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**Challenges in integrating indigenous and state interests to  
advance sustainable use of forest resources: The case of the  
Bukidnon forestry project, Philippines**

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A thesis  
submitted in partial fulfilment  
of the requirements for the Degree of  
Master of Applied Science

at  
Lincoln University  
by  
Vilma O. Lorca

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Lincoln University  
2011

Abstract of a thesis submitted in partial fulfilment of the  
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The growing recognition of the importance of forests in the environment led many developed (donor) countries around the globe to provide aid or grants to developing countries for forest development projects. However, the sustainability of these forest development projects often faces uncertainty. A common problem is conflict of interests between the state, private companies and indigenous peoples, particularly in relation to land rights. Traditional aid was oriented towards neoliberal development (commercialization) which depended to a large extent on individual property rights and this can conflict with indigenous people's customary land ownership and non-commercial use of forests. The Bukidnon forestry project in the Philippines involves, a government owned or controlled corporation assisted by the New Zealand government, establishing a demonstration commercial re-forestation project with commercial production plantation forestry. The Bukidnon Forests Incorporated (BFI) is the corporation established by the Philippines and New Zealand to achieve this goal. However, since its establishment indigenous peoples' claims to forest land access and ownership has strengthened.

This study has explored the challenges facing Bukidnon Forests Incorporated (BFI) and Ancestral Domain/Ancestral Land (AD/AL) claimants as they endeavour to achieve their respective goals. It has also looked at the concerns, needs and interests of BFI and AD/AL claimants purposely to find mutually beneficial arrangements for both parties once BFI's current land rights expires in 2016.

The results of the study indicated that successful establishment and development of a man-made forest plantation is possible in once-denuded and marginalized grassland in the Philippines. However, the government style in managing commercial forest plantation is ineffective in terms of attaining its commercial viability; the long-term sustainability of the project is also uncertain primarily because of insecure land ownership and tenure rights. Moreover, the concept of establishing a large scale industrial tree plantation is in conflict with the objectives of AD/AL claimants in terms of how their ancestral land are being developed. However, alternative institutional arrangements may offer mutually beneficial solution for both BFI and AD/AL claimants.

**Keywords:** NZAID, Philippines, ancestral land, privatization, industrial tree plantation, sustainability, Ancestral Domain/Ancestral Land claimants, institutional arrangements, land ownership, tenure rights

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## **Acronyms**

A & D – Alienable and Disposable Land

AD – Ancestral Domain

AD/AL – Ancestral Domain/Ancestral Land

ADB – Asian Development Bank

ADSDPP - Ancestral Domain Sustainable Development Project Plan

AL – Ancestral Land

ALDC - Ancestral Land Domain Claim

AOM – Audit Observation Memorandum

ATFS - American Tree Farm System

ATO - African Timber Organization

BIPP – Bukidnon Industrial Tree Plantation Project

BFCDF - Bukidnon Forests Community Development Foundation

BFI – Bukidnon Forests Incorporated

BOD – Board of Directors

BP – Business Plan

BSWM - Bureau of Soils and Water Management

BUBPED - Bukidnon United Barangays for People and Environment Development

CADT/CALT – Certificate of Ancestral Domain Title/ Certificate of Ancestral Land Title

CADCs - Certificates of Ancestral Domain Claim

CALCs - Certificates of Ancestral Land Claim

CBFM - Community-Based Forest Management

CBFMAs - Community-Based Forest Management Agreement

CDO – Cagayan De Oro

CDP – Comprehensive Development Plan

CFP - Community Forestry Program

CIFOR - Centre for International Forestry Research

CLUP – City Land Use Plan

COA – Commission On Audit

CSA - Canadian Standards Association

CSR - Corporate Social Responsibility

DENR – Department of Environment and Natural Resources

DIZ – Direct Impact Zone

ECC - Environmental Compliance Certificate

EIS - Environment Impacts Assessment

EO – Executive Order

EON – Exchange of Notes

FAO – Food and Agriculture Organization of the United Nations

FRA – Forest Resource Assessment

FMB – Forest Management Bureau

FMU – Forest Management Unit

FPIC - Free and Prior Informed Consent

FSC - Forest Stewardship Council

GDP – Gross Domestic Product

GNZ – Government of New Zealand

GOCC – Government Owned or Controlled Corporation

GOP – Government of the Philippines

IAOP – Integrated Annual Operations Plan

ICC – Indigenous Cultural Communities

IFMA – Integrated Forest Management Agreement

IFP - Industrial Forest Plantation

IIZ - Indirect Impact Zones

IKSPs - Indigenous Knowledge Systems and Practices

IMPIRs - Intensively Managed Industrial Roundwood Plantations

IP – Indigenous People

IPRA – Indigenous Peoples Rights Act

ISF - Integrated Social Forestry

ISF/CBFMA - Integrated Social Forestry/Community Based Forest Management Agreement

ISF/CSC - Integrated Social Forestry /Certificate of Stewardship Contracts

ISFP - Integrated Social Forestry Program

ISO - International Organization for Standardization

ITPLA – Industrial Tree Plantation Lease Agreement

ITTO - International Tropical Timber Organization

ELI - Eco-labeling Institute

LGU – Local Government Unit

LRA – Land Regulatory Authority

MDG - Millennium Development Goals

MMT - Multipartite Monitoring Committee

MOA - Memorandum of Agreement

MRP – Malaybalay Reforestation Project

MSLP - Monthly Mean Sea Level Pressure

NCIP – National Commission On Indigenous Peoples

NGO – Non-Government Organizations

NIA – National Irrigation Administration

NIPAS - National Integrated Protected Area Systems Act

NPA – New Peoples’ Army

NPC – National Power Corporation

NRDC – Natural Resources Development Corporation

NSO – National Statistics Office

NTCC - National Timber Certification Council

NZ – New Zealand

NZAID - Zealand Agency for International Development

OECD - Organisation for Economic Co-operation and Development

OECD - Overseas Economic Co-operation Fund

OP – Operations Plan

PAFC - Pan African Forest Certification scheme

PAGASA - Philippine Atmospheric, Geophysical and Astronomical Services Administration

PD – Presidential Decree

PEFC - Pan European Forest Certification

PENRO – Provincial Environment and Natural Resources Officer

PPDO – Provincial Planning Development Office

PNOC - Philippine National Oil Company

RA – Republic Act

R.H. – Relative Humidity

RP – Republic of the Philippines

SEC – Securities and Exchange Commission

SFI - Sustainable Forestry Initiative

SFM - Sustainable Forest Management

SLC - Student Learning Centre

SO – Special Order

TLA – Timber License Agreement

UN – United Nations

UNDP - United Nations Development Programme

USAID - United States Agency for International Development

VP – Vice President

WCED - World Commission on Environment and Development

# Chapter 1

## Introduction

### Impact Statement

“ . . . the sincerity of the State in recognizing indigenous tenure rights is put into question, as they view the issue on the basis of economic rights to resources in the Western liberal sense, rather than as a determinant of the survival of a community and their culture, the basis of the identity of indigenous people” (Capistrano 2009, p.458)

### 1.1 An overview of the study

Forests play a vital role in providing the entire globe with vital ecosystem services and basic commodities such as timber and nontimber forest products. Forests also help regulate the world's water system, and are the primary source of fuel for most of Africa and Asia (Ostrom and Nagendra, 2006). Moreover, forest is the home of many indigenous peoples. An estimated 450 million people, or about 8 percent of the global population, live in forest ecosystems and 350 million of the world's poorest people are entirely dependent on forest ecosystems for their livelihood and life sustenance, creating substantial demands on forest products (Bruinsma, 2003).

The forest area in 2005 was estimated to be just less than 4 billion hectares or 30 percent of the Earth's total land area. This corresponds to an average of 0.62 ha of forest per capita (FAO, 2010). The world's forests are continuously threatened by the rapid rate of deforestation. For various reasons, all tropical forests could be lost in 100 years if the current rate of deforestation continues (Grainger 2002, p.310). The FAO FRA Report (2010) estimated that globally, around 13 million hectares (ha) of forests were converted to other uses (including agriculture) or were lost through natural causes each year between 2000 and 2010; the net global change in forest area in the period 2000–2005 is estimated at -7.3 million hectares per year (an area about the size of Panama or Sierra Leone), down from -8.9 million hectares per year in the period 1990–2000 (FAO, 2010). This shows that deforestation continues at an alarmingly high rate – at some 13 million hectares per year. Consequently, this has serious implications for global climate change, economic development, and the well being of many human beings who depend directly or indirectly on forests (Tucker, 1999).

Environmental problems are recognized as worldwide concerns because of increasing economic and ecological interdependence. Thus, bilateral and multilateral conservation programmes are no longer a matter of generosity or ethics but of mutual interest (Talba,



1988). For instance, the Philippines had been a recipient of about \$240 million loan for contract reforestation from Asian Development Bank(ADB)/Overseas Economic Co-operation Fund (OECD), the largest environmental loan ever given by the bank in the 1990s (Severino, 1998). Also, the OECD and its member countries have provided grants or aid to developing countries for forest development projects. However, traditional aid was oriented towards neoliberal development (commercialization) which depended to a large extent on individual property rights and this can conflict with indigenous people's customary land ownership and non-commercial use of forests.

The Bukidnon forestry project in the Philippines involves a government owned or controlled corporation, assisted by the New Zealand government, establishing a demonstration commercial re-forestation project with commercial production plantation forestry. However, since its establishment, indigenous peoples' claims to forest land access and ownership has strengthened.

## **1.2 Research aim and questions**

The principal questions raised here facilitate an understanding of the problem and provide insights on how the government may be able to strike a balance in accommodating indigenous interests as well as providing assurance for the long-term sustainability of production forest resources. The specific questions it sought to address were:

1. What institutional arrangements might work and suit the needs of all parties?
2. What conditions or criteria will bring stakeholders into mutual agreement?
3. What strategies are being employed by stakeholders to reach sustainable governance arrangements?

## **1.3 Problem, issues and justification for the study**

The case of the Bukidnon Forest project is an illustration of an environment where complex problems of resource governance exist and may have been exacerbated by the emergence of claims to forest access and ownership by indigenous communities. This now poses challenges for the government in demonstrating commercial timber re-forestation while also giving legal recognition to indigenous groups and acknowledging their collective right to participate in policy processes that directly affect their material and social well-being. These issues are not unique to Bukidnon and the findings may prove useful to other settings.

Premised on the above argument, questions arise as to what constitutes the successes and failures in integrating the interests of both indigenous peoples and state interests to achieve sustainability in managing forest resources. The focus of this study is to understand the nature of the problems in developing commercial forestry in the Philippines by examining the Bukidnon Forest project.

This study looked at complex problem in managing natural resource with primary focus on changes in forest governance and models of institutional arrangements that will have mutual benefits to both Indigenous Peoples and the industrial tree plantation project. Also, this study explored the strategic response of actors to the future arrangements once BFI IFMA expires in 2016.

## **1.4 Structure of the thesis**

This thesis has seven chapters: introduction, literature review, research methodology, study area, results, discussion and the conclusions.

Chapter two provides a literature review to give readers an understanding of the subject matter. Concepts about sustainable forest management, a forest management model, property rights issues and institutional arrangements, conflict and a collaborative approach to conflict resolution are reviewed in this chapter.

Chapter three outlines the research methodology and spells out the field research procedures for data collection. The use of other methods and triangulation strategies is also discussed. This chapter also sets out the reasons for using the methods in this research.

Chapter four gives a description of the physical and human setting of the study. A brief historical and cultural issue is also discussed.

Chapter five presents the results obtained from the fieldwork, including analysis of file documents and interviews with key informants.

In chapter six, the results presented in chapter 5 are discussed. An assessment of the key factors affecting BFI's success is provided and the collaborative approach is used as a lens in looking at mutual beneficial institutional arrangements for both BFI and AD/AL claimants.

Finally, chapter seven offers conclusions on the results and discussions. The chapter also recommends possible future research. Lesson from the BFI experience is also drawn as to guide similar forest development projects in the Philippines and elsewhere in the context of the developing world.

## **Chapter 2**

### **Literature Review**

The purpose of the study is to look at institutional arrangements to achieve long-term sustainability of the Bukidnon forestry project. In order to provide full understanding of the subject, the relevant concepts and studies about sustainable forest management, an holistic forest management model, property rights issues and institutional arrangements, conflict and the collaborative approach to conflict resolution are reviewed in this chapter.

#### **2.1 Sustainable development**

The first document to define sustainable development was the Brundtland Report in 1987, known as “Our Common Future”, the report defined sustainable development as “meeting the needs of the present without compromising the ability of future generations to meet their own needs”. It recognizes the dependency of humans on the environment to meet needs and well-being in a much wider sense than merely exploiting resources: ‘ecology and economy are becoming ever more interwoven – locally, regionally, nationally and globally’ (WCED, 1987, p. 5). The international initiatives which focused on strategies that promote sustainable development include: the Montreal Protocol in 1987 ; Agenda 21 (1992) adapted by many countries as Local Agenda 21; the Framework Convention on Climate Change (1992) and Forest Principles (1992), the Convention on Biological Diversity (1992); the Kyoto Protocol (1997); and UN Millennium Development Goals (MDG) 2000.

##### **2.1.1 Concept of sustainable forest management (SFM)**

The international agreements and programmes for improving forest management practices were prompted by the growing concerns over environmental and social issues associated with forestry – such as effects on biodiversity, climate change, desertification, flooding, conflicts over use rights and sustainable development. Hence, sustainable forest management has been described as forestry’s contribution to sustainable development (Higman, et al. 2005). According to Kant and Berry (2005) the role of forest resources and forest management in sustainable development can be gauged from the fact that forest resources are a critical component of most of the sustainability- related international agreements, such as the Biodiversity Convention, the Kyoto Protocol, and the Agenda 21. Although various attempts have been made to develop international and national standards of sustainable forest management, it is often difficult, however, for forest managers, especially in the tropics, to

find practical information explaining exactly what is required and how to put it into practice (Higman, et al. 2005).

Another intergovernmental organization that promotes the conservation and sustainable management, use and trade of tropical forest resources is the ITTO. It was supported and established in 1986 by the United Nations. It comprises 59 member countries which represent about 80% of the world's tropical forests and 90% of the global tropical timber trade. The criteria and indicators for SFM were first published by ITTO in 1992 and were revised in 1998 and 2005. The main purpose of the ITTO criteria is to provide member countries with a tool for monitoring, assessing and reporting changes and trends in forest conditions and management systems at the national and forest management unit (FMU) level (ITTO, 2005).

### **Sustainable Forest Management (SFM) definition**

Sustainable forest management is controversial and hotly contested, even the very definition of sustainable forestry is imprecise; a forest that is sustainable when viewed at one scale is not necessarily sustainable when viewed at another (Jerkins and Smith, 1999; Kant and Berry, 2005). In the past, SFM was mainly focussed on wood production and sustainable yield of a limited number of forest products (Krauchi, et al. 2002; Higman, et al. 2005). But recently the importance of other products and services provided by the forest has been recognized, particularly those of broader social concern (e.g. increased number of stakeholders, interactions between land uses) (Krauchi, et al. 2002). According to Brown, Durst and Enters (2005) agreement on what constitutes a sustainable forest management is still some distance from being reached. In many ways the question is too simplistic – some people would immediately demand detailed definition for “good,” “forest”, and “management.” In practice, meaningful answers usually depend on local conditions – the combinations of environmental, economic and socio-cultural factors that influence management (Brown, et al., 2005):

“People have widely differing expectations and perceptions of forest management and, thus, intuitively use different indicators to measure its quality. For example, an environmental advocate might argue that excellent forest management requires complete preservation approach. Touch-not – or excellence is gone!! A grassroots organization may consider the equitable sharing of benefits amongst local villagers as the outstanding feature and most important goal for forest management. At another extreme, shareholders of forestry companies might argue that the best indicator of excellence – or success – is a positive company balance sheet and increasing returns to investment” (Brown, et al., 2005 p.7).

However, Higman, et al. (2005 p.4) argued that though there are various definitions of sustainable forest management, they all say essentially the same:

“Sustainable forest management is the process of managing forests to achieve one or more specified objectives of management with regard to the production of continuous flow of desired forest products and services, without undue reduction of its inherent values and future productivity and without undue undesirable effects on the physical and social environment.”

### **2.1.2 Existing gaps in the adoption of criteria and indicators for sustainable forest management**

The Rio Earth Summit in 1992 adopted the "Forest Principles" and Chapter 11 of Agenda 21 which state the commitments made by countries in the area of forestry. There were more than 150 countries involved in creating the nine international and regional criteria and indicators for the management, conservations and sustainable development of all types of forest. The themes collectively identified were: extent of forest resources; biological diversity; forest health and vitality; productive functions and forest resources; protective functions of forest resources; socio-economic functions; and legal, policy and institutional framework (FAO, 2011).

In order to help countries collect, store and disseminate reliable and scientifically based information on forests, criteria and indicators for sustainable forest management are used as the framework. This is purposely designed to monitor and assess the state of the forest and provide a link between stakeholders in the forestry domain and use as a tool in informing policy makers and in giving information to the public. This information will accordingly influence policies and decisions so to achieve sustainable forest management (FAO, 2011). Nonetheless, Poschen (2000) concluded in his review of the existing sets of standards for sustainable forest management, be they regional, national or for use in individual forest management units, that they are almost always incomplete, usually imprecise and often inconsistent. He further pointed out that:

“Sustainable forest management is ultimately about people, not about trees. Standards that cover biological aspects such as biodiversity and nutrient cycles in great detail and neglect the functions of forests for society and the social conditions for the continued existence and best management of forests cannot meet their intended objective” (Poschen, 2000 p.30).

In the pursuit for sustainable forest management, NGOs were becoming disillusioned with the failure of the International Tropical Timber Organization (ITTO) to address the sustainable management of tropical forests by the late 1980s. Henceforth, NGOs and environmentalist groups promoted voluntary forest certification in the 1990s (Humphreys, 2006). Forest certification is popularly known as a market-based response to address public concerns related to deforestation in the tropics. Some of the leading certification programs include: Forest Stewardship Council (FSC); Pan European Forest Certification (PEFC); International

Organization for Standardization (ISO); Sustainable Forestry Initiative (SFI); Canadian Standards Association (CSA); Keurhout Foundation; American Tree Farm System (ATFS).

In addition to developed country driven certification schemes, many national and regional developing country certification programs have been developed, especially in the tropics, based on ITTO criteria and indicators for the sustainable management of tropical forests (Perera and Vlosky, 2006). Some of these certification programs include: the National Timber Certification Council (NTCC) in Malaysia established in 1999; the Indonesian Eco-labelling Institute (ELI) established in 1994; and the African Timber Organization (ATO) which, with the assistance of the Centre for International Forestry Research (CIFOR), has established the Pan African Forest Certification scheme (PAFC), which confirms to those of the ITTO criteria and indicators.

