

**National Report to the Third Session of the
United Nations Forum on Forests**

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Report to the UNFF 3

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II. PROGRESS RELATED TO THE IMPLEMENTATION OF IPF/IFF PROPOSALS FOR ACTIONS

1. INTRODUCTION:

The Philippines has adopted sustainable forest management as the key strategy for all plans and programs in the forestry sector. It provides current understanding and framework on how the country's forests should be managed to address present problems and the tools required to generate a desired forestry scenario for the future. It consolidates experiences and lessons learned in forest management and the resulting state of forest condition. It can be considered as a dynamic evolution of scientific and administrative management of our forests as enabling conditions change along with strategies and approaches to meet ever – changing realities of the forestry situation. It is a national response but highly influenced by global imperatives to better manage tropical forests.

The focus of forest management in the past was the selective utilization of mature natural forests. Access and use of forest resources has been mainly through license agreements or concessions which are essentially for large scale operations favoring those with capital. In the case of timber, a Timber License Agreement for 25 years is issued renewable for another 25 years. A major problem created by the concession system is that upland farmers and indigenous people found inside or adjacent to forest areas receive little benefit from forest use and minimal incentive to protect it. Participation of local communities was largely limited to providing labor for logging and processing of forest products. Migrant farmers and upland dwellers continued to practice destructive slash-and-burn subsistence farming to survive. Thus, it became the policy of government to focus more on people who use the forests for livelihood rather than just the forests to arrest deforestation and reforest denuded areas.

In July 1995 the government adopted community – based forest management through Executive Order 263 as the national strategy to ensure the sustainable development of the country's forest resources. The strategy is carried out by providing; (i) security of long – term tenure to forestlands (ii) government's assistance to forest plantations, livelihood activities, and support / infrastructure services (iii) and involvement of government and NGOs in strengthening and empowering communities to implement such projects. The community – based forest management program is in the process of integrating all people–oriented and community–based projects and the various tenure issued to upland communities and indigenous people.

On a parallel scheme and in line with the Philippine Constitution of 1987, which provides that the development and utilization of forestlands and forest resources shall be through co-production, joint venture, or production sharing agreements between the private sectors and the State, corporate system of plantation development is being promoted and encouraging local and international capitals to invest in timber plantation development. This led to the establishment of Caraga Forest Plantation Corridor (CFPC) in 1999 that covers 684,503 hectares of public forestlands in Mindanao previously covered by expired Timber License Agreements. Subject area is mainly low-quality secondary forests, grasslands and brushlands. This co-production management of the corridor provides for the recognition of the rights and welfare of local communities living within the area, specifically, the Certificate of Ancestral Domain Claim (CADC) and CBFMA holders.

2. ECONOMIC ASPECTS OF FORESTS:

2.1 Exports – Imports of forest products:

Log export exhibited a small volume of 93 cubic meters valued at \$16 thousand, FOB composed of planted non-coniferous species with Taiwan and China as main markets for the product. Albeit small, the year 2000 log exportation is a 300 percent increase from the past year. Lumber export significantly rose by 74 percent with a volume tally of 120 thousand cubic meters earning about \$20.4 million, FOB. Our lumber exports were non-coniferous species coming from plantations in accordance with the lumber export ban policy and those lumber made from imported logs. Veneer export, meanwhile, stood at a standstill with remarkable change from the past years record registering 5 thousand cubic meters valued at \$ 3 million, FOB. Veneer of the Lauan species composed 76 percent of the total veneer exports. Plywood exports on the other hand gained in volume by 207 percent from the previous year's statistics consisting of 2,226 cubic meters earning \$2 million, FOB. The country also exported particle board with a volume of 189,176 kilos worth 57 thousand US Dollars, FOB.

Exportation of furniture made of rattan and wood grew by 138 percent, volume-wise, but with only corresponding increase in value of 6 percent. The year 2000 furniture exports posted 4.4 million pieces amounting to \$261 million, FOB. The increase was largely contributed by rattan furniture sharing about 47 percent of the total in terms of volume while 46 percent of the value was attributed to wooden furniture. The leading buyers of our furniture were the U.S.A., Japan and Australia.

