Devolved and Decentralized Forest Management in the Philippines: Triggers and Constraints in Investments

Ernesto S. Guiang, Ferdinand Esguerra and Domingo Bacalla

This chapter reviews the history of devolved and decentralized forest management in the Philippines, the resulting policies, and their impacts. Building on previous reviews on related topics by Mercado (2000), Brillantes (2000), de los Angeles (2000), Borlagdan et al (2001), DAI (2002), Magno (2003), the World Bank (2003 and 2005), Pulhin (2006) and Bacalla (2006), it analyses how these policies, coupled with emerging opportunities and current public agenda, either facilitate or hinder investments in devolved and decentralized forest management and thus shape the future of Philippine forestry.

In decentralization, central government functions are transferred to the regions but officials and functions remain under the control of the same department, office or ministry; under devolution, the national government confers powers and authority to local government units to perform specific functions and responsibilities (Section 17(e), Republic Act 7160, otherwise known as the Local Government Code).

We focus here on the widening gap between the written policies of the national government and the reality at the local government and community levels and document the growing ‘disconnect’ between what was intended and what is actually happening in forest management in the Philippines. We then offer recommendations based on our reflections, field observations and institutional memory and suggest a framework for triggering improved decentralization and devolution that balances theory, needs for incentives, practicality and required support systems appropriate for the Philippine environment.
**HISTORICAL BACKGROUND**

Before and during the Marcos regime (from the post-war years to 1985), forest management planning, allocation, and regulation were largely centralized and heavily influenced by national politicians and vested interest groups. Local government units and communities, including indigenous people, had minimal influence on how the forests were managed. State and elite capture of the high-value natural forests for exploitation dominated the sector and the industry (Porter and Ganapin, 1988; Vitug, 1993; Coronel et al, 2004).

The end of the Marcos regime in 1986 through the ‘People Power’ revolution paved the way for a major shift in forest management. As citizens clamoured for more participation in governance, opportunities opened up for decentralized and devolved forest management in the Philippines. By the early 1990s, most of the timber licence agreements, mainly controlled by friends of the previous administration, had been cancelled, suspended or not renewed. When the licence-holders pulled out, their areas of operation – covering thousands of hectares of forestland – became ‘open access’ and attracted migrants who, seeing the forests as a good and a (in many cases the only) source of livelihood, engaged in illegal logging, forest conversion, slash-and-burn farming and other destructive practices. The 1987 Constitution further limited the entry of the private sector in the forest industry by allowing them to gradually convert their timber license agreements (TLAs) into joint ventures, co-management and co-production agreements.

Despite the politically fragile situation, the donor community and pro-democratic institutions responded positively to the leadership change. A master plan for forestry development that promoted conservation, production, equity and alleviation of poverty was crafted in 1990. As a result, close to US$1 billion from the donor community and the government of the Philippines (counterpart financing) was allocated for the sector to support decentralized, devolved and community-based initiatives in forest management. ‘Equitable access to natural resources’ and ‘encouraging participatory processes’ at the local level became the call of the day. At the time of writing, however, no records are available on how much of the foreign and local investments really went to decentralized and devolved forest management.

The advocacy for more devolution resulted in the passage, enactment and issuance of various policy instruments. In the forestry sector, these policy changes started to chip away at the power of the Department of Environment and Natural Resources (DENR) and the forestry bureau to reclassify lands, issue resource use rights and permits, title publicly released alienable and disposable lands, and issue environmental compliance certificates (Guiang and Castillo, 2005; FMB, 2006). These policies led to a multimodal and institutionalized decentralization and devolution of forest management in the Philippines (Magno, 2003). The process has always been an uphill struggle.
Aside from the 1987 Philippine Constitution, which provided for a system of decentralization, other significant laws and policies were promulgated to push decentralization and devolution (Box 11.1).

These policies were considered adequate, well-formed and pioneering. Implementing guidelines were then formulated, providing clearer definition of concepts and ideas as well as laying down standards, systems and processes to make decentralized or devolved forest management a reality at the local level. But financing and investments in decentralized and devolved forest management, while obviously considered during the stage of planning and formulation of policies, were insufficient: resource allocations and investments did not meet even the minimum requirements for translating policy into action.

**Box 11.1 Laws and policies encouraging decentralization and devolution**

- Presidential Executive Order No 192 (1987), which reorganized the DENR;
- the Local Government Code of 1991, which provided for partial devolution of forest management functions to the local government;
- the National Integrated Protected Area System of 1991, which provided the mechanism for local stakeholders to participate in managing protected areas through the creation of local boards;
- Executive Order No 263 (1995), which mandated the DENR to adopt community-based forest management as the national strategy;
- the Indigenous Peoples’ Rights Act of 1997, which transferred from the DENR to the National Commission on Indigenous Peoples the power to process legitimate claims to ancestral domains, further strengthening recognition of indigenous peoples’ right to manage the resources covered by their ancestral domains; and
- the Philippine Clean Water Act of 2004, which mandated the DENR to organize water resources boards composed of local officials and representatives of NGOs and national government agencies.

