

DENR ADMINISTRATIVE ORDER

No. 01

**SUBJECT: Revised Regulations and Guidelines Governing the Establishment and Development of Industrial Tree Plantations**

Pursuant to PD 705, as amended by PD 1559, and Executive Order No. 725 dated September 1, 1981, and in line with the policy of Government of ensuring the sustainable productivity of forest lands, and in recognition of its role as a tool to economic recovery and national security, the following regulations and guidelines governing the establishment and development of industrial tree plantations (ITP) 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 Tree Plantations Regulations".

*SEC. 2 Policies and Objectives*

The policies and objectives of Government on the establishment and development of industrial tree plantations shall be:

- 2.1 To accelerate the revegetation of the country's open, denuded, brushland and inadequately stocked areas in order to supply the raw material requirements of wood-based and related industries and energy-generating facilities;
- 2.2 To provide the incentives to interested and deserving applicants for the establishment and development of industrial tree plantations; and
- 2.3 To improve and maintain a desirable forest ecosystem.

*SEC. 3 Definition of Terms*

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

- a. *Industrial Tree Plantation (ITP)* – refers to any tract of forestland planted to tree crops primarily to supply the raw material requirements of existing or proposed wood processing and energy-generating plants, and related industries.

- b. *Lease* – is a privilege granted by the State to a person to occupy and possess in consideration of a specified rental, any forest land of the public domain in order to undertake any authorized activity therein.
- c. *Secretary* – refers to the Secretary of DENR
- d. *Undersecretary* - refers to the Undersecretary for Field Operations of DENR
- e. *Regional Executive Director* – refers to the Regional Executive Director (RED) of the 13 Regional Offices of the DENR and the Cordillera Administrative Region.
- f. *PENRO* – refers to Provincial Environment and Natural Resources Office.
- g. *CENRO* – refers to Community Environment and Natural Resources Office.
- h. *Open Land* – refers to bare or grass-covered tracts of forestlands devoid of trees.
- i. *Denuded Land* – refers to forestland that has been depleted of its natural forest cover due to the activities of men, fire or other natural causes.
- j. *Brushland* – refers to forest land which is covered with brush.
- k. *Inadequately-stocked* – shall refer to forestlands with an existing stand of timber containing an average per hectare of less than 20 trees of dipterocarp and endangered species with a diameter breast height (dbh) of not more than 20 centimeters.
- l. *Premium species* – are 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, as contained in the list of such premium tree species which shall be prepared by Forest Management Bureau (FMB) from time to time.
- m. *Endangered tree species* – tree species that are rare, scarce, or nearing extinction.
- n. *Fastgrowing species* – are tree species that grow relatively faster than common forest trees and whose rotation age is 4 to 20 years with a mean annual increment of at least ten (10) cubic meters per hectare under favorable site conditions.

## CHAPTER II

### *SEC. 4 Forestlands Available for ITP and Disposition for Plantation Development*

The following forestland areas are available for the industrial tree plantation development.

- a. Bare, open denuded or grass-covered tracts of forest lands, brushlands, and/or inadequately-stocked areas within or outside timber concessions.
- b. Portion and/or areas covered by pasture leases or permits needing immediate reforestation.
- c. Government reforestation projects or portions thereof found to be more suitable for or can be better developed as industrial tree plantation in terms of benefits to the government and to the surrounding community.

### *SEC. 5. Areas not Available for Industrial Tree Plantation Development*

The following areas may not be subject of ITP as said areas are to be forested by the government through contractual reforestation as well as by holders of timber license agreements (TLA) in pursuance of their obligation to reforest.

- a. Denuded or inadequately-timbered areas proclaimed by the President as civil reservations, military reservations, watershed forest reservations, critical watersheds, national parks, game refuge and bird sanctuaries, national shrines, and national historic sites.
- b. Adequately-stocked logged-over areas.
- c. All open, denuded and brushland areas within forest concessions to be reforested by the concessionaries.
- d. Wilderness areas and greenbelts within concessions designated in accordance with LOI 917 and 971-A.

### *SEC. 6. Size of the Area*

The maximum area that maybe granted for ITP 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 basis depending upon the excellent performance of the lessee determined through evaluation of the accomplishment thereof.

### *SEC. 7. Identification and Delimitation of Potential ITP Areas*

The DENR shall identify, with the aid of the latest forest resources condition maps, aerial photographs, satellite imageries and/or other appropriate technical data and references, lands of the public domain, the biophysical features of which indicates the feasibility of establishing an Industrial Tree Plantation.

Areas so identified shall be delimited on a map of convenient scale as the basis in determining the relative location and extent of the areas that maybe made available for ITP.

### *SEC. 8. Mode of Disposition of Available Areas*

The area available for ITP development shall be granted to qualified applicants through an ITP Lease which shall have a term of twenty five (25) years which shall be automatically renewed at the option of the lessee for another twenty five (25) years, PROVIDED, that the terms of the ITP lease shall be subject to future Congressional action on production-sharing scheme in accordance with the New Consitution.

### *SEC. 9. Application Requirements*

The application shall be filed in the prescribed form hereto attached as Annex "A" at the Office of the CENRO concerned and shall be accompanied, by the following preliminary requirements;

- a. Non-refundable filing fee of P/0.50 per hectare or a fraction thereof.
- b. 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.
- c. If the applicant is a married woman, the written consent of her husband.
- d. If the applicant is naturalized Filipino citizen, a copy of his/her Certificate of Naturalization certified by the Clerk of Court of First Instance that issued the same, and a certification by the Office of the Solicitor General that he has not filed application for his denaturalization, or any action that may affect his citizenship.
- e. If the applicant is a corporation, three (3) copies of the minutes of meeting of the Board of Directors indicating the present Officers and Stockholders, Articles of Incorporation and By-Laws, and financial statement for the preceeding year, *if the applicant is already in existence at the time*, and stating the authority of the officers to file the application in behalf of the corporation.

- f. If the applicant uses, a name, style or trade name other than its true name, three (3) 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 said Bureau.
- g. Indicative development plan, the outline of which is hereto attached as Annex "B".

*SEC. 10. Qualification of Applicants*

Any Filipino citizen who is at least twenty-one (21) years of age, corporation, partnership or association or cooperatives registered under Philippine laws, at least sixty percent (60%) of the capital of which is owned or controlled by Filipino citizen, may file an application for Industrial Tree Plantation.

*SEC. 11. Formulation of new corporation for tree plantation development*

For the establishment, development and operation of the ITP, a timber license holder may form a new corporation as the major stockholder with other investors. The timber license holder shall warrant the development and implementation of the ITP in accordance with the provisions of the ITP Lease Agreement. Should the new corporation fail to carry out the development of such plantation within the period specified in such agreement, the lease agreement shall be cancelled.

*SEC. 12. When application is considered filed*

An application is considered filed on the date of receipt of all the application requirements called for under Sec. 9 of this Order.

*SEC. 13. Processing of Applications*

- a. In the CENRO Office – Upon the receipt of the application, the CENRO shall have the area inspected by at least a Forester in the presence of the applicant or his representative. The inspecting Forest Officer – shall within 30 days submit his report showing, the following:
  - 1. Conformity with the guidelines for availability of the area set forth in Section 4 of this Order.
  - 2. Sketch of the area indicating the location, boundary, extent, vegetative condition, present land use, occupancy, description of adjacent areas and other relevant information.
  - 3. Suitability of the area for the purpose taking into account the vegetation in and around the area applied for, site indicators within the area, climatic conditions and products.

4. **Remarks/recommendations**

The CENRO shall immediately evaluate the report and if found in order, prepare the indorsement and forward all papers to the PENRO with his recommendations within fifteen (15) days from submission of the report of the Inspecting Forest Officers.

- b. In the PENRO – Upon receipt of the application and all pertinent documents, the PENRO shall have the documents evaluated and if found in order, prepare indorsement to the Regional Executive Director (RED) thru the Regional Technical Director (RTD) for Forestry within fifteen (15) days from receipt of the report.
- c. In the DENR Regional Office – In the Regional Office, the Regional Technical Director (RTD) shall have the documents evaluated and if found in order, prepare the lease agreement in accordance with the ITP Lease Agreement, format hereto attached as Annex “C” and forward all papers to the RED with his recommendation. The RED reviews and approves the lease agreement if the area is below three hundred (300) hectares, otherwise forwards same to DENR for consideration.
- d. In the DENR Office – Approval of lease agreement at the DENR Office shall be made by DENR Officials as follows:
  - 300-500 hectares – Assistant Secretary for Operations
  - 501-750 hectares – USEC for Field Operations
  - over 750 hectares – Secretary

***SEC. 14. Management and Development Plan***

The lessee shall, within twelve (12) months from the issuance of the ITP lease, submit to the Secretary a twenty five (25) years comprehensive development and management plan following the outline provided for the purpose (Annex “B”).

**CHAPTER III**

**Government Incentives**

***SEC. 15. Nominal Filing Fee***

A nominal filing of only fifty centavos (P/.50) per hectare shall accompany any application filed for ITP Lease.

*SEC. 16. Reduces Payment of Forest Charges and Land Rentals*

The Lessee shall pay only 25% of regular forest charges due on timber from ITP in accordance with P.D. for ITP development shall be in accordance with the provisions of Sec. 36 of P.O. 705, as amended.

*SEC. 17. Reduced Specific Tax*

The specific tax payable by a lessee on the trees and other forest products grown and cut or gathered in an ITP shall only be 25% on the regular specific tax prescribed in the National Internal Revenue Code.

*SEC. 18. Exemption from payment of certain Internal Revenue Taxes*

Timber and other forest products planted and grown in ITP areas bartered or exchanged by the lease 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 lease 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 Tree Plantation.

*SEC. 19. Integrity of Boundary and Status of Area*

The boundaries and legal status of the area covered by an ITP once established shall not be altered or modified.

*SEC. 20. Plantation development expense, tax deductible*

Amount expended by a lessee in the establishment, development, and operations of an ITP 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.

*SEC. 21. Credit Assistance*

Holders of ITP Lease Agreements may apply with the Development Bank of the Philippines, the Central Bank and other government and private financing institutions for assistance in obtaining long term and low interest loans, Provided, that the lessee may assign the lease agreement as a collateral for loans which may have been granted or guaranteed by such government and private financial institutions. However, the leasehold rights should be subject to the approval of the Secretary.

## *SEC. 22. Other Incentives*

Applicants for ITP Leases shall not be required to post forestry bond or to the payment of inspection fees. They shall be entitled to other incentives provided for under the Omnibus Investment Code of 1987. All other applicable incentives enumerated under Sec. 36 of P.D. 705, as amended, shall apply to ITP Lease holders.

## *SEC. 23. Ownership of Plantation Products*

Trees and other products planted and grown under an ITP Lease Agreement belong to the lessee who shall have the right to sell, convey or dispose of said planted trees and other products.

## *SEC. 24. Export of Logs Harvested from ITPs.*

Trees grown and harvested from ITPs maybe exported as logs, poles, piles, billets or in any form, without restriction in quantity or volume.

## *SEC. 25. Entitlement to Fair Compensation.*

Upon the expiration of the ITP Lease Agreement, 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.

## *SEC. 26. Development Requirements in ITP Leases.*

Development and establishment of plantations shall have a definite program and schedule to be embodied in an industrial tree plantation development and management plan which shall, among others, provide for development of at least thirty percent (30%) of the area within three (3) years and 100% of the area within five (5) years after the lease is granted. Interplanting of cash crops maybe allowed in new plantation areas; PROVIDED, that planting therein will not be detrimental to the soil and water of the land and shall instead enrich the soil with nitrogen fixing bacteria or any soil conditioning elements in preparation for tree planting.

## **CHAPTER IV GENERAL PROVISIONS**

### *SEC. 27. Monitoring and Control.*

The following shall be adopted to provide an effective monitoring and control system for the development and operation of ITPs:

- a. The ITP lease holder shall submit to the CENRO a quarterly report on the development of the ITP.



- b. The CENRO shall submit through the PENRO and the DENR Regional Office a quarterly report on the status of tree plantation development within its jurisdiction and copy furnish the Central Office.
- c. The DENR Regional Office shall within thirty (30) days after submission of report from the CENRO prepare a summarized report to Office of the Secretary which in turn shall maintain a nationwide status chart of ITP activities.
- d. 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 cancelled and the area, if it stik suitable for ITP, shall be opened to qualified applicants.

*SEC. 28. Grounds for the Cancellation of Lease.*

The Secretary upon the recommendation of the Regional Executive Director may cancel or suspend ITP leases, depending on the gravity of the offense or the adverse affect on the management of forest land and resources based on any of the following grounds.

1. If the privilege was obtained through fraud, misrepresentation or omission of material facts existing at the time of the filing of the applications;
2. Failure of a privilege holder to pay and/or settle any forestry account, such as, rental, forest and changes, and permit fees, when they become due, or violation of any of the provisions of the National Internal Revenue Code relating to forest products,
3. Violation of any of the terms and conditions of, or failure to comply with or perform the obligation imposed in the lease agreement, lease, license, permit, or contract, or pertinent laws, or policies affecting the exercise of the privilege granted therein, or any of the provisions of this Order;
4. Conducting an operation in violation of the prescribed management or operation plan, or beyond the area covered by the privilege;
5. Failure to provide the necessary protection, management and development over the forest land or area covered by the privilege granted in his favor; or
6. Abandonment of the area or failure to exercise the privilege granted within the prescribed period, or if not prescribed, within four (4) months from the issuance of the license agreement, license, lease or permit.

*SEC. 29. Inclusion of Adequately-Stocked Logged-Over Area in ITP Lease.*

Adequately stocked logged – over areas within timber concessions shall not be made available for ITP development. However, the extreme cases where the inclusion of such areas will promote contiguity to the adjoining open inadequately stocked logged-over areas, the same may be allowed, PROVIDED, such areas will not exceed thirty per-

cent (30%) of the ITP lease.

*SEC. 30. Regulations on Cutting Naturally Grown Trees within the ITP Lease.*

The Lessee may, in consonance with the approved ITP development and management plan, be allowed to cut and utilize naturally grown, mature, overmature and defective trees tinside adequately-stocked portions of the area covered by the lease areas subject to the condition that at least twenty percent (20%) of such area shall be preserved for biological diversity.

In other areas of the ITP lease, any naturally grown standing tree may be cut subject to the following conditions:

1. The cutting and extraction of timber found therein shall be in accordance with the timetable provided in the approved management/development plan.
2. Provided further, that no cutting shall be done within forty (40) meters of both sides of river banks. Enrichment planting shall be required of the ITP holder in these areas.

*SEC. 30. Repealing Clause.*

This Order supersedes MAO 4 and 5, series of 1982 and all forestry regulations, Memoranda, Circulars, and other instructions inconsistent herewith.

*SEC. 32. Effectivity.*

This Order shall take effect fifteen (15) days from the date of its publication in the Official Gazette or in a newspaper of general circulation.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on January 2, 1989

**SUBJECT: Revised Regulations Governing Rattan Resources**

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

**CHAPTER I**

**TITLE, POLICIES AND OBJECTIVES**

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

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

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

**CHAPTER II**

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

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

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

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

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

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

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

### CHAPTER III

#### COMPETITIVE BIDDING

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

partment shall identify which production block(s) are for the big or small entrepreneurs; PROVIDED FURTHER, That, 55 percent of the rattan production area of any region shall be allocated to the small entrepreneurs, with a paid-up capitalization of P250,00.00 or less. The big entrepreneurs with a paid-up capitalization exceeding P250,000.00 shall be allocated 45 percent of the region's rattan production area; PROVIDED FINALLY, That, at least ten percent (10%) of the region's total rattan production shall be reserved for local consumption/use where there are existing users of the product within the region.