Among the leading wood-based manufactured articles that were exported this year, the other builder's joiner and carpentry of wood, n.e.s. took first place contributing \$161 million, FOB or 76 percent of the total of \$211 million FOB. Second placer was statuettes and other ornaments made of wood earning \$27 million, FOB followed by wooden doors turning in \$6 million, FOB.

Total earning from the export of paper and paperboard and similar articles amounted to \$91.4 million FOB, of which \$53 million or 58 percent were realized from newsprint. Almaciga resin, elemi gums, and bamboo were the three non-timber forest products that were registered to have been exported in 2000. These three contributed 977 thousand dollars to the country's national coffers.

The non-timber manufactured articles earned \$77.8 million, FOB with other basketwork and articles from vegetables plaiting materials or made up of goods from buri, bamboo and the like a the leading dollar earner with \$53 million..

Importation of log and processed wood products continued to be maintained in order to augment local supply. Based on last years figures, a slight increase of less than one percent at 585 thousand cubic meters was seen in log importation with a corresponding decrease in its value by 22 percent at \$54.3 million, CIF. The decrease in value was generally due to the dominance of low priced log species that were imported during the year largely from New Zealand.

Imported lumber continued to flood the local market to meet housing and construction activities. During 2000, 358 thousand cubic meters of different species of lumber were imported worth \$80 million, CIF. This volume is a bit lower by 6 percent from the 1999 figure. Taking the bulk of imported lumber were the non-coniferous species composed of almost 74 percent mostly coming from Malaysia, USA, Brazil and Sarawak.

Importation of veneer was lesser by 14 percent compared to the 1999 record registering 119 thousand cubic meters costing \$32 million, CIF while plywood importation replicated the same level of the previous year with a volume of one (1) thousand cubic meters with a value of \$639 thousand, CIF. A volume of 2.5 million kilos of particle board worth \$655 thousand, CIF was also imported from several countries notable of which were Malaysia, Australia, Thailand and Sarawak. Similarly, 54 million kilos of fiberboard were imported costing around 16.2 million dollars, CIF. Furniture imports made of wood amounted to \$28 million, CIF while 507 million net kilos paper and paperboard were brought into the country worth \$379 million, CIF.

Lack of long – term vision and planning complicated by weak enforcement of forestry rules and regulations further marginalized the role of the forestry sector in the national economy such that around 70 % of wood requirements are imported draining the country's foreign exchange reserve of 347 million US dollars annually. The role of the forestry sector in the economy was marginalized with a GDP share of 12.5% in 1970 to only 0.1% in 2000. However national official figures from the NEDA estimated the GDP contribution of the forestry sector to 9.1 % in 2002 which is a very strong indication that value added exports of imported logs and lumber has increased.

2.2 Related studies and researches on forest economies:

The Philippine government through the Department of Environment and Natural Resources (DENR) initiated various studies and researches which are aimed at providing valuable information in the wise and sound formulation of policies and implementation of various forestry programs and projects. Some of these programs/projects that support the foundation of forestry economics are as follows:

2.2.1 The **Philippine Environmental and Natural Resources Accounting Project** (ENRAP Phases 1-4) was conducted from 1991 – 1998, financed by United State Agency for International Development (USAID). This project is a major effort to improve the ability of the conventional national accounting system to reflect interactions between the market economy and the natural environment.

The project was institutionalized through the issuance of Executive Order No. 406 entitled: "Institutionalizing the Philippine Economic-Environmental and Natural

Resources Accounting (PEENRA) System and creating units within the organizational structure of the DENR, National Economic and Development Authority (NEDA) and National Statistical Coordination Board (NSCB)” to pursue sustainable development as contained in the Medium-term Philippine Development Plan 1993-98 and the Philippine Agenda 21.

On January 2001, the project also produced a CD compilation of ENR studies and researches that focused on a) ENR Sector (air, fisheries, forestry, household, lands, minerals, protected areas and wildlife, sub-national and water, and b) ENR Accounts (natural resource depreciation, environmental damages, quality services, waste disposal services, net environmental benefit and non-marketed household production).