At least six types of decentralized and devolved forest management have emerged since 1986 (Borlagdan et al, 2001; Contreras, 2003), as described in Box 11.2.

A closer look at each type reveals an ongoing power struggle between the DENR, non-DENR national agencies, local governments and communities.
Except for those lands devolved to the indigenous peoples and to the non-DENR national agencies, all decentralized and devolved forest management in the Philippines remains under some kind of DENR supervision, which has been highly criticized by the local governments (Agbayani, 2005). The DENR continues to be the major player in devolved community-based forest management areas, multi-stakeholder and inter-agency oversight of protected areas, water quality management areas, watershed reservations, and co-managed forest lands. Although the local governments, expected to provide financial and manpower support, now serve as the balancing factors in co-managed areas and protected areas, the DENR has retained the power to issue (and suspend) resource-use rights and environmental compliance certificates in all these areas. This suggests that the DENR is not ready to devolve other functions to the local governments, which in turn appear not prepared to carry out the devolved and decentralized forms of participatory forest management that are now within their powers.

For example, some local government officials who sit as co-chairs of protected area boards appear unwilling to assert their authority in implementing or enforcing board resolutions. In these areas, devolution is taking the form of ‘partnership and collaboration’ with the DENR; the local governments are not taking the lead.

In an ideal setting, decentralized and devolved forest management should provide the proper mix of responsibility among local and DENR officials and other local stakeholders (with transparency and accountability) together with incentives,
benefits, consistent policies, financing, safety nets and explicit authority. Balancing the above concerns has become difficult, however, because forest management requires a ‘social enterprise’ approach (Dacanay, 2004). Depending on the mix of objectives, forests have to be managed to produce multiple forest goods and services, including biodiversity, social justice and profit.

INCENTIVES AND CONSTRAINTS

Communities, local governments and the DENR respond to different incentives for decentralized and devolved forest management (Box 11.3). Incentives for communities to adopt sound forest management practices range from security of tenure to awarding of resource-use rights plus others that may be allowed by the DENR. Guiang and Castillo (2005) argued that, compared with other tenure holders, holders of community-based management agreements in forest lands, watershed reservations and protected areas enjoy the fewest rights under their tenure instruments. Community incentives under the different types of decentralized and devolved system largely depend on stable policy and sustained funding support for forest management. They may include employment, access to technology and support, social infrastructure, and linkages to the private sector. For the DENR to champion decentralized or devolved forest management, the incentives are mainly for professional growth, networking, career paths and good relations with local governments and, thus, local allies in enforcing rules and regulations, resulting in reduced expenses for forest protection and overall management.

The sudden surge of decentralized and devolved policies in forest management has not, however, provided adequate time for the DENR, local governments and communities to develop and implement adequate standards, systems and processes for managing forest lands. The forestry sector, for instance, is still adjusting to the change from timber concessionaires to community-based forest management.

The tenure holders, private interests and local governments also operate under many constraints that raise the cost of doing business in the forestry sector (see Box 11.3).

To implement decentralized and devolved forest management, concerned institutions and resource managers have to develop and install standards, systems and processes that reduce the overall cost of doing business. Currently, there is no unified set of standards for sound forest management among the decentralized and devolved systems. The DENR will have to agree on standards with the local government units, resource managers, community organizations, private sector and civil society. Meanwhile, the different stakeholders can start with previous and ongoing work on criteria and indicators of sustainable forest management and determine from this set which are worth tracking over time.
The local governments’ major incentives are:

• establishing loyalty and support from the electorate in decentralized or devolved forests;
• introducing development with the objective of broadening local sources of revenues;
• getting people’s support by facilitating resolution of conflicts; and
• participating in forest management decisions that may affect their use of forest resources within their jurisdiction.

### Economic Values of Forestry

If managed well, forests and forest lands can yield not only private goods (such as profits) but very substantial public goods, a fact that is often overlooked when returns on investment are calculated. Biodiversity and other public benefits of well-managed forestry have economic value and should be considered in the equation.

Public goods generated by well-managed forests and forest lands, whether decentralized or devolved under different tenure systems, are expected to account for 20 to 80 per cent of the total estimated benefits (Table 11.1). Benefits from direct use values – private goods – range from 45 to 80 per cent (Francisco, 2004). Thus, if communities, indigenous peoples, non-DENR agencies and the private sector protect and manage their forests, both public and private interests can be simultaneously served. On top of this, profits from the private sector are taxed, generating revenue for the government. This implies that policies and their
implementing rules and regulations should therefore minimize entry costs for local government units, communities and the private sector to invest in forests and practise sustainable forestry with social equity, safety nets, transparency, the rule of law and accountability.