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

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

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

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

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

**11.1 *For owners/operators of rattan processing plants:***

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

**11.2 *For individual local rattan gatherers:***

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

11.2.3 Supply contract/marketing agreement/rattan purchase order with/from existing rattan furniture or rattan/craft manufacturers, and

11.2.4 Sworn statement authorizing DENR representative(s) to verify submitted information.

11.3 *For cooperatives of rattan gatherers:*

11.3.1 Certificate of registration issued by the Bureau of Cooperatives Development (BCOD);

11.3.2 Certificate from the Mayor/Provincial Governor concerned that the members of the Cooperative are bonafide residents of the municipality/province where the area is located;

11.3.3 Certificate of training issued by BCOD;

11.3.4 Audited Financial Statements for the immediate past three (3) years;

11.3.5 Proof of available capital and credit lines;

11.3.6 Supply contract/marketing agreement/rattan purchase order with/from existing rattan furniture or rattan/craft manufacturers; and

11.3.7 Sworn statement authorizing DENR representative(s) to verify submitted information.

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

11.4.1 Certificate of accreditation by local BKKK Action Officer or certified copy of NACIDA-registration;

11.4.2 Proof of available capital or credit lines;

11.4.3 List and quantity of product lines;

11.4.4 Marketing/supply agreements/rattan purchase order; and

11.4.5 Sworn statement authorizing DENR representative(s) to verify submitted information.

- 11.5 *For associations of BKKK-accredited rattan gatherers/users, or NACIDA-registered rattan users as the case may be:*
- 11.5.1 Articles of Association duly accredited by the BKKK Action Officer concerned;
  - 11.5.2 Articles of Association duly registered with the NACIDA;
  - 11.5.3 Proof of available capital or credit lines;
  - 11.5.4 List and quantity of product lines;
  - 11.5.5 Marketing/supply agreements/rattan purchase order; and
  - 11.5.6 Sworn statement authorizing DENR representative(s) to verify submitted information.
- 11.6 *For individual or associations of members of indigenous cultural communities/tribal groups:*
- 11.6.1 Certification from the Chieftain/Head of the cultural community or tribe, attested by the Provincial Governor/Mayor concerned, that the individual or members of the association is/are bonafide resident(s) of the province/municipality where the area is located;
  - 11.6.2 Certification from the pertinent government office concerned with affairs of Muslims or cultural communities, that is a duly recognized association;
  - 11.6.3 Proofs of available capital and/or credit lines;
  - 11.6.4 Supply contract/marketing agreement/rattan purchase order with existing rattan furniture or rattan craft manufacturers; and
  - 11.6.5 Sworn statement authorizing DENR representative(s) to verify submitted information.
- 11.7 *For individual or associations of rebel returnees or war veterans or veterans of military campaigns:*
- 11.7.1 Certification from the Mayor/Provincial Governor concerned that the individual or members of the association is/are bonafide resident(s) of the municipality/province where the area is located;
  - 11.7.2 Certification from the Department of National Defense that the individual or members of the association is/are truly rebel returnees, war veterans or veterans of military campaigns, and if an association is a duly recognized association of rebel returnees, war veterans or veterans of military campaigns;



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

**11.8 *For holders of timber license agreements:***

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

**11.9 *For partnerships/corporations:***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **CHAPTER IV**

#### **RATTAN CUTTING LICENSE**

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

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

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

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

Where:

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

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

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

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

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

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

**SECTION 30. General Conditions Under Which a Rattan Cutting License is Issued.**

The cutting, gathering, transporting and disposition of rattan under a license issued in consonance with these regulations shall be subject to the following general conditions pertinent conditions contained in Section 58 hereof:

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

- 30.11 The Department shall delimit on the ground at the expense of the license holder, the boundary of the area covered by the license following guidelines provided for the purpose ; and
- 30.12 To submit, following the guidelines provided for the purpose, an annual cutting and replanting plan, for approval by the Regional Executive Director concerned.

## **CHAPTER V**

### **RATTAN PROCESSING AND UTILIZATION**

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

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

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

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

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

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



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

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

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

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

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

## CHAPTER VI

### RATTAN PLANTATION ESTABLISHMENT AND DEVELOPMENT

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

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

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

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

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

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

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

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

**43.1 Common Requirements**

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

**43.2 Specific Requirements**

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

- 43.2.3 *For holders of a license agreement or timber license* — Copy of existing and valid timber license agreement or other forms of timber license;
- Project feasibility study;
- 43.2.4 *For holders of a tree plantation lease* — Copy of existing and valid forest tree plantation lease agreement;
- Feasibility study.
- 43.2.5 *For individual persons* — a certification from the Mayor/Provincial Governor concerned that the applicant is a bonafide resident of the municipality/province where the area applied for is located.

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

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

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

- 45.1 To undertake at his own expense the delimitation of the boundary of the leased area, in coordination with the Department, and to be familiar with and be responsible for the maintenance of said boundary;
- 45.2 To protect his area, his rattan plantation, the forest land and its resources where his rattan plantation is located as well as its immediate vicinity against manmade/mancaused disturbances or destructions;
- 45.3 To do no timber cutting, unnecessary underbrushing, forest floor clearing and burning, or gathering of any other forest products, or undertaking of any activities not consistent with the purposes of the lease;
- 45.4 To implement strictly his program of rattan plantation development following as closely as possible the schedule of planting, maintenance and improvement;
- 45.5 To follow, as closely as possible, accepted silivicultural and utilization practices, as well as the rotation cycle, for rattan:

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

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

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

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

## *CHAPTER VII*

### *REGULATORY FEES*

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

## CHAPTER VIII

### CRIMINAL OFFENSES AND PENALTIES

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

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

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

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

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

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

## *CHAPTER IX*

### *RATTAN SPECIAL DEPOSIT*

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

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

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

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

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

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

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

## CHAPTER XI

### MISCELLANEOUS PROVISIONS

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

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



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

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

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

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

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

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

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on January 10, 1989

**SUBJECT: Special Provisions for the Processing of  
Rattan Applications Within Area Reserved/  
Occupied by Cultural Communities.**

*Section 1. Declaration of Policy.* These SPECIAL PROVISIONS are promulgated in order to protect the rights of indigenous cultural communities to their ancestral lands to ensure their economic, social and cultural well-being, as mandated by the 1987 Constitution.

*Section 2. Definition of Cultural Communities.* For purposes of these SPECIAL PROVISIONS, a cultural community is deemed to be a group of people actually occupying a contiguous area in accordance with their indigenous customs and traditions. The area herein referred to and made available for the rattan cutting license should be part of the areas traditionally occupied by such cultural community.

*Section 3. Rattan Cutting License.* A rattan cutting license may be issued by the Secretary, or his duly authorized representative, for the cutting and gathering of rattan inside civil reservations, stewardship contract areas, and areas traditionally occupied by the indigenous cultural communities and for the subsequent utilization, disposition and transport of said forest products, in accordance with the following conditions:

- 3.1 Considering that the indigenous cultural communities have the right to the exclusive use of civil reservation areas, established by virtue of presidential proclamations, issued in favor of indigenous cultural communities, no rattan cutting license shall be issued over these areas without their consent.
- 3.2 No rattan cutting license over community forest stewardship areas granted to indigenous cultural communities, shall be issued without the consent of the indigenous cultural community concerned.
- 3.3 Rattan production blocks which encroach on the areas traditionally occupied by the indigenous cultural communities shall be modified pursuant to the constitutional mandate that these areas shall be protected by the State for these communities.

*Section 4. Clearance.* The clearance to certify that the consent of the indigenous community/ies concerned has been secured must be signed by their leader/chieftain and the members of their tribal council/board/elders and attested to by the Community Environment and Natural Resources Officer concerned.

*Section 5. Priority for Rattan Cutting License.* Should the indigenous cultural community/ies consent to the utilization and disposition of the rattan, a license shall be issued as follows:

- 5.1 The indigenous cultural community occupying the reservation shall be given priority over all other applicants; and other indigenous cultural communities over other entities; provided, that the offer of the indigenous cultural community shall not be lower than the floor price for the rattan.
- 5.2 The issuance of licenses to non-members of the indigenous cultural communities over these areas shall be governed by Chapter III of DAO No. 04.
- 5.3 In no case shall rattan cutting licenses be issued over these areas to non-members of the cultural community concerned without a compensation package for the benefit of the community/ies affected, duly approved by the Secretary or his duly authorized representative. The Undersecretary for Field Operations shall, upon recommendation by the Indigenous Community Affairs Division, Special Concerns Office, simultaneously designate a project manager for the implementation of the compensation package. The compensation package shall be based on the felt needs of the cultural community.

*Section 6. Rattan Plantation and Development.* Areas reserved/occupied by cultural communities may be made available for rattan plantation establishment and development, subject to the following conditions:

- 6.1 The indigenous cultural communities may avail of a rattan plantation lease over areas within and adjacent to their reservation/stewardship areas or areas traditionally occupied by them. No lease application by non-members of these communities shall be given due course without a clearance certifying that the consent of the affected indigenous cultural community/ies has been secured.
- 6.2 The provisions of Section 5 hereof shall govern whenever applicable, provided that the application requirements under Section 43 of DAO No. 04 are complied with.

*Section 7. Negotiated Contracts.* The Secretary may, if national interest so requires, grant rattan cutting licenses through negotiated contract to indigenous cultural communities over areas predominated by such communities provided that such area shall not exceed ten per cent (10%) of the total rattan production blocks per region.

*Section 8. Rattan Processing.* Nothing in this Order shall prevent the indigenous cultural communities from applying for and acquiring a rattan processing plant license in accordance with Section 31–38 of DAO No. 04.

*Section 9. Prohibition.* The licenses or leases issued in accordance with these SPECIAL PROVISIONS shall not be subcontracted for any reason or for any cause. The incapacity of the licensee or lessee shall effect the automatic revocation of such license or lease.

*Section 10. Applicability.* Except as provided under these SPECIAL PROVISIONS, all other provisions of DENR Administrative Order No. 04 shall be applied.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on January 12, 1989

**SUBJECT: Correction of Errata in DENR Administrative  
Order No. 04 "Revised Regulations Governing  
Rattan Resources"**

For the information and guidance of all concerned and to correlate the definitions found in Sections 8 and 59 pertaining to small entrepreneurs the definitions found in Section 59 are revised/corrected to read as follows:

- 59.18 "small entrepreneurs" refer to proponents of a rattan cutting enterprise with capitalization of not more than Two Hundred Fifty Thousand Pesos (P250,000.00)"
- 59.19 "big entrepreneurs" refer to proponents of rattan cutting enterprise with capitalization exceeding Two Hundred Fifty Thousand Pesos (P250,000.00)"

This Order takes effect immediately.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Signed on March 21, 1989

DENR ADMINISTRATIVE ORDER  
NO. 10

**SUBJECT: Guidelines Barring Persons Involved in the Cutting, Transporting, Processing or Possession of Illegal Logs, Flitches or Lumber From Participation in the Bidding of Confiscated Logs, Flitches or Lumber.**

1. In order to strengthen the DENR campaign against illegal logging, and to prevent the anomalous situation whereby undeserving parties benefit from the fruits of their crime, person involved in the cutting, transporting, processing or possession of illegal logs, flitches, or lumber shall be barred from participation in the bidding of confiscated logs, flitches or lumber.

2. The winning bidders are also not allowed to sell/dispose these confiscated timber products to persons referred to above, otherwise they shall be blacklisted and barred from participation in future biddings.

3. All the Regional Executive Directors (REDs) shall prepare and update a master list of these blacklisted persons, and shall submit periodically the same to the Secretary through the Undersecretary for Field Operations who shall draw up a National Master List to be furnished to all REDs for compliance.

4. The REDs shall also submit to the Secretary the name of the winning bidder the day after the bidding is held, with a certification that the winning bidder is not one of the blacklisted persons.

5. This Order shall take effect immediately.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Signed on February 14, 1989



**SUBJECT:        Declaring and Certifying Certain Portion  
                     of the Public Forest as Available for Fishpond  
                     Development, Under LC Project No. 34-B of  
                     Balasan, Province of Iloilo.**

Pursuant to Section 13 of PC 705, otherwise known as the Revised Forestry Code of the Philippines, as amended, I hereby declare and certify the portion of the forest land containing an area of 49.0 hectares as available for fishpond development, the administration and management to which is hereby transferred to the Department of Agriculture and Food, through the Bureau of Fisheries and Aquatic Resources, located in the aforementioned municipality and province, shown and described per FMB Map LC which is attached hereto and forms an integral part of this Order, subject to the following conditions:

- a.    The strips of mangrove or swampland fifty (50) meters wide fronting oceans, lakes and other bodies of water, and the strips of land 20 meters on both sides of river channels/banks and reserved for shoreline and/or bank protection.
- b.    The utilization of forest products existing therein shall remain subject to Forest and Internal Revenue Laws and Regulations, and the present holders, if any, of licenses covering such areas that may be occupied for purposes of development under the authorization of the director of Fisheries and Aquatic Resources, shall have the preferential right in the utilization of the timber hereof.
- c.    The areas herein certified and declared as available for fishpond development must be developed or utilized for purposes stated within five (5) years from approval hereof, otherwise the declaration/certification as such is automatically revoked or cancelled pursuant to paragraph 3, Section 43 of PD 705, and the Department of Environment and Natural Resources shall take immediate administration and control over these areas.
- d.    Violation of any of the above stated conditions shall constitute as sufficient cause or invalidate this declaration/certification and hence, the subject area shall automatically revert to forest land status without need of further order or declarations.

This Order takes effect immediately.

FULGENCIO S. FACTORAN, JR  
Secretary

**SUBJECT: Ban on Lumber Exports.**

Pursuant to the government thrust of forest conservation and to ensure the continued availability of raw material supply to the lumber-dependent industries, the following guidelines are issued for the information and guidance of all concerned:

*Section 1. Lumber Export Ban.* There is hereby imposed a nationwide ban on lumber exports. The DENR shall stop accepting applications for the exportation of lumber by May 15, 1989. Only lumber exportation that have been cleared as of said date shall be allowed to be shipped until June 30, 1989, beyond which all lumber export permits shall be considered cancelled.

*Section 2. Exemptions to the Export Ban.* Lumber products, wood manufacturers and other wood finished products, which are further manufactured from lumber or wood including, but not limited to wooden furniture and toys, packing cases and parquet floors, doors and other builder woodworks, picture frames, tool handles, decorative articles, wooden shoes, toothpicks, chopsticks, etc., shall be allowed to be exported.

Also exempted from this ban are lumber and lumber products and boules sawn from imported wood under bonded warehouses or processed inside export processing zones.

