSES:

WITNESSES:

RECOMMENDED BY:

(Regional Executive Director)

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S. S.

In Quezon City, this _____ day of _____, 19____, before me a Notary Public for and in the said City, personally appeared:

NAME	RES. CERT. NO.	DATE OF ISSUE
PLACE OF ISSUE		

Secretary, DENR
(LESSOR)

(LESSEE)

personally known to me and to me known to be the same person who executed the foregoing instrument and who acknowledged to me that the same is his free act and deed.

This document is an **INDUSTRIAL FOREST PLANTATION MANAGEMENT AGREEMENT NO. _____**, covering _____ parcels of public forest land, consisting of _____ and each is signed by the LESSOR and has witnesses and bears my Notarial Seal.

Witness my hand and official seal, on the date and place first above written.

Notary Public
Doc. No. _____
Page No. _____
Book No. _____
Series of 19 _____

**OUTLINE OF INDUSTRIAL FOREST PLANTATION
COMPREHENSIVE MANAGEMENT AND DEVELOPMENT PLAN**

- I. Preparation, Review and Approval Sheet
- II. Location Map
- III. Summary of Plan
- IV. Description of the Plantation Area
- V. Development Plan
 1. Survey and demarcation of boundary
 2. Infrastructure to be introduced
 3. Nursery Work Program
 - 3.1 Seed species
 - 3.2 Source of seed
 - 3.3 Seedling production schedule
 - 3.4 Size and capacity of nursery/ies
 - 3.5 Source of water, specifying water development activities, such as dams, catchment basins, irrigation, etc.
 - 3.6 Sources and shedule of application and other inputs, such as fertilizers, chemicals, limes, etc.
 - 3.7 Schedule of application of machineries, equipment, tools, etc. and construction of supporting buildings, sheds. and other infrastructures.
 4. Plantation Work Program
 - 4.1 Number of compartments or blocks
 - 4.2 Area of each compartment or block
 - 4.3 Final crop species to be planted in each compartment/block
 - 4.4 Number and spacing of the final crop species to be planted in each compartment or block
 - 4.5 Schedule of planting indicating target date of the start of operations and completion in each compartment/block
 - 4.6 Period of maturity of the final crop species

- 4.7 Land preparation activities in each compartment/block including, if to be undertaken, the planting of secondary species and other soil conditioners and primary crop protectors.
- 4.8 Source and number of seedlings to be introduced in each compartment or block with allowance for mortality.
- 4.9 Source of water, specify water development activities such as catchment basins, dams, irrigations, etc.
- 4.10 Source and application schedule of other inputs such as fertilizers, chemicals, etc. required in each compartment/block; and
- 4.11 Source and schedule of use in each compartment/block of machineries, equipment, tools, etc.;
- with further information on the following:
- 4.12 Maintenance of plantation, such as replanting, weeding, and mulching, etc.
- 4.13 Protection of plantation such as patrolling, establishment of checkpoints, firebreaks, green-belts, fire towers, and protection measures against pests and diseases.
- 4.14 Such other information relevant to the development, rehabilitation, planting and replanting activities.

VI. Utilization and Production Disposition

- 1. Harvesting Methods
- 2. Transportation
- 3. Processing Plant/s and/or wood using industry/ies supported
- 4. Marketing

VII. Implementing Organization

- 1. Ghant Chart showing development schedule
- 2. Corporate Structure
- 3. Structure of implementing division or department such as its forestry department
- 4. Total personnel and payroll
- 5. Duties of key personnel

VIII. Financial Feasibility, particularly budget, sources of funds and schedule of application

IX. Required Appendices or Annexes