Moreover, incentives should consider the dynamic interplay of capacity to meet forest management standards, positive externalities and entry costs. Nobody wins when policies weaken the foundations of decentralized and devolved forest management, as is the case when existing tenure instruments are cancelled, issuance of devolved tenure instruments is suspended or entry costs are raised. Recentralizing forest management takes away the incentives of local stakeholders and resource managers to invest and benefit both themselves and the public.

Most policy instruments for decentralization and devolution do not allocate sustained funding support or mechanisms to carry out the new forest management responsibilities. Only one of the eight protected areas receives specific funding; legislation creating the others merely reads, 'subject to availability of funds or approved General Appropriations Acts’. A realignment of DENR budgetary resources to support top priorities is required. Co-financing, co-investment or payments for environmental services are a long-term approach to the sustained support of devolved or decentralized forest management. Inadequate funding to conserve biodiversity or sustain the environmental services of watersheds reflects

<table>
<thead>
<tr>
<th>Tenurial arrangement</th>
<th>Area (ha)</th>
<th>Use value</th>
<th>Indirect Value</th>
<th>Non-use value</th>
<th>Total economic value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Watershed protection</td>
<td>Biodiversity values</td>
<td>Carbon sequestration</td>
</tr>
<tr>
<td>CBFM</td>
<td>21,084</td>
<td>58,556</td>
<td>5932</td>
<td>5544</td>
<td>17,076</td>
</tr>
<tr>
<td></td>
<td>65%</td>
<td>7%</td>
<td>6%</td>
<td>19%</td>
<td>3%</td>
</tr>
<tr>
<td>IFMA</td>
<td>31,078</td>
<td>59,229</td>
<td>3499</td>
<td>6977</td>
<td>15,688</td>
</tr>
<tr>
<td></td>
<td>69%</td>
<td>4%</td>
<td>8%</td>
<td>18%</td>
<td>0%</td>
</tr>
<tr>
<td>CADC</td>
<td>36,660</td>
<td>65,273</td>
<td>2795</td>
<td>7453</td>
<td>14,584</td>
</tr>
<tr>
<td></td>
<td>68%</td>
<td>3%</td>
<td>8%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>Co-Mgt</td>
<td>26,936</td>
<td>86,934</td>
<td>4638</td>
<td>3045</td>
<td>8940</td>
</tr>
<tr>
<td></td>
<td>83%</td>
<td>4%</td>
<td>3%</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Protected Area</td>
<td>26,558</td>
<td>29,715</td>
<td>5005</td>
<td>23,389</td>
<td>4299</td>
</tr>
<tr>
<td></td>
<td>46%</td>
<td>8%</td>
<td>36%</td>
<td>7%</td>
<td>4%</td>
</tr>
</tbody>
</table>

CBFM = community-based forest management
IFMA = integrated forest management agreement
CADC = certificate of ancestral domain claim
Co-Mgt = co-management
government’s shallow commitment to protecting these areas to serve public goods – a case where the ‘talk’ is not consistent with the ‘walk’.

Some local government units seem reluctant to accept the challenge of co-financing. The local government units suspect that the DENR simply wants them to assume the costs of devolved forest management. Thus what they will get in return for their investment should be clearly defined and communicated. Until the local government units realize and appreciate the value of managing their forest lands as their own assets, political will may be lacking to support communities, co-managed areas, protected areas and, to a certain extent, larger watersheds.

Another hurdle is the apparent animosity and mistrust between the DENR and local government units. The DENR appears afraid of losing its regulatory powers, and its failure to consult about land allocation decisions leads local government units to suspect that the agency is simply playing games.

**Emerging Results and Trends**

The nature and extent of decentralized and devolved forest management in the Philippines in the past 15 years has been shaped by incentives for local forest management, donor funds, advocacy efforts, poverty and increased upland migration, and insufficient government efforts to reforest degraded areas and protect the remaining natural forests. This section considers the emerging results and trends influenced by policies on decentralization and devolution.

**Forest land allocation**

The distribution and extent of allocated forest lands (Guiang and Castillo, 2005) have significantly changed over the past 20 years (Table 11.2). Before the EDSA event (the People Power movement), most forest lands were under the concessions of timber licence agreements – as much as 11 million hectares in the early 70s. Today, timber licence and industrial forest management agreements cover a little more than a million hectares of forest lands. The area and coverage of protected areas, watershed reservations, community forests and ancestral domains has increased dramatically since 1986, as shown in Figure 11.1.

