

Administrative Order  
No. 60  
October 4, 1993

**SUBJECT : Revised Regulations and Guidelines  
Governing the Establishment and  
Management of Industrial Forest Plantations  
(IFPs) and Management of Residual Natural  
Forests for Production Purposes.**

Pursuant to PD 705, as amended, Executive Order Nos. 725 and 278 dated September 1, 1981, and July 25, 1987, respectively, and in recognition of the role in economic recovery of accelerated establishment and improved, unified management of forests for production of timber and other forest products, the following regulations and guidelines governing the establishment and development of Industrial Forest Plantations (IFPs) and the management of residual natural forests for industrial purposes 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 Management Regulations".

**Section 2. Policies and Objectives**

**2.1 Policies.** Government policies pertaining to the management of forests for industrial purposes are formulated to address the following objectives:

2.1.1 to ensure an adequate supply of timber and other forest products for domestic and export markets;

2.1.2 to promote ecologically sound, sustainable management of natural forests and lands under the jurisdiction of the DENR; and

2.1.3 to enhance the well-being of forest-dependent individuals and communities through a more equitable distribution of opportunities, income, and wealth.

**2.2 Objectives.** Government's objective pertaining to the development and management of industrial forests is to encourage the private sector to engage in the following activities:

- 2.2.1 conversion of the country's Open and Denuded Lands, Brushlands and Degraded Residual Forests into productive forests to supply raw materials for forest-based and related industries on a sustainable basis;
- 2.2.2 effective protection and sustainable management for industrial purposes of suitable portions of the country's remaining residual forests;
- 2.2.3 maintenance of a desirable forest ecosystem on forest lands suited to industrial uses;
- 2.2.4 development and implementation of mutually beneficial partnerships with forest-dependent individuals and communities;
- 2.2.5 generation of additional sources of foreign exchange; and
- 2.2.6 contribution to achievement of specific regional development goals.

**Section 3. Definition of Terms.** The following terms are to be understood and interpreted as follows:

- 3.1 **Industrial Forest Management Agreement (IFMA)** - a contractual agreement entered into by the DENR and a qualified applicant that devolves to the applicant responsibility for the following activities:
  - 3.1.1 to invest in, manage and protect a defined area of land under the DENR's jurisdiction;
  - 3.1.2 to establish, manage and utilize Industrial Forest Plantations in specified locations within the area primarily to supply the raw material requirements of forest-based processing and energy-related industries; and
  - 3.1.3 to improve, manage and protect residual forests in the area and to utilize on a sustainable basis timber and non-timber forest products from the residual forests.
- 3.2 **IFMA Holder** - A qualified person or corporation who has entered into an IFMA with the DENR.
- 3.3 **IFMA Area** - A defined area of land under the jurisdiction of the DENR and covered by an IFMA.

- 3.4 **Industrial Forest Plantation (IFP)** - any tract of land predominantly planted to timber producing species including rubber and/or non-timber species such as rattan and bamboo.
- 3.5 **Residual Production Forest** - a contiguous area of ten (10) hectares or more of disturbed Dipterocarp Forest which has an average basal area of at least five (5) square meters per hectare, of all trees that are Presently Commercial Species with diameter at breast height or diameter above buttress of less than 65 centimeters.
- 3.6 **Degraded Residual Forest** - a contiguous area of ten (10) hectares or more of disturbed Dipterocarp Forest which has an average basal area of less than five (5) square meters per hectare, of all trees that are Presently Commercial Species with diameter at breast height or diameter above buttress of less than 65 centimeters.
- 3.7 **Dipterocarp Forest** - forest currently or previously dominated by trees of the family Dipterocarpaceae.
- 3.8 **Presently Commercial Species** - all species in the categories Premium Species, Common Hardwood Species, Construction and Furniture Species, Light Hardwood Species, Matchwood Species and Softwood Species.
- 3.9 **Protection Forest** - all types of forest that, under existing laws and regulations, may not be utilized for timber production and which include old growth forest, mossy forest, sub-marginal forest, forest on slopes above fifty per cent (50%), forest at elevations of greater than 1,000 meters above sea level, all strips bordering river banks, mangrove areas along shorelines and other forest areas that are determined by DENR to be environmentally sensitive.
- 3.10 **Brushland** - land which is predominantly covered with shrub growth or short, stunted trees or shrubs.
- 3.11 **Open and Denuded Land** - land that has been depleted of its natural forest cover and is predominantly covered by grasses, herbaceous species or bare soil.
- 3.12 **Basal Area** - the sum of the outside bark cross-sectional area at breast height or above buttress, as the case may be, of all trees in a given area as determined by the formula:

where:

B = basal area per hectare in square meters

c = 3.1416

$D_i$  = diameter at breast height or above buttress in centimeters of tree number i

n = the number of trees in the area

A = the size in hectares of the area

- 3.13 **FOB Market Price** - the average per cubic meter price of logs of a given species group at a specified pricing point for the previous calendar year determined as prescribed in DENR Administrative Order No. 65 (Series of 1991) or as the Secretary may otherwise direct.
- 3.14 **DENR** - Department of Environment and Natural Resources.
- 3.15 **EMB** - Forest Management Bureau.
- 3.16 **Secretary** - DENR Secretary.
- 3.17 **Undersecretary** - DENR Undersecretary for Natural Resource Management.
- 3.18 **RED** - DENR Regional Executive Director.
- 3.19 **PENRO** - Provincial Environment and Natural Resources Office.
- 3.20 **CENRO** - Community Environment and Natural Resources Office.

## CHAPTER II IFMA AREAS

Section 4. **Types of IFMA Area.** IFMA Areas may be of two (2) types:

- 4.1 **Type I IFMA Areas** - IFMA Areas that do not contain any Residual Production Forest and are for IFP establishment and management and protection of Protection Forest, if any; and
- 4.2 **Type II IFMA Areas** - IFMA Areas that contain Residual Production Forest and are for IFP establishment, sustainable management of the Residual Production Forest and protection of Protection Forest.