## **2.2 Global demand for forest products**

The increasing worldwide demand for the supply of forest products is caused by population and economic growth. In fact for the last 40 years, the global production of roundwood and sawnwood has increased by more than 50%, and wood based panels increased five times, pulps increased four times and paper more than tripled (Buongiorno et al., 2003). Additionally, global demand for paper products has also grown by 3-5 per cent per year and domestic consumption of paper for health care, education and communications is also rising (Higman, 2005). Consequently, pressures to the remaining natural resources are evident. However, according to Higman, et al. (2005) although blocks of natural forest are decreasing, forest goods and services are increasingly supplied by a range of land use types including plantations, natural or planted mixtures and farm landscapes with trees. Meanwhile, intensive plantations or mixed forest-farm landscapes increasingly supply wood fibre and similar products.

### **2.2.1 Intensive forest plantation or large scale forest plantations**

The intensively managed industrial round wood plantations (IMPIRs) are generally designed to meet the goals and priorities of national governments, and to supply global markets with industrial round wood (Charnly, 2005). According to the FAO (2010/2011) the area of planted forest is increasing globally - it now accounts for 7% of total forest area, or 264 million hectares. During 2005-2010, the area of planted forest increased by about 5 million hectares per year. Most of this was established through afforestation (i.e. planting of areas not forested in recent times), particularly in China (FAO, 2010/2011). Nambiar (1999) argues that plantation forests are the only resource by which growing shortfalls in wood supply can be

met. Nambiar cited several successful countries (e.g. Brazil, Chile and New Zealand) with plantation forestry having a pivotal and growing role in the national economy and employment. In New Zealand, commercial forestry is the country's third-largest export earner and contributes around 2.8 percent of national Gross Domestic Product (GDP) (FAO, 2010/2011), the total planted production forest accounts for 1.62 million hectares in 2009 (Statistics NZ, 2011). It has drawn on this expertise in its official development assistance (ODA) with major reforestation plantation forestry project in Papua New Guinea, Fiji and the Philippines in the 1970s and 1980s.

However, public debate has been growing, focusing largely on the perceived negative environmental and social impacts of large-scale industrial plantations (Niskanen and Saastamoinen, 1996). According to Snelder and Lasco (2008) a global study funded by USAID found that commercial logging is a common cause of forest conflict, with local communities against companies and governments. Commercial logging frequently usurps legal traditional local rights and is a major cause of forest degradation in many areas (Snelder and Lasco, 2008). In contrast, Carle, Vuorinen and Lungo (2002) pointed out that the negative impacts of forest plantations can draw the focus away from the fact that forest plantation resources are totally renewable and can be economically, socially, culturally, and environmentally sustainable with prudent planning, management, utilization, and marketing. Carle, et al. (2002) identified the environmental and socio-economic benefits from intensively managed plantations for industrial round wood production (IMPIRs) as enumerated below:

Environmental side:

- a. Plantation forestry may relieve harvest pressure on existing "natural" forests, leading to their protection;
- b. Other environmental benefits associated with IMPIRs include ability to rehabilitate degraded agriculture lands when they are established;
- c. Their potential to reduce salinity in some areas; and
- d. Their potential to be an economically viable option for carbon sequestration.

Socio-economic perspective:

- a. Provide large volumes of wood at low prices to meet the demands of pulp and construction industries;
- b. Meet energy needs;
- c. Generate revenue and foreign exchange for national governments;
- d. Provide jobs;
- e. There may be opportunities for local residents to use the residues and by-products left behind after trees have been harvested for fuel wood or timber;
- f. Indirect benefits may include government reinvestment of revenues generated from plantations into education, medicine, infrastructure and development in local communities.

This raises questions as to whether the potential benefits in intensive forest plantation outweigh the negative impact claimed by various studies.

### **2.2.2 Factors affecting the long-term sustainability of intensively managed industrial round wood plantations (IMPIRs) in developing countries**

The conceptualization and practice of sustainable forest management including plantation forests is complex, often difficult to accommodate within a single shared framework of understanding. Diverse issues restricting plantation forest to succeed especially in developing countries include: diverse expectations and interests of stakeholders in sustainable forest management; lack of funding, weak governance and corruption, property rights and land tenure issues, conflicting objectives in the use of land, market failure and government failure.

According to ADB (1994 in Niskanen and Saastamoinen, 1996) the development of plantation forestry has been restricted by the shortage of capital for reforestation and the lack of tree species with the required wood properties and ability to successfully grow on the poor grassland sites which are left as a result of forest destruction and shifting cultivation. Studies by Guiang and Castillo (2005), concluded that overexploitation, fuelled by weak governance, the capture of resources by elite groups, failure to collect rents from licensees, short-sighted and unpredictable policies, rapid population growth, and increased conversion of forest land were the primary cause of forest degradation in the Philippines. The FAO (2010) has reported that the main constraints for the implementation of large scale and highly productive plantations include: insecure land tenure, inadequate planning and ineffective laws and regulations. Further, several studies also found that an important reason for the massive degradation of natural resources in developing countries is a lack of well-defined and secure property rights (Ostrom, 1999; Panayotou, 1993; Pearce and Warlord, 1993; Kant and Berry, 2005).

In the Philippines, productive forest plantation has declined over the years as indicated in the FAO (2005) Forest Resource Assessment. The productive plantation in 1990, 2000 and 2005 are estimated at 389,000 hectares, 321,000 hectares and 304,000 hectares, respectively (FAO, 2010). While the total composition of forest in 1990, 2000, 2005 is 10.57 million ha, 7.94 million ha and 7.16 million hectares, respectively (Table 1). The areas of private sector forestry from 1970 to 2000 (Table 2) also declined significantly despite increases in areas under the tree farming (agro forestry) and Integrated Forest Management Agreement (IFMA)/Industrial Tree Plantation Lease Agreement (ITPLA).



Table 1. Characteristic of Philippine forests (area in 1000 hectares).

FRA 2005 forest categories	1990	2000	2005
Primary	829	829	829
Modified natural	7965	6268	5713
Productive plantation	389	321	304
Protective plantation	1391	531	316
Total	10574	7949	7162

Data source: FAO, Global Forest Resources Assessment 2005

Table 2. Areas of forest land under the private sector from 1970 to 2000 (in thousand ha)

Type of agreement	1970/1971		1980		1990		1995		2000	
	No.	Area	No.	Area	No.	Area	No.	Area	No.	Area
<b>TLA</b>	461	10598	261	7939	97	3620	41	1600	19	910
<b>IIFMA/ITPLA</b>			12	88	81	30	248	538	184	548
<b>Tree farm</b>			101	9	101	1	128	18	155	19
<b>Agro forestry</b>			2	1	94	11	84	97	80	91
Total				8037		4189		2253		1568

Sources: (FMB/DENR, 1980; 1990; 2000 in Guiang and Castillo, 2005).

Note: TLA=Timber License Agreement, IFMA=Integrated Forest Management Agreement, ITPLA= Industrial Tree Plantation Lease Agreement

The reasons of minimal investments in forest plantations by the private sector, even in highly suitable plantation areas in Eastern Mindanao are mostly because of inadequate policy incentives, the high cost of financing activities, insurgency and presence of occupants and claimants in forest lands that are suitable for forest plantation. In fact, the suspension of timber harvesting rights of IFMA holders all over the Philippines, except in much of Eastern Mindanao in 2004 has strengthened the view that the private sector has no future in the Philippines' forestry sector (Guiang and Castillo, 2005).

## 2.3 Holistic forest management model

In their search for a model for best practice in managing forest resources, Brown, et al. (2005) have identified core elements as necessary conditions that need to be met if success is to be achieved in forest management. This model was developed from the experiences of some 140 plus forest companies including state-owned forests, private forests owned by individuals, community forests and joint ventures in Asia and the Pacific. Figure 1 illustrates the holistic management model that emphasizes the importance of inter-relationships between and among a range of components which are anchored in reaching societal consensus with regards to how forests should be managed (Brown, et al. 2005, p.26). Accordingly, achieving good forest management depends on how well matched that societal consensus is to the purpose of the

forestry management. Once that purpose has been agreed, and then good management is required to achieve that purpose.

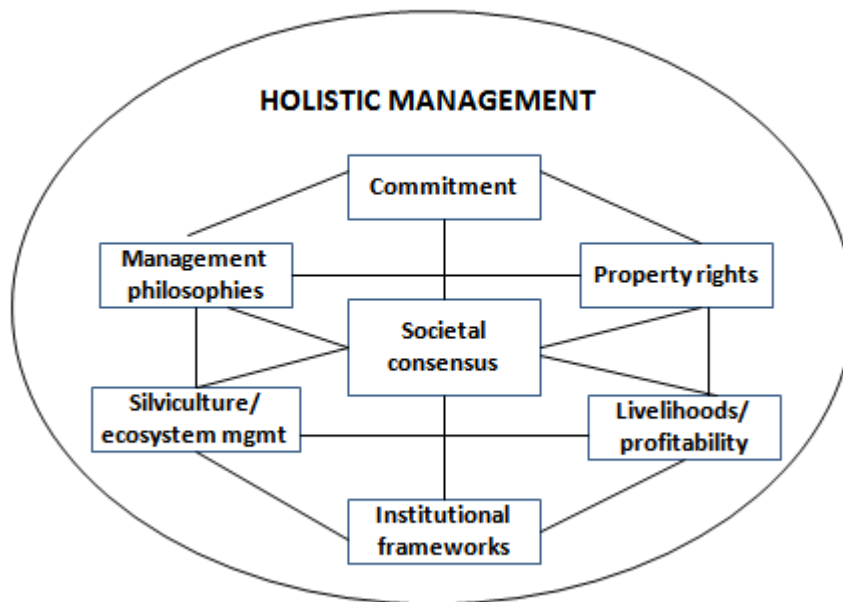


Figure 1. Model of good forest management

Good management will ensure that all components of the model are harmoniously working together to achieve the agreed goals. The components include commitment, management philosophies, property rights, livelihood/profitability/institutional frameworks, silviculture/ecosystem management and maintaining the societal consensus as the core of the model. The holistic management model emphasizes the importance of each of the components; otherwise the success of good forest management will not be achieved. The model however, is dependent on the societal consensus. In the following sections expand on the components of the model.

### 2.3.1 Management philosophies

Critical to the success of good forest management is the development of appropriate institutional or management structures and frameworks (Brown, et al., 2005). Often, the lack of good governance is the primary cause why many businesses of any type both in public and private sectors fail to achieve their objectives. Higman, et al., (2005 p.6) define forest governance as “the policy, legal and institutional conditions that affect how people treat forests.” It refers generally to the quality of decision-making-processes – their transparency, accountability and equity- rather than the formal political structure of the government. Good

governance provides the framework that encourages forest managers to adopt sustainable forest management practices. It is necessary to create the right environment for sustainable forest management in the long term.

The levels of forest governance exerted to implement SFM include (Higman, et al. 2005)

- The local level (e.g. community rules and social norms regarding forest use)
- The national level (e.g. legal rights to forest land and land resources; and policies affecting the relative profitability of different forest uses)
- The global level (e.g. multilateral environmental agreements affecting forests, trade rules, and the policies of multinational companies and investors). Higman, et al. (2005) notes that there is an increasing trend for global corporations to exert influence at local levels.

However, the values and structures of the government often influence forest governance. Decision makers make decisions on forests according to their values, and their values can vary widely. In addition, the exercise of governance is affected by the structure of government. Governance is also influenced by history, ecology and economic conditions (Higman, et al. 2005).

In addition, in any business endeavour, managers and directors have a fiduciary responsibility to protect the investment of shareholders. Senior management is expected to hold shareholders' investment in trust and to act in their best interests (Crane and Matten, 2010). In fact, it is now widely accepted that corporations have a social responsibility as well as financial responsibilities, as embedded in the concept of corporate social responsibility (CSR). Studies show that companies practicing corporate social responsibility have a number of benefits which ultimately affect the returns and risks for investors. These may include: lower risk, secure markets, favouring public regulation, changes in legislation and clean technologies (Higman, et al., 2005).

The framework of corporate social responsibility includes: economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time (Crane and Matten, 2010). The authors further elaborate the framework of CSR as follows:

The satisfaction of economic responsibilities is required of all corporations on the basis that companies have shareholders who demand a reasonable return on investment. They also have employees who want safe and fair jobs, and customers who demand good quality, safe products at fair prices. To achieving any of these outcomes, however, the first responsibility of business is to be a properly functioning unit and to stay in business.

The legal responsibility of corporations demands that businesses abide by the law and play the 'rules of the game'. However, in many developing countries with weak or

corrupt governments, compliance at the legal level is often not a very reliable standard of responsible behaviour. Ethical responsibilities oblige corporations to do what is right, just and fair even when they are not compelled to do so by the legal framework. Accordingly, different regions of the world differ significantly as to local ethical values and preferences. In the developing world in general, ethical expectations are less prevalent compared to the expectation that corporations assume their economic and philanthropic responsibilities (Crane and Matten, 2010).

Accordingly, philanthropic responsibilities as merely desired of corporations without being expected or required, making them “less important than the other categories”. In a business context, the model incorporates activities that are within the corporation’s discretion to improve the quality of life of employees, local communities, and ultimately society in general. CSR activities include: charitable donations, building of recreation facilities for employees and their families, support for local schools, or sponsoring of arts and sport events. For example, rich capitalist Bill Gates donating large sums funding art, higher education, or local services. However, in developing countries such as China and India, companies are expected to share their wealth with local communities (Crane and Matten, 2010). This suggests that philanthropic responsibilities may be more important in such context.

### **2.3.2 Silviculture/ecosystems management**

The sustainability of forest ecosystems under management depends on the silvicultural systems applied (Higman, et al., 2005). Ideally, effective silviculture systems involve all operations that could be done between one harvest and the next; such as planting, thinning, pruning, weeding or girdling to achieve specific desired results. This may require nurseries and other support and maintenance assets and facilities as well as staff training. Successful forest companies increasingly adhere to forest certification and use of advanced technology to achieve high standards of ecological management and maximize financial returns to investors (Brown, et al. 2005). However, studies by Lasco, Visco and Pulhin (2001) concluded that the uncertainty on land tenure in the Philippines gives a very strong incentive for logging concessioners to maximize harvest and minimise investments to maintain or improve the quality of the stand for future harvest. In fact, on the policy level, the Philippine Constitution limits the maximum tenure of logging concessions to 25 years with the possibility (but not certainty) of renewal for another 25 years. In contrast, the Philippine selective logging system (appropriate to environmentally friendly harvesting) prescribes a cutting cycle of 35 years. In effect, after the first cut there is no assurance that the logger can cut again after 35 years (since the concession may not be renewed after 25 years) (Lasco, et al., 2001).

### **2.3.3 Profitability/livelihoods**

One measure of business success is profitability. Without profitability it is arguably impossible to sustain forest operations. Consequently, the livelihoods of those dependent on the business remaining profitable will be vulnerable to the failure of the business. Although, not-for-profit businesses exist in many parts of the world they are not a feature of forestry businesses in developing countries. According to Higman, et al. (2005) the relative profitability of different forms of forest use and conversion is a significant determinant of whether SFM will be implemented.

### **2.3.4 Property rights**

According to the model, another element necessary to achieve sustainable forest management is by having well-defined property rights and resource security. In reference to property rights issues, Tucker (1999) argues that an important step toward achieving sustainability is by establishing appropriate forms of tenure to delineate boundaries and limit exploitation. However, academic critiques argue over what types of policy “interventions” best protect forests, with choices of property and land tenure systems being central issues (Ostrom and Nagendra, (2006); Tucker, (1999); Agrawal (2001) also argues that there is no single widely accepted theory of the sustainability of common property institutions. Empirical studies by Wade (1988) support Ostrom and other authors who suggest that “non-cooperative behaviour” may result when “individuals do not trust each other, cannot communicate effectively, and cannot develop agreements” (Agrawal 2001, p.16). In a similar vein, Meinzen-Dick (2009) emphasizes the importance of social capital in resource management.

In the Philippines, in cases where the government has enforced reforestation projects and did not consider land dispute issues, most of the projects failed because people resorted to arson and other forms of resistance. Mostly, conflicts arise where reforestation projects by governments and companies compete with the subsistence use of land by indigenous people and migrants (Shimamoto, et al., 2004).

#### **2.3.4.1 Philippines forest land ownership**

The Philippines legal system of land ownership follows the principle of the Regalian Doctrine which embraced the feudal theory of *jura regalia*, which means that all lands were granted from the Crown. The Americans adopted the principle under which the state owns all lands in a republican system and vested ownership in the state (Brett, 2007). The 1987 Philippine Constitution states:

“All lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna, and other natural resources are owned by the state...” (1987 Constitution of the Republic of the Philippines Article XII: section 2)

Guiang and Castillo (2005) argue that this policy has rendered the State the largest “absentee landlord” by giving it legal control of at least 15.85 million ha (Table 3) of public domain. In reality, most forests and forest land are under *de facto* open access to every citizen of the State, occupied or claimed by forest residents and communities, covered by some kind of tenure arrangement, or proclaimed by the State as set-aside to protect biodiversity and ensure the sustainability of environmental services from watersheds.

All forest lands, a total land area of 15.8 million ha, are allocated to different uses as follows: forest reserves and national parks; civil and military reservations; communal forest under the Local Government Units (LGU); allocations to communities including IPs; allocation to private sectors or are unallocated forest land. The Department of Environment and Natural Resources (DENR) and other government agencies (PNOC, NIA, and NPC) remain the State managers of protected areas and watersheds (Guiang and Castillo, 2005).

Table 3. Allocation of forest land in the Philippines

Category of allocation	Estimated area (ha)
A. Classified forest lands	<b>14 765 000</b>
<b>1. Allocations to address public goods (forest reserves, national parks)</b>	4 165 000
<b>2. Allocations for civil and military reservations</b>	296 000
<b>3. Allocations to LGUs under communal forests or co-management Agreements</b>	Minimal area
<b>4 Allocations to communities</b> <b>a CBFMAs and related tenure</b> <b>b CADCs/CADTs</b>	4 900 000
<b>5. Allocations to the private sector (mostly existing TLAs, IFMAs, fishponds, grazing lands)</b>	1 760 000
<b>6. Unallocated forest land (not covered by any of the allocation instruments)</b>	3 644 000
B. Unclassified forest land (to be allocated to <i>de facto</i> claimants or Occupants	<b>1 089 000</b>
Total	<b>15 854 000</b>

Note: there is some overlap among Certificate of Ancestral Domain Claims (CADCs), Certificate of Ancestral Domain Titles (CADTs) and Community Based Forest Management Agreements (CBFMAs); of the 4.9 million ha of land allocated to communities, at least 2.5 million ha is under CADCs, some of which already have CADTs (World Bank, 2004). The rest is covered by CBFMAs or related tenure instruments.  
Sourced from: (Guiang and Castillo, 2005).