The responsibility and cost centres in the protection and management of forest lands have shifted to the government, communities and indigenous peoples. The private sector’s coverage has been significantly reduced because of social justice and equity concerns and perceptions of abuse and exploitation. Because of the Philippines’ current tight fiscal situation, however, combined with increasing poverty and increasing domestic demand for wood and wood products, most of these forest lands may not be under effective and sound forest management. Illegal logging (mostly small-scale seasonal timber poaching and timber harvesting
### Table 11.2 Area and extent of forest lands, by allocation

<table>
<thead>
<tr>
<th>State allocation</th>
<th>Percentage of total forest lands and unclassified areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public goods (set-asides for protected areas and watershed reservations)</td>
<td>29% (&gt;4 million ha)</td>
</tr>
<tr>
<td>Civil and military reserves</td>
<td>Minimal</td>
</tr>
<tr>
<td>Local government units</td>
<td>Very minimal</td>
</tr>
<tr>
<td>Communities (community-based forest management and ancestral domain areas)</td>
<td>36% (&gt;5 million ha)</td>
</tr>
<tr>
<td>Private sector (timber licence agreements, industrial forest management agreements)</td>
<td>7% (&gt;1 million ha)</td>
</tr>
<tr>
<td>Unallocated forestlands (no tenure)</td>
<td>21% (&gt;3 million ha)</td>
</tr>
<tr>
<td>Not yet allocated</td>
<td>7% (&gt;1 million ha)</td>
</tr>
</tbody>
</table>

Sources: FMB/DENR (2002); Guiang and Castillo (2005).

![Figure 11.1](image-url) *A graphical view of forest lands allocation by tenure type*

for house construction and fuelwood) remains attractive compared with the cost (payoffs, delays, penalties, imprisonment) and difficult to control. The Philippines is also becoming increasingly dependent on imports and substitutes to meet its annual demand of about five million cubic metres of wood (Guiang, 2001). The private sector has been relying heavily on planted trees in private lands for their raw wood. According to Leonardo Angeles of the Philippine Wood Products Association, at least 60 per cent of the plantation timber that wood processors are now processing comes from private lands.

Based on an assessment of the Philippines Environmental Governance Project Phase 2 (EcoGov 2) of 210 tenure holders in 33 local government units, it was observed that, because of inadequate incentives, current fiscal deficits, declining subsidies and unpredictable forest policies, most community forests and ancestral domain areas, as well as DENR-managed protected areas and watershed reservations, are falling short of the minimum set of sound forest management indicators (Castillo and Guiang, 2006). The indicators include a resource management plan submitted to the DENR, a functional organization, an approved budget sufficient to cover the fixed costs of forest management (organizational, coordination and forest protection activities), a mechanism to address and formalize legitimate claimants within the area of the tenure holders (called ‘individual property rights’ and in the form of sub-agreements, certificates of stewardship contracts, fair sharing agreements for proceeds of timber sales, tribal council resolutions, and so on), mechanisms for resolving conflicts, livelihood programmes for communities, a working linkage with an external resource institution, and a programme to address gender concerns (DAI, 2005).

The current condition of decentralized and devolved forest management requires urgent action on the part of the DENR, tenure holders, local governments, donor agencies and civil society organizations. Immediate challenges are strengthening the forest management monitoring system with participation and enforcement mechanisms; providing or restoring incentives to community tenure holders; launching a national initiative with financial incentives that will induce more local government units to support forest management; and encouraging investment by addressing the property rights and incentives concerns of the private sector.

**Poverty and reduced deforestation**

Reductions in deforestation in the Philippines coincide with an increase in poverty. Despite the pump-priming in the forestry sector from development assistance funds (of almost US$1 billion), the upland poor are in a worsening situation (Figure 11.2). The designation of protected areas and watershed reservations has displaced upland people or restricted their use of forest resources for livelihoods. The government has not provided safety nets before setting aside large forest areas for biodiversity conservation and watershed reservations (Sachs, 2005). The
resource-use rights to community forests have been suspended or cancelled at least four times since 1999, despite assessments showing that the few instances of exploitation or over-cutting occurred as a result of collusion with local forestry officials, inadequate implementation support to communities and over-regulation. The unpredictable and inconsistent government policies affecting the stability of property and use rights have discouraged the private sector from entering into joint ventures or subcontracts with forest-based communities.