*Section 3. Definition of Terms.* For the purpose of this Order, the following definitions shall apply:

- 3.1 *Export* – the process of sale and shipment of goods and services to a foreign entity.
- 3.2 *Lumber* – solid wood not further manufactured other than sawing, resawing, kiln-drying, and passing lengthwise through a standard planing machine, including boules or unedged lumber.
- 3.3 *Lumber products, wood manufacturers, and other wood finished products* – Articles further manufactured from lumber or wood with moisture content not exceeding 15%; including but not limited to wooden furniture and toys, packing cases, parquet floors, doors, door components, doorstiles, other builders woodworks, window components, mouldings, drawersides, cabinet and furniture components, knock-down furniture components, picture frames, tool handles, decorative articles, wooden shoes, toothpicks and chopsticks.

*Section 4. Penal Provision.* Anyone found violating this Order shall be liable for criminal prosecution without prejudice to the cancellation of his/its permit/license to operate a logging concession, sawmill or any wood processing plant or industry falling within the jurisdiction of the DENR, the payment of all charges and export taxes and perpetual disqualification from developing natural resources.

*Section 5. Clarificatory Circulars.* – The Undersecretary for Field Operations, may, when the need arises, issue circulars clarifying the specifics of implementation of this Order.

*Section 6. Effectivity.* – This Order takes effect fifteen (15) days after its publication in a newspaper of general circulation and supersedes any or all provisions of previous Orders, Memoranda, and other issuances inconsistent herewith.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on March 17, 1989

**SUBJECT: Ban on the Cutting of Saplings in Forest Areas for Use as Banana Props and for Other Purposes.**

Pursuant to the government thrust of environmental protection, and the rationalization of policies in forest utilization and development, and Presidential Decree No. 705 as amended, otherwise known as the Revised Forestry Code, and Executive Order No. 192, the following are issued for the information and guidance of all concerned:

*SECTION 1. Ban on the cutting of Saplings.* There is hereby imposed a nationwide ban on the cutting of saplings in forest lands for use as banana props and for other purposes, beginning 1 August 1989. All existing permits or authority covering this matter previously granted by the DENR are hereby considered automatically terminated upon the effectivity of the ban.

*SECTION 2. Penal Provision.* Anyone found violating this Order shall be liable for prosecution, in accordance with existing laws, rules and regulations.

*SECTION 3. Effectivity.* This Order takes effect fifteen (15) days after its publication in a newspaper of general circulation and supersedes any or all provisions of previous Orders, Memoranda, and other issuances inconsistent herewith.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on March 21, 1989

**DENR ADMINISTRATIVE ORDER  
NO. 21**

**SUBJECT: Revised Annual Allowable Cut Computation.**

Pursuant to the government thrust of forest conservation, to provide the logging industry with a more realistic cutting goal, and to ensure the continuous supply of raw materials for the wood processing sector, a new annual allowable cut computation is hereby prescribed.

*Section 1.* Allowable Cut Formula. Henceforth, the computation of the annual allowable cut shall be based on the following formula:

$$AAC = \frac{Ao}{CC} \times Vo \times .70 \times .75$$

Where:

- AAC = Annual Allowable Cut;
- Ao = Area of operable old growth forest in hectares;
- Vo = Volume per hectare of operable old growth forest;  
(25% of the volume of 60 cm. diameter trees + 55% of the volume of 70 cm. diameter trees + volume of 80 cm and larger trees)
- CC = Cutting cycle;
- .70 = logging efficiency/timber utilization efficiency;
- .75 = reduction factor to give allowance for estimated deficiency of 25% in attaining a satisfactory residual stand;

to be synchronized by  $ACA = \frac{Ao}{CC}$ ;

Where:

ACA = annual cutting area

*Section 2.* All Forest Management Plans, Integrated Annual Operations Plans and other plans required of timber licensees/permittees are hereby ordered to be revised to conform with this Order.

*Section 3.* Any or all provisions of laws, rules, and regulations inconsistent with this Order are hereby revoked or amended.

*Section 4.* This Order takes effect fifteen (15) days after its publication in a newspaper of general circulation.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on March 22, 1989

**SUBJECT: Regulations on the Issuance of Timber  
Production Sharing Agreement (TPSA).**

Pursuant to PD No. 705, as amended, Executive Order No. 192 dated June 10, 1987 and Executive Order No. 278 dated July 25, 1987, and in line with the policy of Government of ensuring the sustainable productivity of, and equal access to, the timber resources as a tool for economic recovery and national security, the following rules and regulations governing the development of timber resources are hereby promulgated:

*CHAPTER I*

*TITLE, POLICIES AND OBJECTIVES*

*SECTION 1. Title* – This Administrative Order shall be known as the “Regulations on the Issuance of Timber Production Agreement” (TPSA).

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

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

*SECTION 3. Definition of TPSA* – As used herein Timber Production Sharing Agreement is a **privilege granted** by the State to qualified persons to develop and utilize timber resources on a specified area whereby the government and the holder thereof share in the timber cut, gathered produced or in the cash value of such production.

## CHAPTER II

### AVAILABLE AREAS AND MODE OF DISPOSITION

*SECTION 4. Timber Harvesting* – Timber may be commercially cut, gathered, transported and disposed of through a TPSA issued by the Department of Environment and Natural Resources (DENR) following the guidelines prescribed in these regulations.

*SECTION 5. Available Areas* – TPSA may be allowed in the following areas:

- 5.1 Virgin or old growth forest;
- 5.2 Residual forests within permanent forest areas which have not been logged for at least 25 years;
- 5.3 Alienable and disposable lands containing timber;
- 5.4 Civil and other reservations;
- 5.5 Expired/cancelled TLA and Expired PTPA with remaining volume that can be utilized economically and sustainably.
- 5.6 Reforestation areas and other plantations within forestlands that are available for harvesting, without adversely affecting environmental considerations.

Provided that the area is not covered by encumbrances such as:

Within any prohibited area, e.g. –

- National Parks,
- Proclaimed and/or Critical Watersheds,
- Wildlife Sanctuary,
- Wilderness Areas,
- Areas covered by logging ban,
- Islands 10,000 hectares in area or less,
- Such other areas where logging operations may be prohibited by the Secretary of DENR.

Within any existing timber license;

Covered by conflicts, appeals and/or other legal claims unless otherwise authorized by the Secretary.



**SECTION 6.** *Mode of Disposition of Available Areas* -- As a general policy TPSAs shall be granted over production blocks identified by the DENR through public bidding undertaken in consonance with this Order. However, the Secretary may award, through negotiated agreement, available areas as provided for in Section 24, Chapter IV of these regulations.

### **CHAPTER III**

#### **COMPETITIVE BIDDING**

**SECTION 7.** *Notice of invitation to pre-qualify to bids* -- Prospective bidders shall be invited to pre-qualify to bid over the subject area by way of a public announcement in at least two (2) newspapers of general circulation. The Notice of Invitation for pre-qualification shall run once a week for two (2) consecutive weeks in the case of rebidding. In addition, a copy of the notice shall be posted at the Department and its Regional, Provincial and Community offices where the area being advertised is located.

The Notice shall specify, among others, the location, area, the allowable cut and the date, time and place of submission of pre-qualification requirements. Prospective bidders shall, upon payment of the required fees, be provided with instructions to bidders, the terms and conditions of the TPSA and other documents to guide and inform them in detail of the requirement, terms and conditions of the bidding.

**SECTION 8.** *Who may pre-qualify* -- The following may pre-qualify:

- 8.1 Filipino citizens who meet the requirements under these regulations.
- 8.2 Corporations or associations organized under the laws of the Philippines at least 60 percent of whose capital is owned by Filipino citizens, and which meet other requirements under these regulations.

**SECTION 9.** *Who are disqualified.*

- 9.1 Individuals, corporations or associations, including officer(s) and/or principal stockholder(s)/partner(s) thereof who already holders or awardees or subsisting TPSAs or TLAs.

- 9.2 Individuals, corporations or associations any one of whose officers or principal stockholders have derogatory records such as, but not limited to: (a) violations of anti-dummy laws; (b) tax evasions; (c) illegal logging/smuggling; (d) unauthorized subcontracting of forestry permits and licenses.
- 9.3 Former holders of TLAs and/or other forestry permits and licenses which have been cancelled or not renewed upon expiration due to violations of forestry laws and regulations.

**SECTION 10.** *Pre-qualification requirements.* In addition to the pre-qualification forms duly accomplished, the following shall be submitted by prospective bidders.

**10.1 For individuals:**

- 10.1.1 Certified photo copies of Income Tax Returns for the immediately preceding three (3) years, if applicable;
- 10.1.2 Proof of sufficient capital and credit lines; and
- 10.1.3 Sworn statements authorizing DENR representatives to verify submitted information.

**10.2 For cooperatives:**

- 10.2.1 Certificate of registration issued by the Bureau of Cooperatives Development (BCCD);
- 10.2.2 Audited Financial Statements for the immediately preceding past three (3) years, if applicable;
- 10.2.3 Proof of sufficient capital and credit lines; and
- 10.2.4 Sworn statement authorizing DENR representative(s) to verify submitted information.

**10.3 For corporations, partnerships and associations:**

- 10.3.1 Certified photo copy of Certificate of Registration issued by the Securities and Exchange Commission (SEC) or the concerned authorized government agency;

- 10.3.2 Certified photo copy of Articles of Incorporation, Partnership/Association and By-Laws;
- 10.3.3 Description and background of current principal stockholders, directors, and officers, including their nationalities, bio-data, and related experiences;
- 10.3.4 Audited Financial Statements for the immediately preceding past three (3) years, if applicable;
- 10.3.5 Proof of sufficient capital and/or credit lines; and;
- 10.3.6 Sworn statements authorizing DENR representative(s) to verify submitted information.

**SECTION 11.** *Submission of documents/requirements.* All pre-qualification documents and requirements shall be submitted in seven (7) copies at the Office of the Secretary, DENR, care of the Timber Production Sharing Awards Committee, in sealed envelopes not later than the time and date specified in the Notice of Invitation to Pre-qualify. No papers and documents submitted by prospective bidders shall be made public unless authorized by the Secretary.

**SECTION 12.** *Timber Production Sharing Awards Committee.* A Timber Production Sharing Awards Committee (TPSAC) is hereby created, the composition of which shall be designated by the Secretary which shall be primarily responsible for the proper receipt, recording, safekeeping and evaluation of pre-qualification and bid proposals pertaining to the timber resource, including the conduct of bidding and recommendations for the award of an area being disposed of in accordance with these regulations.

**SECTION 13.** *Evaluation of pre-qualification requirements.* The TPSAC shall, upon receipt of a prospective bidder's pre-qualification requirements, immediately record the same in a permanent record book provided for the purpose indicating the date and time of receipt and the number of pages. Forthwith, the TPSAC shall evaluate the documents taking into account the completeness of the prescribed requirements and the following considerations:

- 13.1 **Financial capacity.** – The prospective bidder must at least have a net worth equivalent to the log production cost for the first year of operations.

- 13.2 Technical competence. – Proof of technical know-how and experience, and/or ability to hire the services of competent technical personnel.

**SECTION 14.** *Notice of Pre-Qualification disqualification.* If upon evaluation, the TPSAC is convinced that the prospective bidder meets all the requirements, the application for pre-qualification shall be stamped “PREQUALIFIED” and shall be submitted to the Secretary for review/approval. Within five (5) days from approval by the Secretary, the Committee shall notify the bidder in writing of his pre-qualification. He shall be further advised to secure the Bid Proposal Forms from TPSAC upon payment of the required fees.

On the other hand, application of prospective bidders who do not meet the pre-qualification requirements shall be stamped “DISQUALIFIED” which shall likewise be submitted to the Secretary for review and confirmation. Within five (5) days from confirmation by the Secretary, the pre-disqualified bidders shall be notified in writing of such disqualification.

**SECTION 15.** *Notice of submittal and opening of bids.* All pre-qualified bidders shall be served notice of the date, time and place for the submittal and opening of bids at least thirty (30) days prior to the submission and opening of the bids.

**SECTION 16.** *Preparation of bid forms.*

- 16.1 Bids shall be submitted in seven (7) copies on Bid Proposal Forms prescribed by the TPSAC in strict compliance with the requirements of the advertisements, Invitation to Bid, Instruction to Bidders, and Terms and Conditions of the TPSAC.
- 16.2 Bidder must indicate in the bid his full business address in Metro Manila. Bidders outside Metro Manila shall provide and indicate a forwarding address in Metro Manila to which all notices required under these regulations shall be delivered.
- 16.3 Queries relative to the Instructions of Bidders and Terms and Conditions of the TPSAC and the bid forms or any part thereof shall be made during a pre-bid conference. Once a bid is submitted, it is presumed that the bidder has waived any right to be heard regarding any matter contained therein.

**SECTION 17.** *Submission and opening of bids.* Bids shall be sealed in envelopes delivered personally or by authorized representatives of the bidder and must be submitted to and received by the TPSAC only on the date and time set for the opening of the bids.

All bid proposals shall, upon receipt thereof, be properly recorded. Every page thereof including attachments shall be numbered consecutively and the original copies initialed by each and every member of the TPSAC.

**SECTION 18.** *Canvassing of bids.*

18.1 Canvassing of bids shall be done in public immediately after the submission of bids in the presence of the bidders or their authorized representatives, the members of TPSAC, and a representative each from the Commission on Audit (COA), and the Philippine Wood Products Association (PWPA).

Within five (5) days after the canvassing of the Bids, the corresponding abstracts 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.

18.2 No withdrawal of bids shall be allowed after the same is opened.

18.3 When a bidder submits two or more bids for the same area, only the highest bid shall be considered or the DENR shall exercise the option to choose.

**SECTION 19.** *Bid Guaranty* – All bid proposals shall be accompanied by a Bid Guaranty equivalent to ten (10%) percent of the gross cash value of the annual allowable cut (AAC) granted which shall be in the form of a Manager's Check issued by a reputable bank in favor of the DENR. Failure to submit the required bid guaranty with the bid proposal shall be sufficient cause for rejection of the bid. The bid guaranty shall form part of the share of the government pursuant to the terms and conditions of the TPSA. All bid guarantees submitted by losing bidders shall be returned to them the next working day after the opening of the bids.

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

- 20.1 Bid shall be prepared in the prescribed bid proposal forms.
- 20.2 There shall be at least two (2) competing bidders at the time of opening the bids. In the event that there is only one bidder, the bid shall be returned unopened and the area advertised anew for rebidding. If at rebidding, there should still be only one bidder, the area may be awarded through negotiated agreement as provided in Chapter IV, hereof.
- 20.3 A bid which does not comply with the conditions or requirements set forth in the bid documents shall be rejected.
- 20.4 The Secretary reserves the right to reject any or all bid proposals when in his opinion, public interest will be adversely affected. The right is also reserved to waive minor deviations in the bids which do not affect the substance and validity of the bids. The Secretary likewise reserves the right to require additional information on the capability of the winning bidder to execute satisfactorily the agreement in accordance with the terms and conditions thereof.
- 20.5 After the bids have been evaluated, the Committee shall submit a report of its findings to the Secretary who shall decide as to whom the timber under bid shall be awarded.

**SECTION 21.** *Basis of award* – The area subject of bid shall be awarded to the highest bidder. The highest bidder is one who, having complied with the necessary requirements, offers the highest share to the government; Provided, That, if there are two or more equal highest bids, another bidding shall be conducted exclusively between or among them at a time and place to be agreed upon among parties and the DENR.