- 2.2.2 **Forest Resources Assessment Project (FRA)** is a grant from Food and Agriculture Organization of the United Nations (FAO-UN) primarily to gather forestry baseline statistical data on the distribution of forests and wooded lands according to species, composition, land use, ownership and management status, standing volume and growing stock and other biophysical and economic variables with emphasis on the management of forest and tree resources, and its contribution to the national economy. The DENR-FMB is currently negotiating with FAO for the Phase II of the project.
- 2.2.3 **Forestry Statistics Information System (FSIS)** is an on-going two-year project financed by International Tropical Timber Organization (ITTO). It aims to organize and provide a facility for the efficient management of tremendous forestry statistical data and present this in a more user-friendly and understandable to stakeholders. The success criteria of this projects are a) ensure data integrity; b) facilitate optimum data access rights to all possible users; c) ensure awareness of the system and its data contents; and d) provide timely data.
- 2.2.4 **Philippine Criteria and Indicators for Sustainable Forest Management (C & I for SFM)** financed by International Tropical Timber Organization (ITTO). Taking off from previous and on-going efforts in the DENR, the C&I project is intended to address the need for a system for tracking progress towards the achievement of sustainable forest management in the Philippines. It will be carried out through the formulation of criteria and indicators for SFM both at the national and forest management unit levels including the appropriate monitoring and auditing system and institutional arrangement. This project will also help establish the foundation for the ecolabeling and certification processes for timber and non-timber forest products. The preparation of the project completion report is in progress for submission to ITTO.
- 2.2.5 **Annual Publication of Philippine Forestry Statistics.** As a regular program, the DENR is producing and publishing annually the Philippine Forestry Statistics aimed at bringing to the public the basic and current information on forestry and the forest-based industries. Statistical data includes 1) Forest Resources and Forestry Activities; 2) Forest Resources Utilization involving licenses, wood processing plants, production, logging wastes and residues and domestic prices; 3) Foreign Trade with exports, imports and prices; 4) Revenues through forest charges; and 5) Other Forestry Related Statistics i.e. fuelwood consumption, forestry establishments, gross value added, forestry courses enrollees.

2.3 Inter-national and Intra-regional agreements:

The Philippines is also a signatory of various inter-national and intra-regional agreements, some of which are as follows:

- Rio de Janeiro Declaration on Environment and Development (1992)
- Agenda 21
- Non-legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Development of All Types of Forest (1992)
- Convention for the Protection of the World Cultural and Natural Heritage (1972)
- Convention on the International Trade in Endangered Species of Wild Fauna and Flora (1979)
- Convention on the Conservation of Migratory Species of Wild Animals (1992)
- Convention on Biological Diversity (1992)
- ASEAN Agreement on the Conservation of Nature and Natural Resources (1985)
- International Tropical Timber Agreement (1983, 1994)
- Bali Declaration on Forest Law Enforcement and Governance (2001)

3. FOREST HEALTH AND PRODUCTIVITY

The Philippines is a signatory to the **ASEAN Agreement on Transboundary Haze Pollution**. The ASEAN Haze Agreement is intended to undertake individual and joint action to assess the origin, cases, nature and extent, prevent and control, applying environmentally sound policies, practices and technologies and to strengthen national and regional capabilities and co-operation in assessment, prevention, mitigation and management of land and/or forest fires and the resulting haze.

The Philippines Clean Air Act has been recently legislated. Among others, the Clean Air Act aims to control air pollution including open burning.

4. MAINTAINING FOREST COVER TO MEET PRESENT AND FUTURE NEEDS

4.1 Extent of permanent forest estate (FPE):

The classified forest lands of about 15.88 million hectares is considered as the country's permanent forest estate as it cannot be reverted to other uses unless by legislation.

From the 15.88 million ha classified forest land, only 5.4 million ha are covered with natural forests, less than 50% of the forest area 20 years ago. Overexploitation and conversion to other land uses (mainly upland agriculture) were the main reasons for the depletion of natural forests.