#### 2.3.4.2 Forest land tenure instruments issued by the DENR

In 1975, the Revised Forestry Code (Presidential Decree/PD705) adopted a comprehensive approach to protecting and managing forests and forest land. Various tenure instruments were issued by the Department of Environment and Natural Resources (DENR) to forest occupants and forest users, granting them authority to exploit and develop forest resources. These tenure instruments (Table 4) include: Timber license agreements (TLA); Industrial forest

management agreements (IFMAs); Community-based forest management (CBFM) and Certificate of Ancestral Domain Claim (CADC). Later people-oriented forestry programs, namely, the Integrated Social Forestry Program (ISFP) and the Community Forestry Program (CFP) were introduced. (Gould, 2002).

Table 4. Forest land tenure instruments

Period	Tenure instrument	Remarks
1971-1977	Timber License Agreements (TLAs)	
	Industrial forest management agreements (IFMAs)	Industrial Forest Plantation (IFP) - any tract of brush land or open and denuded forestland principally planted in timber-producing species compatible with the ecological and biophysical characteristics of the area, to support wood-processing facilities and/or to supply wood energy requirements DENR Administrative Order No. 04 dated March 4, 1997.
1992	National Integrated Protected Area Systems Act (NIPAS) passed by the Philippine Congress	This act recognizes the land rights of indigenous peoples who previously were viewed as squatters on public land.
1995 July	Community-Based Forest Management (CBFM)	A policy was issued by Philippine President through Executive Order (E.O.) No. 263. As the national strategy for sustainable forestry and social equity. The institutionalization of CBFM as the primary government strategy towards the restructuring of the once Timber License Agreement (TLA) controlled timber industry Timber license agreements (TLA)
	Integrated Social Forestry Program (ISFP)	A 25-year stewardship contract to deserving forest occupants (individual or group) giving priority to those who have been occupying their lands prior to December 31, 1981. These contracts however prohibited commercial extraction of timber and hence management of forest resources and its accompanying benefits remained in the hands of timber licensees.
	Community Forestry Program (CFP)	CFP extended the coverage of community forestry to natural forests allowing participating upland communities to commercially utilize forest resources subject to appropriate social and technical preparation.

Data from: Gould (2002)

#### 2.3.4.3 Paradigm shift towards the sustainable use of natural resources

The increasing international concerns for sustainable use of natural resources has led to a reappraisal of local peoples' environmental knowledge and resource management skills. In the Philippines, upland farming communities are now seen by the government as potential stewards of the remaining forest; timber companies are viewed more as villains than protectors (Severino, 1998).

In a 15 May 1996 speech before the annual meeting of the ITTO, Philippines' President Fidel Ramos professed in clear terms this shift from corporate to community forestry. He denounced the commercial concession system "benefiting only those with financial and political clout", and described it as: biased against indigenous peoples and local communities".

We are determined to restore the rights of local communities and indigenous peoples to the enjoyment of our natural resources. People who are organized, who have the

real stake in the forest, who have effective ownership, acknowledged rights of use, who have accepted the protection and management responsibilities over these forests can be depended on to achieve our vision of sustainable management of our forest. We believe that only by empowering organized local communities and indigenous peoples would be able to arrest the degradation and loss of our forests (Severino, 1988 p. 2).

Concurrent to the government's shift in paradigm from corporate to community based management of forest resources; the Indigenous Peoples Rights Act (IPRA, otherwise known as Republic Act No. 8371 of 1997) was passed into law in 1997. The IPRA law has challenged the Regalian Doctrine in relation to IP's rights to their ancestral domains and ancestral lands, as well as their customary laws that guide resource management. The state now recognizes the existence of another system of law, particularly customary law. Indigenous people are now viewed as natural resource conservers through their sustainable indigenous knowledge practices, guided by their customary law (Brett, 2007).

In accordance to the IPRA law, the office of the NCIP was then created, which operates as an independent agency directly under the office of the President. It is the primary government agency responsible for the formulation and implementation of the policies covered by the IPRA. Among the responsibilities of the NCIP is the mandate to issue Certificates of Ancestral Land Titles (CALTs) and Certificates of Ancestral Domain Titles (CADTs) over areas that have been earlier awarded Certificate of Ancestral Land Claims (CALC) and Certificate of Ancestral Domain Claims (CADC) by the Department of Environment and Natural Resources (DENR). The IPRA allows the titling of individually owned land under the provisions of the Land Registration Act No. 496 of 1902.

Under the IPRA Law Chap. III, Sec. 12, individually owned lands which are classified as agricultural, residential, pasture, and tree farming, including those slopes with 18% or more, are alienable and disposable agriculture lands. In contrast, Presidential Degree 705 Revised Forestry Code of the Philippines, stated that all lands with slopes of 18% and above are considered as public land and therefore, non-alienable and non-disposal (Brett, 2007).

#### **2.3.4.4 Land covered by the IPRA Law**

The 1997 IPRA law recognizes the rights of Indigenous Cultural Communities (ICCs) and Indigenous Peoples (IPs) to their ancestral domain by native title to preserve and promote their rights to ancestral domain, self-governance and empowerment, to cultural integrity, social justice and human rights.

The Act defines ancestral domain and ancestral lands as follows:



Ancestral Domain ... refers to all areas generally belonging to ICCs/IPs comprising lands, inland waters, coastal areas and natural resources therein, held under a claim of ownership, occupied or possessed by ICCs/IPs, by themselves or through their ancestors, communally or individually since time immemorial, continuously to the present except when interrupted by war, force majeure or displacement by force, deceit, stealth or as a consequence of government projects or any other voluntary dealings entered into by government and private individuals/corporations, and which are necessary to ensure their economic, social and cultural welfare. It shall include ancestral lands, forests, pasture, residential, agricultural and other lands individually owned whether alienable and disposable or otherwise, hunting grounds, burial grounds, worship areas, bodies of water, mineral and natural resources, and lands which may no longer be exclusively occupied by ICCs/IPs but from which they traditionally had access to for their subsistence and traditional activities, particularly the home ranges of ICCs/IPs who are still nomadic and/or shifting cultivators. (IPRA: Chap. II, Sec. 3 (a))

Ancestral Lands ... refers to land occupied, possessed, and utilized by individuals, families and clans who are members of the ICCs/IPs since time immemorial, by themselves or through their predecessors-in-interest, under claims of individual or traditional group ownership, continuously, to the present except when interrupted by war, force majeure or displacement by force, deceit, stealth, or as a consequence of government projects and other voluntary dealings entered into by government and private individuals/corporations, including, but not limited to, residential lots, rice terraces or paddies, private forests, swidden farms and tree lots. (IPRA: Chap. II, Sec. 3 (b))

The rights of the ICCs/IPs to their ancestral domains and ancestral lands may be acquired in two modes: (1) by native title over both ancestral lands and domains; or (2) by Torrens title under the Public Land Act and the Land Registration Act with respect to ancestral lands only.

Native title is defined as:

“Sec. 3 [I]. Native title --- refers to pre-conquest rights to lands and domains which, as far back as memory reaches, have been held under a claim of private ownership by ICCs/IPs, have never been public lands and are thus indisputably presumed to have been held that way since before the Spanish Conquest.”

Like a Torrens title, a CADT is evidence of private ownership of land by native title. Native title, however, is a right of private ownership peculiarly granted to ICCs/IPs over their ancestral lands and domains. The IPRA categorically declares ancestral lands and domains held by native title as never to have been public land. Domains and lands held under native title are, therefore, indisputably presumed to have never been public lands and are private (Cruz and Europa, 2000).

#### **2.3.4.5 Free and prior informed consent (FPIC) (RA 8731)**

An important step in the process of gaining permission to use areas that overlap ancestral domains is obtaining Free and Prior Informed Consent. FPIC means the consensus agreement of all members of the ICC/IPs. This consensus is determined in accordance with their

respective customary laws and practices, free from any external manipulation, interferences and coercion, and obtained after fully disclosing the intent and scope of the activity in a language and process understandable to the community. Section 59 of the IPRA Law states:

“Section 59. Certification Precondition. All departments and other governmental agencies shall henceforth be strictly enjoined from issuing, renewing or granting any concession, license or lease, or entering into any production-sharing agreement, without prior certification from the NCIP that the area affected does not overlap with any ancestral domain. Such certification shall only be issued after a field-based investigation is conducted by the Ancestral Domains Office of the area concerned: Provided, That no certification shall be issued by the NCIP without the free and prior informed and written consent of the ICCs/IPs concerned: Provided, further, That no department, government agency or government-owned or controlled corporation may issue new concession, license, lease, or production sharing agreement while there is a pending application for a CADT: Provided, finally, That the ICCs/IPs shall have the right to stop or suspend, in accordance with this Act, any project that has not satisfied the requirement of this consultation process.”

#### **2.3.4.6 Devolving control over natural resources**

In addition to the recognition of indigenous peoples rights there is also, internationally, a growing recognition of the limitations of the state in coordination of natural resources management and the fiscal crisis in many countries that has led to the emergence of a major policy trend devolving control over natural resources (Meinzen-Dick, 2009): This includes privatization, deconcentration, decentralization, and devolution:

Privatization generally refers to removing assets from the public sector to private groups or individuals. This involves private partners carrying out (part of the) management, financing, or buying of Crown (public) assets (infrastructure, land, the organisation) and operating them as a private company (Helmer and Hespanhol, 1997).

Deconcentration transfers decision making authority to lower level units of bureaucracy of government line agency. It represents the least fundamental change, because authority remains with the same type of institution, and accountability is ultimately still upward to the central government, which is sometimes taken to represent society at large.

Decentralization transfers both decision making authority and payment responsibility to lower levels of government. Although authority still resides in the government, decentralization provides a stronger role for local bodies, which are presumed to have greater accountability to the local populace, including both users of the resource and others who live in the area.

Devolution involves the transfer of rights and responsibilities to user groups at the local level. These organizations are accountable to their membership (usually those who depend on the resource) but do not represent others in the local community or society at large (Meinzen-Dick, 2009 p.323).

### **2.3.5 Institutional frameworks**

Institutional arrangements have played a major role in resolving resource management conflicts. Institutions are the “rules of the game” that set incentives, opportunities and limitations for individuals or organizations. The key institutions enforced by the state include the system of property rights, the interventions that define rents and incentive structures (which include taxes and subsidies), and the higher level political institutions such as democratic or authoritarian decision-making bodies that describe the rules.

Often, development projects undertaken by governments create conflicts with or between ethnic groups. Different approaches have emerged particularly in resource management resolving for conflicts. Among the most relevant when considering forestry area collaboration are: co-management, joint venture, community forestry.

Co-management involves agreements among indigenous peoples, state agencies, and other stakeholders, offer substantial promise as a way of dealing with natural resource conflicts in a participatory and equitable manner (Castro and Nielsen, 2001). However, the experience with co-management regimes in many places suggests that such agreements and arrangements can result in the co-optation or further marginalization of local interests (Coombes and Hill, 2005).

An alternative approach that operates at more corporate level is the joint venture. A joint venture is a strategic alliance where two or more people or companies agree to contribute goods, services and/or capital to a common commercial enterprise (Ward, 2010). The case of Lake Taupo Forest in New Zealand provides an outstanding example of a joint venture between an indigenous people and government (Hammond and Mckinlay, 2005:184)

According to Charnley and Poe (2007:301), the central goal of community forestry is to achieve ecological sustainability as well as provide benefits to the local community. However, major gaps remain. For instance, devolution of forest management authority from states to communities has been partial in the form of co-management and disappointing. Local control over forest management appears to have more ecological than socio-economic benefits (Charnley and Poe, 2007:301).

In considering how to achieve a societal consensus, the institutional framework may need to be developed that facilitates the goals of that consensus and while each of the above approaches has its merits, choosing the right framework for a specific context requires stakeholders agreement.

## **2.4 Collaborative approach to conflict resolution**

To achieve stakeholder agreements often requires resolution of conflicts. A conflict is a situation when the interests, needs, goals or values of involved parties interfere with one another. Hettne (1990:191-192) identifies “struggle for scarce resources” as one of the reasons why conflict between ethnic groups and the state and specific cultural groups arise. Conflict by itself is not good or bad; it is the way you handle conflict that determines whether it may lead to constructive or destructive outcomes (Fisher, 2000). Therefore, it is important to understand (and apply) various conflict resolution techniques. These techniques include: competing, accommodating, compromising, avoiding and collaborative (Asopa and Beye, 1997).

A prominent conflict resolution theory set out in the popular “Getting to YES” is the collaborative process aiming for a win/win solution (Fisher, 2000). It frames conflict as an opportunity for mutual solution-finding. Warner and Jones (1998) identify two factors supporting consensual ‘win-win’ negotiations as an effective strategy for managing conflicts, these include: (a) the multi-stakeholder nature of such conflicts; and (b) the common ground that exists for sustaining renewable natural resources. The collaborative approach provides tools to facilitate understanding of the complex problems in managing natural resources. It includes identifying the underlying concerns of the different stakeholders and recognizing and respecting common interests and working together for mutual benefit. This method focuses on the needs and constraints of the parties rather than emphasizing strategies designed to conquer. Full problem definition and analysis and development of alternatives precede consensus decisions on mutually agreeable solutions. There is an emphasis on the quality of the long-term relationships between parties, rather than short term accommodations (Fisher, 2000).

Elmendorf (2007) defines collaborative processes for conflict resolution that include: good communication where importance of listening is emphasized; an inclusive process where diverse viewpoints are brought together and shared; mutual respect for all people at the table; a focus of interest (why people want) not positions (what they want); identification of shared interests and the establishment of mutual criteria based on interests. Possible conflict outcomes include: breakdown, one-sided, compromise or success. Collaborative conflict resolution increases the likelihood of success.

In this process (Figure 2), the collaborative process examines conflicts at various levels. The process starts with the identification of dispute; next the analysis of the positions of the

stakeholders; next identifying concerns, interests and needs and fears of stakeholders; and finally reframing the issue. Collaborative conflict resolution uses concerns (interests) to redraft the issue as a mutual problem-solving question and become criteria for collaboration. Redrafting the issue as a problem-solving question draws the parties into working together and guides them to consider new possibilities for a mutually acceptable solution (Woods, 2009).

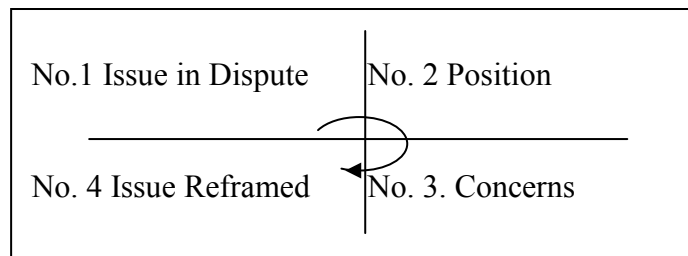


Figure 2. Method of collaborative process to conflict resolution

Some limitations of collaborating involve: commitment from all parties are required in the process of looking at mutually acceptable solution. It may require more effort and more time than some other methods, a win-win solution may not be evident; for the same reason, collaborating may not be practical when timing is crucial and a quick solution or fast response is required; once one or more parties lose their trust in an opponent, the relationship falls back to other methods of conflict resolution. Therefore, all involved parties must continue collaborative efforts to maintain a collaborative relationship (Personality Explorer, 2011).

## 2.5 Chapter summary

This chapter provides understanding of the concept of sustainable forest management and identified the existing gaps in the adoption of criteria and indicators of sustainable forest management. It has also given insights on the challenges affecting the sustainability of intensively managed industrial round wood plantations. The components of the model of good forest management give a holistic view on how to achieve good management of forest resources. It is based on the societal consensus and requires consideration of key components: commitment, management philosophies, property rights, livelihood/profitability/institutional frameworks, silviculture/ecosystem management. The nature of property rights and the conflict between the Philippines' state and indigenous peoples has been highlighted in Philippines forestry consequently, the mechanisms of allocating property rights has been described in some details. The discussion about the land ownership in Philippines emphasizes the 1997 IPRA law and how the government recognizes the rights of indigenous peoples. Lastly, the review on the institutional framework led to the collaborative approach to conflict

resolution for looking at potential conflict solving and institutional arrangements between the BFI and Ancestral Domain/Ancestral Land (AD/AL) claimants.

The next chapter, Chapter 3, outlines the research methodology and the practical methods of the data collection and analysis employed during the field work.

## **Chapter 3**

### **Research Methodology**

The overall aim of this research, as detailed in Chapter One is to understand the nature of the problems in developing countries' forestry in the Philippines and to gain insights on how the government might strike an appropriate balance in accomodating indigeous peoples interests while also providing assurance for long-term sustainability of production forest resources. Research questions emphasized the alternative strategies, key criteria and strategies for reaching agreement. This chapter discusses the method in how the research was undertaken to address these goals and questions.

#### **3.1 Study approach**

In this research, a single case study is considered as an appropriate research approach within the qualitative genre. According to Yin (2003:13) "a case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident". Further, this qualitative case study is described as an instrumental case study, where the case is of secondary interest, it plays a supportive role facilitating understanding of a social issue or refinement of a theory (Sarantakos, 2005:211). The case study chosen, however, is also important in its own right because my position as a researcher is somewhat compromised by my position as an NZAID scholarship recipient released temporarily from my employer as the Financial Management Information System Officer in BFI. I am also a member of the indigenous people of the area in which BFI operates. There is therefore an expectation that my research will be of direct relevance to both and, as the Bukidnon forestry project meets the criteria of being a forestry site intended for commercially viable sustainable timber producer and has become enmeshed in difficulties relating to indigenous claims, understanding it has special importance for me.

Triangulating is a method of cross checking data and information using more than one source (Laksmi, 1998). Triangulation is achieved in this research by using semi-structured interviews with the key informants, supported by secondary data from reliable sources (e.g. project and government reports, Ancestral Domain/Ancestral Land (AD/AL) reports and other relevant information), and field observation. The four different sources of information important in this research include: government agencies, donor agency, company and the AD/AL claimants (IPs).