**Section 5. Areas Available for IFMA.** IFMAs may cover all lands under the jurisdiction of the DENR that are not otherwise classified under the National Integrated Protected Area System or are subject to vested rights, licenses, permits, or other concessions, and which are:

- 5.1 Open and Denuded Lands, Brushlands and Degraded Residual Forests;
- 5.2 areas covered by grazing or pasture leases; PROVIDED, that such areas shall be excluded from existing leases; PROVIDED FURTHER, that the lessee in each case agrees to waive rights to the areas;
- 5.3 government reforestation projects or portions thereof found to be more suitable for IFP in terms of the public interest and benefits to the surrounding communities; PROVIDED, that allocation shall be through public bidding on the value of plantations and other permanent improvements; and
- 5.4 areas presently or previously covered by Timber Licence Agreement (TLA).

**Section 6. Size of the Area.** The minimum area that may be covered by an IFMA is 500 hectares and the maximum area shall not exceed 40,000 hectares; PROVIDED, that suitable areas of less than 500 hectares shall be governed by the regulations for Tree Farm Leases under MNR Administrative Order No. 4 (Series of 1980); PROVIDED FURTHER, that the foregoing limitations shall not preclude increasing any area on a case-to-case basis; PROVIDED FURTHER, that additional areas in excess of the foregoing limitations shall not include Residual Production Forest; PROVIDED FINALLY, that where a current TLA is converted to IFMA, the size of the IFMA Area, inclusive of Residual Production Forest, may extend up to the size of the TLA area at the time of conversion.

### **CHAPTER III IDENTIFICATION AND PREPARATION OF AREAS FOR IFMA**

**Section 7. Identification, Validation and Delimitation of Potential IFMA Areas.** In each region, the RED shall identify, with the aid of the latest forest resource information, potential IFMA areas and shall, in accordance with guidelines that shall be issued ninety (90) days from publication of this Order evaluate on the ground the suitability and availability of identified areas with respect to site and forest conditions, environmental limitations, conflicting land and resource claims and legal encumbrances. Each RED shall demarcate on maps of convenient scale all identified areas in their respective region found through such evaluation to be suitable and available for IFMA.

**Section 8. Notification of Dependent Communities of IFMA Areas.** Upon verification of the suitability of each proposed IFMA Area, the RED concerned, with the assistance of Local Government Units, shall ensure that communities dependent on the area receive notice of the extent of the proposed area and the key provisions of an IFMA, and have the opportunity to register objections to an IFMA covering the proposed area.

8.1 **Contents of Notice.** The notice shall be in English and the language in common use in the region and shall include:

8.1.1 a sketch map of the area;

8.1.2 the objectives of IFMA as a land management instrument and the procedures for awarding IFMAs;

8.1.3 the rights and responsibilities of IFMA Holders;

8.1.4 the rights and responsibilities of individuals and communities dependent on IFMA Areas; and

8.1.5 provision for individuals or communities to submit objections with respect to the proposed IFMA Area or portions of it.

8.2 **Action on Objections.** Within thirty (30) day of receiving objections from concerned individuals or communities with regard to the proposed IFMA Area, the RED shall meet with individuals or representatives of communities to discuss their objections. On the basis of such discussions, the RED may modify the boundaries of the proposed IFMA Area or prescribe special conditions to be included in an IFMA covering the area. In cases where the objections arise from claims in respect of Ancestral Domain or Ancestral Land, the RED shall initiate procedures to certify such claims in accordance with DENR Administrative Order No. 02 (Series of 1993). The RED shall notify in writing the concerned individuals or communities of his/her decision regarding the action to be taken within thirty (30) days of meeting with them.

**Section 9. Resource Inventory and Resource Management Plan for Potential IFMA Areas.** Within each suitable and available area, the RED shall, using either DENR field staff or a Forest Service Organization (FSO) engaged as provided for in DENR Administrative Order No. 27 (Series of 1991), carry out a resource inventory and prepare a resource management plan for the area in accordance with current DENR guidelines. The resource management plan shall follow the outline shown in Annex "A" and shall include:

- 9.1 descriptions of vegetative cover types including Old Growth Forest, Mossy Forest, Sub-Marginal Forest, Residual Production Forest, Degraded Residual Forest, Brushland, Open and Denuded Land, forest plantation and cultivated areas;
- 9.2 descriptions of terrain conditions by elevation and slope class;
- 9.3 quantification of timber species and non-timber species of economic importance within each vegetative cover type, together with estimates of sustainable yields of each species;
- 9.4 descriptions of communities dependent on the proposed IFMA area, including information on predominant ethnic groupings, areas used by communities for cultivation within the area and estimates of uses by communities of forest products derived from the area;
- 9.5 guidelines and restrictions to be complied with in management of the area;
- 9.6 a statement of the expected impacts on the environment arising from implementing the Resource Management Plan.

**Section 10. Monitoring of Resource Inventory.** The DENR shall ensure the accuracy of resource inventories by carrying out a sample of remeasurements in the field as follows:

- 10.1 where a resource inventory is performed by DENR field staff, monitoring shall be carried out by FMB staff;
- 10.2 where a resource inventory is performed by an FSO, monitoring shall be carried out by DENR field staff.

**Section 11. Register of Available Areas.** Each RED and the Central Office of the DENR shall maintain a register containing the location and description of areas which, in accordance with Section 7 have been determined to be suitable and available for IFMA. The register shall be made available through public notice posted at the DENR Regional, PENR and CENR Offices and at the provincial/city and municipal offices concerned.