Pending the completion of the assessment of the current status of the forest, the latest available data on land use and forest cover dates back to 1997. The total forest area as of 1997 covered 5.4 million hectares or 18% of the country's total area of 30 million hectares. Of these forests, Dipterocarps comprised 66% of which 0.805 million hectares or 23 % are old growth, which have been closed to exploitation and made part of the National Integrated Protected Areas System (NIPAS). Residual forest covered 2.7 million hectares while pine forest consisted of 0.228 million hectares.

The current forest resource statistics is based on year-on-year interpolation based on the latest comprehensive national inventory conducted more than 15 years ago. Satellite imageries have just been acquired and are now being interpreted to update the resource statistics. The ongoing Forest Resource Assessment is a parallel work to update the resource information..

Although there are no changes in the area of the PFE or forest lands classified for the last 5 years, about 27,834 hectares had been recorded as converted to other non-forest uses principally settlements and infrastructures.

Some areas classified as forestlands are not being used for forestry purposes especially those in urbanized areas already developed for human settlements, commercial, and industrial uses. About 40 % of the PFE as classified are not used for forestry purposes. On the other hand, certain alienable and disposable lands or even private lands cannot be used in community-based forest production due to some policy constraints. Also, the ancestral land domain claims remain a contentious policy issue on land tenure and allocation. These are some of the general policy issues that may require reformulation to guide decisions on what to do with lands not being used for the purposes for which they have been classified. A policy study supported by the WB, under the Land Administration and Management Program, is on-going to provide a framework for land allocation.s

4.2 Developments in the protection of biological diversity:

The continuous commercial forest operations in the most biologically diverse Dipterocarp tropical rainforests of the Philippines pose an ecological dilemma, and is regarded as a possible threat to the genetic and species richness. Habitat destruction and ecosystem imbalance logically lead to wildlife loss and endangerment of unique and endemic flora and fauna species. Already some 52 native vertebrate species are endangered and many more are threatened. The economic imperatives for forest products dictate that commercial forest development can only continue under a sustainable forest management scheme. Thus the main challenge for is to provide holistic synergism to timber production with environmental conservation focused on the maintenance and enhancement of biological diversity to enable forest ecosystems to function and maintain the stability of complex life-support processes.

4.3 Government and Other Stakeholders' Developmental Activities:

The government is quite strong in providing adequate tenurial rights and security to the communities and private institutions involved in SFM. There are adequate rules and regulations pertaining to the granting and definition of roles and responsibilities for long-term tenure on

forestlands both for community – based projects and private sector investments. Lately the government initiated moves for the integration of all community – based forestry tenure unto a single integrated instrument, Community-Based Forest Management Agreement (CBFMAs) to have unified approaches governed by a common enabling environment. In the case of the private corporate sector, the Integrated Forest Management Program (IFMP) is the vehicle for their involvement in forestland development. However, the implementation of the program is still hampered by the lack of financing, additional incentives, and positive trade-offs for SFM investments.

The CBFM program has been given top priority and 226 new projects sites placed under the program bringing the total to 4,885 CBFM projects with a total area of 5,482 million hectares being managed by the DENR. The actual tenured area spans to 4,276 million hectares or 78% of the total CBFM areas. As far as beneficiaries are concerned, about 500,000 households are involved in the program. Much of timber production in the future will come from areas managed under tenure by communities.

Timber licenses had been down to 20 by 2000 with 18 active in forest harvesting, covering a total area of 813,949 hectares and with an annual allowable cut of 677,376 cubic meters. These timber concessions will be phased out upon their expiry dates, the last TLA to expire is on 2011, due to a provision in the 1987 Constitution which no longer allows the TLA as a forestry tenure instrument. The tenurial modes allowed under the Constitution are joint venture, production-sharing, or co-management.

There is a major shift for communities to produce the bulk of future timber supply for the country. Multilateral and bilateral assistance are supporting projects to enhance the capability of these communities including the IPs to be efficient and cost-effective producers of forest products. Other areas of focus include biodiversity conservation, watershed and ecosystem management, industrial forest plantations, and protected area management.