### **3.2 Qualitative research interviews**

In the actual fieldwork, semi-structured interviews using open-ended questions were used. Interview questions were prepared (Appendix B) in advance to serve as guides for the researcher during the interview. According to Schostak (2006:116), an interview provides a “means of mapping the position of the actors in the worlds that they co-create”. In using open ended questions, the researcher was able to engaged an open discussion and in-depth interview with the key informants, and was able to get first hand information from them, and through dialogue, gain insights into their and my own construction of Bukidnon forest project. Additionally, a probing of the interviews were undertaken. The Probes or prompts were useful in filling the gaps in the research participant’s responses to a question. Providing adequate time between the interviews has helped the researcher do an initial content analysis and develop further areas of inquiry during the field research. As the researcher’s knowledge was extended so to was the depth of some questions, resulting in recontacting some interviewees for subsequent clarification or responses.

There were 23 key informants interviewed in this research. The criteria in selecting the key informants especially those in the government office or agencies was based on their official capacity in a position where they are knowledgeable and involved in key aspects of the Bukidnon forestry project. Likewise, the AD/AL head claimants were selected from the official list of AD/AL claimants within the BFI area provided by the office of the Provincial NCIP in Bukidnon.

Interviews with the Officials in the concerned department or government agencies are central in framing the interests and concerns on the project. The AD/AL claimants were also identified as important and will have influence in resolving the long-term sustainability of the project under study. Their aspirations, position or stand, needs, interests, fears were identified. The history and current status of the project under study needed to be known in order to have a better understanding about the corporation, their success and failures, interest, needs and concerns.

### **3.3 Secondary data**

Apart from the information gathered from the interviews with the key informants and personal observations made, secondary data from reliable sources were gathered and collected by the researcher. The secondary data were sourced from the office of various agencies, namely: Bukidnon Forests Inc. (BFI), Foreign Assisted Special Project Office (FASPO) Department of Environment and Natural Resources (DENR) Central Office, National Commission on



Indigenous Peoples Office (NCIP) Provincial Office of Bukidnon, Bukidnon Forests Community Development Foundation (BFDCF) Office, and also documents from the AD/AL Head Claimants. Other information was also taken from the websites of the different Philippine Government agencies and Local Government Units (LGUs), and published article in local newspaper. The source documents (Appendix C) include regulatory reports required by the different government agencies, official letters, memorandum letters, the Philippines and New Zealand Exchange of Notes (EON), BFI Integrated Forest Management Agreement (IFMA) and other relevant documents. The secondary data significantly helped the researcher to fill the gap or missing information and on the other hand corroborate information taken from the interviews. These documents enabled considerable triangulation between the recollections and view points of participants and the paper recording of key matters they contemporaneous, also enabled cross checking and the interviews aided interpretations of the documentary materials. According to Jonsen and Jehn (2009) triangulation is useful to validate themes in qualitative studies.

### **3.4 Observations**

Participation and direct observations were also employed in this research. Active participant observation in the events being studied enabled the researcher to recognize things from the perspective of an ‘insider’ (emic as opposed to etic or outsider view) (Burns 2000). The main drawback in participant observation is the tendency for the researcher to manipulate or alter events (Burns 2000). It is assured that my participation did not alter the natural settings and there was no manipulation done in my part of the natural occurrence of events. In addition, field notes were recorded in my diary during the entire course of fieldwork.

#### **3.4.1 Positionality**

As a BFI employee, a local resident and an indigenous person, I was given the trust from both parties (e.g. interviewees from both BFI and IPs). Hence, access to valuable information was willingly given to me by both parties. Though, I had considerable grounds for being seen as both an insider and an outsider in each interview and during observations, as a general rule I was careful to maintain a neutral position on topics discussed and without exception I found myself treated as an insider by each group except government officials. This has meant being obligated to preserve the anonymity of most interviewees, but at the same time as a researcher I feel obligated to report both positive and negative findings. I do so in the belief that an open report will be of most value on all sides in advancing forward a sustainable future for all.

### **3.5 Qualitative data analysis**

According to Sarantakos (2005: 344) in qualitative research, “data are collected, coded, conceptually organised, interrelated, analysed, evaluated and then used as a spring-board for further data collection, processing and analysis, until saturation is achieved”.

Interviews were recorded with the use of audio-visual equipment with the approval of the respondents. Interviews were transcribed. This helped the researcher do initial content analysis through reflective reading and develop further areas of inquiry during the field research.

In the process of data collection, the researcher conducted some basic analysis, this served as a guide to research in fruitful directions and facilitated more effective treatment and coverage of research topic. The actual full analysis was done after data gathering was completed

#### **3.5.1 Coding**

The coding method was based on the emerging themes identified in the process of analysing the data/information. Due care is done in order not to lose the richness of the data. Likewise, memos were also written and linked to the emerging themes. However, during analysis it became apparent that the concept embedded in the collaborative approach (interests, positions, concerns) appeared to fit well with the emerging themes. It was subsequently adopted for presentation and discussion purposes although augmented in places by other concepts that had emerged as important from the interviews (e.g. liquidity of BFI).

#### **3.5.2 Data displays**

Data display involves organizing, compressing and assembling the information (Lofland and Lofland 2006). The data collected were displayed in a variety of styles (e.g. graphs, charts, tables, matrix, and diagrams of different types), words and images helped the researcher to interpret the situation and gain a depth understanding of the groups 's norms, values and perception of risk (Denscombe, 2010 p.104). Relevant information illustrated in the prescribed data display style were used to support text data or information. The most useful and relevant diagrams, tables and graphs have been reproduced in this thesis.

After all the data were organized and displayed in an orderly manner, there was a reflection on the whole data gathering process so to ensure that all information from the participants were not misinterpreted. This was to check and validate findings. Then, the next step involved linking all main themes drawn from the qualitative data to the research questions and come up

with conclusion. It was at this stage that the relevance of the collaborative framework discussed above became evident.

### **3.6 Ethical considerations**

Prior to the individual interview, each key informant was contacted by the researcher and his/her consent and willingness to participate in my research was sought. In order to provide the key informants with good understanding on the research, they were provided with a research summary written in English (Appendix D) which stipulates the problem, aim and objective of the research as well as his/her rights to withdraw if he/she wishes pull out from his/her participation in the research after the interview. The final date when the key informant must inform the researcher regarding his/her withdrawal from participating in the research was also specified. A consent form confirming to participate in the research and authority to access public documents (Appendix E and G) were also issued. A copy of the consent form signed and confirmed by the key informant was retained by the researcher as well as one copy for the key informant. Additionally, key informants were assured of the confidentiality of the information obtained from the interviews and were given the assurance that his/her name will not be disclosed in the final report by using a pseudonym in his/her behalf. The interview with each key informant was conducted in places, dates and time convenient to the interviewees.

The hard copy of the transcribed data were kept in a safe and secured place and a soft copy was stored in my personal computer and backed-up in a USB.

### **3.7 Limitations**

One of the limitations identified in this research was the short period for data collection as the New Zealand Agency for International Development (NZAID) scholarship arrangement allowed for a maximum data collection period of three months. In addition, studies focusing on sustainable forest management in a very complex environment that involves conflict of interests in the use of land between the indigenous people and forest development project require a wide range of coverage. Therefore, this research had a wide scope and the depth of investigations was consequently limited to make it manageable within the available time of three months for data collection. Finally, due to the limited time and lack of technical expertise in silviculture, and the presence of insurgents within the project areas, the research study adopted more of a personal observation approach supported by interviews and documents analysis rather than scientific examination of the actual biological and physical characteristics of the whole forests area to determine forest conditions. Given the cited

limitations, the results from this research study should be treated as indicative rather than definitive.

### **3.8 Chapter summary**

The methodology chapter has discussed how a single case study was designed. The principle of triangulation is applied in this research using qualitative research interviews supported by secondary data and field observations. The three main sources of information considered as important in this research include government agencies, donor agency, company and AD/AL head claimants (IPs), comprising a total of 23 key informants. Sources of the secondary information include project and government reports and AD/AL claimants' reports and other relevant information. In the conduct of field observation, I was careful to maintain a neutral position on topics discussed. In addition, field notes were recorded in my diary during the entire course of fieldwork.

The following chapter presents the human and physical setting of the case study.

## Chapter 4

### The study Setting: Physical and Human

This chapter presents the physical, human and economic setting of the study. The focus is on Bukidnon Province where the project sits and in particular the three municipalities and one city, within the Bukidnon Province namely: Malaybalay City, Impasug-ong, Manolo Fortich and Malitbog where the whole project area is located.

#### 4.1 The physical setting

The physical setting includes the location, elevation and topography, slope, land classification, climate, geology, soils, temperature and relative humidity of the project case study.

##### 4.1.1 Location

Bukidnon (Figure 3) lies on the north central part of Mindanao Island approximately within 1240 31' 00" and 1250 16'00" east longitudes and 70 25' 00" and 80 38'00" north latitudes. The province is bounded in the north by Misamis Oriental, in the east by Agusan del Sur and Davao del Norte, on the south by North Cotabato and on the west by Lanao del Sur, Iligan City and part of Misamis Oriental. It has a total land area of about 8,962.38 square kilometres. Bukidnon is within the administrative jurisdiction of Region X, which is also known as the Northern Mindanao Region.



Figure 3. Location map of Bukidnon

The Province of Bukidnon is politically divided into three districts, namely: First District composed of the municipalities of Manolo Fortich, Talakag, Malitbog, Libona, Baungon, Kalilangan, Pangantucan, and Sumilao; Second District composed of the municipalities of Cabanglasan, Impasug-ong, Lantapan, San Fernando, Malaybalay and Valencia City; and the Third District is composed of the municipalities of Maramag, Quezon, Don Carlos, Kadingilan, Kitaotao, Danggagan, Kibawe and Damulog. There are 20 municipalities and 2 component cities comprising the province. These 20 municipalities and 2 component cities are subdivided into 464 barangays. The municipality of Impasug-ong has the biggest land area of 1,166.10 square kilometres while Danggagan has the smallest area with only 117.00 square kilometres.

#### **4.1.1.1 Malaybalay City**

Malaybalay, the provincial capital of Bukidnon, is accessible by air or sea via Cagayan de Oro City and thence by one and a half-hour ride by motor vehicle along Sayre Highway that extends as far south to Davao City.

The City of Malaybalay is within the grid coordinates between 8° and 9° north latitude and 125° east longitude. It is strategically located at the eastern side of Bukidnon. Malaybalay is bounded on the north by the Municipality of Impasug-ong, in the south by the Municipalities of Valencia and San Fernando, on the west by the Municipality of Lantapan and Mount Kitanglad and in the east by the Pantaron Ranges. The Pantaron Ranges separates Bukidnon from the province of Agusan del Sur and Davao del Norte.

The City is 91 Kilometres south of Cagayan de Oro City passing through creeks and rivers and winding road along rolling hills and into vast verdant plains.

Originally, Malaybalay has an area of 268,019 hectares before the creation of the municipalities of Valencia, Lantapan and San Fernando in the 1960s and the municipality of Cabanglasan in the 1970s. The area of the municipality is 108,259 hectares before it was created a city on March 22, 1998. As of today, the area was reduced to 93, 913 hectares pending resolutions of some boundary conflicts.

#### **4.1.1.2 Manolo Fortich**

Manolo Fortich lies in the northern part of the Province of Bukidnon. It is bounded in the north by Cagayan de Oro City and the Municipality of Malitbog, in the east by the Municipality of Sumilao and Impasug-ong, in the west by the Municipality of Libona and Baungon and in the south by the rugged ranges of Mt. Kitanglad. It lies specifically between the latitude 8010' to 8030' and longitude 1240 45' to 1250 00'.

Per official records of the Department of Environment and Natural resources (DENR), the Municipality of Manolo Fortich has a total land area of 42,556.04 hectares. This figure is 20% lower than the figure declared by the Bureau of Soils and Water Management (BSWM) of which is 53,350 hectares and has been correspondingly used for any planning purposes.

#### **4.1.1.3 Impasug-ong**

The Municipality of Impasug-ong is strategically located in the north-eastern part of the Province of Bukidnon within the grid coordinates 80 7' to 80 35' north latitude and 1240 54' to 1240 18' east longitude. The municipality is one of the six municipalities of Central Bukidnon which is bounded on the north by the Municipality of Claveria, Province of Misamis Oriental, on the northeast by the Province of Agusan del Sur, on the southeast by the City of Malaybalay and on the west by the Municipalities of Manolo Fortich and Malitbog. The municipality has a total land area of 107,167.00 hectares

#### **4.1.2 Elevation and topography**

Considering the elevation, the province is classified as “highlands”. This is because 83.58% of the territory exceeds 500-masl elevation.

Mount Kitanglad with an elevation of 2,380 meters above sea level is an extinct volcano occupying the central portion dominating the Bukidnon Plateau. The plateau, on the other hand, is characterized by a slightly rugged topography and is best described by its rolling hills and flatlands, which are mainly drained by deeply incised Cagayan, Pulangi and Tagoloan rivers and ravines. At Mailag, 23 kilometres south of Malaybalay, the plateau begins to descend and gradually merges into the lowlands of Cotabato province.

The southern border of the province is generally mountainous with highest peaks of 2,287m and 1,678m for Mount Kalatungan and Mount Tankulan, respectively. The whole eastern and south western borders adjoining Agusan, Davao and Cotabato are lofty and densely forested mountains.

The gently rolling plateau covers a greater part of the province, while alluvial plains cover only 2% of the total area. About 49% is composed of rugged hills and mountains, 3% is undulating to rolling landscape, 8% is nearly level, 5% is alluvial lowlands and 4% is canyons and gorges.

The terrain of the city varies in landform and characterized by its rolling hills and low plains, alternated by rivers and creeks, with deep canyons and valleys. The average elevation is 622 meters above sea level.

### 4.1.3 Slope

In terms of slope (Table 5), the biggest portion of the province is 38.37% of the total, which belongs to class S6 and has a slope of over 50%, called the mountain sections. This is followed by class S5, having a slope of 30-50% called the steep hill regions and occupies 15.72% of the land. Next is class S4 which has a slope of 18-30%: classified as rolling terrain to hilly terrain covering 15.04% of the land. In fourth place is class S1 with a slope of 0-3% known as gentle plains which occupies 13.25% of the province. This is followed by S2 having a slope of 3-8% characterized by a gentle slope covering 9% and the last and the smallest segment is S3 having a slope of 8-18% characterized as undulating to rolling and occupying 8.62% of the total land area.

Table 5. Area in hectares by slope classes and by Municipality, slope ranges (%) in Bukidnon Province

MUNICIPALITY	S1 0-3	S2 3-8	S3 8-18	S4 18-30	S5 30-50	S6 >50	TOTAL
Baungon	2,152	3,188	2,820	8,380		14,592	31,132
Cabanglasan	6,208	3,248	2,108	296	3,262	5,656	20,778
Damulog	368	724	3,164	7,904	10,524	440	23,124
Dangcagan	2,916	1,418	542	262	1,210	204	6,552
Don Carlos	5,428	3,500	5,888	302		390	15,558
Impasug-ong	168	6,860	5,244	7,576	2,996	48,646	71,490
Kadingilan	3,304	3,500	3,966	4,328		2,820	17,918
Kalilangan	2,344	5,916	5,344	5,968	6,462	2,788	28,102
Kibawe	2,224	2,200	3,208	4,474	7,138	548	19,798
Kitaotao	3,896	1,976	1,180	3,932	7,100	21,208	39,292
Lantapan	1,636	6,992	2,804	2,630	4,248	17,686	35,966
Libona	5,972	4,158	5,454	1,578	7,598	6,324	31,084
Malaybalay	16,860	7,460	3,890	15,078	29,224	32,228	104,740
Manolo Fortich	13,616	3,580	1,258	2,328	4,456	15,220	40,458
Maramag	9,994	5,078	7,692	16,846	7,476	5,412	52,498
Malitbog	2,146	446	1,916	7,140	10,916	32,398	54,960
Sumilao	428	3,188	4,556	5,288	2,316	4,736	20,512
San Fernando	3,916	1,240	544	906	1,498	46,958	55,062
Pangantucan	1,776	2,466	3,986	7,312	7,472	11,138	34,150
Quezon	12,252	2,168	2,924	10,394	5,320	28,352	61,410
Talakag	2,760	4,860	5,256	14,894	18,936	24,188	70,894
Valencia	18,354	7,176	3,552	6,996	2,716	21,934	60,728
<b>TOTAL</b>	<b>118,718</b>	<b>80,678</b>	<b>77,296</b>	<b>13,4812</b>	<b>140,868</b>	<b>343,866</b>	<b>896,238</b>
<b>PERCENT</b>	<b>13.25</b>	<b>9.00</b>	<b>8.62</b>	<b>15.04</b>	<b>15.72</b>	<b>38.37</b>	<b>100.00</b>

Source: DENR, Malaybalay, Bukidnon, 1993.

### 4.1.4 Major land classifications and land uses

The total provincial land area is classified in Table 6. Approximately 61% are classified as timberlands, of which 61% is production forest.

Table 6. Land classification in Bukidnon Province

Land Classification	Areas (ha)	%
A. Alienable & Disposable	321,576	38.77
B. Timberland	507,802	61.23
b. 1. Production	312,298.23	61.50
b. 2. Protection	195,503.77	38.50
Total Land Area	829,378	100.00

Source from PENRO Bukidnon



In Malaybalay City, the total land area is classified into the following (Table 7), 38.2% is classified as protection forest, followed by lands that are open and/or cultivated which is 33.6%. Production forest accounts for 26.9%.

Table 7. Land classification in Malaybalay, Bukidnon

Land Classification	Area (ha)	Percent (%)
A. Alienable and disposable	1,278.19	1.18
B. Agricultural Lands	36,386.19	33.61
C. Timberlands	70,594.59	65.19
c.1. Production Forest	29,203.94	26.96
c.2. Protection Forest	41,390.65	38.23
Total	108,259	100

Source: City Land Use Plan (CLUP)

The municipality of Impasug-ong has a total land area of 107,167.00 hectares with 82.68 percent classified as timberlands and 17.32 percent alienable and disposable lands (Figure 4).

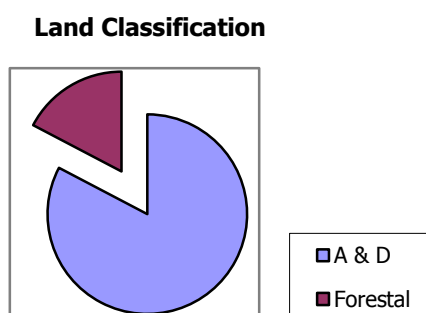


Figure 4. Impasug-ong land classification

In Manolo Fortich, the total land area (Table 8) is classified as follows: The municipality has a large expanse of alienable and disposable lands which is 71% of the total land area. The remaining 28% is forest lands.