**CHAPTER IV**  
**QUALIFICATIONS OF APPLICANTS, ASSIGNMENT OF IFMAS**  
**AND SETTING OF PERFORMANCE BONDS**

**Section 12. Qualified Applicants.** Qualified applicants for an IFMA include:

- 12.1 Filipino citizens of legal age; and
- 12.2 corporations, partnerships, associations or cooperatives registered under Philippine laws, at least sixty percent (60%) of the capital of which is owned or controlled by Filipino citizens;

PROVIDED, that if an applicant is a current or former TLA holder and/or a current or former holder of any other permit, lease or licence concerning the utilization of forest land or resources; or is owned, affiliated, connected or related directly or indirectly with any holder of such TLA, permit, lease or licence; the applicant shall provide, in the prescribed format shown in Annex "B" of these Regulations, proof of satisfactory performance of the obligations assumed by entering into these agreements.

**Section 13. Assignment of Management Responsibility.** The DENR shall assign responsibility to manage IFMA areas by one of the following procedures:

- 13.1 Management responsibility over an area which does not contain Residual Production Forest (Type I IFMA) shall be assigned to the first qualified applicant who has met all the requirements set out in Section 16.6; PROVIDED, that areas for Type I IFMA which contain government plantations shall be allocated through public bidding on the value of the plantations and other improvements.
- 13.2 Management responsibility over an area that contains Residual Production Forest (Type II IFMA) shall be assigned through public bidding among qualified applicants on the value of a performance bond covering the area of Residual Production Forest.
- 13.3 TLA holders in good standing may apply to convert their TLA to IFMA by direct negotiation of the value of a performance bond covering the area of Residual Production Forest within the TLA area; PROVIDED, that the conditions otherwise set out in these Regulations are fully complied with; PROVIDED FURTHER, that such conversion shall be completed within twelve (12) months from publication of these Regulations.



**Section 14. Performance Bond for Areas Containing Residual Production Forest.** All IFMA Holders whose areas contain Residual Production Forest shall maintain a performance bond as a condition to making the IFMA effective, subject to the following conditions:

- 14.1 The value of the performance bond shall be determined through the public bidding procedures described in Section 15; PROVIDED, that holders of current TLAs wishing to convert to IFMA may instead negotiate the value of the Performance Bond in accordance with the Floor Price schedule as set out in Section 14.2 below.
- 14.2 The minimum value of the performance bond (Floor Price) for each proposed IFMA Area shall be calculated by the DENR, prior to bidding, according to the following formula:

$$B = \left( \sum V_i \times P_i \right) \times F \times A$$

where:

- B = performance bond floor price;  
 $V_i$  = standing volume per hectare in cubic meters of trees in species group i in the DBH classes of 60-cm and higher as determined by the resource inventory prescribed in Section 9;  
 $P_i$  = FOB Market Price in pesos per cubic meter of species group i;  
 $F^i$  = a scaling factor relating the bond price to the commercial volume per hectare as shown in the table below;  
n = the number of species classes recorded in the inventory; and  
A = the area in hectares of Residual Production Forest in the IFMA Area.

$V_i$ VOLUME/HA OF COMMERCIAL SPECIES ≥ 55 CM DBH (CU M)	F BOND FLOOR PRICE AS % OF FOB MARKET PRICE
< 20.0	0.0%
20.0 - 24.9	0.16%
25.0 - 29.9	0.46%
30.0 - 34.9	0.84%
35.0 - 39.9	1.32%
40.0 - 44.9	1.90%
45.0 - 49.9	2.59%
50.0 - 54.9	3.39%
55.0 - 59.9	4.31%

60.0 - 64.9	5.35%
65.0 - 69.9	6.51%
70.0 - 74.9	7.81%
75.0 - 79.9	9.23%
≥ 80.00.0%	10.00%

- 14.3 The performance bond shall be posted as a surety bond subject to the following conditions:
- 14.3.1 Any company providing a surety bond shall be selected from a list of insurance companies duly accredited by the DENR as prescribed in Section 14.4 of these Regulations;
  - 14.3.2 For each IFMA to be covered by a surety bond, the Secretary shall ensure that no conflict of interest might arise from the proposed insurance company providing a surety bond for the concerned IFMA Holder;
  - 14.3.3 All surety bonds shall be renewed not later than two (2) months prior to their expiration date;
  - 14.3.4 All surety bond documents shall be in the standard format prescribed in Annex "C" of these Regulations;
  - 14.3.5 Upon posting the performance bond, the IFMA Holder shall furnish the DENR the surety bond document and, if the bond amount exceeds the insurance company's authorized retention, the certificate of reinsurance, together with the reinsurance binders.
- 14.4 The DENR shall prepare and maintain a list of insurance companies which are duly accredited to provide surety bonds taking into account each company's financial capability, access to the reinsurance market, credentials in the insurance industry and willingness to abide by all conditions of the IFMA Performance Bond.

**CHAPTER V**  
**IFMA BIDDING AND DEVOLUTION PROCEDURES**

**Section 15. Notice of Invitation to Prequalify to Bid.** A notice inviting prospective bidders to prequalify to bid for each area shall be published in at least two (2) newspapers of general circulation and 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. The notice shall specify:

- 15.1 the location and technical description of the area;
- 15.2 estimates of the area by vegetation cover type, the volumes and sustainable yields of timber and non-timber forest products in residual forests and any other relevant information about the area as determined from the resource inventory specified in Section 9 of these Regulations;
- 15.3 a summary of the management options described in the Resource Management Plan; and
- 15.4 the minimum value (Floor Price) of the performance bond or, if the area contains government plantations, the minimum value of the plantations.