**SECTION 22.** *Decision of award* – The Secretary shall review the evaluation report of TPSAC and shall decide to whom the area shall be awarded and for which a Notice of Award shall be issued; Provided, That, should the awardee refuse or fail to comply with the requirements called for in the Notice of Award within the period prescribed therein, the award shall be nullified and the Bid Guaranty submitted shall be forfeited in favor of the government; Provided, Further, That, in such a case, the area shall be rebid and the awardee shall be barred from participating in any future bidding.

**SECTION 23.** *Execution of timber production sharing agreement* – Within fifteen (15) days from receipt of the Notice of Award, the winning bidder shall enter into a TPSA in the prescribed form accompanied by all the contract documents mentioned therein duly accomplished.

## **CHAPTER IV**

### **NEGOTIATED CONTRACT**

**SECTION 24.** *When negotiated bidding/contract may apply.* Timber resources previously determined by the Department as available for the issuance of a TPSA may be awarded to qualified applicants through negotiated agreement under any of the following circumstances.

- 24.1 Where the timber resource is located in certified alienable or disposable lands;
- 24.2 Timber volume available in a given area is more or less equivalent of the requirements of cottage industries and/or small-scale wood based projects and/or livelihood industries located in said areas.
- 24.3 The timber has been the subject of two repetitive public biddings. Provided, that, the negotiated government share shall not be less than the minimum bid asked; and
- 24.4 When timber is found in recognized tribal lands of indigenous cultural communities, in which case the cultural communities involved may opt to enter into a negotiated TPSA.
- 24.5 When the timber license is suspended but subsequently lifted in which case it may be allowed to continue under a TPSA for the remaining period provided in the original TLA, after which the same shall be subject to bidding.

Any award made by the Secretary under this Chapter shall conform to the terms and conditions of a TPSA.

## CHAPTER V

### AREA AND ALLOWABLE CUT

**SECTION 25. *Maximum area under the timber production sharing agreement.*** Consistent with the state-adopted policy of providing equal access to the timber resource without disturbing the regular and even flow of raw materials to industries dependent thereto, the area that may be granted under an agreement shall not exceed 40,000 hectares.

**SECTION 26. *Allowable Cut.***

26.1 For natural forests, the initial annual allowable cut that may be granted under a TPSA shall be determined in accordance with the following formula:

$$AAC = \frac{Ao}{cc} \times Vo \times .70 \times .75$$

Where:

- AAC = Annual Allowable Cut in cubic meters  
Ao = Area of virgin operable forests in hectares  
Vo = Harvestable volume of virgin operable forest in cubic meters per hectare  
(25% of volume of 60 cm. diameter + 55% of volume of 70 cm. diameter + 100% of volume of 80 cm. diameters and larger)  
cc = cutting cycle in years  
.70 = logging efficiency  
.75 = reduction factor to give allowance for estimated deficiency of 25% in attaining a satisfactory residual stand
- $\frac{Ao}{cc}$  = Annual Cutting Area of ACA

The allowable cut formula as indicated shall be used to determine the initial cut and may be recalculated to determine the true sustainable cut for the area.

26.2 For civil and other reservations that will be developed for resettlement, farmplots, etc. clearcutting may be allowed.



- 26.3 For reforestation areas and other plantations, the prescribed silvicultural system shall be based on the species planted and terrain of the area.
- 26.4 The Secretary may prescribe other allowable cut formulas and/or silvicultural systems after research has determined the true sustainable cut of a forest land.

*CHAPTER VI*  
*TERMS AND CONDITIONS OF THE*  
*TIMBER PRODUCTION SHARING AGREEMENT*

*SECTION 27. Minimum terms and conditions of the TPSA.*

- 27.1 A provision that the agreement holder shall furnish the necessary management, technology, and financial services when required, as determined by the Secretary of DENR;
- 27.2 A stipulated share of revenues and the manner of payment thereof;
- 27.3 Provision on consultation and arbitration with respect to the interpretation of the agreement;
- 27.4 A provision for anti-pollution and environmental protection measures;
- 27.5 A provision for the restoration and protection of the forest;
- 27.6 A provision for an effective monitoring scheme to be implemented by the Department which shall include, but shall not be limited to the periodic inspection of all records and books of account of the agreement holder, and periodic assessment of the timber stand and quality of the area under contract; and
- 27.7 A commitment to community development.

*SECTION 28. Base Price.* For purposes of computing the value of the annual government share from the TPSA, the base price is to be computed as the average Manila FOB log market price of the immediately preceding year of the timber species included in the total allowable cut.

- SECTION 29. Government Percentage Share.* For purposes of bidding/negotiating a TPSA, the minimum percentage share of government shall not be less than twenty-five (25%) of the value of the annual total TPSA production computed against the base price as defined in Section 28.
- SECTION 30. Other terms and conditions.* The other terms and conditions of the TPSA are embodied in the prescribed TPSA form which is made an integral part of this Order.

## CHAPTER VII

### *DURATION, RENEWAL AND CANCELLATION OF TIMBER PRODUCTION SHARING AGREEMENT*

- SECTION 31. Duration and Renewal.* A TPSA may be issued for a period not exceeding twenty-five (25) years, renewable for a similar period at the option of the Secretary.
- SECTION 32. Grounds for cancellation.* A TPSA shall be cancelled or revoked on any of the following grounds:
- 32.1 Failure and/or refusal by the TPSA holder to pay or remit the share of the government in accordance with the terms of the TPSA;
  - 32.2 Failure or refusal to conduct operations within three (3) months after the signing of the Agreement;
  - 32.3 When the contractor has been found to be a dummy;
  - 32.4 For farming out the agreement or receiving royalty of any kind;
  - 32.5 For cutting or operating outside the limits of the agreement or that specifically designated by the DENR;
  - 32.6 For allowing illegally cut timber to be invoiced under his agreement or inducing any other person to log in other areas in violation of the provisions of this Regulations;
  - 32.7 For refusing any forest officer or duly authorized government official entry into the TPSA premises or any other improvement introduced and used in connection with the operation of the license area, as well as access to records and books used in connection with logging and the marketing and/or processing and/or financing of log production from the area;

- 32.8 When the TPSA holder for the third time after written warnings, intentionally cut, injured or destroyed residual trees marked by officers;
- 32.9 For failure to pay his forestry accounts within three (3) months;
- 32.10 For failure to suspend operations within a conflicted area when so required by the DENR Secretary or his authorized representatives, pending final decision of the conflict;
- 32.11 When the TPSA is found to have been obtained through fraud or misrepresentation or by false misleading statements;
- 32.12 For using or employing logging and processing machinery or equipment not duly authorized in writing by the DENR;
- 32.13 For cutting in excess of the authorized cut;
- 32.14 For failure to implement selective logging, except in areas specified under Section 26.2 and 26.3; and
- 32.15 For any other violation of any of the terms and conditions of the agreement or any of the pertinent provisions of forestry laws, rules and regulations.

## *CHAPTER VIII*

### *EFFECTIVITY*

*SECTION 33. Effectivity.* This order takes effect fifteen (15) days after its publication in a newspaper of general circulation.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on March 27, 1989

**DENR ADMINISTRATIVE ORDER  
NO. 27**

**SUBJECT: Prohibition on the Exportation of Fuelwood.**

Section 1. In view of the high local demand for fuelwood and to assist local enterprises using wood to generate energy, there is hereby imposed a prohibition on the exportation of fuelwood of any species.

Section 2. The Department of Environment and Natural Resources shall no longer accept applications for the exportation of fuelwood beginning immediately.

Section 3. For the purpose of this Order, fuelwood shall mean any dimension earmarked for energy generation for household or industrial use.

Section 4. Any person found violating this Order shall be liable to criminal prosecution and shall be perpetually banned from holding any privilege concerning the utilization and development of natural resources.

Section 5. This Order takes effect fifteen (15) days after publication in a newspaper of general circulation and supersedes any or all provisions of rules and regulations inconsistent with this Order.

**VICTOR O. RAMOS**  
Acting Secretary

Signed on March 31, 1989

**DENR ADMINISTRATIVE ORDER  
NO. 28**

**SUBJECT: Amending Section 8 b of DENR Administrative Order No. 97, Series of 1988.**

In consonance with the National Reforestation Program of the government and in order that the Integrated Social Forestry Program can contribute more substantially to the reforestation effort, Section 8 b of the Administrative Order No. 97, Series of 1988 is hereby amended to read as follows:

“Section 8 \_\_\_\_\_  
\_\_\_\_\_  
b. Develop at least twenty percent (20%) of their land to the extent possible to tree farming of suitable species to contribute to the reforestation efforts of the government in line with their five (5) year development plan.  
\_\_\_\_\_”

All other provisions of the DENR Administrative Order No. 97, Series of 1988 remain in force and effect.

This Order take effect immediately.

**VICTOR O. RAMOS**  
Acting Secretary

Signed on April 10, 1989

**SUBJECT: Amendment to DENR Administrative Order  
No. 75, S. 1988, Guidelines and Procedures  
on the Inventory of Forest Occupants.**

In order to ensure the smooth and effective implementation of the nationwide Inventory of Forest Occupants, DENR Administrative Order No. 75, S. 1988 is hereby amended as follows:

“Section 5. Organization

- 5.1 The Field Operations Office of the DENR and the Forest Management Bureau shall be primarily responsible for the execution of the Implementation Guidelines and procedures on the inventory of forest occupants.
- 5.2 There shall be created an Executive Committee and Project Management Team in the Central Office composed of representatives from the DENR Field Operations, Planning Service, FMB, NAMRIA, DAR, NCCB, and NSO. The Executive Committee shall set policies and provide direction in the implementation of the inventory of forest occupants while the inter-agency Project Management Team shall formulate guidelines and procedures, collate and analyze reports on this activity.
- 5.3 An IFO Central Management Group composed of DENR/FMB personnel who shall work on full time for the whole duration of the project shall be created. The group shall be responsible for the preparation of Work and Financial Plan and coordinate all the preparatory and operational activities on the inventory of forest occupants, act and finalize all documents/correspondences, monitor/checks all IFO activities in the Region, and prepare and submit reports pertaining to the project.
- 5.4 An IFO Management Group shall be created in the Regional and CENROs who shall be responsible for the complete inventory of forest occupants within their respective areas of jurisdiction.
- 5.5 The Provincial Environment and Natural Resources Officer shall designate a Provincial IFO Coordinator who shall coordinate and supervise the conduct of all activities on the inventory of forest occupants in the Province.

Section 6. Operational Activities and Guidelines

6.1 Processing and Analysis of Inventory Data

The NAMRIA through its Information Management Department in coordination with NSO, NSCB and DAR shall be responsible with the processing of data on the Inventory of Forest Occupants that shall be submitted by the Regional IFO Management Group while the analysis shall be done by the IFO Central Management Group based at the FMB.

Section 7. Reporting

Progress and terminal report shall be submitted by the CENRO including the control maps to the Regional IFO Management Group for compilation, initial processing and submission to the Central IFO Management Group. The PENRO shall be furnished a copy of the CENRO report for records and control. A final report shall then be prepared and submitted by the Central IFO Management Group.

All other provisions of DENR Administrative Order No. 75, S. 1988 shall remain the same.

This Order shall take effect immediately.

VICTOR O. RAMOS  
Acting Secretary

Signed on April 11, 1989

**SUBJECT:        Establishing and Converting Metro Cebu  
Forest Nursery at Campo Forestal, Capitol  
Hills, Cebu City into a Regional Seedling  
Production Nursery and Multiple Use Mini-  
Watershed Demonstration Project.**

1. Pursuant to the intentions of DENR-Region 7 to raise and propagate more seedlings of various kinds for the greening of Metro Cebu and outlying areas and in consonance with the objectives of the National Forestation Program as well as to effectively cater to the needs for water conservation, training purposes and applied research in that Region, the Metro Cebu Forest Nursery at Campo Forestal, Capitol Hills, Cebu City is hereby established and converted into a Regional Seedling Production Nursery and Multiple Use Mini-Watershed Demonstration Project.

2. In order to effectively and efficiently implement the project objectives, a comprehensive development plan shall be prepared for approval by this Office.

3. This Order takes effect immediately and cancels/revokes all orders inconsistent herewith.

**VICTOR O. RAMOS**  
Undersecretary for Field Operations

Signed on April 12, 1989



**SUBJECT: Development of a Minimum of Twenty Percent (20%) of the Land Allocation in Integrated Social Forestry (ISF) Projects Into Tree Farms and/or Tree Plantations.**

Pursuant to Department Administrative Order No. 97, Series of 1988, and in line with the National Forestation Program of the government, portions of lands covered by Stewardship Contract (CSC)/Community Forest Stewardship Agreement (CFSA) shall be developed into tree farms and/or tree plantations in accordance with the following guidelines:

**SECTION 1. Tree Farm/Plantation Development in ISF Project Areas.** Integrated Social Forestry Program participants shall devote at least twenty percent (20%) of their allocated lands exclusively for tree farming and/or tree plantation. The species to be planted shall depend on the site conditions and the purpose of the plantation. The Social Forestry Technician (SFT) and/or Social Forestry Officer (SFO) shall assist the program participants in the selection of suitable timber, pulpwood, fuelwood or fruit tree species to be planted.

**SECTION 2. Site Selection.** The SFO/SFT shall assist the program participants in selecting the portions of their land allocation most suited for tree farming giving due consideration to slope gradient, soil conditions and present vegetative cover; areas not or least feasible for agricultural production shall be given priority in the site selection. The tree farms/plantation may be contiguous or in patches provided that the total allocated land as reflected in the Certificate of Stewardship Contract/Community Forest Stewardship Agreement.

**SECTION 3. Definition of Terms.**

- a. Tree Farm is used in this Order refers to any small forest land or tract of land exclusively planted to tree crops of economic value for their fruits, flowers, leaves, barks, extractives or wood thereof.
- b. Tree plantation refers to a tract of land planted to tree crops primarily for wood.

**SECTION 4. Development of Scheme.**

Tree farm/plantation development shall be incorporated in the individual agro-forestry development plan as prescribed in BFD Circular No. 12, Series of 1986. This should be accomplished within a five-year period from the approval of the CSC/CFSA as prescribed in BFD Circular No. 29, Series of 1985.

Projects existing for five years or more before the enactment of these guidelines where tree farms/plantations have not been developed shall be given one (1) year from the date hereof to develop such tree farm/plantations.

In areas covered by Community Forest Stewardship Agreements, tree farms/plantations shall be developed either in communal or individual basis depending on the consensus of the participants/organization.

Agroforestry by intercropping cash crops with tree crops as main crop shall be allowed for this purpose, but only in areas suitable for such kind of development as determine by the Social Forestry Officer.

**SECTION 5. Technical and material assistance.** The SFOs/SFTs shall provide technical assistance to the program participants in the development of tree farms/tree plantations. The DENR, through the CENROs concerned, shall provide seedlings, seeds, plastic bags and other material assistance to the program participants for the purpose.

**SECTION 6. Reporting.** Accomplishment of tree farm/plantation development in ISF projects shall be included in the quarterly and annual accomplishment reports of ISF projects using additional form (Annex "A"), copy furnished the National Forestation Program (NFP) Working Group.

**SECTION 7. Repealing Clause.** This Order supersedes all existing forestry rules and regulations inconsistent herewith.