Table 8. Land classification in Manolo Fortich, Bukidnon

Land Classification	Area (ha)	Percent (%)
Alienable and disposable	30,358.40	71.34
Forest/Timberland	12,197.63	28.66
Total	42,556.04	100.00

Source: Municipal Comprehensive Land Use Plan, 2006

#### 4.1.5 Climate

Bukidnon is within two (2) climate types. In central portion of the province, the season is not very pronounced, while in the northern most portions rainfall is more evenly distributed throughout the year. It is relatively dry from November to April and wet during the rest of the

year. The months from May to October are heavily laden with moisture. About 80% of the annual total rainfall occurs during these months. Malaybalay and Impasug-ong area receive higher rainfall than the rest of the volcanic plains. High rainfall in these areas is brought about by the uplift induced by the influence of orographic barriers. The months of November and December represent the transition period of decreasing rain. During the months of January to March, the season becomes drier. Bukidnon Province is relatively cool and humid throughout the year. February is considered the coldest month while April is the hottest.

#### **4.1.6 Geology and soils**

Except for the soils of the river terraces that are loamy, the soils in Bukidnon are mainly clay due to the extent of fine-grained volcano rocks, various sedimentary derivatives and pyroclastics. The very deeply weathered reddish brown to yellowish brown upland soils consist of 50% to 60% clay. Due to their non-expanding and non-cracking nature, the clays in Bukidnon are presumed to be of the kaolinitic type.

Majority of the soils in Bukidnon are deep to very deep except those that were developed from limestone, ultra basics and on localized areas where rock fragments dominate. Very thick deposition of pyroclastics and intense weathering has produced deep profiles even on relatively steep slopes.

On the other hand, soil erosion is still minimal due to the vegetative cover prevailing in the area. Although much of the undergrowth is covered by grass, the matted rhizomes or root systems of the grass help in keeping the soil together. This is evident by the water quality of the Tagoloan River, the Can-ayan River and the Tigbawan Creek which is still clear. During heavy downpour, the water naturally becomes turbid but still of acceptable coloration unlike the water quality found in the lower elevations where the water colour is already chocolate brown – signs of bad sedimentation and siltation.

Soil properties are weakly influenced by elevation. Acidity, organic matter content, available P, exchangeable K and pH values fluctuate regardless of the elevation range. As such, there are other factors, which influence the soil properties, such as the presence of vegetation, particularly the forest trees, the influence of fire and rainfall.

The area is generally sufficient in nitrogen because of the many leguminous plants such as the Makahiyang Lalaki which are nitrogen-fixing plants. Overall, the area is deficient in P and K but have high O.M. content.

The most pressing soil problem is its high acidity. Except for the soils in the alluvial plains and those derived from limestone which are slightly acidic to neutral, all upland soils are strongly to moderately acidic. High soil acidity is mainly due to the dominance of pyroclastics materials which tend to produce acid soils and the high rainfall which promoted heavy leaching.

#### 4.1.7 Temperature

Monthly mean temperature in the area ranges from 23.2C for the months of January and February to 25.1C for the month of May. The average lowest monthly minimum temperature is 17.5C and occurs in the months of February and March. The average highest monthly maximum temperature occurs in April at 31C. The annual mean temperature is 24C. The average annual minimum and maximum temperatures are 18.5C and 29.5C, respectively. The highest and lowest temperatures recorded in the area for the period from 1949 to 2005 were 36.2C and 10C. The highest temperature occurred on May 16, 1998 and on April 24, 1998. The lowest recorded temperature occurred on February 4, 1973.

#### Relative Humidity

Monthly mean relative humidity (R.H.) ranges from 78% (April) to 87% (July). The annual mean R.H. is 84%. Monthly mean sea level pressure (MSLP) ranges from 1,004.8 mbs (May) and 1,008.2mbs (February and March). The highest and lowest sea level pressure experienced in the area from 1949 to 2005 was 1,020.5 mbs and 960.6 mbs, respectively. The highest and lowest sea level pressure occurred on January 7, 1972 and October 12, 1970.

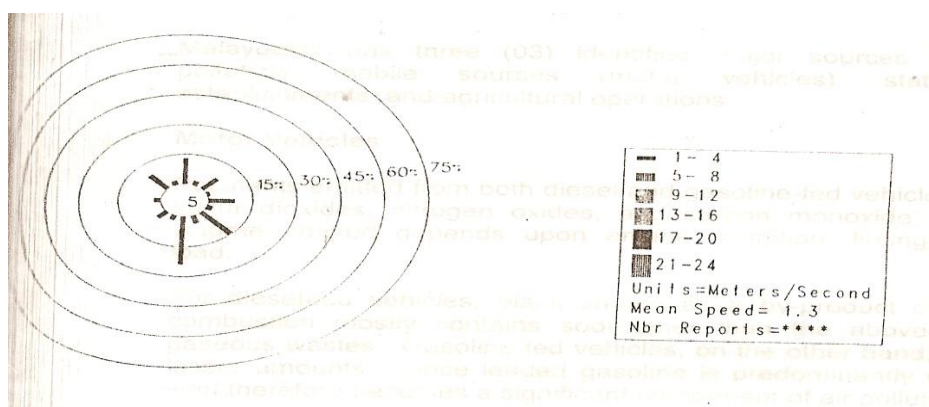


Figure 5. Annual wind Rose diagram, 1961-1995 (Malaybalay, Bukidnon)

## **4.2 The human setting**

### **4.2.1 Bukidnon Provincial history**

“The people of the mountains were referred to by the Spaniards as Bukidnons and all the people found in the mountains of Mindanao were called Manobo (Malay; Manusia means man; Tirurai, Bagobo; Manobo means man; Moro Maguindanao; Manobo means mountain people). It seems that Manobo is a generic term or name for people of great divergent culture, type and language” (EIS, 2009 p.166).

The tribes in the province of Bukidnon are indigenous and their names are derived from the watershed that they occupy, each ruled by a Datu, the chieftain. Generally, these people are Bukidnon with slight differences in dialects and more language affinities in their speech. The Datu is one who settles disputes and gives judgment whenever their unwritten laws called Batasan are violated. The Bukidnon Datu holds great influence and is somebody to reckon with where peace and order conditions are concerned in the hinterlands even today.

The Bukidnon have different degree of acculturation. The first degree-Bukidnons are those leading the most nearly traditional lifestyle. This includes living far removed from any centre of lowlander habitation, deep in the forest along the watershed of the main rivers. The second degree-Bukidnons live directly in the fringe and directly within the bounds of a lowlander. The third degree Bukidnons are highly assimilated Bukidnon, able to send their children off to school. The fourth degrees Bukidnons has fully assimilated the ways of urban living and hardly acknowledges the old ways of their background. The fifth degree-Bukidnons are largely recent immigrants from the rest of the Philippine archipelago and Bukidnon as their permanent home.

The traditional culture of Bukidnon is a pride to all. The oral folk literatures are classified into; Antoka (riddles), Basahan (proverbs or wise sayings), Kaligaon (ceremonial songs), Limbay (lyric monotheistic. They believe in one God. Marriage is almost always through parental arrangements, but now only practiced found among the people in the hinterlands. Their musical instruments are the pulala (bamboo Flute), salambing (small agong), and kudyapi (guitar). Embroidery process is called panulam and the embroidered cloth is called pinamulaan.

Bukidnon became part of Misamis Province as a municipality in 1850. The whole area was then called Malaybalay (few houses) and the people were known as Bukidnons (mountain people).

The Philippine Commissioner Dean C. Worcester, Secretary of Interior and a member of the Philippine Commission proposed the separation of Bukidnon from the Misamis Province. In

20 August 1907, Philippine Commission Act 1693 was enacted which created the province of Agusan and Bukidnon as a sub province. It became a regular province on 01 September 1914 by virtue of the creation of the Department of Mindanao and Sulu.

#### **4.2.1.1 Malaybalay historical and cultural perspective**

The original inhabitants of Malaybalay were said to have come from the seashores of Northern Mindanao but were driven inward by marauding pirates and the colonizing Spaniards. Before the final conquest of the hinterlands of Mindanao, Malaybalay together with Sumilao, Linabo, Mailag and Silae had been known settlements in Bukidnon.

In 1850 with the outbreak of epidemic, the entire village of what is now Kalasungay (an old settlement site of Malaybalay) was burned down during the battle with Spaniards. All male adults were killed on sight. All women and children were taken hostage. It was the last recorded resistance by the inhabitants against the conquering Castilian Army.

Few years later, those who survived and fled to Silae slowly came back and settled near the Sacub River (what is now the Rizal Park) under the protection of Datu Mampaalong. This leader led 30 other datos on June 15, 1877 to accept Spanish dominion and embraced Christianity; 356 years after Spain first discovered the Philippines. On that day of 1877, Malaybalay and environs becomes pueblo with the name “Oroquita del Interior” with a territory covering the land area of what is now the entire province of Bukidnon. But somehow the original name of Malaybalay remained.

During this time up to the end of the Spanish Rule in the island, for a period of 20 years, Capitanes who were appointed from among the acknowledged tribal chieftains governed Malaybalay.

With the creation of the Province of Bukidnon by the American Military Government, Malaybalay became a capital town with a reduced territory. The municipalities of Valencia, San Fernando, Lantapan and Cabanglasan were still part of Malaybalay until the mid-sixties and seventies when they were created municipalities.

#### **Towards The Cityhood of Malaybalay**

The idea of the converting the Municipality of Malaybalay, the capital town of the Province of Bukidnon started in the early part of 1994 when it qualified two requisites for creation, income, and land area, as certified by the National Statistics Office and the Department of Finance. It was publicly announced by the Congressman of the Second District of Bukidnon, the late Hon. Reginaldo N. Tilanduca who signified to sponsor a bill in the Lower House. The

other Senator Gloria Macapagal Arroyo who was also present during the 177th Foundation Day declared to sponsor the bill in the Senate.

On March 26, 1996, the Sanggunian Bayan of Malaybalay passed Resolution No. 3599-96 petition Congress for the creation of the Municipality of Malaybalay, Province of Bukidnon into a city.

Then later, on December 27, 1997, the Department of Finance through the Executive Director Lorinda M. Carlos certified that the average annual regular income of the Municipality of Malaybalay for Calendar Years 1993 and 1994 based on 1991 constant prices amounts to Twenty Nine Million Two Hundred Ninety Five Thousand Twelve and 37/00 pesos (P29, 295,012.37) which therefore meets the minimum income requirement of P 20,000,000.00 provided for in Section 450 of R.A. 7160 (Local Government code of 1991) for the conversion of the municipality into a component city.

During the first Regular Session of the Tenth congress, the Congressman of the second District of Bukidnon, the late Hon. Reginaldo N. Tilanduca introduced House Bill No. 6275 entitled, an Act converting the Municipality of Malaybalay into an Independent Component City to be known as the City of Malaybalay. In his explanatory note, the congressman stressed that the conversion is imperative, for the effective delivery of basic regular and direct services to its constituency. Furthermore, its conversion will enhance the development of Malaybalay, which is presently the seat of government and the centre for education, commerce, trade and industry in central Bukidnon.

#### **4.2.1.2 Manolo Fortich historical and cultural perspective**

Manolo Fortich was named after Don Manolo Fortich who once resided in Barrio Dalirig. He was acknowledged as an outstanding citizen since he was also instrumental in organizing several municipalities in Bukidnon. He was the grandfather of the former governor of Bukidnon, Hon. Carlos O. Fortich.

The original name of the municipality was Maluko (from April 4, 1917 to June 20, 1957, where the first seat of the municipal government was established. The municipality of Maluko was created through Resolution No. 98, series of 1916 and was revised through Executive Order No. 4, series of 1917 by the Provincial Board of Bukidnon and finally through Executive order No. 5 dated April 1917. This was further amended by Section 36 of the Administrative Code of the department of Mindanao and Sulu, which set the present boundaries of the municipality.

#### **4.2.1.3 Impasug-ong historical and cultural perspective**

The origin of the town's name "Impasug-ong" is a Higaonon term, which means, "make the current come upstream". The present site of the seat of government of Impasug-ong is Poblacion. The Municipality was called Impasug-ong after the name of a spring located northwest of Poblacion. It is said that water coming from this spring flows and returns to its source when it meet another body of water from a creek that runs alongside of the spring. Thus, the original inhabitants called the spring Impasug-ong. The place then called Impasug-ong consisted of a group of mountain ranges. When this area became a municipality, the people named it Impasug-ong after the name of the barrio, which is now called Poblacion.

The town was created by virtue of the declaration of Fray Mateo Bernard, Spanish Parish Priest of Tagoloan in June 1877. The reverend father declared Impasug-ong together with its eight (8) neighbouring population centres into one town under the Province of Misamis. The town was organized in the name of His Majesty Don Alfonso XI, the King of Spain. Governor General Don Domingo Moriones Y Murillo named the place Velabieta, a town of the Province of Misamis.

The declaration of Fray Mateo Bernard was approved by the Chief of the Second Politico Military District of Mindanao (Misamis) on September 6, 1877. However, the place of the nine (9) mountain settlements continued to call the place Impasug-ong.

When Agusan was separated from the Province of Misamis and became a regular province, Bukidnon became sub-province of Agusan and Impasug-ong as one of its town.

When the approval of the Administrative Code of the Department of Mindanao and Sulu in 1916, Bukidnon became a regular province and Impasug-ong remained as one of its town with five (5) barrios, namely: Poblacion, La Fortuna, Impalutao, Guihean and Dumalaguining, with the seat of the Municipal Government at Poblacion.

During the 19th century, Spanish Colonizers appointed Datus to rule over the territory. In 1900, when America gained control of the country from Spain, the late Don Manolo Fortich was appointed Lt. Governor of the sub-province of Bukidnon. Datu Hernan Anlod-ay was appointed municipal president followed by Datu Salvador Manhura and then by Mr. Anastacio Ateo who served from 1929 to 1937.

When the Philippines Commonwealth Government was established in 1938, the title President was replaced with Mayor or Alcalde. The first appointed mayor was Vicente D. Abante who served until outbreak of World War II. During the war years, the Municipal Government was

transferred to Barrio Dumalaguing and Abante remained as the mayor. At the end of the war, Abante was formally re-appointed as Municipal Mayor by the late President Manuel A. Roxas and his term extended until 1947.

#### **4.2.1.4 Malitbog historical and cultural perspective**

The Pioneers of this municipality were group of Bukidnon Tribes who had a small settlement nearby a spring called Abo-on. As their number increased, they began to call the entire municipality as Abo-on. However, there were divergent opinions to have this name changed because Abo-on referred only to a small cluster of settlers.

The name was then changed to Malitbog, on the account of Malitbog River traversing their settlement and likewise the principal source of fishing, the natives' favourite livelihood. Their seat of government located nearby Malitbog River was also another consideration. Malitbog had existed as early as 1848 under the baton of Alias Amay Mantobaga, a Teniente del Barrio and an equivalent to the present position of a Punong Barangay.

### **4.3 The social setting**

Provincial statistics are derived from the 1995 Census of Population Report No. 2-19 J : Socioeconomic and Demographic Characteristics for Bukidnon as compiled by the National Statistics office and 1997 Socioeconomic profile for the Province of Bukidnon prepared by the Provincial Planning and development office, Malaybalay City.

#### **4.3.1 Population size and density**

The total population of Bukidnon, as of 2007 is 1,190,284 persons (Table 9). The 2007 population has increased by 129,869 persons over the 2000 figure. In terms of population size, the top three municipalities of Bukidnon were Valencia (162,745 persons), Malaybalay (144,065 persons), and Quezon (91,119 persons). Together these three municipalities accounted for 33.43% of the population of the province.

The population of Bukidnon grew at an average annual growth rate of 1.75% during the intercensal period 2000-2007. If this growth rate continues, the population of Bukidnon is expected to double in 27 years, increasing by almost 18,553 persons every year or about two persons per hour.



Table 9. Population census enumerated by district: 1990,1995, 2000 &amp; 2007

District/ Municipality/City	Population				Population Change		
	1990	1995	2000	2007	1990- 1995	1995- 2000	2000- 2007
Bukidnon	843,891	940,403	1,060,415	1,190,284	11.44	12.76	12.25
District 1							
1 Baungon	19,774	22,617	26,695	29,757	14.38	18.03	11.47
2 Kalilangan	23,923	26,973	30,592	36,557	12.75	13.42	19.50
3 Libona	29,652	31,897	33,273	35,670	7.57	4.31	7.20
4 Malitbog	14,934	16,414	19,465	21,948	9.91	18.59	12.76
5 Manolo Fritch	61,329	67,400	74,252	82,051	9.90	10.17	10.50
6 Pangantukan	35,777	38,418	43,202	46,689	7.28	12.45	8.07
7 Sumilao	13,494	15,640	17,958	21,720	15.90	14.82	20.95
8 Talakag	35,379	39,378	48,326	53,316	11.30	22.72	10.32
Sub-total	234,262	258,737	293,763	327,708	10.45	13.37	11.56
District 2							
1 Cabanglasan	26,351	29,288	32,305	32,817	11.15	10.30	1.58
2 Impasug-ong	22,629	25,389	31,173	39,315	12.70	22.78	26.12
3 Lantapan	33,581	36,943	42,383	51,406	10.01	14.73	21.29
4 San Fernando	29,052	34,299	40,165	44,595	18.06	17.10	11.03
5 MalaybalayCity	94,722	112,277	123,672	144,065	18.53	10.15	16.49
6 Valencia City	116,110	128,623	147,924	162,745	10.78	15.01	10.02
Sub-total	322,445	366,819	417,622	474,943	13.76	13.85	13.72
District 3							
1 Damulog	13,595	15,010	20,332	21,183	10.41	35.46	4.18
2 Dangcagan	14,823	16,660	18,857	21,254	12.39	13.19	12.71
3 Don Carlos	45,815	51,083	55,495	60,870	11.50	8.64	9.68
4 Kadingilan	23,911	26,093	25,858	30,135	9.12	-0.90	16.54
5 Kibawe	28,608	30,783	32,955	35,213	7.60	7.06	6.85
6 Kitaotao	34,472	38,404	37,733	42,212	11.41	-1.75	11.87
7 Maramag	55,394	62,673	75,233	85,647	13.14	20.04	13.84
8 Quezon	70,266	74,141	82,567	91,119	5.07	11.36	10.36
Sub-total	287,184	314,847	349,030	387,633	9.63	10.86	11.06

Source: NSO 2000 &amp; 2007 Census of Population

With a land area of 8,293.78 square kilometres and a continuously growing population, the average population density of the province is 144 persons per square kilometre (Table 10) during the year 2007.