The private investors and former TLA holders are gradually shifting to industrial plantations while awaiting better incentives from the government and clearer guidelines on management of secondary forests under the Integrated Forest Management Agreements. The processing of value added products is also being aggressively encouraged.

Reforestation activities both by government and private sectors for 2001 alone are listed below:

Sector/Project	Area (in hectares)
<i>Philippines</i>	<i>31,444</i>
I. Government Sector	26,524
A. DENR	26,484
1. Regular	1,678
2. Foreign Assisted Projects/Special Projects	24,806
B. LGUs/OGAs	40

II. Non-government Sector	4,920
A. License/permits/agreements	4,131
B. Others	789

Source: Philippine Forestry Statistics, 2001

4.4 Enactment of Indigenous Peoples Rights Act of 1997 (Republic Act 8371).

RA 8371 is a comprehensive law which recognizes, promotes, and protects the following rights of indigenous peoples (i) the right to ancestral domains/lands (ii) the right to self-governance and empowerment (iii) the right to social justice and human rights (iv) and the right to cultural integrity. These indigenous people numbering around 12 million representing 110 different ethno-linguistic groups found in various forest, lowland, and coastal areas play significant roles in community - based forestry programs on ancestral lands and domain encompassed by their claims. The law provides the enabling legal framework for the participation of IPs in sustainable forest management activities principally community – based forest management and forest protection in their ancestral lands / domain. It created the National Commission on Indigenous Peoples (NCIP) which shall be the primary government agency responsible for the formulation and implementation of policies, plans and programs to promote and protect the rights and well-being of the ICCs/IPs.

5. EMERGING ISSUES THAT HINDER PROGRESS TOWARDS SUSTAINABLE FOREST MANAGEMENT (SFM):

A preliminary assessment of current progress of SFM in the country was recently done as part of the development of the national and forest-management-unit level C&I. This development is using the ITTO C&I process. The preliminary conclusion is that to make the envisioned SFM under the present forestry situation and practices workable; current policy, institutional, and planning framework should be modified with the end in view of updating, amending, and filling gaps on these enabling conditions. Specific revisions and re-alignment on the enabling conditions for SFM should include the following key measures:

5.1 Sustainable forest management plan for the Philippines. The new plan should clearly clarify the objectives, strategies, plans and programs, targets, and expected results from the implementation of SFM. It should also highlight the changes in forest management approaches as compared to past and present practices and expected impacts on forest resources. For assessment and evaluation purposes, the plan should adopt an appropriate system of criteria and indicators for SFM applicable to the country’s forestry condition and enabling environment. This can be done for application to both national and management units. The plan can be independently drafted to highlight a current government thrust or banner program, or it can be subsumed under an updated Master Plan for Forestry Development. Such plan is imperative also in view of the much broader and multi-dimensional components transcending traditional forestry practices to include social, economic, cultural, environmental components of SFM.

5.2 Updating of the Master Plan for Forest Development (MPFD). The 25 – year old MPFD needs updating and modifications. The plan can serve as the framework for the implementation of

the present SFM approach as envisioned. The ambitious goals and targets set forth in the original Master Plan have fallen much short from expectations. The forest resources continue to dwindle at a critical rate and reforestation and plantation development efforts can hardly keep pace to realize the Master Plan scenario. The projected funding support from the government, private sector, and foreign funding institutions estimated at some PhP 7.74 billion per year did not materialize. Only the programs on people – oriented forestry and protected areas / biodiversity programs received the expected support principally from foreign loans and technical assistance grants. Emphasis will be given on the potential roles and contributions of the communities and private sector in forest rehabilitation and plantations.