**SECTION 8. Effectivity.** This Order shall take effect immediately.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on May 9, 1989

DENR ADMINISTRATIVE ORDER  
NO. 44

**SUBJECT:      Requiring All Truckers/Shippers to Post Notices  
of Particulars on Vehicle Transporting Logs and  
Other Regulated Forest Products.**

In the interest of the service and in order to allow the public to check and monitor the transport of logs and other forest products from the cutting areas or origin to their points of destination, all permittees/licensees and truckers/shippers of forest products are hereby required to post on every conveyance or transport vehicle used to haul and transport timber resources at least the Notices of Particulars on two feet high and four feet wide (2" x 4") plywoods or wood boards containing the following information, to wit:

- a. Number of pieces, volume, and species of logs being transported;
- b. Name of licensee, TLA number or name of permittee, permit number and source of logs (cutting area);
- c. Consignee, name of licensee and location or address of destination; and
- d. Name of trucker or shipper and plate number.

The letters should be written in paint or insoluble ink with the following sizes and weights:

- a. Title ("Notice of Particulars") – 8 cm. height with 1 mm. wide lines more or less;
- b. Other letterings – 6.5 cm. height with 8 mm. wide lines more or less;
- c. Spaces between the top edge of plywood and the title and from the bottom edge to the last line shall be 3 cm. each more or less; and
- d. Space between the title and the first line shall be 2.6 cm. more or less.

The format of the billboard and illustrative sketches are herewith attached as Appendices "A" and "B". The plywoods containing the Notices of Particulars should be *nailed or tied securely at the conspicuous rear end of the logs or truck* and another *at the driver's side of the truck*.

Non-compliance with this Order shall subject the logs and/or other regulated forest products including transport vehicles and conveyances for confiscation in accordance with Executive Order No. 277. This Order shall not, however, cover the transport of logs within TLA concession areas.

This Order shall take effect fifteen (15) days after publication in a major daily newspaper and amends any order inconsistent herewith.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on May 30, 1989

DENR ADMINISTRATIVE ORDER  
NO. 50

SUBJECT:     **Disestablishment of Communal Forest Parcel III of  
Lopez Jaena, Misamis Occidental**

1. Pursuant to the provisions of Section 2, 9 and 19 of Presidential Decree No. 705, otherwise known as the Revised Forestry Code of the Philippines, as amended, Forestry Administrative Order No. 2-628, dated July 20, 1935, which established Communal Forest Parcel III, for the exclusive use of the residents of Lopez Jaena, Misamis Occidental, is hereby revoked.

2. The disestablished parcel shall, hereafter, revert to the category of forest land for integrated social forestry development or to serve the use or uses as will be determined by appropriate land evaluation consistent with the established land use planning and allocation scheme to be enforced.

3. This Order takes effect immediately.

FULGENCIO S. FACTORAN, JR.  
Secretary

Recommended by:

CIRILO B. SERNA  
Director  
Forest Management Bureau

Signed on June 9, 1989

DENR ADMINISTRATIVE ORDER  
NO. 56

**SUBJECT: Disestablishment of Communal Forest Parcel I of  
Sitio Kabangil, Barrio Manhinta (formerly Alije),  
Tagkawayan, Quezon.**

1. Pursuant to the provision of Section 2, 9 and 19 of Presidential Decree No. 705, otherwise known as the Revised Forestry Code of the Philippines, as amended Bureau of Forestry Administrative Order No. 2-102 dated September 12, 1989, which established communal Forest Parcel I, for the exclusive use of the residents of Alije, Tagkawayan, Quezon is hereby disestablished.
2. The disestablished parcel shall, hereafter be reverted to the category of forest land for the establishment of CARP – ISF Project of DENR IV-12, Calauag, Quezon.
3. This Order shall take effect immediately.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on June 23, 1989

**SUBJECT: Guidelines in the Determination of Floor Price for Rattan.**

Pursuant to DENR Administrative Order No. 04 dated 10 January 1989, otherwise known as the "Revised Regulations Governing Rattan Resources", the following guidelines for the determination of floor price for rattan is hereby issued:

**SECTION 1. Objectives.** Since the floor price constitutes the economic rent, the collection of such rent by the government will not only generate revenues for rattan resources development/renewal but in the long-run promote a more optimal resource allocation. The floor price can also potentially correct the present undervaluation of rattan.

These guidelines are finally directed to ensure the sustainability and efficient utilization of rattan resources, and rationalize the industries which are dependent upon rattan as their primary raw material.

**SECTION 2. Floor Price.** For the purpose of these guidelines, floor price shall be defined as the minimum price at which the seller/vendor, in this case, the government, is able to recover all the costs incurred in producing a product, i.e., rattan.

**SECTION 3. Formula for Floor Price.** Expressed in formula, floor price is derived as follows:

$$FP = PC + FC$$

where:

- FP = Floor Price
- PC = Production or replacement cost
- FC = Statutory Forest Charges

*Production or replacement cost* refers to costs incurred in the replenishment of rattan resources.

**SECTION 4. Factors to be considered in using the Floor Price Formula**

1. The floor price should approximate the above-normal profit or economic rent generated from the business activity;
2. As much as possible, the true values of the variables included in the computation of the floor price should be obtained to eliminate underestimation/overestimation.

3. The floor price should approximate the effective price that would be paid by the rattan manufacturers/user for rattan obtainable from an alternative source, e.g., importation.
4. Government fees, charges should be taken into account in the calculation of the floor price.

SECTION 5. *Other operational guidelines*

1. The floor price shall be determined and applied for both areas to be bid and negotiated.
2. In determining the financial capacity of the prospective bidder in the prequalification process, his (bidder) net worth should at least be equal to the floor price of rattan for the area to be bid.
3. In no case shall any bid, including those offered by indigenous cultural communities, be less than the determined floor price.
4. Initially, one national Floor Price for each diameter class shall be adopted. The two diameter classes are those equal or larger than 2 cm. and less than 2 cm. ( $\geq 2$  cm. and  $< 2$  cm.).
5. In determining the national floor price, the prevailing prices and costs in the replenishment of the resource shall be taken into account.

SECTION 6. Should there be significant increases or decreases in the renewal costs, prices and/or charges, the floor price may be revised to adjust to actual/prevaling conditions.

SECTION 7. *Effectivity.* This order supplements DENR Administrative Order No. 04 and 04-1, both series of 1989 and shall take effect immediately.

CELSO R. ROQUE  
Acting Secretary

Signed on July 7, 1989

DENR ADMINISTRATIVE ORDER  
NO. 82

**SUBJECT: Disestablishment of Communal Pasture Parcel II  
of So. Gabihanin, Tanay, Rizal**

1. Pursuant to the provision of Section 2, 9 and 19 of Presidential Decree No. 705, otherwise known as the Revised Forestry Code of the Philippines, as amended, Communal Pasture Parcel II of Gabihanin, Tanay, Rizal established as such on December 4, 1930 is hereby disestablished.

2. The disestablished Communal Pasture Parcel II shall, hereafter, converted into a resettlement/relocation site for the residents of San Andres, Tanay, Rizal who are affected by the construction of Laiban Dam project of Metropolitan Waterworks and Sewerage System (MWSS), and other landless residents of Rizal and nearby Provinces and/or Cities.

3. This Order takes effect immediately.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Signed on August 21, 1989



DENR ADMINISTRATIVE ORDER  
NO. 95

**SUBJECT: Revised Annual Allowable Cut Computation.**

In recognition of the need for the sustainable management of the dipterocarp forest, to assure a continuous local supply of timber for the wood-using industries, and to promote wood utilization efficiency, the following annual allowable cut formation is hereby prescribed:

$$AAC = \frac{A_o V_o}{2t} + \frac{A_1 V_1}{2cc} \times .70 \times .75;$$

where: AAC = annual allowable cut  
A<sub>o</sub> = area of virgin forest in hectares  
V<sub>o</sub> = average volume of virgin forest in cu. m.  
A<sub>1</sub> = area of adequately stocked residuals in has.  
V<sub>1</sub> = average volume of residuals in cu. m.  
t = remaining number of years in the cutting cycle

For the purpose of this Order, the areas and average volumes of virgin and residual forest shall be determined from the 1987 RP-German Inventory Report.

This allowable cut computation shall not apply to the pine forest, where the silvicultural system remains at the seed tree method.

Any increase in the Annual allowable Cut of individual concessions as a result of this computation shall not apply until such time that a more thorough forest assessment has been conducted in their respective areas.

This Order takes effect immediately and revokes DAO No. 21, Series of 1989 and Section 26 of DAO No. 23, Series of 1989.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on September 13, 1989

DENR ADMINISTRATIVE ORDER  
NO. 96

**SUBJECT:      Supplementary Guidelines on the Accomplishment of  
Certificate of Timber Origin (CTO) as well as Certificate  
of Lumber Origin (CLO).**

1.    DENR Officers at the port of shipment or destination of forest products, particularly logs and lumber have noted with alarm, the growing practice of the haphazard accomplishment of Certificate of Timber and Lumber Origin, the guideline of which were contained in DENR Administrative Order No. 34, Series of 1988.

2.    To abate the abuse and to serve as an effective control in determining whether there was overcutting beyond the approved allowable cut of a timber licensee or permittee of special permits, as well as to avoid any suspicion of collusion between DENR personnel and the licensee to whom a CTO or CLO is being issued, all blanks to be filled up in these two (2) forms especially the Annual Allowable Cut and Current Stock portions of a CTO and the particulars at the back of the CLO form should be fully and accurately accomplished by the DENR personnel executing the CTO or CLO.

3.    CTOs and CLOs not properly filled up are not valid documents and any timber lumber or forest products covered thereby shall be considered illegal and are subject to outright confiscation and disposition in accordance with Executive Order No. 277. The offender shall also be subject to criminal prosecution.

4.    The forestry officer or scaler or anyone who fails to fully and properly accomplish the CTO or CLO or issues a defective document shall be subject to administrative and/or criminal liability.

5.    This Order takes effect fifteen (15) days after publication in newspaper of general circulation.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Signed on July 29, 1989

DENR ADMINISTRATIVE ORDER  
NO. 105

**SUBJECT:        Declaring and Certifying Certain Portion of the Public  
Forest as Available for Fishpond Development Under  
LC Project No. 30-B of Cordova, Province of Cebu.**

Pursuant to Section 13 of PD 705, otherwise known as the Revised Forestry Code of the Philippines, as amended, I hereby declare and certify the portion of the public forest containing an areas of 21.00 hectares as available for fishpond development, the administration and management of which is hereby transferred to the Department of Agriculture, through the Bureau of Fisheries and Aquatic Resources, located in the aforementioned municipality and province, shown and described in SZ Map No. which is attached hereto and forms an integral part of this Order, subject to the following conditions:

- a.    The strips of mangrove or swampland at least 50 meters wide along shoreline facing the ocean and 20 meters wide along the edge of the normal high water-line of the river are reserved as buffer zones for shoreline and/or bank protection.
- b.    Existing mangrove vegetation found herein shall be protected and conserved for ecological reasons in line with government's environmental and natural resources conservation program.
- c.    The utilization of forest products existing therein shall remain subject to Forestry and Internal Revenue Laws and Regulations, and the present holders, if any, of licenses covering such areas that may be occupied for purposes of development under the authorization of the Director of Fisheries and Aquatic Resources, shall have the preferential right in the utilization of said forest products.
- d.    The areas herein declared and certified as available for fishpond development must be developed or utilized for the purpose stated within five (5) years from approval hereof, otherwise the declaration/certification as such is automatically revoked or cancelled pursuant to paragraph 3, Section 43, of PD 705 as amended, and the Department of Environment and Natural Resources shall exercise immediate administration and control over these areas.
- e.    Violation of any of the above stated conditions shall constitute sufficient cause to invalidate this declaration/certification.

This Order shall take effect immediately.

Signed on October 10, 1989

FULGENCIO S. FACTORAN, JR.  
Secretary

**DENR ADMINISTRATIVE ORDER  
NO. 107**

**SUBJECT: Disestablishment of Communal Forest Parcel - 1. Amd.  
2 of Duero, Bohol.**

1. Pursuant to the provisions of Sections 2, 9 and 19 of Presidential Decree No. 705, otherwise known as the Revised Forestry Code of the Philippines, as amended, Forestry Administrative Order No. 2-1422, dated October 12, 1940, which established Communal Forest Parcel--I, Amd. 2 of Duero, Bohol, is hereby revoked.

2. The disestablished parcel shal, hereafter, revert to the category of forest land for integrated social forestry development project or to serve the use or uses as will be determined by appropriate land evaluation consistent with the established land use planning and allocation scheme to be enforced, subject to existing laws, rules and regulations.

3. This Order takes effect immediately.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Recommended by:

**(SGD.) CIRILO B. SERNA**  
Director

Signed on October 16, 1989

**SUBJECT:      Lifting of the Moratorium and Prescribing Additional  
Guidelines Governing the Issuance of Private Land  
Timber Permits.**

1. In recognition of the rights of landowners to the trees found within their private lands, the issuance of Private Land Timber Permits (PLTPs) are henceforth resumed.
2. Pursuant of the program of government to protect, and conserve the remaining forest resources, and to preclude the use of PLTP's as shields for the cutting of timber inside forest lands, the issuance of PLTPS's shall be subject to the following guidelines:
  - 2.1 For the purpose of this Order, private lands refer to lands covered by either administrative or judicial titles such as, Free Patent, Homestead and Sales Patent, and Torrens Title obtained under the Land Registration Act (Act No. 496, as amended). A certified true copy of these documents are to be submitted with the application. Realty tax declarations, by themselves, shall not be acceptable as proof of ownership for purposes of PLTP application.
  - 2.2 The authority to issue PLTP's for a given harvestable volume shall be delineated accordingly:
    - 2.2.1 CENRO, up to 5 cubic meters per applicant per year
    - 2.2.2 PENRO, up to 15 cubic meters per applicant per year
    - 2.2.3 RED, up to 50 cubic meters per applicant per year
    - 2.2.4 ASEC for Operations, up to 250 cubic meters per applicant per year
    - 2.2.5 USEC for Operations, up to 1,000 cubic meters per applicant per year
    - 2.2.6 SECRETARY, above 1,000 cubic meters
    - 2.2.7 The issuing authority shall have discretionary powers such as cancellation of an abused PLTP issued by him or lower ranking officers.
    - 2.2.8 The Office of the CENRO shall perform all actual and physical inspections/reviews, field evaluation of pertinent data and preparatory documentations and submit, through channels, its findings and recommendations to the issuing authority

2.3 A PLTP applicant with a proposed harvestable volume of more than 200 cubic meters shall submit the following additional requirements:

2.3.1 Location and technical description of the land, for purposes of determining land classification and authenticity of claim of ownership.

2.3.2 A duly notarized sworn statement that the trees subject of 100% inventory conducted are in his private land.

2.3.3 Timber harvesting schedule, transport and marketing plan for purposes of determining the term and duration of the permit.

2.3.4 Initial Environmental Examination to determine environmental impact of the project.

These requirements are to be submitted to the local CENR Office where the proposed PLTP is located for facility of verification.

2.4 The PLTP shall be issued only to the landowners themselves. No middlemen/ timber traders even with special powers of attorney from landowners may be issued said permit.