Table 10. Bukidnon population density by district and municipality: 1990,1995, 2000 and 2007

District/ Municipality/City		Population Density (Sq.km)				Land Area (Sq.km)
		1990	1995	2000	2007	
	Bukidnon	102	113	129	144	8,293.78
1	District 1	86	95	108	120	2,726.10
	Baungon	112	129	152	169	175.86
2	Kalilangan	156	176	199	238	153.59
3	Libona	121	130	136	146	244.95
4	Malitbog	58	63	74	84	260.53
5	Manolo Fritch	121	133	146	162	506.64
6	Pangantucan	104	119	126	136	343.34
7	Sumilao	65	76	86	105	207.49
8	Talakag	42	47	58	64	833.70
	Sub-total					
1	District 2	86	98	112	127	3,751.57
	Cabanglasan	126	140	154	157	209.00
2	Impasug-ong	21	24	29	37	1,071.67
3	Lantapan	139	153	176	214	240.76
4	San Fernando	45	54	63	48	938.63
5	MalaybalayCity	96	114	126	146	984.38
6	Valencia City	191	212	244	268	607.13
	Sub-total					
1	District 3	158	174	192	213	1,816.11
	Damulog	56	61	83	86	245.66
2	Dangcagan	129	145	164	185	115.15
3	Don Carlos	292	325	353	388	157.02
4	Kadingilan	139	152	150	175	172.06
5	Kibawe	133	144	154	164	214.35
6	Kitaotao	228	255	250	280	150.74
7	Maramag	157	178	214	244	351.72
8	Quezon	172	181	202	223	409.41
	Sub-total					

Source: NSO 2000 &amp; 2007 Census of Population

The number of household in Bukidnon rose to 175,288 in 1995, registering an increase of 24,048 households over the 1990 figure. The average household size declined from 5.6 persons to 5.3 persons over the five-year period.

Bukidnon is a male-dominated province as shown in the Table 11, with males comprising 51.6% of the population. The sex ratio (number of males for every 100 females) of the province in 2000 was 106.4 which were about the same as the 1995 figure.

Table 11. Population by age group and sex, 2000 Bukidnon

Age Group	Male	%	Female	%	Total	%
All Ages	546,674	51.60	513,591	48.40	1,060,265	100.00
Under 1	17,494	3.20	16,434	3.20	33,928	3.20
1 – 4	70,431	12.88	66,767	13.00	137,198	12.94
5 – 9	83,585	15.29	80,120	15.60	163,705	15.44
10 – 14	67,658	12.38	66,253	12.90	133,911	12.63
15 – 19	58,316	10.67	55,981	10.90	114,297	10.78
20 – 24	46,768	8.55	43,142	8.40	89,910	8.48
25 – 29	41,547	7.60	39,033	7.60	80,580	7.60
30 – 34	36,701	6.72	33,383	6.50	70,084	6.61
35 – 39	32,572	5.96	30,302	5.90	62,874	5.93
40 – 44	25,448	4.66	23,112	4.50	48,560	4.58
45 – 49	18,872	3.45	16,435	3.20	35,307	3.33
50 – 54	14,075	2.57	12,326	2.40	26,401	2.49
55 – 59	11,587	2.12	10,785	2.10	22,372	2.11
60 – 64	8,730	1.60	7,704	1.50	16,434	1.55
65 – 69	5,679	1.04	5,136	1.00	10,815	1.02
70 – 74	3,598	0.66	3,082	0.60	6,680	0.63
75 – 79	1,869	0.34	2,054	0.40	3,923	0.37
80 – 84	1,198	0.22	1,028	0.20	2,226	0.21
85 and Over	546	0.10	514	0.10	1,060	0.10

Source : PPDO Computed Ratio and Proportion based on 1995 NSO Census

#### 4.3.2 Education, literacy, and household population by highest education attainment

The literacy rates of household population 10 years old and over of the province is 88%. The population of literate females is 48.24% of that of the literate males is 51.76%.

More than half of the household population seven years old and over attended of completed elementary education. This percentage dropped considerably, from 61.6% in 1990 to 55.4% in 1995 to 53.9% in 2000. Those who reached or completed high school constituted 22.63%. This is higher by 1.0 percentage points over the 1995 figure of 21.6%.

The highest educational level achieved (Table 12) by the majority of the household is elementary education 53.9% while 22.6% reached high school. Only 1.82% has academic degrees. The percentage of academic degree holders declined from 3.4% in 1995 to 1.82% in 2000. Very few had a post-secondary and post baccalaureate education in 2000 (1.77% and 0.46%, respectively).

Table 12. Provincial household population 5 Years old and over by highest grade completed, 2000

Highest Grade Completed	Number	%
Total	912,947	100.00
1 No Grade Completed	77,764	8.52
2 Pre-School	21,074	2.31
3 Elementary	492,081	53.90
4 High School	206,589	22.63
5 Post-Secondary	16,140	1.77
6 College undergraduate	57,279	6.27
7 Academic Degree Holder	16,579	1.82
8 Post Baccalaureate	4,247	0.46
9 Not Stated	21,194	2.32

Source : 2000 Census of Population

### 4.3.3 Mother tongue, ethnicity and religious affiliation

Cebuano (74.9%) was the most frequent reported dialect spoken during early childhood. Bukidnon (11.30%) and Hiligaynon-Iloggo (9.9%) followed this. In the 1990 census, Cebuano, Bukidnon, and Hiligaynon were also the three dialects most often reported as mother tongue.

Religion is highly important social element in the lives of the people of Bukidnon. The Roman Catholic Church has the most followers with 81.99% of the 1995 population. However, it does appear that other Christian groups have gained some ground in the province. These include the Baptist (4.81%), Seventh Day Adventist (2.84%), Iglesia Ni Cristo (1.59%), and other religious sects.

### 4.3.4 Economic setting

#### 4.3.4.1 Labour force and employment

Based on the NSO 2002 statistics, the province has a total labour force of 560,556 persons (15 years old and over). This constitutes a labour force participation rate of 82.8%. Of the total labour force, 96.5% are fully employed while 3.5% are unemployed.

The major occupation with the biggest workers employed is non-gainful occupation with 236,609 or 40%. Farmers, forestry workers and fishermen rank second major occupation with

30.5% workers while the least occupation was on technicians and associated professionals group with 0.5% workers.

#### **4.4 Chapter summary**

This chapter presented the physical and human setting of the study area. The first part of the chapter, discussed the physical setting that provided information on the geographic location, elevation, slope, land classification, climate, geology, soils and temperature of Malaybalay City, and in the municipalities of Impasug-ong, Manolo Fortich and Malitbog where the Bukidnon forestry project is located. The second part discussed the human setting that presented the provincial history of Bukidnon, the different degree of acculturation of the people living in the province, their historical and cultural perspective giving emphasis on the three municipalities and one city mentioned above. The social setting discussed the attributes of the people living in the study area that includes the population, education, literacy, and household population by highest educational attainment, language, ethnicity and religious affiliations. Hence, this chapter provided a good understanding on the physical setting and human attributes of the study area.

The following chapter presents an analysis of the results of the data collected using the methods discussed in the methodology chapter.

## Chapter 5

### Results Chapter

In order to come up with suitable institutional arrangements that would benefit the Bukidnon forestry project and the Indigenous Peoples Ancestral Domain/Ancestral Land (AD/AL) claimants, the researcher explored the historical background and the present status of the stakeholders, and identified the key issues and problems they come across, and what their strategic plans are in achieving their respective goals.

The themes in this chapter are presented in the following order: The first part of the chapter outlines the historical background of the Bukidnon forestry forest; secondly, describes the transition of the project from a fully funded foreign assisted project to being a standalone government corporation; thirdly, explores the challenges of the project in achieving commercial self-sufficiency; the fourth part, identifies land tenure issues and related concerns; the fifth part, demonstrates BFI's strategic plans to achieve long-term sustainability; the sixth part, identifies the conditions to achieve mutual agreement between BFI and AD/AL claimants; and lastly, identifies the emerging concepts of institutional arrangements between BFI and AD/AL claimants.

The following symbols are used to represent the office of the interviewees:

Key informants:

★-NZAID

🏛️-BFI

👤-NRDC

👑-DENR (Local and Central Office)

👑-Head Claimants

🏛️-Local Government Units (Provincial and Municipal Office)

👤-NCIP (Provincial Office)

## **5.1 The historical background of the Bukidnon forestry project**

In response to the Philippine Government's request from New Zealand Government to provide assistance in a re-forestation project, the Philippines and New Zealand Governments jointly implemented the Bukidnon Industrial Tree plantation (BIPP) by virtue of an RP-NZ Exchange of Notes (EON) signed on February 2, 1989. The total project cost totalled NZ\$ 12.14 million, the Government of Philippines' (GOP) counterpart amounts to NZ\$ 7.89 million (60%) while New Zealand (donor country) counterpart amounts to NZ\$ 4.24 million (40%) excluding costs of technical assistance (Figure 5).

In 1990, a review was undertaken by the RP-NZ review team, the team recommended the formation of the Bukidnon Forests, Incorporated (BFI) as a subsidiary of the Natural Resources Development Corporation (NRDC) to manage the Bukidnon Industrial Tree Plantation project (BIPP). The BFI was then created and derived its corporate legal personality from and pursuant to the Securities and Exchange Commission in 1992. The New Zealand and Philippine Governments confirm that BFI owns absolutely in its own right the assets acquired, or intended to be acquired, as a result of the execution by Department of Environment and Natural Resources (DENR), Natural Resources Development Corporation (NRDC) and Bukidnon Forests, Inc. (BFI) of the Deed of Donation and Deed of Assignment in 1991 and 1992 pursuant to which shares were issued to NRDC. Of the NZ\$ 2.23 million (P76,076,818) total assessed value contained in the deed of Assignment the net transfer value of NZ\$ 1.17 million (P40,000,000) is accepted by the assignee (BFI) as partial payment of the assignor (NRDC) to its subscription to the authorized capital stock. The project area was then increased from 14,000 to 38,033 hectares (Table 13 and Figure 6) by way of an Integrated Forest Management Agreement (IFMA#006) granted by the Department of Environment and Natural Resources (DENR).

In 2000, a further RP-NZ Exchange of Notes was signed paving the way to BFI's independence and commercialization which eventually took place when the harvest of the Benguet Pine area started in 2002. The approximately 1596 hectares Benguet Pine area (Table 13) comprises the trees planted by the residents of Malaybalay after the world war II, formerly called the Malaybalay Reforestation Project (MRP) which formed part of the assets referred to in the abovementioned Deed of Donation and Deed of Assignment. A portion of the 1,596 hectares Benguet Pine area approximately 500 hectares was turned over to the Province of Bukidnon for the development of a Provincial Park, while the remaining 1060 hectares was harvested by BFI over a period of six-year period from 2002 to 2007 (Table 13), further discussions is in section 5.2.1 of this chapter. Next to the harvest of the Benguet Pine

areas was the harvest of BFI's first planted trees in 2009 which marked the first harvest cycle of the forest plantation established by BFI from 1989 onwards. The detailed accounts of the significant events in the implementation of the project are shown in Table 14.

<b>Project Profile</b>	
Project Title:	Bukidnon Industrial Tree Plantation – Bukidnon Forests Inc.
Type of Project:	Industrial Forest Plantation Development
Donor Country:	New Zealand
Project Cost:	\$NZ 12,146,940
	GOP NZ\$7,897,561
	GNZ NZ\$ 4,249,378 (excluding technical assistance)
Peso/NZ\$:	P34 to 1\$NZ
Total Area:	38,033 hectares (plantation area of 21,600 hectares
Location:	Municipalities of Impasug-ong, Manolo Fortich, Malitbog, and City of Malaybalay, Province of Bukidnon, Philippines

Figure 6. Project profile

Table 13 BFI IFMA#006 land use

	Land Use	As of December 2010
1	Plantation establishment (net, successful)	6,329
2	Grassland/denuded/plantable area	12,705
3	Natural forest and riparian reserve	10,315
4	Benguet Pine area (net remaining area after deducting the 500 ha (turned-over to the Bukidnon Province) and the harvest of 1060 hectares (2002-2007). The MRP area has an estimated total area of 1,596 ha	36
5	Ultramafic area	4,405
6	Cultivated by forest occupants	4,244
	<b>Total area in hectares</b>	<b>38,033</b>

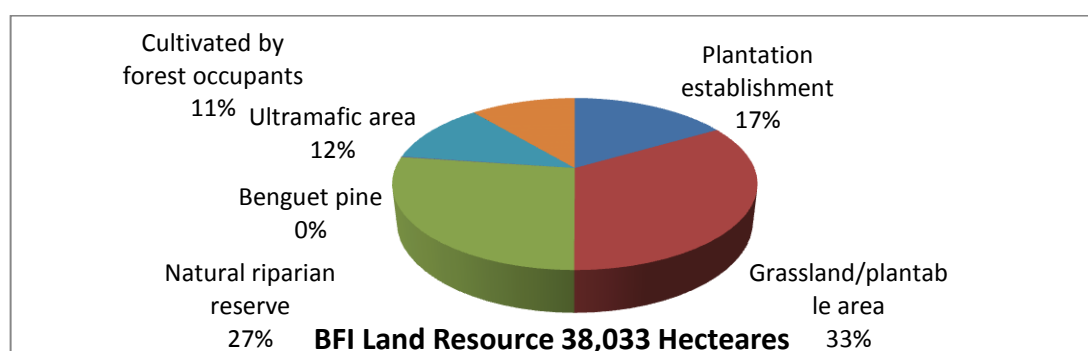


Figure 7. BFI land resource in %



Table 14. Chronology of key events in the implementation of the Bukidnon forestry project

Year	Significant events
1986	A meeting between President Corazon C. Aquino and Rt. Hon. David Lange, Prime Minister of New Zealand to support the establishment of an Industrial Tree Plantation Project
1987	Philippine and New Zealand officials identified a sustainable area of government land suitable for large-scale sustainable tree plantation in Bukidnon, Northern Mindanao, Philippines
1989	The RP-NZ Bukidnon Industrial Tree Plantation Project (BIPP) was established by virtue of an Exchange of Notes between the Governments of the Philippines and New Zealand with an initial area of 14,000 hectares
1990	A joint RP-NZ Review Team recommended that BIPP be reorganized as a subsidiary of the Natural Resources Development Corporation (NRDC)
1992	The Bukidnon Forests Incorporated (BFI) was created as a subsidiary corporation of the Natural Resources Development Corporation (NRDC) registered with the Securities and Exchange Commission (SEC Registration No. AS 092-06749). A Deed of Donation and Deed of Assignment were executed by DENR, NRDC and BFI
	The 14,000 hectares were expanded to 38,033 hectares by way of an Industrial Forest Management Agreement (BFI-IFMA 006)
2000	The BFI is tasked to oversee and implement the Industrial Tree Plantation area in Bukidnon, Philippines
2001	A further Exchange of Notes was signed stipulating the reduced inputs of both governments and the focus of BFI's independence and commercialization
2002	An exit strategy for the New Zealand and Philippine Governments was designed by the Management Service Consultants (MSC) based in New Zealand
2002	BFI commenced the harvest of the portion of the 1500 hectares Benguet Pine formerly Malaybalay Reforestation Project (MRP)
2003	BFI's independence and commercialization, the direct involvement of NZ and Philippine Governments finally concluded
2005	NZAID Evaluation on the Bukidnon forestry project
2009	BFI commenced the 1st harvest cycle of the first planted trees

### **5.1.1 Primary objective**

The shared overall policy objective of the Bukidnon forestry project as described in the 2000 Exchange of Notes (EON) between the New Zealand and Philippine Government is to develop a commercially and environmentally sustainable forest plantation, with a view to privatisation, and in doing so to provide a model for further commercial forestry in the Philippines.

The most efficient manner to achieve this objective is first to form the Bukidnon Forests Incorporated (BFI) as a subsidiary of the Natural Resources Development Corporation (NRDC) with its own Board of Directors and authority to operate autonomously from other government agencies. Both New Zealand and Philippine governments further agreed that BFI will move from the status of a Government Corporation to a fully privatized entity ideally by December 2002 (EON 2000 p.1).

Further, the BFI's primary objective as a business enterprise is to operate as a commercially viable enterprise in the business of plantation forestry through the establishment of 21,000 hectares of sustainable forest plantation in Bukidnon, Philippines that will provide:

- a. long term income earning opportunities for the people; and
- b. alternative wood resources to the rapidly depleting indigenous timber supply thereby helping remove exploitation pressure from the remaining natural forest

Additionally, as describe in BFI's Business Plan (2001 p.4), the Bukidnon forestry project was envisaged to become a leader and partner in the prosperous development of plantation forest and other related industry in the province of Bukidnon.

### **5.1.2 BFI governance**

BFI is a government owned or controlled corporation (GOCC) and 99% owned by the Philippine Government without an original charter. BFI derived its legal corporate personality from and pursuant to the Securities and Exchange Commission in 1992. BFI is headed by a Board of Directors on behalf of the shareholders, and managed at Malaybalay under the following organizational structure (Figure 8).

The BFI Board consist of: A representative from DENR; a representative from NRDC; the President of BFI; a citizen of New Zealand; the Bukidnon Provincial Governor; a representative from academia; and three private sector representatives.

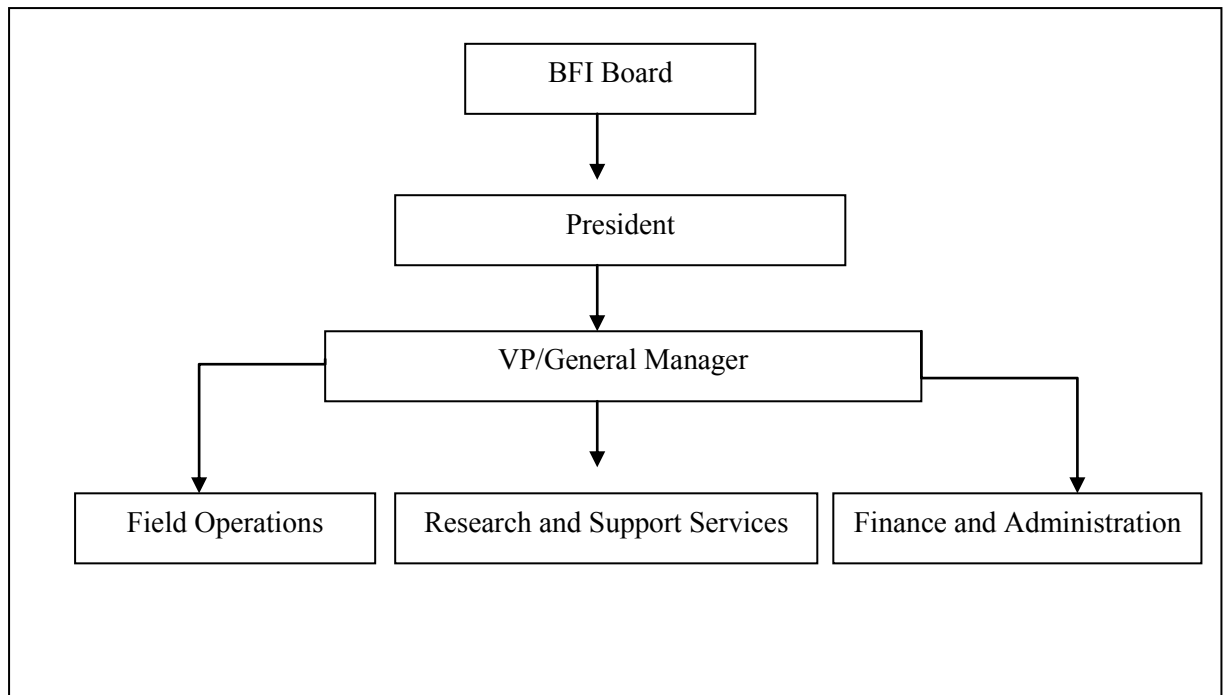


Figure 8. BFI organizational structure

The BFI senior management comprised the president and vice president/general manager and three department managers who are responsible in running the daily activities of the corporation. The field operations include the following components: forest establishment and maintenance, harvesting, forest protection, nursery operation; under the research and support services its components include: community development, research and development, mapping and inventory; and the finance and administration include budget, accounting, financial planning and administration.