Gradual shift in land use and forest cover

The heavily regulated forestry sector has gradually shifted from harvesting natural forests to plantations of high-value trees and annual crops (World Bank, 1999; DAI, 2004). Quoting a DENR estimate, the World Bank reported that, in 2002, the country’s total forest cover increased by 24 per cent (World Bank, 2004) from a baseline of 5.4 million hectares in 1988. Recent updates of forest cover in Mindanao partly confirm this information (DAI, 2004) and show that, although the total natural forest cover decreased by about 36 per cent over 16 years (an average of about 232,000 hectares per year), the area covered by tree plantations and perennial crops increased almost five-fold over the same period (Table 11.3). This is more than 78,000 hectares per year of annual increase. Demand for agricultural lands, population growth and to a certain extent the perceived lower economic value of natural forests accelerated the conversion of most open-canopy forest, brush lands and closed-canopy forests into plantations of fast-growing hardwoods and high-value perennial crops, including bananas, coconut, oil palm, rubber, and fruit trees such as durian, mango and rambutan.
Many private landowners are cutting their timber tree plantations and converting them into high-value tree crops because of the rising direct and indirect costs of harvesting and transport. Most private sector actors still hesitate to invest in forest plantations because incentives are not adequate (Acosta, 2004) and policies are often not consistent. Most plantings over the past 10 to 15 years have been financed with external loans and grants. Current regulations for harvesting planted trees by holders of stewardship contracts or community-based forest management agreements are discouraging upland farmers from planting trees; they are instead choosing to plant fruit trees and other high-value crops. This trend will mean that more forest lands are converted. Without adequate incentives to protect the remaining forests, except the fear of punishment or enforcement, forests whose management has been devolved to communities will either be illegally harvested for local household needs or will be harvested to supply makers of low-value furniture and similar products.

**Partnership and Collaboration**

Over the years, ‘partnership and collaboration’ has been the catchphrase of stakeholders in the Philippines’ ‘environment’ industry (Morfit, 1998). The term is loosely defined as a ‘working arrangement between those who have the mandate and those who are willing to support forest management and communities as de facto resource managers’. Partnership and collaboration occurs as a result of informal or formal agreements between parties. The approach has been used to put together seemingly conflicting parties to confront common issues in environmental management. It has also been used to open up opportunities for other stakeholders, such as NGOs, religious groups, local leaders, indigenous peoples and the private sector, in the management boards, councils or steering committees of watershed reservations, co-managed areas, protected areas and water quality management areas.
Depending on the personalities and influence of those in these oversight bodies, these ‘formalized coalitions’ bring new insights, ideas and approaches to devolved forest management. They have become avenues to access external funding, advocacy, expert advice and political leverage. The downside, however, is the uncertainty of long-term funding. Protected area management boards, for instance, receive most of their support from local government units, grants, users’ fees and the DENR. The coordination and meeting costs are enormous, especially with boards comprising more than 100 people.

Another approach involves provincial, regional and national federations of community-based forest management partners and holders of ancestral domain titles. Most initiatives in this area rely on external funding and will not be a major force unless local government units provide support and group members contribute from their own internally generated funds. The current free-rider attitude among such federations is not sustainable.

Some instruments of partnership and collaboration are listed in Box 11.4, with Box 11.5 showing the obligations in a typical memorandum of agreement between the local government units and the DENR in the joint implementation of approved forest land-use plans of municipalities or cities.

The partnership and collaboration between the DENR and the local government units have helped smooth many of the rough edges in joint protection, development and management of forest lands. The collaborative relationship could also open up opportunities for broadening the local government units’ revenue base through the following:

**Box 11.4 Philippine instruments of partnership and collaboration**

- *memoranda of agreement* at the national level, normally mandated to organize committees for coordination and mobilization;
- *joint implementation memoranda of agreement* between local government units and the DENR for joint planning and implementation activities in forest lands or between two agencies for closure of open access, tenure assessment, provision of social infrastructure, conflict resolution, assistance to community-based forest management associations and ancestral domain title holders;
- *co-management agreements* that transfer direct management responsibility of specific forest lands to another party, such as a local government unit;
- *sub-agreements, outgrowers’ contracts, business contracts and suppliers’ contracts* between the board and committee chair, the legitimate forest occupants and the interested investors or supplier of services; and
- *resolution by the local government units for funding support* in the implementation and monitoring of joint forest management activities.
taxing occupied forest lands based on ‘improvements over the area’, as opposed to based on the land,
encouraging private investment that will eventually generate tax revenue and ignite local economic activities;
providing infrastructure in forest lands to stimulate markets, products, transport and productivity;
institutionalizing payment for environmental services from heavy users of environmental services from forest lands either for water, ecotourism, bioprospecting or high-value crop production, for example use of water in banana plantations, mariculture, and ponds or resorts; and
reducing costs by hazard mapping and enforcing zoning based on watershed vulnerabilities to flooding and earthquake damage.
THE CHANGING ROLES OF THE DENR

In 1987, the forestry sector in the Philippines underwent a major change – institutionally and structurally (De Rueda, 2006). The Forest Management Bureau became a staff bureau and most of its former functions were transferred to the DENR regional offices. This shift signalled the increasing importance of national-level assessment and analysis as a basis for making sound policies and determining and defining standards and processes for sound forest management. This shift, however, has been slow in coming – a major reason for the current restructuring of the DENR bureaucracy.

Over the years, there have been a growing disconnect and overlaps in the functions of the Forest Management Bureau, Protected Area Management Bureau, Environmental Research and Development Bureau, and National Mapping and Resource Inventory Agency. All of these institutions are involved in forest management. Government restructuring is expected to address inadequacies and overlaps of these institutions and make them more effective, efficient and client oriented. Draft recommendations for DENR restructuring have proposed significant reductions in field operations as more functions are devolved to the local government units (Malayang, 2005).