**Section 16. Prequalification.**

- 16.1 **Prequalification Requirements.** The following documentation, together with an application as shown in Annex "D" and an application fee in the amount of P=0.50 per hectare and fraction thereof, shall be submitted to the DENR by prospective bidders:
  - 16.1.1 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;
  - 16.1.2 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 Certificate;
  - 16.1.3 if the applicant is a corporation, partnership, association or cooperative:
    - 16.1.3.1 Articles of Incorporation and By-Laws, including the present Officers and Stockholders;

- 16.1.3.2 audited financial statements for the two (2) preceding years, if the applicant was already in existence; and
  - 16.1.3.3 a statement authorizing the officers to file the application in behalf of the corporation;
  - 16.1.4 receipt of income tax payments for the preceding two (2) years;
  - 16.1.5 if the applicant is a TLA holder and/or holder of any other permit lease or licence covering utilization of forest land or resources, or owned, affiliated, connected or related directly or indirectly with holders of such permit, lease or licence, proof of satisfactory performance of such permit, lease or licence set out in the prescribed format shown in Annex "B".
  - 16.1.6 an indicative plan of development in the format shown in Annex "E"
  - 16.1.7 proof of financial capability to undertake initial activities such as perimeter survey, aerial photography and preparation of a comprehensive development and management plan, as well as evidence of access to financial resources to develop at least 50% of the area; and
  - 16.1.8 proof of technical competence to comply with terms and conditions specified in the Standard IFMA in the form shown in Annex "F" of these Regulations, or ability to hire the services of technically competent personnel supported as appropriate by a statement of relevant background and experience, biodata of qualified personnel and/or an agreement with a qualified organization.
- 6.2 **Central Screening and Awards Committee.** The Secretary, shall appoint 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 of 2,000 hectares or more, including the conduct of bidding and recommendations for the award of each area. The IFSAC shall be composed of the Undersecretary as Chairman, an Executive Officer, 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.

- 16.3 **Regional Screening and Awards Committees.** Each RED shall also appoint an IFSAC to administer the prequalification and bidding of potential IFMA areas of less than 2,000 hectares in each region.
- 16.4 **Submission of Documents/Requirements.** IFMA applicants shall submit prequalification documents, together with the necessary supporting requirements, in four (4) copies each at the Office of the concerned RED and the IFSAC Secretariat at the DENR Central Office, in sealed envelopes not later than the time and date specified in the Notice of Invitation to Prequalify. No documents submitted by prospective bidders shall be made public unless authorized by the Secretary or RED concerned.
- 16.5 **Evaluation of Prequalification Requirements.** The IFSAC shall, upon receipt of prequalification documents, record and evaluate the documents, taking into account the completeness and substance of the requirements as specified in Section 16.1
- 16.6 **Action on Prequalification Documents.** The IFSAC shall stamp applications which meet all the requirements "PREQUALIFIED" and applications which do not meet all the requirements "PREDISQUALIFIED" and shall notify all applicants in writing of its decision, whether Prequalified or Predisqualified, within five (5) working days.

#### **Section 17. Bidding Procedures**

- 17.1 **IFMA Bid Proposal Forms and Particulars.** The IFSAC shall make available bid proposal forms and particulars on each area subject to public bidding to prequalified bidders upon payment of the prescribed bidding fees.
- 17.2 **Submission of Bid Proposals.** Bid proposals shall be submitted in five (5) copies and in sealed envelopes clearly marked to the concerned IFSAC within the period specified in the Notice of Invitation. 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 (P=2.00) per hectare in cash or surety bond from a reputable bonding company. An individual person or corporation, or corporations which are affiliated, connected or related, directly or indirectly, with each other, may only submit one (1) bid for a given area.

- 17.3 **Receiving and Opening of Bids.** Bid proposals received by the IFSAC within the specified period shall be stamped indicating the date and time of receipt the Chairman of the IFSAC shall open the sealed bids publicly at the place, time, and date stated in the notice, in the presence of the bidders or their duly authorized representatives. Every page of a bid proposal, including the attached documents shall be numbered consecutively and initialed by the IFSAC members.
- 17.4 **Preparation of Bid Abstract.** After opening the bids and numbering the pages, the IFSAC shall prepare an abstract of the bids and attach the corresponding supporting documents and the proceedings of the bidding. The abstract shall be signed by each IFSAC member and the resident auditor or his representative.
- 17.5 **Evaluation of Bids.** The following general guidelines shall govern the evaluation of bid proposals:
- 17.5.1 Each bid shall be prepared in the prescribed form supplied to bidders.
- 17.5.2 There shall be at least 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; PROVIDED, that, if after issuance of two (2) Notices of Invitation, there is only one qualified bidder, an IFMA may be entered into with that bidder after negotiation of the value of the performance bond subject to the Floor Price conditions as specified in Section 14.2.
- 17.5.3 A bid which does not comply with the conditions or requirements set forth in the bid documents shall be rejected; PROVIDED, that the DENR reserves the right to waive consideration of minor deviations in any bid which do not affect the substance and/or the validity of the bid.
- 17.6 **Basis of Award.** The IFMA covering the area subject to bidding shall be awarded to the bidder who, having complied with all the necessary requirements, offers to post the highest performance bond in the case of a Type II IFMA or the highest compensation to the government in the case of a Type I containing government plantations ; PROVIDED, that, the bid offer is not lower than the Floor Price determined as prescribed in Section 14.2; PROVIDED FURTHER, that if there are two or more equal highest bids the award shall be resolved in favor of a 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.