Figure 9. BFI main office with staff and employees  
(28 regular employees, 2008)

At the start of BFI's commercialization in 2002 until 2008, it has maintained a minimum number of 28 regular (Figure 9) and 35 contractual employees, the nature of work performed by the contractual employees include: janitorial/utility/messenger, driver, watchmen in the main and field office stations, light and heavy equipment operators, gas man, clerks, and engineering assistants. However, in 2009 the status of the contractual employees was converted to permanent/regular positions raising the number of regular/permanent employees to 62 staff and personnel (Concession Report, 2009).

### 5.1.3 Project components and BFI's achievements

From the outset, the project was seen as a self-sufficient incorporated forestry enterprise with all expertise and forestry plantation systems that "conform to a standard, western developed world model." Project components include nursery, plantation development, engineering and infrastructure, forest protection, research and development, and community development aspect.

#### 5.1.3.1 Nursery operation

BFI's nursery (Figure 10) was established in 1989 covering an area of five (5) hectares with a capability to produce 3.5 million seedlings.



Figure 10. BFI nursery  
(From upperleft downward) pricking of seedlings, fertilization, segregation and piling of seedlings, Carribbean Pine seedlings, piling of seedlings in the convential pot beds, Eucalyptus seedling, Gmelina seedling, Carribbean Pine tree seedling, (top-centre) elevated pot beds-seedlings in Brazillian tubes or root trainers.

Data on seedlings production for the period of 1989 – 2001 was not made available. In the past nine 9 years of operation from 2002-2010, the optimum annual seedling production target was never met, in fact exceeded, only in 2003 and 2006 (Table 15). Accordingly, one identified financial strategy of the corporation is to develop the nursery for additional income (Business Plan, 2001).

Table 15. Seedling production

Year	Target production	Actual production
2002	726,000	354,000
2003	712,000	723,936
2004	856,000	542,000
2005	956,000	500,000
2006	800,000	860,000
2007	867,000	561,563
2008	1,344,000	387,139
2009	1,344,000	140,728
2010	1,344,000	601,822

Sourced from BFI file documents (Appendix C)

### 5.1.3.2 Forest plantation development

Despite the shortfall in nursery production, the project has been successful in establishing a manmade forest (Figure 12) from once marginalized denuded grassland (Figure 11). An NZAID evaluation report in 2005 (p.54) concluded that “in terms of demonstrating high standards of commercial forest establishment and management, the project is assessed as up to the highest standard seen in Asia”.



Figure 11. Denuded grassland planted with trees in 1995 at Siloo Station





Figure 12. Photo of BFI forest plantation taken in 2006, the same site in Figure 1

In a span of ten 10 years from 1989 to 1998, the project had established around 8,000 hectares of forest plantation. However, the net successful forest plantation area was reduced to 6,386 (Table 16) of which 2,386 hectares was considered commercially harvestable by 2008. Tree species planted within the BFI area include: Pines, Acacias, Eucalypts and other tree species. The net successful forest plantation excludes more or less 2,000 hectares of ultramafic areas which were planted with tree species but failed due to the soil conditions, and forest plantation areas which were damaged by forest fires.

Table 16. Plantations established from 1989-2007

LOCATION	SPECIES				Total
	Pines (has)	Acacias (has)	Eucalypts (has)	Other Species (has)	
Malaybalay	2,476	512	55	70	3,113
Impasug-ong	1,065	46	2	1	1,114
Manolo Fortich	84	484	163	5	736
Malitbog	182	498	739	6	1,424
<b>Total</b>	<b>3,807.20</b>	<b>1,539</b>	<b>958.60</b>	<b>81.60</b>	<b>6,386</b>

Sourced from BFI file documents (Appendix C)

Nonetheless, the Bukidnon forestry project aims to further develop the remaining 12,000 hectares of still plantable grassland or denuded area (Figure 13) to achieve a fully established sustainable industrial tree plantation of 18,000 hectares to sustain the forest at 100,000 m<sup>3</sup> harvest per year forever and ensure sustainable profitability (BFI Business Plan, 2001 p.31).



Figure 13. Portion of denuded or still plantable BFI area

The BFI Business plan (2001 p.31) requires at least 500 hectares new plantings per year for 11 years starting in 2002 in order to achieve a sustainable forest capable of delivering more or less 100,000 cubic m<sup>3</sup> of wood per year. However, the annual planting target and forest plantation maintenance were never achieved (Table 17). Indeed, despite the planting targets were met in the years 2003, 2004 and 2005, financial constraints reportedly severely affected maintenance as well as planting undertaken in subsequent years. A COA Report concluded that: “The decrease in plantation development and maintenance is brought about by the financial crisis of the company “(BFI Annual Audit Report, 2008 p.9).

Table 17 BFI forest development and maintenance

Year	Planting Target	Actual	Thinning Target	Actual	Pruning Target	Actual
2002	500	365	2130	223	1457	22
2003	500	500	1284	53	733	174
2004	500	500	1574	314	733	463
2005	500	511				
2006	500	418				
2007	500	470				
2008	500	0	550			
2009	500	34	186	50		
2010	500	400	471	150		

Data from BFI file documents (Appendix C)

### 5.1.3.3 Engineering and infrastructure development

Concurrent with the nursery and plantation development, BFI completed the construction of 175 kilometers of a road network; 18 buildings (which include a Training centre); 3 Look-out towers; 2 major bridges; and installed a modern water system/irrigation system for the nursery and elevated pot beds for Brazilian root trainer (Figure 14).

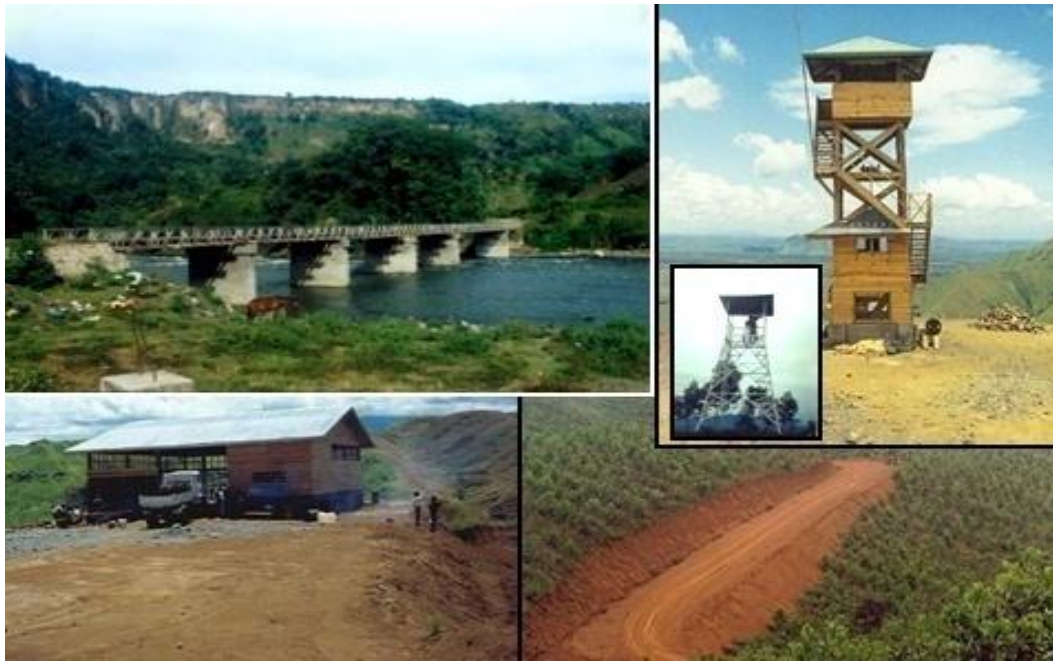


Figure 14. Engineering and infrastructure development

However, at the time of this research some of the infrastructure was not properly maintained (Figure 15). BFI was aware of this and its Annual Audit Report in 2009 concluded that:

“Some buildings of the corporation were in the state of deterioration. Further, these buildings were not maintained. The buildings were that of the manager’s, labourers’ quarter, hardening/potting shed and various comfort rooms in the field. It was also noted in the prior year’s physical inventory that the Siloo station office was also in the state of deterioration. The warehouse including fire depot needs repair. In the inquiry, it was learned that until now subject buildings were not repaired. It was noted, the management failed to provide regular maintenance of the aforesaid buildings”.

During my interviews, the BFI management commented that due to BFI’s tight finances, repairs of the aforementioned structures were not conducted.





Figure 15. Current condition of some BFI's assets  
Upper left to right: road condition in the Nursery area, quipment under repair, dilapidated labourer's quarter, and hardening shed. Photo taken during my visit to the nursery site during my fieldwork.

From the file data for the period 2008-2010 it was apparent the road construction and maintenance programme was also not being achieved (Table 18).

Table 18. BFI's Annual summary of infrastructure plan and completion (2008-2010)

**Data from BFI file documents**

Activity	Unit of Measure	2008 Target	2008 Actual	2009 Target	2009 Actual	2010 Target	2010 Actual
Road construction	Km	8	4.2	27	4.3	33	3.5
Road maintenance	Km	193	21	201	17	228	42
Look-out construction	No.	2		2		2	
Sub-office construction	No.	1					
Guard house construction	No.	1					
Dam for fire suppression	No.	3		3		4	

#### 5.1.3.4 Forest protection, fire prevention and control

Forest protection is a continuing concern of the Bukidnon forestry project coupled with the lack of certainty over land ownership and tenure issues. As described in the Environment Impacts Assessment (EIS, 2009), there are five types of risks that are recognized at BFI, these

include: fire, encroachment by illegal forest occupants, climatic events, pest and diseases and nutrition of trees. With regards to the strategic plans to address fire prevention and forest protection, strategies and programs were clearly outlined in the EIS (2009) to be implemented by the BFI management. These covered public awareness on fire prevention (Figure 16), plantation design and preparedness, equipped firefighting crews, fire plan, fire suppression equipment, community consultation and information, socialization and information, and education campaign and the use of BUBPED as venue to resolve conflicts with BFI operations and local communities particularly the Barangays affected by the BFI; and lastly, the implementation of the program and activities of the BFCDF to promote goodwill between BFI and the communities who live within the forest area (EIS, 2009 p.68).



Figure 16. BFI's forest protection activities

Right: water impounding dam used as a source of water for forest fire suppression; information drive with local communities; forest fire suppression drill by BFI fire crews

#### **a. Encroachment**

As described in the (2005 p.40) NZAID Report, the influx of squatters in BFI area increased as the IPRA in 1997 was passed into law. Apparently, the influx of squatters and land speculators in BFI area also posed a threat to the legitimate Ancestral Domain/Ancestral Land (AD/AL) claimants within the BFI area (Figure 17). Indigenous Peoples interviewed during my research claimed that they have to rely on BFI to protect their ancestral land from unlawful occupants. In their view, the BFI has the existing tenure rights over the land. Thus, BFI has the responsibility to protect the area from squatters. Head claimant commented during the interview:

☞3: *We have a huge problem regarding squatters in our ancestral land situated within the BFI area, though the land is not yet awarded to us and our application is*



*still in progress at the Office of the Provincial NCIP. At the moment, we did not occupy our ancestral land yet, because BFI has the tenure rights first, and they can sue us in court if we do so. However, in 2000 squatters came in and until now they are still occupying the area, cases are filed in court against them by the BFI. In the case of the Alienable and Disposable (A&D) area which are also within the BFI area, we we're already been given the title, but prior to that in 2009 one member of my clan was killed by a particular group of non-registered land claimant. I believed it's their way of threatening me. The leader of this group also belongs to the Bukidnon tribe. I think his intention is just for making money, in fact he asked for a registration fee of P5,000 equivalent to a two hectares of land. This is now under litigation in the Malaybalay City Court as they were sued by BFI in violation of PD705 (unlawful occupation).*

However, an Official from the NCIP office also claimed that BFI failed to fully enforce the protection of the area which caused some legitimate land claimants dismay. The Official commented:

*Q: The claimants have a dialogue with the General Manager of BFI and it was very clear to the claimants and to the BFI that they will not enter into the area until the contract of BFI expires. However, what had really happen to the dismay of some claimants is that there are so many migrants, who are not part of the beneficiaries who were already there, and they are awaiting the BFI to drive them out because they were not from their clan. The claimants did not really enter to the area because they are respecting that meeting with the General Manager, and the Exchange of Notes between the Philippines and New Zealand. BFI were not able to drive out the migrants.*



Figure 17. Some cultivations and shanties of illegal occupants within the BFI area  
(Photo taken during my fieldwork)

Moreover, the census of forest occupants (Table 19) indicates how extensive and wide is the land occupation in the BFI area (EIS, 2009). As described in the Environmental Impact Statement (EIS) in 2009, the census of forest occupants within the BFI IFMA was undertaken by BFI management purposely to determine the extent and bulk of people (residing legally or illegally) in the whole BFI IFMA jurisdiction. A total of 852 people occupied an estimated area of 6,325 ha.

Table 19 Census of forest occupants within the BFI IFMA area

Location	# OF OCCUPANTS	ESTD. AREA OCCUPIED (has.)
<b>MALAYBALAY CITY</b>		
Antiway, Sumpung	2	6.25
Bucatot, Kaamulan Area	1	4.00
Cbayugan, Can-ayan	4	8.00
Can-ayan, Malaybalay	4	5.50
Digumon, Kalasungay	4	6.25
EEA Can-ayan, Malayalay	2	6.50
Hilltop, Upper Marketsite	1	0.06
Ingkalbog, Can-ayan	2	5.50
Kagwang Hills, Ingkalbog	5	14.50
Kibarok, Natid-asan	3	4.75
Kinontaran/Malas, Casisang	1	1.50
Lipoga, Kalasungay	2	7.00
Lumayagan, Kalasungay	2	4.50
Mainaga, Kalasungay	2	4.00
Natid-asan, Casisang	19	35.03
Patutangan/Malas, Casisang	3	5.50
Tangcub, Kalasunagy	1	2.00
Tigbawan, Can-ayan	11	28.75
Upper Marketsite, Brgy. 9	5	9.69
Upper Velez area, Brgy. 9	17	5.46
<b>SUB-TOTAL</b>	<b>91</b>	<b>164.74</b>
<b>MALITBOG</b>		
Kidangayon, Siloo	3	21
Kaagsaman, Siloo	41	90
Agolsario, Siloo	2	14
Tagmaray, San Luis	40	560
San Megara, San Luis	83	81.29
Impahanong, San Luis	14	209
Lagdik, San Luis	16	1,449.
Victory, San Luis	31	225
Tingag, San Luis	26	612.8.
Sabangan, San Luis, Imbatug	56	698.5
Sabangan, San Luis	100	633
Ocao, Patpat	20	231
Purok 1	13	346
Purok 2	7	55
Purok 3	6	30
Purok 4	9	67
<b>SUB TOTAL</b>	<b>467</b>	<b>5,322.59</b>
<b>MONOLO FORTICH</b>		
Agbayawan	154	501
Kagaogaworan, Santiago	34	102
Babantahon, Santiago	1	5
Piakan, Santiago	1	5
Malindaw, Santiago	1	12
Minlangit, Guilang-guilang	4	15
<b>SUB-TOTAL</b>	<b>195</b>	<b>640</b>
<b>IMPASUGONG</b>		
Bobontogon	61	122
Lampanag	38	76
<b>SUB-TOTAL</b>	<b>99</b>	<b>198</b>
<b>GRAND TOTAL</b>	<b>852</b>	<b>6,325.33</b>

The Environmental Impact Statement (EIS, 2009 p.36) prepared for BFI concluded that:

“The A & D within the formerly MRP area is included in the A & D rationalized boundaries which is within the BFI area. However, all A & D with titles will be given to the legitimate claimants but the trees are owned and will be utilized by BFI.”

Of the five court cases filed against occupants, four had been dismissed in court on the basis of claim of A & D title (Appendix A) and BFI interviewee cited that they had not been told in advance regarding the survey made by the DENR in identifying the A & D land within the formerly Malaybalay Reforestation Project (MRP) which is apparently within the BFI area of responsibility. In each interviewee the area has been identified as A & D area as surveyed by DENR. It was clearly evident during my fieldwork that residential houses (Figure 18) are built within the area. This scenario encourages more squatters to enter BFI area.

The areas within those with dismissed cases of about 30 hectares had been developed and planted with trees by BFI with an approximate cost of NZ\$ 24,705 (P840,000).



Figure 18. Some improvements in the A & D rationalized boundaries within the BFI area

The BFI Chief Forest Ranger also disclosed in informal discussion that in some BFI areas they were apprehensive to conduct surveillance to address occupation because of the presence of New Peoples' Army (NPA) in the area. Accordingly, the protection of BFI forest from land speculators and forest violators is really challenging. The NZAID report in (2005 p. 63) also revealed that BFI had received a written threat that claimed to be from the NPA in December 2004.

#### **b. Forest fire**

BFI claimed that fire occurrence caused by accident and arsonists had declined compared to past years. According to one head claimant 🗨️5: *In my view, fire occurrences now are lesser compared before.*

### 5.1.3.5 Community development

The Bukidnon United Barangays for People and Environment Development (BUBPED) comprises the 14 Barangays affected by the Bukidnon forestry project. Each Barangay is represented by their respective Barangay Chieftains. BUBPED meetings are regularly held to apprise BFI management on any community issues relating to BFI operations. It is also an avenue where local community support is gained, particularly in resolving issues.