The forestry sector continues to experience increasing pressures and demands from its growing list of clients. The sector is not designed or structured to deliver service at the regional, provincial and community levels. New guidelines are expected to gradually transform the sector into a client-focused organization more willing to manage the forest based on multi-stakeholder perspectives.

PROMISING PRACTICES IN FOREST MANAGEMENT

Current or recently completed foreign-assisted projects designed to support decentralized and devolved forest management have drawn on lessons from activities after the passage of the 1991 Local Government Code. These experiences demonstrate that, given the chance, partnerships between the DENR and local government units can work and that local governments – once they understand the benefits of taking charge of their resources – are willing to invest in forest management. Some models are emerging, and instruments have been developed to facilitate partnerships and thus help accelerate the devolution and decentralization processes.

Governance-oriented forest land-use planning and co-management

Forest land-use planning was originally a technically oriented process developed under the DENR’s Natural Resources Management Program, an initiative supported
by the US Agency for International Development (USAID). The process has been reconfigured as a tool for helping local government units, local stakeholders and the DENR agree on how forest lands should be allocated, managed with tenure holders, developed and protected. Plans are prepared after a thorough joint process of data gathering, analysis, validation and consultations between and among various stakeholders. In this process, the local government units are encouraged to think of forest lands not as ‘cost centres’ but as assets that can improve over time, sustain economic growth and serve the interests of local constituents. This improved version of the forest land use planning with local government units is proving useful in bringing order to the allocation of forest lands. Now widely promoted and utilized by USAID’s Philippine Environmental Governance (EcoGov) project in its implementation activities, forest land-use planning has produced a number of positive results.

Once the executive and legislative branches of the local government have reviewed and endorsed the plan, the DENR regional office approves it for implementation. The implementation agreement specifies the functions, obligations and roles of both parties. The local government can use the plan as a blueprint to plan and invest in farm-to-market roads, facilitate issuance of individual property rights by each tenure holder, provide a buffer for stabilizing property rights, provide needed support systems (extension, inputs, training, social infrastructures, linkage to financing and markets to community tenure holders), and promote or invest in ecotourism facilities. The local government thus becomes the de facto provider of extension services, which are inadequately delivered by the DENR under its present structure.

During its first phase of implementation, the EcoGov project facilitated a governance-oriented and demand-driven forest land-use planning process with 33 local government units, and 21 completed the process. As of 2003, those 33 local governments had contributed about 15 million pesos (roughly US$300,000) from their own budgets to the planning process. Their financial contributions indicate their willingness to participate in the allocation, protection, development and management of the forest lands within their jurisdictions (DAI, 2004).

To date, 11 local government units in Central Visayas have planned to invest at least 128 million pesos (about US$2.5 million) to increase the asset value of their forest lands, totalling around 65,000 hectares. This is an average of 2000 pesos (US$40) per hectare. The funds will finance planting materials, capacity building for communities, road improvements, extension services and forest protection. The DENR’s planned budgetary support for these local governments’ forest management is minimal.

The province of Nueva Vizcaya demonstrated how co-management of specific forest lands could be implemented. The local government unit issues sub-agreements to claimants and occupants inside its 24,000ha co-managed area to provide security of land tenure. Local ordinances and DENR support were established to implement the co-management agreement. The province and two
municipalities have shown their support by providing planting materials (including fruit and other trees) to upland farmers and issuing agroforestry land management agreements, which have resulted in significant reduction of forest fires, charcoal making and timber poaching, increases in natural regeneration, and reduction of poverty in the province from 52 per cent in 1992 to almost 11 per cent in 2000 (see Agbayani, 2005).

Compared with the DENR’s budgetary resources, local government units have tremendous potential to support decentralized and devolved forest management. In 2005, the total DENR budget (excluding the Environmental Management Bureau, Mines and Geosciences, and attached agencies) was only 4.556 billion pesos (roughly US$90 million), 80–85 per cent of which goes on operating expenses (World Bank, 2003). The bulk of the budget is allocated to the DENR’s upkeep – salaries, rents and utilities. This means that less than a billion pesos (about US$20 million) was made available for the operations of the forestry, protected area systems, and research and development sectors (GAA, 2006). In contrast, the local government units (cities, municipalities and provinces) in 2005 had a total internal revenue allotment of 114 billion pesos (about US$2.28 billion). 22 billion of the 114 billion pesos (roughly 20 per cent) may be used by the local government units for development, including the provision of environmental services. Funding to support environmental management services, especially for devolved forest management, could easily triple or quadruple financial resources at the local level. It should be noted that at least 40–80 per cent of local government units’ total area is considered public forest and forest land, and more than 80 per cent of the country’s land area is part of a watershed.