- 17.7 **Decision of Award.** The RED or the Secretary, as the case may be, based on a review of the evaluation report of IFSAC, shall decide 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, including posting of a performance bond, reimbursing DENR for the costs of preparing the Resource Management Plan, as prescribed in Section 9, or compensating the Government for the value of any government plantations, within thirty (30) days, the award shall be nullified and the Bidder's bond 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 seventy-five per cent (75%) of the highest bid but not less than the Floor Price as prescribed in Section 14.2 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 18. Preparation and Issuance of IFMA.** An IFMA, together with final sketch plan of the area, either solely for plantation development or for combined plantation development and management of Residual Production Forest, shall be prepared in the form as shown in Annex "F", approval of which shall be made by officials as follows:

below 2,000 hectares	-	RED
2,000 - 5,000 hectares	-	Undersecretary
Over 5,000 hectares	-	Secretary

**CHAPTER VI  
TERMS AND CONDITIONS OF INDUSTRIAL FOREST  
MANAGEMENT AGREEMENTS**

**Section 19. Duration of an IFMA.** An IFMA shall have a duration of twenty five (25) years and shall be renewable for another twenty five (25) years; PROVIDED, that all the conditions of the IFMA and other pertinent laws and regulations have been complied with; PROVIDED FURTHER, that any portion of an IFMA Area certified as an Ancestral Domain or Ancestral Land claim, pursuant to Article IV of DENR Administrative Order No. 02 (Series of 1993) shall remain part of the IFMA Area only after consultation with and concurrence of the certified claimant in accordance with Article IV, Section 4 of the same Administrative Order.

**Section 20 Responsibilities of all IFMA Holders.** All IFMAs shall include the following conditions:

- 20.1 Within six (6) months from the date an IFMA is entered into, the IFMA Holder shall:
- 20.1.1 under the supervision of the DENR, delineate and mark on the ground the boundaries of the IFMA Area, and the boundaries of Residual Production Forest and Protection Forest contained therein, and shall preserve the monuments and other landmarks indicating corners and outlines along the boundaries and within the confines of the area covered by the IFMA.
  - 20.1.2 submit to the DENR, in the prescribed form shown in Annex "G" of these Regulations, a Comprehensive Development and Management Plan covering the IFMA Area. The plan shall comply with all guidelines and restrictions given in the Resource Management Plan for the area, as provided for in Section 9.5 of these Regulations, and shall be evaluated and approved by the DENR. Upon approval the Comprehensive Development and Management Plan shall form an integral part of the IFMA and shall not be amended without the mutual consent of the IFMA Holder and the DENR; PROVIDED, that not more than every five (5) years thereafter, the IFMA Holder shall, based on progress in development and management of the IFMA Area, revise the plan and submit the revised plan for the review and approval of the DENR. The Comprehensive Development and Management Plan shall contain schedules describing the timing and nature of the following activities:



- 20.1.2.1 IFP establishment, management and harvesting;
  - 20.1.2.2 protection, improvement and harvesting within Residual Production Forests and Degraded Residual Forests, including both timber species and non-timber forest products;
  - 20.1.2.3 development of infrastructure, including plans in sufficient detail to assess the environmental impact of such development;
  - 20.1.2.4 entering into and implementing benefit-sharing agreements with individuals and/or communities dependent on the IFMA Area; and
  - 20.1.2.5 environmental protection including mitigating measures against adverse impacts and, where required by DENR, an Environmental Impact Statement.
- 20.2 If an IFMA Area contains any natural forest, including Residual Production Forest, Degraded Residual Forest and/or Protection Forest, the IFMA Holder shall, not more than 10 years after the IFMA was entered into and every ten (10) years thereafter, carry out a resource inventory according to a design and intensity approved by the DENR and submit the results to the DENR.
- 20.3 If an IFMA area is greater than 1,000 hectares and contains any Residual Production Forest, Degraded Residual Forest and/or Protection Forest, the IFMA Holder shall, within twelve (12) months from the date the IFMA is entered into, in accordance with DENR Administrative Order No. 17 (Series of 1992), procure and submit to the DENR up-to-date aerial photography and/or satellite imagery which covers the entire IFMA Area and shows clearly the current forest cover status; PROVIDED, that this condition shall be waived if such imagery was procured by the DENR when preparing the Resource Management Plan. Each such IFMA Holder shall further procure and submit to the DENR a new set of such imagery every five (5) years from the date was entered into for the duration of the IFMA.
- 20.4 All IFMA Holders shall plant forest tree species which may include rubber and/or non-timber species such as rattan, bamboo, buri, etc., for the production of timber, pulpwood, fuelwood and non-timber forest products, on Open and Denuded Land and Brushland portions of their IFMA Areas as indicated, and according to the schedules set out, in the approved Comprehensive Development

and Management Plan; PROVIDED, that at least five per cent (5%) of the area available for plantation shall be planted within twelve (12) months, thirty per cent (30%) within five (5) years and the total area within twelve (12) years from the date the IFMA was entered into.

- 20.5 IFMA Holders may plant up to ten per cent (10%) of suitable portions of Open and Denuded Areas within their IFMA Areas to permanent agricultural crops; PROVIDED, that such development is included in the approved Comprehensive Development and Management Plan and that the benefits resulting from such development accrue to communities or families dependent on the IFMA area.
- 20.6 All IFMA Holders shall convert the Degraded Residual Forest within their IFMA Areas to a productive state by one or more of the following methods:
- 20.6.1 enrichment planting, timber stand improvement and assisted natural regeneration;
  - 20.6.2 establishing plantations of rattan or other suitable non-timber species; and/or
  - 20.6.3 if included in the Resource Management Plan, clearing natural vegetation from degraded areas and establishing Industrial Forest Plantation (IFP); PROVIDED, that:
    - 20.6.3.1 the timing, locations, extent, methods, expected volumes and value of salvaged wood and the environmental impact of any clearing of natural vegetation carried out for such conversion shall be stated in the approved Comprehensive Development and Management Plan;
    - 20.6.3.2 buffer strips of natural vegetation at least 100 meters in width, following natural boundaries to the extent possible, between compartments which shall not exceed 100 hectares, and at least 20 meters either side of all rivers, streams and public roads shall be retained and these strips shall be subject to enrichment planting or used for rattan or bamboo plantation;
    - 20.6.3.3 all extraction of commercial timber carried out in connection with conversion of Degraded Residual Forest to IFP shall be subject to an annual operations plan approved and monitored

by the RED and to forest charges as provided for in RA 7161; and

20.6.3.4 planting the entire area cleared shall be undertaken within six (6) months of clearing.