2.5 An environmental fee of Thirty Pesos (P30.00) per cubic meter pursuant to DENR Administrative Order No. 39-1988, shall be charged for allowable cuts up to 15 cubic meters. Volumes over 15 cubic meters shall be charged an environmental fee of ONE HUNDRED THIRTY PESOS (P130.00) per cubic meter payable prior to the issuance of the appropriate CTO for the timber harvested from the PLTP area.

2.6 There shall be random checking/verification by the CENRO concerned of submitted inventory reports. Further, PLTP holders shall submit to the issuing authority a monthly or terminal report on the volume of timber cut. This report shall be actually verified by the issuing authority or the designated representative who shall submit to the Office of the Secretary, a certification attesting to the correctness of said report. Concerned DENR Officers and PLTP holders found submitting false reports would be dealt with accordingly.

3. These guidelines shall not cover the cutting, transport and disposition of Almasiga as well as Narra and other premium hardwood species listed under DAO No. 78-1987.

4. This Order shall take effect immediately and amends/revokes or modifies all other Administrative Orders, Memoranda or Circulars inconsistent herewith.

Signed on November 21, 1989

**SUBJECT: Community Forestry Program.**

**SECTION 1. OBJECTIVES**

The Constitution mandates (i) equitable access to natural resources and (ii) conservation of natural resources for the benefit of present and future generations. Pursuant to these mandates, the Department of Environment and Natural Resources (DENR) hereby launches the **COMMUNITY FORESTRY PROGRAM**. In collaboration with rural communities and non-government organizations (NGO's), this **PROGRAM** shall test, refine and develop solutions to the following problems:

- 1.1 The conventional practice of awarding forest products utilization permits/licenses to timber companies has denied legal access to these resources by rural communities. This is not consistent with the principles of social equity mandated by the Constitution.
- 1.2 Despite many decades of forest products extraction, poverty is still widespread in the uplands. This demonstrates that financial benefits from the forests have not been shared by the rural poor.
- 1.3 Forest conservation is an imperative pre-condition to sustainable development and it requires the active participation of rural communities. But denial of access has cancelled out a major incentive to practice forest conservation. For rural communities destructive slash-and-burn farming (kaingin) provides more attractive financial benefits than conservation. This is an irrational situation that must be corrected.
- 1.4 Forest products utilization privileges can be granted to rural communities, thus creating strong incentives to practice forest conservation. However, rural communities need training to manage this new opportunity and to cope with its varied responsibilities. Furthermore, government must install the appropriate procedures for community management of forest resources. These issues shall be addressed in the **COMMUNITY FORESTRY PROGRAM** as provided herein.

**SECTION 2. DEFINITIONS**

The words, phrases and acronyms listed hereunder, are defined as follow

**PROGRAM OR CFP** — the Community Forestry Program.

### SECTION 3. *PRINCIPAL FEATURES OF THE PROGRAM*

- 3.1 Community residents shall be awarded twenty-five (25) year COMMUNITY FORESTRY MANAGEMENT AGREEMENTS (CFMA's) renewable for another twenty-five (25) years. CFMA's shall grant forest products utilization privileges to the communities subject to (i) submission and approval of a management/development plan, (ii) compliance with DENR rules and regulations and (iii) adherence to the principles of sustained yield management.
- 3.2 To help CFMA awardees cope with their forest management responsibilities, the DENR will provide assistance to the awardees in the following areas: (i) establishing community organizations, (ii) on-the-job training in forest management planning and conservation, (iii) livelihood opportunities in forest resource rehabilitation, and (iv) developing other livelihood opportunities that do not necessarily depend on extraction and utilization of forest products.
- 3.3 The PROGRAM shall begin with the launching of twelve (12) PROJECTS in Calendar Year 1989 and shall be expanded on the basis of lessons learned in these projects.
- 3.4 Non-government organizations (NGO's) and the DENR shall assist rural communities in the various phases of training, organization and operations. These phases are described schematically in Figure 1 and further explained in the Manual of Operations (annex A).

### SECTION 4. *MANUAL OF OPERATIONS*

- 4.1 The Manual of Operations attached hereto (Annex A) shall be the official guideline for implementation of COMMUNITY FORESTRY PROJECTS.
- 4.2 The UNDERSECRETARY FOR FIELD OPERATIONS shall from time to time, propose revisions to Annex A based on lessons learned during implementation. Proposed revisions shall be submitted to the Secretary and approval thereof, said revisions shall be applied in PROGRAM implementation.

### SECTION 5. *COVERAGE AND SITE SELECTION*

- 5.1 *Criteria:* COMMUNITY FORESTRY PROJECTS may be implemented on all lands in the public domain including upland, lowland and mangrove areas, except the following:
  - a. established critical watersheds covered by proclamations, legislation and specific administrative issuances;
  - b. protected and wilderness areas;



- c. **civil, military and other government** reservations where forest products utilization is forbidden by law, decree, proclamation or administrative issuance; and
- d. areas covered by existing permits, leases and/or contracts except in cases where the permittee/lessee/contractee shall execute an appropriate waiver.

5.1.1 Sites selected for COMMUNITY FORESTRY PROJECTS shall have the following mandatory criteria:

- a. not within a prohibited area per paragraph 5.1 (above);
- b. participants must live within the site and shall agree to protect the forest;
- c. there is a potential to develop sources of livelihood that are not necessarily dependent on forest products extraction (e.g. contract reforestation, food processing);
- d. if located within or including part of a dipterocarp residual forest, the PROJECT area shall have been logged at least five (5) years prior to PROJECT implementation.

5.1.2 In addition to mandatory criteria set forth in paragraph 5.1.1, priority shall be given to sites with the following features (i.e. preferable/optional criteria):

- a. at least one of the boundary lines of the site is located no further than five kilometers (5 kms) from an existing road that provides market access;
- b. there is an ISF project within or adjacent to the forest;
- c. the site is part of an expired, abandoned or cancelled timber license agreement (TLA);
- d. approximately fifty percent (50%) of the site is forested;
- e. community organization work has previously been carried by government or an NGO;
- f. there is an NGO already operating within or nearby the site; and
- g. the local government is perceived to be receptive to the PROJECT and no serious problems of negative political intervention are anticipated.

5.2 *Area:* The initial area covered by a PROJECT shall not exceed one thousand hectares (1,000 ha). However, this area may be increased in the future if the community demonstrates adequate managerial capability.

## SECTION 6. *MANAGEMENT/DEVELOPMENT PLANS*

6.1 Each PROJECT shall have a comprehensive management and development plan prepared jointly by the Community and an NGO with DENR assistance. This plan shall provide the following:

### 6.1.1 *Virgin Forest Areas*

- a. an operationally-feasible protection plan consistent with the principle that all logging in virgin forests should be banned.

### 6.1.2 *Residual Forest Areas:*

- a. complete stand and stock tables;
- b. an operation map dividing the area into working units;
- c. schedule and details of TSI, forest products extraction and enrichment planting that will be carried out (e.g., no. of hectares TSI per year; amount of timber and minor forest products to be extracted by working unit per year; tree species for enrichment planting);
- d. nursery locations and development/operations plans;
- e. road and trail alignments; and
- f. forest products collection stations.

### 6.1.3 *Mangrove Areas*

- a. schedule and details of sustained-yield selective cutting operations for fuelwood gathering or other forms of extraction allowed under DENR rules and regulations;
- b. revegetation, enrichment planting and other development activities allowed under DENR rules and regulations (e.g., nipa and bakawan establishment);
- c. other livelihood activity that will be implemented consistent with DENR policy, rules and regulations such as aqua-silviculture.

### 6.1.4 *Non-forested Areas*

- a. a map indicating number, location and areas of lands claimed, occupied and vacant;
- b. names of occupants/claimants and their status (e.g., CSC holder, tax declaration);

- c. areas identified for reforestation to be implemented and financed by the CFMA awardee;
  - d. areas identified for reforestation to repay start-up expenses advanced by DENR;
  - e. areas identified for contract reforestation to provide immediate employment (i.e., livelihood opportunities);
- (Note: c, d and e should be broken down into areas to be developed as protection forests and production forests)
- f. agroforestry development areas;
  - g. nursery locations and development/operations plans;
  - h. road and trail alignment;
  - i. existing structures (e.g., houses, bridges); and
  - j. structures to be installed (e.g., water impoundment dams).

#### 5.1.5 *General Information*

- a. who will manage the various activities included in the plan and how these will be carried out;
- b. comprehensive vegetative cover map;
- c. census of occupants;
- d. marketing plan;
- e. financial management (i.e., how income will be administered and shared);
- f. processing plan;
- g. other relevant information.

6.2 The Management/Development Plan shall be prepared collaboratively with the community and shall be carried out as an "on-the-job" training exercise for the residents. In addition to operating details for each forested block, all occupied lands should be covered by simple (but clear) sketch maps indicating the types of activities the occupant intends to implement (i.e., a farm development plan).

6.3 Management/Development plans shall provide detailed information for the first three (3) years of the PROJECT and indicative plans for the succeeding year.

6.4 Management/Development plans shall be updated at the end of the third year and every five (5) years thereafter. However, the DENR may require more frequent updating if schedules are upset by circumstances beyond control (e.g., typhoons) or if the CFMA grantee is unable to keep up with the original schedule provided in the plan.

#### SECTION 7. *PROJECT OPERATIONS*

CFMA operations shall be implemented pursuant to provisions of the Manual of Operations attached hereto as Annex "A" and any subsequent revisions thereof.

#### SECTION 8. *PHASING*

For 1989, twelve (12) projects shall be programmed and implemented to constitute the first phase of the COMMUNITY FORESTRY PROGRAM. The PROGRAM may be expanded thereafter, consistent with the development of Community, NGO and DENR capability to administer additional PROJECTS.

#### SECTION 9. *REPEALING CLAUSE*

All DENR administrative orders, guidelines, memoranda and official issuances not consistent with the provisions of this Order are hereby repealed, amended or revised accordingly.

#### SECTION 10. *EFFECTIVITY*

This Order takes effect immediately.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on November 28, 1989

\* (Figure No. 1, CFP Operational Sequence, Omitted)

# **COMMUNITY FORESTRY PROGRAM MANUAL OF OPERATIONS**

<sup>1/</sup> Attachment to DAO No. 123, Series of 1989.

## 1.0 *CONTEXT*

- 1.1 This Manual sets forth official guidelines for implementing **COMMUNITY FORESTRY PROJECTS** pursuant to Department Administrative Order No. 123, Series of 1989. Among others, these **PROJECTS** shall grant the privilege of forest products utilization to the residents of upland communities. However, in exercising this privilege, the grantees must abide by certain rules, regulations, terms and conditions set forth in this Manual. These rules (etc.) are based on the principles of (i) sustained yield management, (ii) equity, and (iii) conservation of forest resources for the benefit of present and future generations.
- 1.2 Community participation is a new approach to forest resource management. It contrasts with standard approaches applied in the past which limited the grant of forest products utilization privileges to large corporations and denied this privilege to upland communities. In effect, therefore, this new approach represents the first phase in a comprehensive restructuring of the forest industry. This restructuring is consistent with provisions of the Constitution which mandate equity in the access to and disposition of natural resources.
- 1.3 To begin the restructuring process, the DENR will launch within 1989 not less than twelve (12) new **PROJECTS** that implement the concept of community management of forest resources. This Manual describes the procedures, rules and regulations to be followed in launching and carrying out these **PROJECTS**. Additionally, the Manual discusses the rationale, processes and linkages that are relevant to implementation of the concept. These need to be clearly understood by all DENR employees involved in implementation.
- 1.4 Based on field experience in the first twelve (12) **PROJECTS**, new lessons will be learned and new insights will be gained relative to implementation of the concept. This Manual will be updated from time-to-time in order to incorporate these lessons/experiences in the ongoing **PROJECTS** and in expansion and replication of the concept at additional new project sites. Meanwhile, concerned DENR employees and participating communities shall comply with the rules, procedures (etc.) set forth herein.

## 2.0 *RATIONALE AND OBJECTIVES*

- 2.1 It is estimated that remaining old growth forests will satisfy the prevailing timber demand for only nine (9) more years. Forest resources are currently being depleted and/or destroyed at an approximate rate of 210,300 ha. per year, about 190,000 ha. of which occurs in the dipterocarp residual forests.

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1/ Data from the RP-German Forest Resources Inventory Project (FRI), 1979-1988.

- 2.2 Forests is widespread slash-and-burn farming (kaingin). The upland rura poor resort to kaingin because of their need to survive and also because they do not have access to other livelihood opportunities.
- 2.3 There are an estimated ten (10) to eighteen (18) million people living in the uplands. Given their poverty, it is unrealistic to expect that they will give up kaingin farming unless they are provided with alternative livelihood opportunities.
- 2.4 The **COMMUNITY FORESTRY PROGRAM** will provide upland residents with access to the financial benefits of forests. This will furnish an immediate and profitable alternative to kaingin farming. In so doing, the upland residents shall have gained a vested interest in protection of the forests as a permanent source of livelihood. Thus, by opening the door to new financial opportunities, the **COMMUNITY FORESTRY PROGRAM** will also create strong incentives to vigorously implement forest conservation.

### 3.0 *PHASED IMPLEMENTATION*

- 3.1 Without adequate controls, access to utilize forest resources can become a license to destroy these resources. Furthermore, the financial returns accruing from such access can result in a new influx of funds large enough to disrupt social stability and corrupt values within an upland community. It is therefore imperative to implement **COMMUNITY FORESTRY PROJECTS** in a manner that will help avoid these negative impacts.
  - 3.2 To prevent the occurrence of negative impacts on the community and the forests, **COMMUNITY FORESTRY PROJECTS** shall be implemented in step-by-step phases, as follows:
- 4.0 *SITE SELECTION*: Sites for **COMMUNITY FORESTRY PROJECTS** must offer sufficient livelihood opportunities to encourage and sustain community participation. These opportunities may include backyard industries, contract reforestation, agroforestry and timber stand improvement (TSI), along with and sustainable multiple-use management. This implies much more than the mere harvesting and sale of forest products. Detailed criteria for site selection are provided in Section 5.0 of DAO 123, Series of 1989.

### 5.0 *NGO PARTICIPATION*

- 5.1 No projects shall be approved for implementation unless (i) a complement and credible NGO has signified its commitment to assist in project implementation, (ii) the recognized leaders of the community have signified their acceptance of the NGO.

- 5.2 The CENRO, in coordination with the PENRO, shall be responsible for (i) helping organize NGO accreditation procedures that may be applied by the community leaders such as the barangay captain, parish priest or community elders verify the NGO's commitment to assist. Preferably, the NGO should be a local organization with its headquarters in the same region as the PROJECT.
- 5.3 NGO's shall provide assistance in community organization, resource inventory, preparation of the management/development plan, training, marketing and consultation with the community. The NGO shall provide from its staff, or hire under contract, one (1) or more foresters and agriculturists to assist in resource inventory, preparation of the management/development plan, reforestation, agroforestry and other technical features of the PROJECT.
- 5.4 The NGO shall also take the lead in support activities beneficial to the community such as, but not limited to, sourcing of social service (e.g., medical services), initiating new livelihood opportunities (e.g., processing) and establishing credit and marketing linkages.
- 5.5 DENR shall contract the services of the NGO approved by the community and pay for such services. However, the costs thereof shall be covered pursuant to Section 14 of this Manual. DENR-NGO contracts shall be witnessed by authorized representatives of the community.
- 5.6 The DENR signatory to contracts with NGO's shall be the CENRO, PENRO, RTD or RED, depending on the amount of the contract and the authorized ceilings for contract approval by the signatory. The duties and responsibilities of the NGO shall be clearly defined in the contract. In general, the duration of a contract shall be three (3) years. However, there shall be provision for early termination in case of non-performance or for other valid reasons.