Subsidies for devolved forest management

The Community-Based Resource Management Project, supported by the World Bank, has made available more than US$50 million to subsidize investment in natural resources management by local governments and their communities. The rationale involves the interplay of poverty and resources: sound environmental management of forests and coastal resources would benefit not only the users but also the public in general. Funds are being managed by the Department of Finance and the DENR’s major responsibility is to assist local government units to identify and implement priority projects. Poor local government units can obtain a combination of loans and grants up to 70 to 80 per cent of the total amount of their proposed projects. To date, the experiences and lessons from this project have been positive. Local governments see the importance of investing in their forests and coastal resources as natural resource assets (World Bank, 2005).

The Community-Based Resource Management Project has demonstrated the importance of subsidizing improvement of forests and coastal areas to arrest degradation and sustain these resources. Expanding this approach from its present
regional coverage may be difficult, however, because of the current fiscal deficit. Early implementation also suggests that systems and processes should be further simplified and focused on forests and coastal resources that are of high priority for production, livelihoods, and protection of biodiversity and watersheds.

Policies that devolve forest management only partially have been another challenge in implementation. This has made the local government units DENR’s partners and clients in addressing decentralized and devolved forest management in the Philippines, and there is no turning back. Like the EcoGov project, the Community-Based Resource Management Project has shown that to manage forests and coastal areas, local governments and communities need long-term financing and sufficient technical capacities.

**EXAMPLES FROM ONGOING INITIATIVES**

In the province of Sarangani in Central Mindanao, the municipality of Maasim (covering 46,600ha of forestlands) is now reaping the fruits of its forest land-use plan, which was prepared with assistance from EcoGov and the DENR and is now being implemented with close collaboration between the local government unit and the DENR. Developing and completing the plan boosted the local government’s confidence in being able to manage its own resources, which in turn boosted the confidence of investors. Dole Philippines has invested about 100 million pesos, engaging upland farmers in contract growing of pineapples in a 200ha area and leasing another 500ha for its own plantations. The contract growing arrangement is benefiting 200 households, a number of which had previously been communist rebels or supporters. More farmers are being employed as workers for both the contract growers and the company-run plantations. The DENR is helping the municipality monitor the plantation activities to ensure that these will not harm the ecological balance in the area.

The municipal government of Maasim allocated more than 500,000 pesos (about US$10,000) for forest land-use planning implementation in 2006 alone. It also obtained funding from various sources amounting to about 22 million pesos (roughly US$0.44 million) to build a 50-km road network to improve access of upland dwellers to services and markets in the lowlands. What used to be unproductive land is now being turned to pineapple plantations, providing local communities with livelihoods.

Convinced that developing forest plans can stimulate economic growth, the Sarangani governor has signed memoranda of agreement with all its municipalities pledging commitment and financial support to forest land-use planning. For 2006, the provincial government has set aside 615,000 pesos (roughly US$12,300) for planning activities. This is in addition to its support for community forestry people’s organizations, which will soon get subsidies in the form of seedlings valued at more than 200,000 pesos (about US$4000).
In all these activities, the DENR is an active partner, providing guidance and technical support. This partnership is proving beneficial not only to the local government units but to the DENR as well, since the agency can now perform its tasks with financial and manpower assistance from the local governments.

The Maasim and Sarangani cases are not isolated examples. In Central Visayas, particularly in Negros Oriental’s Bayawan City, another EcoGov site, the local government is working closely with the DENR and various people’s organizations to manage its watersheds and protect its sources of water. After consultations with the communities, preparation of maps and workshops, the forest land-use plan was completed and approved in December 2003. The following year, the city and the DENR signed an agreement to jointly implement the plan. The local government unit allocated 10 million pesos (about US$0.2) in 2006 for related activities.

With the money, the city acquired a brand-new surveying instrument for its forest lands. Both DENR and the local government team used the instrument in facilitating the identification and delineation of individual claims the public forest lands and in ancestral domain areas. Other joint activities include a deputation of 92 ENROs (Environment and Natural Resource Officers), the majority of whom are officials of rural barangays; conduct of tenure assessments; and training of holders of community-based forest management agreements in resource management.

The money is also being used to rehabilitate portions of its watersheds. At the time of writing, the city has almost completed a 170,000-metre riverbank stabilization and rehabilitation project on the Bayawan with the help of several people’s organizations. The city has planted 16,000 tree seedlings in a 24ha area, more than 800 fruit trees in a 5ha agroforestry area and 300 trees along a road. Another 10,000 seedlings were to be planted in 2006, and new nurseries will soon be established to ensure a ready supply of seedlings for the future.

Both Maasim and Bayawan have entered into co-management schemes with the DENR, with 12,000ha and 14,000ha of forestland, respectively. These local initiatives demonstrate the growing willingness of local governments to assume control of their forests as part of their natural resource assets.