- 20.7 All IFMA Holders shall assume responsibility for the operation and control of all current licences and permits for harvesting of non-timber forest products within their IFMA Areas and, upon expiration or termination of such licences or permits, shall take all reasonable action to ensure that new permits are issued only to individuals or communities dependent on the IFMA Area and that harvest plans correspond to the sustainable yield of the non-timber forest product concerned in accordance with the Resource Management Plan.
- 20.8 All IFMA Holders shall protect their IFMA Areas from forest fires and other forms of forest destruction and shall place their employees or workers under the direction of government foresters or other authorized agents of the Secretary whenever required for the purpose of controlling such destruction.
- 20.9 All IFMA Holders shall submit to the DENR Annual Reports of activities in the form prescribed in Annex "H" of these Regulations.
- 20.10 IFMA Holders shall not unreasonably impede, obstruct or in any manner prevent the passage through their IFMA Areas of authorized licensees, lessees, permittees, and/or other persons.
- 20.11 All IFMA Holders shall:
- 20.11.1 give notice of their IFMAs to all families and communities dependent on their IFMA Areas;
  - 20.11.2 prepare, maintain and periodically update a register of all families and communities residing within their IFMA Areas and furnish the concerned CENRO a copy of the register, including the periodic updates; and
  - 20.11.3 in conformity with Article IV, Section 4 of DENR Administrative Order No. 02 (Series of 1993), consult with and obtain the concurrence, in respect of relevant aspects of the Comprehensive Development and Management Plan, of all concerned certified Ancestral Domain or Ancestral Land claimants.

- 20.11.4 abide by any special conditions prescribed by DENR as determined by actions specified in Section 8.2.
- 20.12 IFMA Holders shall construct permanent structures or roads within their IFMA Areas only in accordance with the approved Comprehensive Development and Management Plan.
- 20.13 IFMA Holders shall not cut any trees, regardless of species, growing in their IFMA Area within twenty (20) meters of banks of rivers or streams of five (5) meters in width or more, within twenty (20) meters of public roads or within Protection Forest. Any such areas bereft of trees within an IFMA Area shall be reforested by the IFMA Holder.
- 20.14 All IFMA Holders shall reforest all areas of Open and Denuded Land, Brushland and Degraded Residual Forest along the banks of streams with channels less than five (5) meters in width within their IFMA Area and may harvest and utilize any trees planted in accordance with the approved Comprehensive Development Management Plan.
- 20.15 All IFMA Holders shall protect and conserve unique, rare and endangered trees, palms and wildlife identified as such under existing rules, laws and regulations within their IFMA Areas.

**Section 21. Responsibilities of Holders of IFMAs for Combined IFP Development and Management of natural Forest (Type II IFMA).** In addition to the conditions set out in Section 20 above, an IFMA for combined IFMA development and management of natural forest shall include the following conditions:

- 21.1 All IFMA Holders shall post and maintain for the duration of their IFMAs performance bonds covering the entire area of Residual Production Forest and other natural forest within their IFMA Areas in an amount determined by public bidding or negotiation as provided for in Section 14 of these Regulations.
- 21.22 All IFMA Holders shall manage and protect all types of natural forest in their IFMA Areas in accordance with current laws and regulations governing each type of natural forest.
- 21.23 An IFMA Holder may establish rattan plantations in Residual Production Forest that is not scheduled for harvest within the next twenty (20) years.

- 21.4 An IFMA Holder may, if authorized in the approved Comprehensive Development and Management Plan, harvest and utilize naturally grown trees within Residual Production Forest on a sustainable basis in accordance with the silvicultural system specified in the Resource Management Plan and with the Annual Operations Plans duly approved by the concerned RED.

**Section 22. Responsibilities of the DENR.** The following conditions shall be observed by the DENR in respect of all IFMAs:

- 22.1 The DENR shall not alter or modify the boundaries or legal status of any IFMA Area, once established; PROVIDED, that the conditions stipulated in Section 20.4 and 20.6 of these Regulations have been met.
- 22.2 The DENR shall upon request make available to any IFMA Holder all information it possesses regarding the land, resources and dependent communities within or relevant to an IFMA Holder's area; PROVIDED, that the IFMA Holder shall reimburse the DENR for the cost of preparing the Resource Management Plan and any of other inventory, aerial photography or satellite imagery that may be carried out or procured by the DENR specifically for the purpose of entering into, complying with or monitoring the IFMA; PROVIDED FURTHER, that all monies collected by the DENR as compensation for these items shall be deposited in a special fund maintained by a suitable trustee to be nominated by the DENR in consultation with industry and other concerned parties and shall be used only by the DENR for preparing resource management plans for future IFMAs.
- 22.3 The DENR shall upon request make available to any IFMA Holder any technical information it possesses regarding the establishment, management and utilization of IFPs and the sustainable management, protection and utilization of Residual Production Forests.
- 22.4 The DENR shall, in cooperation with Local Government Units and as provided for in Sections 6 and 9 of DENR Administrative Order No. 30 (Series of 1992), assist IFMA Holders with the development and execution of agreements with communities dependent on IFMA areas.