## 6.0 *CONSULTATION AND ISSUANCE OF CFMA*

- 6.1 Consultation with the community and local leaders shall be a continuous process. The CENRO, in collaboration with the PENRO, RTD, and the RED, shall initiate the first phase of consultation during the site selection process explained in Section 5 of DAO No. 123, Series of 1989.
- 6.2 Once a site has been selected and the services of an NGO have been contracted, the NGO and the CENRO will jointly explain to the community all the terms and conditions of CFMA's. In some instances, this particular phase of consultation may be protracted and tedious. However, the NGO and CENRO shall take special pains to ensure that all terms and conditions are clearly understood.



- 6.3 Having reached an agreement in principle on the terms and conditions, the community shall file application for issuance of a COMMUNITY FORESTRY AGREEMENT (CFMA) using the form appended thereto as Attachment "A". Upon processing of the application, the DENR office/officer concerned shall issue a CFMA to the community using the form appended hereto as "Attachment B". If it is not possible to secure agreement in principle, the PROJECT and the DENR-NGO contract shall be terminated.
- 6.4 If the PROJECT participants have previously organized and have been registered as a legal entity by a duly authorized government agency, the application shall be filed and the CFMA shall be issued in the name of the legal entity. If the PROJECT participants have not yet organized and registered as a legal entity, the application shall be signed by all of the participants who signed the application. In the latter case, the participants shall be given six (6) months within which time the CFMA issued jointly and severally will be cancelled and a new CFMA issued in the name of the legal entity.
- 6.5 CFMA's shall be issued by the Regional Executive Director (RED) for areas up to five hundred hectares (500 ha), the Assistant Secretary for Field Operations for areas more than five hundred (500) and up to one thousand (1,000) hectares and by the Secretary or a duly authorized Undersecretary for areas larger than one thousand (1,000) hectares.

## 7.0 *RESOURCE INVENTORY*

- 7.1 It is imperative to conduct a comprehensive inventory of forest resources found in the PROJECT site. The inventory will provide baseline data for monitoring and evaluation. Additionally, the inventory will be an input to preparation of a management/development plan.
- 7.2 Inventory of forest resources shall begin immediately after issuance of the CFMA and shall cover 100% of all trees 10 centimeters diameter at breast height (d.b.h.) and up, for all areas that will be subject to forest products utilization during the first two (2) years of the PROJECT. In addition to timber, the inventory must cover all bamboo, minor forest products and commercial palms whether climbing (e.g., rattan) or erect (e.g., anahaw).
- 7.3 Forest resources found on all the areas to be operated from year 3 onward shall be subjected to a five percent (5%) evaluation. However, before any forest products are subsequently removed from these areas, follow on 100% inventories must first be carried out.
- 7.4 Expenses for the first 100% inventory (para. 7.2) and the 5% evaluation (para. 7.3) shall be advanced by the DENR and costs shall be recovered as explained in Section 14 of this Manual. Expenses for subsequent 100% inventories shall be borne to the community. This must be explained to the community and the community must agree to abide by this condition.

- 7.5 The resource inventory/evaluation shall also cover all nonforested areas and provided information needed to plan the development of these areas. For example: (i) how many hectares of grasslands/brushlands the community can set aside for contract reforestation, (ii) how many hectares in various slope categories will be developed into production forests and protection forests, (iii) how much of the land is occupied or claimed and by whom, (iv) what types of development are intended on the occupied/claimed lands.
- 7.6 The CENRO, in collaboration with the PENRO and the NGO, shall take the actions necessary to ensure that inventory and evaluation work is initiated promptly after the CFMA is issued and that the work is carried out consistent with professional standards.
- 7.7 All expenses for services and materials required to conduct a 100% inventory and 5% evaluation (excluding DENR supervisory expenses) shall be included in the DENR-NGO contract referred to in paragraphs 5.3, 5.4, 5.5 and 5.6 of this Manual. The CENRO shall assist the NGO in identifying competent foresters to be employed by the NGO to carry out the inventory/evaluation.
- 7.8 However, if it is not feasible to include the inventory/evaluation in the DENR-NGO contract, the CENRO may undertake the inventory/evaluation.
- 7.9 Optimum participation by the community shall be pursued in conducting the 100% inventory and 5% evaluation. The NGO and DENR shall organize the inventory/evaluation along the lines of an "on-the-job" training exercise for the community. For example, as trees are marked during the inventory/evaluation, the NGO and/or DENR will identify the trees that may be harvested in the near term, mid-term and long-term. The objective will be to demonstrate by example the operating principles of sustained-yield management. Similarly, by pointing out slope, soil and vegetative characteristics, it will be possible to explain the criteria for differentiating between management/development of protection forests and production forests.
- 7.10 Community residents shall be hired by the NGO to provide labor inputs for carrying out inventory/evaluation work.
- 8.0 **PREPARATION OF MANAGEMENT/DEVELOPMENT PLANS.** The resource inventory/evaluation will provide the basis for preparing a management/development plan. Additionally, the NGO and DENR shall conduct consultation during the inventory/evaluation exercise and in other venues in order to secure community inputs to the plan. (e.g., preferred species to plant in agroforestry areas). The management/development plan shall be prepared by a competent forester with assistance from a competent agriculturist. The forester and the agriculturist should be part of the staff of the NGO of contracted by the NGO. Expenses for preparation of the pain shall be recovered as explained in Section 14 of this Manual. Essential features of the plan are set forth in Section 6.0 of DAO No. \_\_\_\_\_, Series of 1989

## 9.0 APPROVAL OF MANAGEMENT/DEVELOPMENT PLANS

9.1 No forest products extraction will be unauthorized until a management/development plan has been approved.

9.2 *Who May Apply:* Application for approval of the management/development plan (hereinafter referred to as the "PLAN") may be filed by the duly registered legal entity that represents the community.

9.3 *Application Requirements:* The following requirements shall be submitted:

9.3.1 Letter from the CFMA holder to the CENRO requesting approval of the PLAN;

9.3.2 Certified xerox copy of Certificate of Registration with an appropriate government agency e.g., SEC, DENR, Bureau of Cooperatives Development or Bureau of Rural Workers.

9.3.3 Resolution signed by two-thirds (2/3) of the members, authorizing the signatory to file the application.

9.3.4 The PLAN proposed for approval.

9.4 *Fees:*

9.4.1 *Application fee:* Five pesos (P5.00) per hectare or one thousand pesos (P1,000) for the entire areas applied, whichever is higher.

9.4.2 *Annual License Fee:* Five hundred pesos (P500.00) to be paid upon approval of the PLAN and annually thereafter.

9.5 *Processing, Issuance, Tenure and Renewal:* The procedures for processing and approval of the PLAN including any subsequent revisions thereof, are as follows:

9.5.1 *Procedures*

- a. Application and required documents submitted to the Community Environment and Natural Resources Office (CENRO).
- b. CENRO reviews and evaluates the application and the supporting documents, and checks to ensure that all requirements have been submitted. If found in order and satisfactory, issues 1st endorsement to the Provincial Environment and Natural Resources Officer (PENRO). The 1st endorsement shall be issued within fifteen (15) days after the application is submitted.

- c. PENRO evaluates the application and supporting documents. If found in order and satisfactory, issues 2nd endorsement to the Regional Executive Director (RED) within ten (10) days from receipt of the 2nd endorsement.
- e. RED reviews the documents. If found in order and, if the area is not more than 500 hectares, approves, the PLAN. If area is *more* than 500 hectares the RED endorses the application to the Assistant Secretary for Field Operations.
- f. The Assistant Secretary for Field Operations, reviews and evaluates the applications for areas larger than 500 hectares and, if found in order, approves the PLAN.
- g. The PLAN shall be recorded in the books of the approving officer and copies thereof distributed as follows:
  - 1. Original -- the applicant<sup>1/</sup>
  - 2. Duplicate -- RED
  - 3. Triplicate -- PENRO
  - 4. Quadruplicate -- CENRO<sup>1/</sup>
  - 5. Quintuplicate -- ASEC, Operations
  - 6. Sextuplicate -- USEC for Field Operations
  - 7. Septuplicate -- Central Records<sup>1/</sup>

#### 9.5.2 Tenure

- a. The CFMA shall have a tenure of 25 years and be eligible for renewal thereafter for another 25 years.
- b. Violation of the terms and conditions of the CFMA shall be a cause for the imposition of fines, suspension of forest products utilization privileges or outright cancellation of the CFMA if the violation is deemed to be serious.

### 10.0 COMMUNITY ORGANIZATION AND TRAINING

10.1 Concurrent with implementation of the resource inventory/evaluation and preparation of the management/development plan, the NGO shall carry out community organization and training. One major output of this activity shall be the preparation and approval by the community of rules and regulations covering forest management operations and sharing of financial benefits.

10.2 Community organization work shall be initiated as soon as the NGO contract has been signed.

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<sup>1/</sup> To receive full set of documents, i.e., CFMA, application for approval and all supporting documents.

10.3 It is desirable that some type of organization be established at the earliest possible time so that a CFMA may be issued to a legal entity composed of the PROJECT participants. However, community organization work must strive for substance and not merely form. Neither the NGO nor the DENR should attempt to impose a permanent organizational structure that is not suitable to or desired by the community. Where existing organizations are already in place, these should be strengthened rather than replaced. The organization should be set up in the manner that best suits the long term interests and needs of the community.

10.4 Bearing in mind, however, that the community organization will be managing funds, the organizational structure must be adequate to cope with this responsibility. Preferably, the structure would be along the lines of a producers' cooperative. But the organizers must not insist on this structure if other types of organization are more suitable. The NGO shall, however, ensure that financial management procedures are clearly understood by all, written down and included in the management/development plan and the articles and by-laws of the organization.

10.5 Pending the establishment and registration of a formal organization, the participants to whom a CFMA has been jointly and severally issued, per paragraph 6.4 herein, shall elect authorized representative to deal in their behalf with the DENR.

## 11.0 *REGISTRATION*

11.1 Once a formal organization has been set up, it shall register with the government to establish its legal personality. Preferably, the organization should register with the Securities and Exchange Commission (SEC). However, if it is difficult or not feasible to register with SEC, the organization may register with the DENR, the Bureau of Rural Workers or any other government office authorized to grant recognition.

11.2 The NGO shall provide assistance in registering the organization as a legal entity.

12.0 *Terms and Conditions:* The terms and conditions of the CFMA shall be as follows:

### 12.1 Reforestation

- a. The CFFMA holder shall reforest all open, denuded and marginal areas as prescribed and scheduled in the Management/Development Plan.

As a general rule, reforestation shall be undertaken at the expense of the CFMA holder, using funds generated from the sale of forest products. However, reforestation may also be undertaken through contract with the DENR. Trees and other forest products planted by the CFMA holder may be harvested upon maturity thereof, provided such harvest plans are included in an updated/duly approved management/development plan.

## 12.2 Social Forestry/Agro Forestry

- a. Suitable areas may be developed into agroforestry farms based on results of the inventory, provided the improvements to be introduced shall enhance and/or conserve soil and not diminish the productive capacity of the area.

## 12.3 Forest Protection: The CFMA awardee shall:

- a. Organize forest protection teams that work closely with the DENR to prevent forest destruction, illegal cutting, vandalism, unauthorized and/or illegal occupation.
- b. If so deputized by the DENR, arrest offenders, file cases in court, and seize illegally harvested forest products.
- c. Establish check situations at entry–exit points of the PROJECT area and man the same with deputized forest officers.
- d. Where feasible, establish and man look-out-towers at strategic locations to detect occurrences of fires and other incidence of forest destruction.
- e. Report to the CENRO on the incidence of any serious insect, pest or disease infestation.

## 12.4 Timber Stand Improvement: Carry out TSI pursuant to the Management/Development Plan.

## 12.5 Forest Products Utilization: Timber and minor forest products harvesting shall begin only after approval of the management/development plan (the PLAN) and shall be regulated as follows:

- a. Harvesting of timber and minor forest products shall be controlled by the DENR pursuant to prevailing rules and regulations.
- b. Selective cutting shall be in accordance with the Harvesting Schedule set forth in the PLAN. The CFMA awardee shall strictly observe the following prescriptions:

As a general rule, reforestation shall be undertaken at the expense of the CFMA holder, using funds generated from the sale of forest products. However, reforestation may also be undertaken through contract with the DENR. Trees and other forest products planted by the CFMA holder may be harvested upon maturity thereof, provided such harvest plans are included in an updated/duly approved management/development plan.

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- c. Establish check situations at entry–exit points of the PROJECT area and man the same with deputized forest officers.
- d. Where feasible, establish and man look-out-towers at strategic locations to detect occurrences of fires and other incidence of forest destruction.
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- a. Harvesting of timber and minor forest products shall be controlled by the DENR pursuant to prevailing rules and regulations.
- b. Selective cutting shall be in accordance with the Harvesting Schedule set forth in the PLAN. The CFMA awardee shall strictly observe the following prescriptions:

- h. Only registered members of the CFMA organization shall be allowed to participate or be employed in on-site harvesting/utilization activities. Contracting or subcontracting of any on site harvesting/utilization activity to non-members is prohibited.
- i. The CFMA holder shall plant not less than five (5) seedlings for every tree cut during harvesting operations. These seedlings shall be planted on understocked sites and other areas that require enrichment planting. Planting of indigenous species shall be encouraged.
- j. Harvesting operations shall be undertaken primarily during the dry season, so that farmland development (agroforestry) and reforestation may be vigorously pursued during the rainy season.
- k. Transport of forest products during night time and non-working days or holidays shall not be allowed except by special permission from the CENRO on each such occasion. Unauthorized transport at prohibited times shall be a cause for imposition of fines, suspension or cancellation of the CFMA. Cutting/harvesting of timber and minor forest products in excess of the Annual Allowable Cut, as specified in the Management/Development Plan, is strictly prohibited.
- l. Forest products shall be disposed of and/or marketed to registered dealers and legitimate wood processors. However, small volume sales not exceeding five hundred pesos (P500.00) may be sold to PROJECT site residents.

### 13.0 RESOURCE DEVELOPMENT AND OPERATIONS

- 13.1 In no case shall project implementation be confined to forest products utilization. All other livelihood opportunities must be explored and wherever feasible, operationalized. For example, backyard industries, agroforestry, crop and food processing activities should be stimulated, drawing on financial capital generated from the sale of forest products. Reforestation contracts may be awarded. Construction and/or rehabilitation of roads and trails may be carried out as part of a reforestation contract. TSI may also be carried out and the participants may be paid for doing this work.
- 13.2 In brief, *comprehensive rural development must be set in motion concurrently with resource exploitation*. Moreover, it is important to ensure that the community is committed to the long term goals of conservation. This will not be achieved if the project merely deals with forest products utilization. The unfortunate experiences of the past demonstrate that sustainable development will not occur if communities rely entirely on forest resources for livelihood.