5.3 Sustainable Forest Management Act. The early passage of vital legislations on sustainable forest management and land use code will provide the necessary legal framework for sustainable forest management and implementation of community-based projects. The envisioned law on sustainable forest management shall update, re-orient, and strengthen forest policies, plans and programs, and implementing institutional mechanisms. The government concurs that the proposed law should include the following common provisions necessary to address issues and concerns on sustainable forest management (i) establishment of the final forest limits as mandated by the Constitution (ii) the institutionalization of the mechanisms to encourage active participation of local communities and local government units in forest protection and management (iii) the adoption of forest management planning tools using watershed as the basic planning unit (iv) the adoption of community – based forest management as a key strategy in forest management (v) the acceleration of reforestation activities especially in degraded areas and those set aside as national parks, watersheds or protected areas (vi) strengthening of forest protection activities by providing funds therefore and increasing penalties for violation of forestry laws by government personnel and civilians (vii) strengthening of forest support system through research and technology development transfer.

5.4 National Land Use Code. With limited land resources of 30 million hectares and an increasing population of some 78 million Filipinos growing at the rate of 2.3 % per annum, 1/3 of which are in upland forestlands, it is imperative to have enabling policies on the best use of the different types and classification of lands to yield optimal results without jeopardy to environmental conditions. The optimal use of the country's land and their sustainable management depicted in a national land use plan are the key features of a much awaited legislative Act on National Land Use Policy.

5.5 Agreements on Indigenous Peoples and ancestral lands. Indigenous People continue to play a crucial role in CBFM implementation on areas they claim as ancestral domain / lands. The DENR formulated guidelines and implemented the identification, delineation, and recognition of ancestral land and domain claims through DENR Department Administrative Order No. No. 93 – 02. It further provides specific guidelines on the management of certified ancestral domain claims. With the passage of the IPRA Law, the DENR continues with its IP program on CBFM. There is a lot of uncertainty on the future of all on-going and new CBFM projects under IP tenure as it moves towards resolution of the intent of the IPRA Law to grant absolute titles to the land and resources occupied and affirmed as ancestral lands or domains. As interim measure proper agreements between the DENR and the NCIP should be formulated to address the policy, tenure, and institutional issues involved for forestry and other natural resources projects including CBFM.

The policy on granting tenure to non-IPs on ancestral lands and domain should be revoked to give IPs the rights that they deserve.

- 5.6 Certification for sustainable timber source.** For sustainable forest management to work especially at production units, the government should develop and implement a system of measurable / quantifiable indicators for sustainable forest management to assure sustainable forest management tools are properly applied and the resulting forest resource base at management levels are sustainable. In application this policy can be regulated and monitored through a system of sustainable forest management certification to assure that forest products being harvested are coming from sustainable sources. In the Philippines, several studies had been conducted to formulate an acceptable certification framework and parameters / indicators but there is no official policy guidelines on the application and procedures involved. It is applied on ad hoc basis to the few timber concessionaires operating and currently done by the Forest Management Bureau as integral process in the approval of their annual operation plans. This is not conducted for community – based forest harvesting and other forest operations. This practice is not acceptable internationally as external certification of timber coming from sustainable source should be given to an accredited national or international NGO with institutional capability. Capability for conduct of internal and external audit for SFM should also be developed.
- 5.7 Forest – non-forest land ratio.** There should be an in-depth policy studies to come out with an acceptable forest and non-forest land ratio based on acceptable ecologic - economic and other criteria to meet our requirements for forest products while meeting all the other needs for sustained economic growth while addressing the persistent problem of poverty in the uplands and rural communities.
- 5.8 Macro policies down to regional levels.** The visions and programs of national enabling policies in the Philippine Agenda 21, the Social Reform Agenda (SRA), and the MPFD should be effectively brought down to local regional, provincial, and municipal levels where SFM projects are implemented.
- 5.9 SFM financing.** A common integrated financing approach to SFM implementation should be formulated and adopted by key institutions involved including government executing agencies, financial institutions, the private sector, communities assisted by official development assistance from multi-lateral and bilateral sources. Envisioned targets to achieve SFM objectives should be allocated to these principal sourcing of financing.
- 5.10 Institutional re-orientation and strengthening.** The shift to SFM would need assessment of present manpower and capability for implementing new strategies, plans, and projects of the approach amongst all implementors including DENR, LGUs, communities, the private sector, and assisting NGOs. Based on this, training and capability building programs can be drafted appropriate to the institutions concerned to make them responsive to the new overarching thrust and implementing schemes.