**Section 23. Compensation**

- 23.1 **Compensation to the IFMA Holder.** IFMA Holders shall be entitled to receive from the Government compensation for the fair market value of permanent improvements, including plantation forest crops, introduced into and remaining in their IFMA Areas under the following circumstances:

- 23.1.1 expiration of the IFMA;
  - 23.1.2 termination of the IFMA when public interest demands; or
  - 23.1.3 reduction of the IFMA Area for right-of-way or when the public interest demands.
- 23.2 If the Government retracts, for reasons other than cause, an IFMA Holder's rights to carry out harvests, in accordance with the approved Comprehensive Development and Management Plan as provided for in Section 21.4, in Residual Production Forest, or any portion thereof, that is covered by a performance bond, the Government shall compensate the IFMA Holder for costs incurred in maintaining the performance bond and of improving and protecting the Residual Production Forest up to the time such rights were retracted.
- 23.3 **Appraisal of Improvements for Compensation.** The fair market value of permanent improvements, required as compensation either to the IFMA Holder or the Government, shall be decided upon by a committee comprising representatives of the DENR, the IFMA Holder and a qualified independent appraiser whose appointment shall be mutually agreed upon by the DENR and the IFMA Holder. The DENR and the IFMA Holder shall bear equally the cost of such appraisal, the decision arising from which shall be binding.

**Section 24. Warranties**

- 4.1 **Modifications.** No IFMA shall be amended in any way except by written instrument signed and agreed to by the duly authorized representatives of the DENR and the IFMA Holder.
- 24.2 **Notice of Breach.** In the event of any default or breach of any of the provisions of an IFMA by either party, the other party may, by notice to the party in default or breach, specify such default or breach and require the same to be remedied within thirty (30) days after service of notice.
- 24.3 **Arbitration.** In the event of dispute between the DENR and an IFMA Holder that cannot be settled by mutual accord, the dispute shall be referred to arbitration which shall be held in accordance with the rules provided in RA No 876.

**Section 25. Transfers.** An IFMA Holder may transfer, exchange, sell or convey the IFMA or any rights therein or any assets used in connection therewith, if authorized by the Secretary, and if:

- 25.1 the IFMA has been in existence for at least three (3) years;
- 25.2 the IFMA Holder has been faithfully complying with the terms and conditions of the IFMA, including implementation of the Comprehensive Development and Management Plan;
- 25.3 the transferee is qualified to hold an IFMA;
- 25.4 there is no evidence that such transfer or conveyance is being made for purposes of speculation;
- 25.5 the transferee shall assume all the obligations of the transferor, including maintenance of the performance bond, if any;
- 25.6 for IFMA Areas in which development is being financed by loan funds, the consent of involved financing institutions has been obtained; and
- 25.7 consultation has been held and agreement has been reached with all certified Ancestral Domain or Ancestral Land Claimants.

**Section 26. Encumbrances.** An IFMA Holder may not offer as security, mortgage or otherwise encumber the IFMA or any rights therein or any assets used in connection therewith, unless authorized by the Secretary.

## CHAPTER VII INCENTIVES

**Section 27. Incentives.** All IFMA Holders shall be entitled to the following incentives:

- 27.1 IFMA Holders may interplant secondary crops between trees within areas designated for IFP in their IFMA Areas.
- 27.2 All planted trees and other crops established pursuant to an IFMA, or transferred from the DENR to an IFMA Holder in accordance with Section 5.3, belong to the IFMA Holder who shall have the right to harvest, sell and utilize such trees and crops at the time specified in the approved Comprehensive Development and Management Plan.
- 27.3 The DENR shall impose no restriction on an IFMA Holder concerning the export of logs, lumber and other forest products harvested from IFMA

plantations; PROVIDED, that logs or lumber harvested from indigenous trees growing naturally in an IFMA Area may not be exported.

- 27.4 All plantation products derived from an IFMA Area shall be exempted from forest charges; PROVIDED, that all products derived from indigenous trees and/or other plants growing naturally in an IFMA Area and from plantations established in compliance with TLA reforestation obligations shall be subject to the forest charges stipulated in RA 7161.
- 27.5 Payments of land rentals shall be in accordance with Section 36 of PD 705, as amended.
- 27.6 IFMA Holders shall be entitled to all relevant incentives provided for under the Omnibus Investment Code and to all applicable incentives enumerated under Section 36 of P.D. 705, as amended.

#### **CHAPTER VIII MONITORING AND CONTROL**

**Section 28. Monitoring.** The following procedures shall be adopted to provide an effective monitoring system for the development and operation of IFMAs, details of which shall be published within ninety (90) days from the issuance of this Order.

- 28.1 The concerned RED offices, PENROs and CENROs shall maintain identical sets of complete documents including maps of each IFMA area less than 2,000 ha; PROVIDED, that the FMB may request copies of complete sets of documents covering IFMAs of less than 2,000 ha.
- 28.2 Each IFMA Holder shall submit to the CENRO Annual Accomplishment Reports on the development of the IFMA in the format shown in Annex "H" of these Regulations. Copies of Accomplishment Reports covering IFMA Areas of 2,000 ha and more shall be furnished to the PENRO and RED concerned and to the Undersecretary. Copies of reports covering IFMA Areas of less than 2,000 ha shall be furnished to the PENRO and RED concerned and summaries shall be furnished to the Undersecretary.
- 28.3 All activities described in Accomplishment Reports shall be subject to audit through verification on the ground by officers of the CENRO or other DENR office and shall be compared with the activities stated in Comprehensive Development and Management Plans. These activities shall include, but may not be limited to:



- 28.3.1 area of IFP established;
- 28.3.2 maintenance of boundaries of the IFMA Area;
- 28.3.3 effective protection and management of the IFMA Area
- 28.3.4 compliance with agreements entered into with communities and/or individuals dependent on the IFMA Area pursuant to Section 20.1.2.4 of these Regulations.