- 13.3 Ideally, reforestation and development of alternative sources of livelihood should be implemented prior to forest resource exploitation. However, it would be impractical to impose this as a condition to the issuance of CFMA's. If it is impossible to provide immediate livelihood alternatives through other means (e.g., contract reforestation, TSI or backyard industries) the uplanders will be forced to continue kaingin in order to survive. This will defeat the objectives of the project.
- 13.4 Moreover, it is important to assure the participants that implementation of forest conservation and protection will redound to their financial benefit. The best assurance they can receive is permission to practice selective cutting or other types of forest products utilization (e.g. rattan gathering). If this is delayed too long, the participants may suspect that they are merely being used and DENR may eventually allow a logging corporation to operate in the area. Remember that DENR has not previously granted "concessionaire status" to upland residents. There are credibility gaps that need to be overcome.
- 13.5 A major objective of PROJECT implementation should be to encourage the investment of forest-derived revenue in activities that do not rely on forest products. The NGO and DENR share a joint responsibility to help bring this about.

#### 4.0 COST RECOVERY

- 14.1 Several of the preceding paragraphs have mentioned cost recovery. The rationale for this is quite simple. Communities granted the privilege to harvest and sell forest products will be engaging in a business enterprise. It is not envisioned that the taxpayers should subsidize this enterprise. If it is to be sustainable, the enterprise must bear the costs involved and still provide a profit to the community.
- 14.2 Given the high value of forest products and the low cost of extraction using labor-intensive methods, there is no doubt that community-based forest management can be financially viable. <sup>1/</sup> However, the residents of upland communities may not have the operating capital needed to begin a forest products enterprise. Therefore, DENR will advance certain operating costs and recover these costs from the participants.
- 14.3 The costs that will be advanced and recovered are for (i) resource inventory/evaluation, (ii) preparation of management/development plans and (iii) services of NGO's for the first three (3) years of the PROJECT. All the foregoing represent management and technical services essential for start-up opera-

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1/ All timber harvesting shall be done through labor-intensive methods as provided in Section 12 of this Manual.

E= the prevailing cost in the project area to implement one (1) hectare of contract reforestation.

tions of the enterprise. The community may request other advances which, if provided by DENR, shall also be recovered (e.g., application fees, registration fees, tools).

- 14.4 Costs shall be recovered in kind by requiring the participants to implement a certain amount of reforestation at their own expense. This amount (i.e. number of hectares) shall be computed as follows:

$$\frac{(A + B + C + D)}{E} = \text{no. of hectares to be reforested}$$

Where:

- A = costs to conduct the first 100% inventory referred to in para. 7.2 and 5% evaluation referred to in para 7.3.
- B = costs for preparation of the management/development plan
- C = costs for NGO services for the first three (3) years of operations
- D = any other costs advanced by the DENR at the request of the community (e.g., application fees, registration fees, tools)
- 14.5 In arriving at costs for "A" and "B", the services provided by permanent employees of the DENR shall not be included. However, costs shall be recovered for the services of DENR contractual employees hired specifically to carry out items "A" and "B", and whose tenure begins and is co-terminus with the services embodied in "A" and "B".

## 5.0 TRUST FUND

- 15.1 To ensure recovery of costs advanced for the community (per Section 14) the DENR shall require the community to deposit into a trust fund thirty percent (30%) of gross revenues from timber sales and ten percent (10%) of gross revenues from sales of minor forest products. Withdrawals from this trust fund may be used to defray the expenses of reforestation carried out as repayment (in kind) of DENR advances. When these advances shall have been fully recovered, trust fund deposits shall be used to pay the costs of reforestation, TSI, and other activities required under prevailing rules and regulations. Any surplus thereafter shall be used for whatever investments the community may wish to provide for the improvement of socio-economic or environmental conditions in the community (e.g., agroforestry or processing).

15.2 The trust fund shall be administered by the community. However, the community shall be required to submit quarterly reports to DENR on the use of the trust fund. Furthermore, DENR shall have the option to conduct a quarterly post audit of the fund.

15.3 Terms and conditions for cost recovery and operations of the trust fund must be clearly explained to the community by the NGO and DENR. Additionally, DENR and the NGO shall submit quarterly reports to the community covering expenditures that will be subject to cost recovery. The community shall have the option to conduct quarterly post audit of such expenditures. DENR and the NGO shall provide the community with full access to all records of such expenditures.

## 16. *PROJECT IMPLEMENTATION FUNDS*

16.1 To implement COMMUNITY PROJECTS in calendar years 1989 and 1990, the RED, PENRO, and CENRO are hereby authorized to draw on the following funds allocated to their offices:

<i>Activity</i>	<i>Source of Funds</i>
a. NGO services, resource inventory and preparation of management/development plans	a. Allotments for TSI and contract reforestation
b. Other NGO services	b. Allotments for contract reforestation and ISF
c. DENR supervision of PROJECT implementation	c. Allotments for MOOE
d. Monitoring and Process Documentation	d. Allotments for MOOE

16.2 For calendar year 1991 onward, the RED shall include a specific item for COMMUNITY FORESTRY PROJECTS in the Regional Office budget submission. The RED, PENRO, and CENRO shall also assist the NGO in the preparation of requests for grants from local and foreign donors to provide financial support to COMMUNITY FORESTRY PROJECTS.

## 17.0 *CO-PRODUCTION, PROFIT SHARING, JOINT VENTURE*

17.1 Pursuant to the Constitution, each CFMA management/development plan shall contain provisions for co-production, profit sharing or joint venture. Selection among these options shall be negotiated on a case-to-case basis depending on the circumstances of the PROJECT site and the community.

17.2 The government share in the proceeds of co-production, profit sharing or joint venture shall be delivered in the form of reforestation undertaken at the expense of the CFMA on lands designated by the DENR adjacent to or near-by the PROJECT site.

17.3 The amount of reforestation to be conducted (i.e., no. of hectares) shall be as follows:

$$\frac{A}{B} = C$$

Where:

A = government's share in co-production, joint venture or profit sharing

B = the prevailing cost to conduct one hectare of contract reforestation at the project site.

C = the no. of hectares to be reforested by the CFMA in payment of the government's share.

17.4 However, in the event that Congress or other government agencies may prescribe cash payments for the government share in co-production, joint venture, profit sharing, stumpage fees and the like. Should this happen, the following shall be applied:

17.4.1 The DENR shall award reforestation contracts to the CFMA holder, with a value equal to or greater than the government's share in co-production, joint venture, profit sharing (etc.);

17.4.2 The CFMA holder/contractor shall implement the reforestation contract and bill DENR for accomplishments under the contract;

17.4.3 In processing and disbursing payments from the CFMA holder/contractor for activities already accomplished, the DENR shall, on behalf of the CFMA holder/contractor, pay the government's share in CFMA operations to the appropriate government agency and deduct the amount of such payments from any payments due to the CFMA holder/contractor.

17.4.4 The CFMA holder/contractor shall issue written authorization to the DENR to make any payments explained in paragraph 17.4.3; and

- 17.4.5 Any amounts still due and payable by virtue of contract reforestation accomplishments shall be paid to the CFMA holder/contractor.

## 18.0 *MONITORING AND PROCESS DOCUMENTATION*

- 18.1 The first twelve (12) PROJECTS launched in 1989 shall be closely monitored to document positive/negative experiences and the dynamics of PROJECT implementation. The results of this monitoring/documentation exercise shall be consolidated into quarterly reports submitted to the Secretary through the Undersecretary for Field Operations and the Assistant Secretary for Field Operations having jurisdiction over the project site.
- 18.2 Responsibility for monitoring and process documentation will rest with the concerned Regional Executive Director (RED). Preferably, this work should be contracted out to a competent independent organization or entity (e.g., a local university or college). However, if the RED is unable to secure the services of such an organization/entity, monitoring and process documentation shall be done by the regional office staff with inputs from the concerned PENRO and CENRO.
- 18.3 Monitoring and process documentation reports will focus on areas for improving implementation, updating this Manual and replicating the project at additional sites.

For Compliance.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on November 28, 1989

- \* (Attachment A, B and C Omitted)
- \* (Annexes 1 and 2 Omitted)

DENR ADMINISTRATIVE ORDER  
NO. 124

**SUBJECT: Amending Certain Provisions of Department Administrative Order No. 14 Series of 1989, and Providing for Fund Releases to Other Government Agencies and Local Government Units Undertaking Contract Reforestation.**

Section 1. Section 2 of DAO No. 14 is hereby amended by adding thereto the following definitions:

- “i. Other Government Agencies (OGA’s) – Refers to National Government Agencies or Government Controlled Corporations”
- “j. Local Government Units (LGU’s) – Refers to City, Municipal and Provincial Government Entities”

Section 2. Section 4 thereof is amended by adding thereto the following paragraph:

- “a.4 For OGA’s and LGU’s – Other government agencies and local government units are not entitled to receive any mobilization fund. Instead, releases should be in accordance with Section 3 of this Order.

Section 3. Fund Releases to Other Government Agencies and Local Government Units Undertaking Contract Reforestation – Funds will be released to OGA’s and LGU’s on an advance payment scheme based on the approved quarterly financial requirement of the project. Subsequent releases of funds are subject to the submission of liquidation and accomplishment reports duly verified by the accountant and auditor and by the Joint LGU/OGA DENR Teams and other requirements as mentioned in the Memorandum of Agreement.

Section 4. All the other provisions of DAO 14 and 25 series of 1989 shall remain valid and existing.

Section 5. These guidelines shall take effect immediately and may also cover previously approved MOA’s.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on November 29, 1989

DENR ADMINISTRATIVE ORDER  
NO. 125

**SUBJECT: Amending the Penalties Impossible for Poor Performance in Reforestation Under Section 9 of Administrative Order No. 32, Series of 1988.**

The penalties imposable under Section 9.2.1 and 9.2.2 of DENR Administrative Order No. 32, Series of 1988, are hereby amended as follows:

For those whose accomplishment is between 50% to 80%, the logging operations shall be suspended and the license/permittee shall be given at least six (6) months to cover the short fall.

For those whose accomplishment is below 50%, the license/permit is immediately suspended and given fifteen (15) days to submit explanations why its license should not be cancelled.

The provisions of existing Orders, Circulars, Orders inconsistent herewith are hereby amended/revised accordingly.

This Order takes effect immediately.

**VICTOR O. RAMOS**  
Acting Secretary

Signed on December 4, 1989

**SUBJECT: Reversion to the Category of Forestland for Permanent Forest of Alienable or Disposable Land Block I, LC Project No. 18 – L, Bais City.**

1. Pursuant to pertinent provisions of PD 705, otherwise known as the Revised Forestry Code of the Philippines, as amended, I hereby revert to the category of forestland for permanent forest purposes the area certified as **Alienable or Disposable, Block I, LC Project No. 18–L, Bais City**, pursuant to BFD Administrative Order No. 4-1704, dated November 15, 1983.

2. This Order takes effect immediately.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Recommended by:

**CIRILO B. SERNA**  
Director  
Forest Management Bureau

Signed on December 5, 1989



**MEMORANDUM CIRCULAR**

No. 04,

**TO :** All Regional Executive Directors  
All DENR Personnel Concerned  
All Reforestation Contractors  
All Forest Licensees, Leasees, Permittees  
Concerned

**FROM :** The Secretary

**SUBJECT:** On the Matter of Acceptable Survival  
Percentage for Forest Plantations.

For purposes of setting a minimum acceptable survival percentage for forest plantations established and developed through contracts, by administration, or by forest licensees, leasees, permittees concerned, it shall henceforth be the policy of the Department that for such forest plantations to be considered as fully-established, the percentage of survival shall be eighty percent (80%) or higher at two (2) years after planting.

For this purpose, the following terms of reference shall invariably apply:

1. The survival count shall be reckoned from the original spacing or density prescribed in the development plan of the area. *No subsequent adjustments of density or spacing shall be done without prior written approval of the Regional Executive Director concerned.*
2. The survival count shall include only those individual plants that are robust, vigorous, and of good form; diseased or malformed plants shall not be included.

Henceforth all plantations shall only be considered as being fully planted if the aforementioned survival count is satisfied. Plantations established through contract shall only be accepted by the Department when the prescribed survival percentage is met at the time of turn-over; plantations established by government administration shall likewise be considered as fully-established only when the above-prescribed survival percentage is met. This standard shall also apply for all plantations developed by timber licensees, Industrial Tree Plantations Leasees, Tree Farm Leasees, Agro-Forest Farm Leasees and other licenses/leasees/permittees concerned.

FULGENCIO S. FACTORAN, JR.  
Secretary

Signed on March 7, 1987

MEMORANDUM CIRCULAR

No. 05

**SUBJECT: Delegation of Authority to Regional Executive Directors to Review and Approve Prequalified/Predisqualified Applications of Small Entrepreneurs to Bid for Rattan Cutting Areas**

To facilitate bidding of rattan cutting areas allocated for small entrepreneurs, authority to review and approve prequalified/predisqualified applications of small entrepreneurs pursuant to Section 15 of DENR Administrative Order No. 04, Series of 1989 entitled "Revised Regulations Governing Rattan Resources," is hereby delegated to Regional Executive Directors (REDs), considering that prequalification documents and requirements for small entrepreneurs are submitted at the office of the RED pursuant to Section 12 thereof.

The REDs shall submit a report to the Secretary, through the Central Rattan Screening Committee, on actions taken regarding rattan applications received for information and records purposes.

Henceforth, all Regional Rattan Screening and Awards Committees created by the REDs pursuant to Section 13 of the above-mentioned administrative order, shall be chaired by the Regional Technical Director (RTD) for forest Management who shall recommend actions to be taken on rattan applications to their respective REDs.

For the guidance and compliance of all concerned.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Signed on May 04, 1989

**MEMORANDUM CIRCULAR**

No. 07

**TO :** All Regional Executive Directors, Provincial and  
Community Environment and Natural Resources  
Officers

**SUBJECT:** Stoppage of the Issuance of Agroforestry Farm Lease  
Agreement.

In the interest of the service and in order to provide more areas for the Program D of the Comprehensive Agrarian Reform Program, Agroforestry Farm Lease Agreement as a form of special forest use is no longer allowed. Henceforth no applications for AFLA's shall be entertained. Agroforestry shall now be practiced only in areas covered or to be covered by Certificates of Stewardship Contracts (CSC) through the ISF or CARP.

You are further instructed to insure that the following are done immediately.

1. Evaluate all existing AFLA's in your area of jurisdiction and determine if they have complied with the terms and conditions of the lease agreement;
2. Recommend AFLA's that merit continuous operation and those that have to be cancelled based on the evaluation;
3. Inform those with pending applications for AFLA's within your jurisdiction about this policy. They may instead opt to go into tree farming on Industrial Tree Plantation development.

Please be guided accordingly.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Signed on June 15, 1989

**MEMORANDUM CIRCULAR**

No. 07

**TO :** All Regional Executive Directors, Provincial and  
Community Environment and Natural Resources  
Officers

**SUBJECT:** Stoppage of the Issuance of Agroforestry Farm Lease  
Agreement.

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Please be guided accordingly.

**FULGENCIO S. FACTORAN, JR.**  
Secretary

Signed on June 15, 1989