**MOVING FORWARD**

There will be a continuing increase in the domestic demand for wood for construction, fuelwood, furniture and high-value products. As documented elsewhere (Guiang, 2001; de los Angeles and Oliva, 1996, FMB, 2005), domestic demand has in the past been met by imports, substitutes, plantations and illegal sources. Local governments and communities with large tracts of forest lands, working in partnership with local private sector actors and financiers, could easily seize this market, especially in Mindanao, Central Visayas, and parts of Southern and Northern Luzon, where agroclimatic conditions are ideal for forest plantations.
The local economic impacts of supplying wood will be enormous. The DENR should consider the market demand and bring down the cost of entry as much as possible. To this end, it should seriously consider giving community-based forest management areas and ancestral domain title holders monopolistic rights to harvest, process and market timber and non-timber forest products from productive secondary natural forests, with harvesting rights and volume based on their fixed costs and needs. This way, proceeds from the harvesting rights will include the cost of forest protection and rehabilitation, coordination and management of the people’s organization.

Incentives and support for communal tenure holders, holders of individual property rights in the communal tenured areas, and interested private groups willing to enter into joint ventures or outgrowers’ arrangements are the key to promoting investment. These stakeholders, given local government support and deregulation by the DENR, hold the key to future supplies of wood and fibre in the Philippines.

As municipal governments take centre stage in devolution and participate as partners in decentralized forest management activities, they should advocate for equity and a corresponding increase in their internal revenue allocations. While cities are getting an average of 1000 pesos per capita per year, municipalities are allocated only an average of 500. Municipalities involved in decentralized and devolved forest management are protecting and managing set-asides, such as protected areas and watersheds that serve the public good. They deserve a higher share of the national wealth to compensate for their efforts to protect and manage biodiversity and watersheds that greatly benefit downstream users, providing biodiversity, water, energy and aesthetic values. Local government units should also explore opportunities to obtain payments for environmental services.

There are opportunities for the government to broker long-term financing for tree crops, especially for slow-growing species, but this can be effective only if tenure holders have secure property rights, less regulation and lower entry costs for this kind of investment, and if the local governments, along with the national government, build infrastructure to support marginalized communities in forest lands. It has been observed, for instance, that in highly productive and cultivated forest lands, improved farm-to-market roads alone could reduce transport costs of products and inputs by about 50 per cent (World Bank, 2001).

Community forest and ancestral domain tenure holders have long wanted partners to help them plan and implement ‘social enterprises’ – enterprises that have the combined objectives of generating revenues, ensuring sound forest management, and achieving social justice and equity. The Philippines’ 24 million residents in the uplands would surely welcome this kind of support from non-governmental organizations and firms with corporate social responsibility commitments. In most cases, however, these marginalized groups are treated as objects of research or as targets for justifying development assistance grants and loans from donors.
The threats to the Philippines’ biodiversity remain a complex issue. The government and the international community have stakes in conserving biodiversity at the genetic, species and landscape levels for the benefit of present and future generations. The decentralized protection and management of protected areas and watersheds demand sufficient funding support, incentives for managers, incentives for communities, and long-term commitments from civil society groups and local governments. To date, the funds distributed to more than 400 protected areas have been considered insufficient to meet the minimum set of requirements for biodiversity reserves. Thus, releasing these areas for co-production, co-management, forest plantations and other uses may partly solve funding woes.

Lastly, the increasing shift toward decentralized and devolved forest management requires standards, systems and processes that are adaptable and usable at the local levels. These include the need for local governments to work together with the DENR in setting up a monitoring and evaluation system to assess periodic performance of forest tenure holders. Such a system, based on a few relevant indicators, should be used not just for compliance but to encourage better forest management.

REFERENCES


Contreras, A. (ed) (2003) Creating Space for Local Forest Management in the Philippines, La Salle Institute of Governance, La Salle University, Manila


DAI (Development Alternatives Inc) (2004) ‘Updating the forest cover map in Mindanao using satellite imagery’, DAI technical report, EcoGov 1 Project, USAID, Manila


DENR (1990) ‘Master plan for forestry development’, FMB/DENR, Quezon City, Philippines


FMB (2005) ‘Forestry statistics’, Forest Management Bureau, DENR, Quezon City, Philippines


GAA (2006) dbm.gov.ph_budget issuances


Guiang, E. S. and Castillo, G. (2005) ‘Trends in forest ownership, forest resources tenure and institutional arrangements in the Philippines: Are they contributing to better forest management and poverty reduction?’ case study prepared for FAO, Bangkok


Malayang, B. (2005) ‘Recommendations for devolving ENR functions to the local government units’, technical assistance report for the EcoGov 2 Project, League of Municipal-
alities of the Philippines, and Department of Interior and Local Government, DAI EcoGov 2 Office, Pasig City, Philippines
World Bank (2005b) ‘Natural resources management: Way forward action plan for the Philippines’, Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region, World Bank of Manila, Pasig City, Philippines