**Section 29. Suspension of an IFMA.** In the event any violation against any provision of an IFMA has been committed by the IFMA Holder, the Secretary, or the concerned RED shall initiate an investigation into the violation in accordance with the warranties provided herein and, depending on the gravity of the violation or any adverse effect arising from it on the condition of forest land and resources, may either give Notice of Breach, as provided for in Section 24.2, or suspend and give notice to cancel the IFMA. If any development activity pursuant to the IFMA is being financed by loan funds or if any improvement within the IFMA Area is encumbered by a third party, the DENR shall notify the bank or other party involved of the suspension. Upon receipt of such notice the IFMA Holder shall have thirty (30) days to file a motion for reconsideration or an appeal, as the case may be, with the Office of the Secretary.

**Section 30. Grounds for Cancellation of IFMA.** The following violations shall be sufficient grounds for cancellation of an IFMA:

- 30.1 If the IFMA was obtained through fraud, misrepresentation or omission of material facts existing at the time of the filing of the application;
- 30.2 Failure of an IFMA Holder to settle any forestry account, such as rental or forest charges when they become due and upon prior notice to the IFMA Holder.
- 30.3 Violation of any of the terms and conditions of, or failure to comply with or perform the obligations imposed in the IFMA, or violation of other pertinent laws, or policies affecting the exercise of the IFMA;
- 30.4 Failure, within six (6) months from the date the IFMA is entered into, to submit a Comprehensive Development and Management Plan;
- 30.5 Failure to submit aerial photographs for IFMA Areas when required for areas greater than 1,000 hectares and containing natural forest;

- 30.6 Failure to carry out a resource inventory where required for areas containing any natural forest;
- 30.7 Failure to implement the approved Comprehensive Development and Management Plan;
- 30.8 Conducting any operation in violation of the approved Comprehensive Development and Management Plan, or illegally engaging in activities outside the IFMA Area;
- 30.9 Failure to protect the IFMA Area; PROVIDED, that an IFMA shall not be subject to cancellation if damage to the IFMA Area or the improvements are the result of force majeure;
- 30.10 Any illegal logging in the natural forest within the IFMA Area, whether by the IFMA Holder or any other party;
- 30.11 Failure to post and maintain the validity of the Performance Bond as stipulated in Section 14 of these Regulations;
- 30.12 Abandonment of the area as evidenced by absence of the IFMA Holder, whether actual or constructive, for a period of six (6) months.

**Section 31. Finality and Execution of Orders of Cancellation.**

Any decision by the Secretary or the concerned RED to cancel an 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 with the Office of the Secretary.

**Section 32. Forfeiture of Rights to Compensation.** Upon cancellation of an IFMA for any of the reasons specified in Section 30 above, all permanent improvements introduced into the IFMA Area, including forest plantations, shall become the property of the Government without there being any obligation to compensate the IFMA Holder and without prejudice to whatever action may be taken with respect to the Performance Bond.

**Section 33. Grounds for Calling the Performance Bond.** The Secretary, upon the recommendation of the RED, may call the Performance Bond, or part thereof, under the conditions specified below:

- 33.1 The whole Performance Bond shall be called and the IFMA cancelled in the event of any willful contravention by the IFMA Holder of any provision of the IFMA

regarding management, protection and utilization of Residual Production Forest or any other natural forest within the IFMA Area.

- 33.2 In cases where failure to protect the natural forest can be proven not to have arisen from willful action or gross negligence on the part of the IFMA Holder, the adverse effect on the condition of forest land or resources arising from such failure shall be assessed as provided for in Section 23.3 and the portion of the Performance Bond forfeited by the IFMA Holder shall equal the assessed damage.

## CHAPTER IX MISCELLANEOUS PROVISIONS

**Section 34. Transitory Provisions for Conversion of ITPLA to IFMA.** The following provisions are stipulated for areas covered by Industrial Tree Plantation Lease Agreements (ITPLAs):

- 34.1 The DENR shall, within six (6) months from issuance of these Regulations, evaluate all ITPLAs, or IFMAs converted from ITPLA, for compliance with the terms and conditions of the ITPLA including the lessee's achievements in implementing ITP Comprehensive Development and Management Plans.
- 34.2 ITPLA holders who have complied with all the terms and conditions of their ITPLAs shall be encouraged to convert their ITPLAs to IFMAs and to submit revised Comprehensive Development and Management Plans as prescribed in Annex "G" of these Regulations.
- 34.3 ITPLA holders who have failed to comply with all terms and conditions of their ITPLAs and whose failure is not shown by the evaluation to be due to willful action or gross negligence shall be required to convert their ITPLA to IFMA and to submit a revised Comprehensive Management and Development Plan as prescribed in Annex "G" of these Regulations within three (3) months of being given notice to do so by the DENR.
- 34.4 Any IFMA or ITPLA holder who has failed to comply with the terms and conditions of the IFMA or ITPLA and whose failure is proven through the DENR evaluation to be due to willful action or gross negligence shall be considered by the Secretary for cancellation of IFMA or ITPLA, as the case may be.
- 34.5 Cancelled ITPLAs or IFMAs containing established plantations or Residual Production Forest shall be evaluated by the DENR with regard to the volume and value of such forest and shall be subject to public bidding on the value of the

plantation and other improvements, or the value of a performance bond, as the case may be, while those with only Open and Denuded Land, Brushland and Degraded Residual Forest shall be reallocated on a first-come-first-served basis.

**Section 35. Previously Issued IFMAs.** The terms and conditions of any IFMA entered into prior to this Order remain valid unless modifications are agreed to by the DENR and the IFMA Holder in accordance with Section 24.1.

**Section 36. Repealing Clause.** This Order repeals/amends provisions of existing regulations, Memoranda, Circulars, and other issuances which are inconsistent herewith.

**Section 37. Effectivity.** This Order shall take effect fifteen (15) days after its Official Gazette or in a newspaper of general circulation.

**ANGEL C. ALCALA**  
**Secretary**