However, an NZAID report in 2005 concluded that:

”The concentration on working through BUBPED is basically focused on a political organization within the Barangays. BUBPED lacks focus and continuity in promoting the BFI interests into socio-economic and environmentally-related activities” (NZAID Evaluation Report, 2005 p.39).

The Bukidnon Forests Community Development Foundation (BF-CDF) was created purposely to provide assistance to Indigenous Peoples affected by the Bukidnon forestry project. Development assistance provided by the Foundation includes livelihood projects, scholarships or school assistance to secondary and tertiary/undergraduate students, skills training and workshops, formulation of AD/AL applicants Ancestral Domain Sustainable Development Project Plan (ADSDPP). The foundation is funded by the New Zealand government. However, findings in the NZAID evaluation report in (2005 p.v ) concluded that:

“The design, implementation and organization of an expanded community development funding process is assessed as being started too late and left incomplete. There is a perceived link between BFI’s community relations, land claims, and possibly the large fire loss in the year 2005.”

Comments from key informants supported this view:

★2: *So, basically the Foundation will be the arm, the community organization arm to assist the IP in preparation for the eventuality of expiration of the IFMA of BFI and to have their consent for the BFI to continue to operate within that area and so Foundation will specifically look at the needs of these IP’s in the community and in the long run a partner with BFI as a commercial the corporation.*

★2: *Almost 100% of BFI area is claimed by IPs, so we have created the BFCDF Foundation. BFCDF is commissioned to organize IP claimants within our area. We have organized them and had helped them develop their ADSDPP, and that is our way of having their trust so they can help us later on, after 2016.*

### 5.1.4 Leveraging success

In a briefing presentation with the incoming DENR Secretary in 2007, BFI management claimed that the Bukidnon forestry project can be a model for emulation that has technical, financial and allied capability to establish an industrial forest plantation; a source of expertise;

an owner of valuable mineral rights and a possible source of carbon credits (BFI briefing, 2007).

Additionally, as described in the first rotational financial analysis plan (1989-2026) in the EIS 2009:

“That BFI’s plantation expenditure is estimated to be NZ\$ 27.91 million (P949 million) and the net pre-tax returns from the first rotation are estimated to be NZ\$ 132.29 million (P4.498 billion) from the sale of logs grown on newly planted areas (EIS, 2009 p. 83).”

Accordingly, BFI operation is very viable financially and technically once the intended 18,000 hectares total planning is accomplished in addition to the value of the natural forest (12,000) hectares whether as a source of timber or for conservation to earn carbon credits. Further, the financial and conservation revenues that will be generated are very significant for the benefit of the local stakeholders, the regional and national governments, (EIS, 2009 p. 40).”

However, financial security was not only the measure of success for the project. The critical success factors (Table 20), included corporate governance, government support and staff criteria.

Table 20. BFI’s critical success factor

Critical Success Factor	Core Competence	Performance standard
Good Corporate Governance	The commitment to Good Governance is signed off annually by each Director of the Board of BFI	Good governance is transparent, accountable, participatory, effective, and equitable, promotes and protects human rights, and the rule of law.
Appropriate products	Sustainable pricing and supply to market requirements	Ongoing research and development of competitive products and services achieving a high level of customer satisfaction
Community support	Institutionalisation of local ownership through direct investment and/ or development of an associated industry cluster	High level of local community acceptance and positive local political support
Financial security	Efficient commercial financial management and control	Maintenance of adequate liquidity through integrated marketing and operational/financial management planning
Government support	Supportive policy and regulations recognising the needs of commercial plantation forestry	Conducive business environment
Staff	Competent, customer oriented staff, with good local knowledge and technical skills	Professional, commercial orientation to the ongoing development of the BFI business, with staff who are prepared to develop a high level of local community/stakeholder/customer support

Sourced from: BFI business plan (2001)

The components (Table 20) generally refer to as the key factors that would affect the success of the project.

## **5.2 BFI's performance as a business enterprise from 2002 to 2010**

In 2000, both New Zealand and Philippine Governments agreed through an Exchange of Notes (EON) to operate and develop BFI into a sustainable commercial enterprise without further financial assistance in 2002.

My research found the following activities were undertaken and fully funded by NZAID prior to the implementation of BFI's commercialization:

- a. Nimmo-Bell and Company Ltd., a New Zealand based consulting firm, in collaboration with Price WaterHouse Coopers Philippines were commissioned to put in place BFI's computerized Financial Management Information System and Forest Management System;
- b. BFI's Acting president/General Manager, Forest Operations Manager and some technical staff were sent to New Zealand for a month study tour to become familiar and learn from New Zealand's expertise in harvesting forest plantations;
- c. A market study for Benguet Pine timber was undertaken; and
- d. A Business plan was also put in place by Nimmo-Bell and Company Ltd.
- e. A review of BFI's Human Resource Development, and team building workshops with BFI staff and personnel.

Eventually, BFI's independence and commercialization finally took place when the harvest of the Benguet Pines commenced in 2002.

### **5.2.1 Utilization of forest resources**

In anticipation of an eight-year (2001-2008) financial gap prior to the commencement of the 1st harvest cycle of the forest plantation in 2009, the harvest of the aging 1060 hectares Benguet Pines (formerly, MRP) was undertaken by the BFI (BFI BP 2001). The Benguet Pine was utilized over a period of six years from 2002 until 2007 (BFI IAOP) as shown in Table 21. The activities (Figure 19) in forest harvesting operation in BFI are not highly mechanized. These activities include: tree felling, bucking or log making using chainsaw and operated manually; skidding of logs using carabao and wrecker; segregation and loading of logs using heavy equipment. The BFI's customers provides their own transport, logs are paid on pick up price.



Table 21 Benguet Pine utilization schedule

Year	Target (Hectares)	Area harvested (Hectares)
2002	300	106
2003	300	138
2004	300	158
2005	160	208
2006		189
2007		261
Total	1060	1060

Data from BFI file documents (Appendix C)



Figure 19. BFI's harvesting activities

(From upper left to right: tree felling; bucking of logs by log grade, skidding of logs to landing site using carabaos; skidding using wrecker; log segregation and piling; loading of logs on trucks; logs piled in landing area; and trucks ready for delivery of logs to customers).

In 2008, after the utilization of the 1060 hectares of Benguet Pines, the Department of Environment and Natural Resources (DENR) issued an Environmental Compliance Certificate (ECC) granting BFI the authority to operate and harvest a total of 2,386 hectares commercially harvestable area of plantation forest. Consequently, the DENR Regional Office approved the BFI's five-year operations plan (2008-2012) to utilize the said forest plantation (Table 22). The estimated total sales income from the harvest of forest plantation is NZ\$ 47 million (P1.6 billion pesos) which will be reinvested over the five year period (2008-2012) for the protection of the existing 13789 hectares of natural forest and maintenance of 6386 hectares of established plantation and to reforest an additional 2,500 hectares of denuded grassland (BFI 5 Year Operations Plan/approved by the DENR on 3 March 2008).

Table 22 Utilization schedule – 1<sup>st</sup> rotation cycle of BFI’s planted trees

Year	Annual harvest Target (Hectares)	Actual harvested area (Hectares)
2008	396	0
2009	507	136.2
2010	601	251
2011	401	
2012	481	
Total	2386	387.2

Data from BFI file documents (Appendix C)

### 5.2.2 Financial performance as a commercial business enterprise

The financial performance of the BFI in the past nine (9) years was not healthy (Figure 20). Net losses were incurred for nearly all years of which the largest loss incurred was (P24.8) million in 2008. The primary reasons that said losses were incurred are discussed in the following sections: 5.3.4 Market and pricing issues and 5.3.5.2 Politics, government intervention/confusions/control over marketing processes, conflict of policy and government programs.

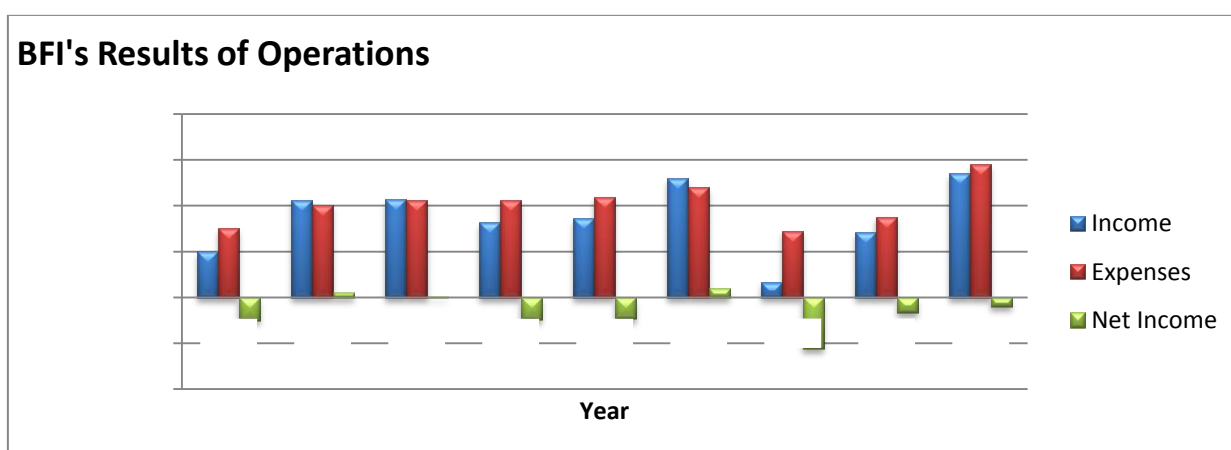


Figure 20. BFI’s results of operations 2002 -2010

## 5.3 The Challenges in achieving commercial self-sufficiency

The Bukidnon forestry project has been a flagship project of the Department of the Environment and Natural Resources (DENR) in the 1990s. An NZAID evaluation report in 2005 concluded that “BFI project represented the most significant and high profile NZAID project in the Philippines programme from the late 1980s”. However, in the past ten years, the corporation was unable to perform well as it was intended to be a profitable standalone commercial enterprise. The sense of failed promise was apparent in interviewee comments, such as:

☛2: *BFI project was once a flagship program of the New Zealand aid program for the Philippines back in the 1990s.*

☛1: *There was a time that BFI could have been recorded as a success story, but it has gone down tremendously, I could count back to like 10 years it's not been doing well, it's always a struggling company.*

The reasons given for the perceived failure were management, market and political issues.

### **5.3.1 Management issues**

When BFI became a standalone commercial enterprise, the financial assistance from both New Zealand and Philippine Governments ceased. Thus, BFI had to heavily rely on the income from the harvest of the forest plantations to sustain its operations. But apparently, BFI management was unable to do well to achieve its objectives, as assessed by one of the key informants:

☛1: *When I review the performance of the company, it has not attained its purpose or its periodic programs, so that it could have evolved into a company engaged in tree plantation, in a kind of attaining a status to be model where the same could be replicated in other areas. One thing that I don't understand because resources are right there, bluntly, to put it bluntly, the problem was more on operational issue. I could not find a better word but I would be force to borrow some available popular words it has been mismanaged as of date, it has been mismanaged, so that's how I assessed.*

Moreover, in my personal observations and feedback taken from some of the BFI employees during informal interviews and discussions, the following BFI management weaknesses were identified:

- a. The management was unable to anticipate problems ahead to plan alternative courses of action
- b. There was no clear position by management to respond to and withstand any outside interventions.
- c. Management tolerated the accommodation of non-essential wage labourers
- d. Lack of necessary equipment for logging operations and construction and maintenance of road network
- e. Lack of advance logging road network
- f. Non-anticipation of weather condition that had affected production of logs (wet season includes July, August, September and in some years may extend into other months)

### 5.3.2 Weak governance

Pursuant to section 4 of the amended By-Laws of the BFI, the Board of Directors shall hold regular meetings at least once in every two (2) calendar months on such date and at such place as the Board may agree, however, at least one (1) meeting per annum shall be held at the principal office of BFI. However, in the past three years, the inadequate number of BFI Board meetings (Table 23) still continued, in spite of the fact that the importance of regular/frequent meetings had been emphasized in the NZAID evaluation report in 2005. At present, two positions of the BFI board are still vacant since 2008.

“Governance since 2003 has deteriorated with inadequate number of board meetings and limited strategic business planning. In addition BFI lacks the autonomy to truly act as autonomous Government corporation (NZAID: BFI Evaluation Report, 2005 p. v).”

Table 23. BFI’s number of board meetings convened

Year	Required number of board meetings as per BFI By-laws	Actual number of board meetings
2008	6	1
2009	6	1
2010	6	0

One of the key informants stated that:

*2: ... as of now, our board is not a working board. It is very difficult to get a quorum considering they are public officials, there is no progress on the agenda including the plans, there’s no continuity on their discussions. . .*

Section 3 of Article VI in the Certificate of Amendment of the By-laws of the BFI states:

Section 3. The President. The president who shall be a duly elected member of the Board shall be appointed by the President of the Philippines, upon recommendation of the DENR Secretary, and shall be the Chief Executive of the Corporation. He shall also have overall management control of business affairs of the corporation.

This position, President/Chief Executive of BFI holds considerable power and responsibility but as a political appointment. During the life of BFI there have been several changes in central government administration. Observations of the process and timings of appointments shows they are co-terminus with the sitting DENR Secretary.

### 5.3.3 Liquidity problems

The BFI's financial statements reported in the past 10 years indicate that the corporation is experiencing serious financial difficulties. Based on the data in these Statements I calculated BFI's liquidity ratios in the past ten (10) years (Table 24) purposely to determine if BFI will be able to continue as a going concern. The higher the value of the ratio, means the larger the margin of safety that BFI possesses and able to pay short-term debts.

One of the key informants disclosed: 🏰1: *There's always been the clamour of the employees that funds are not just available by the times needed to implement the project activities.*

Table 24. BFI's liquidity ratios in the past 10 years (2001-2010)


#### 5.3.3.1 Consequences of BFI's poor financial performance

The poor financial performance of the corporation particularly in 2008 (Figure 20) resulted to:

- a. Cash-flow problems and increasing debts (Figure 21)
- b. Low morale of employees because salaries and wages were not paid on time from 2008 up to the time of this research.
- c. Equipment, buildings and other infrastructure like road networks were not properly maintained, negatively affecting forest operations Figure 15 and Table 18.

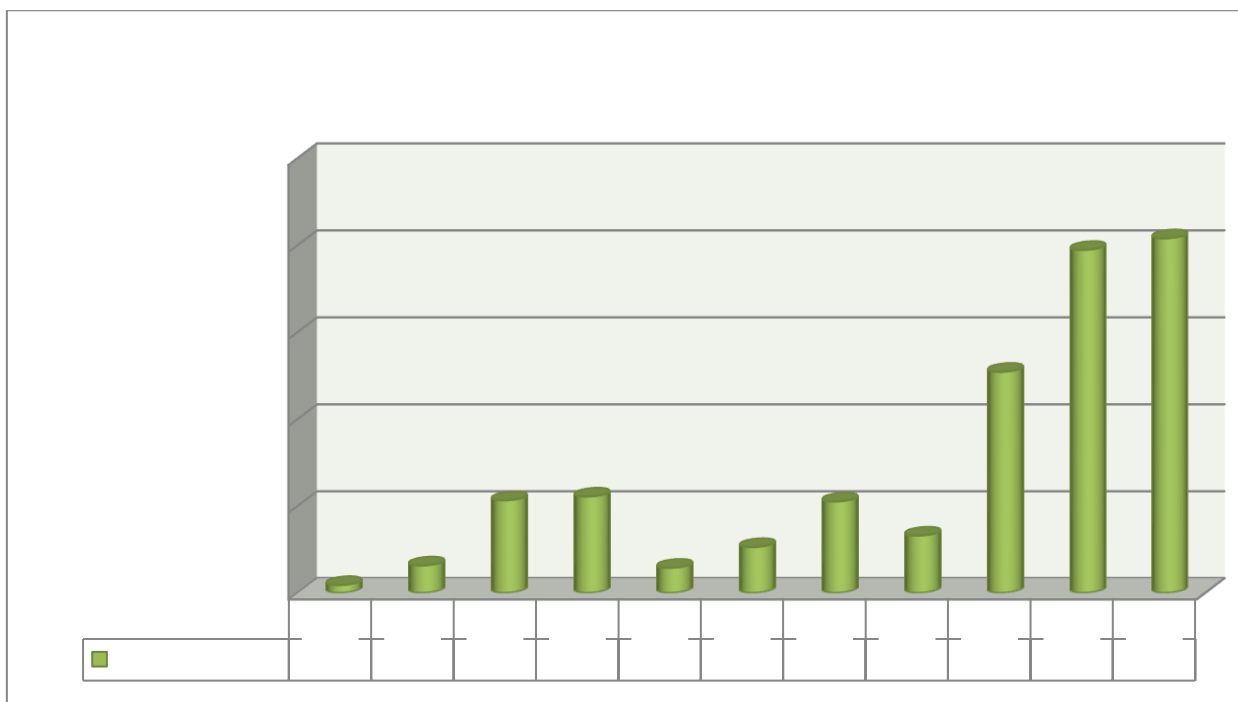


Figure 21. BFI's schedule of accounts payable 2000 - 2010

### 5.3.4 Market and pricing issues

There was a dramatic decrease in the price of logs in 2008 (Figure 22). This 2008 conflict was a re-run of problems noted in the NZAID report in (2005 p. 74) disclosed that “the 2004/ early 2005 logging ban meant that the BFI Benguet pine logging was also closed for four months.” Further, the market for the logs in years 2005 and 2006 was limited to Region X (Figure 22) imposed by the Provincial Governor of Bukidnon.

(Revised, February 2011)

LOG PRICE SERIES  
CY 2002 - 2011  
MARKETING SECTION

LOG GRADES	CY 2002 PhP/m3	CY 2003 PhP/m3	CY 2004 PhP/m3	CY 2005 PhP/m3	CY 2006 PhP/m3	CY 2007 (PhP/m3)	CY 2008 Ave. Price per m3	TREE SPP.
A	2,728.00	2,728.00	2,965.00	3,065.00	3,065.00	4,000.00		B. Pine
A2		2,228.00	2,710.00	2,810.00	2,810.00	3,500.00		B. Pine
B	1,728.00	1,728.00	1,930.00	2,030.00	2,030.00	3,000.00		B. Pine
C	1,228.00	1,228.00	1,328.00	1,328.00	1,328.00	2,000.00		B. Pine
S	1,100.00	1,100.00	1,150.00	1,150.00	1,150.00	1,800.00		B. Pine
SS		850.00	880.00	880.00	880.00	1,000.00		B. Pine
R	450.00	450.00	450.00	450.00	450.00	800.00		B. Pine
P-1	4,250.00	2,900.00	3,000.00	3,000.00	3,000.00	3,500.00		B. Pine
P-2		3,200.00	3,300.00	3,300.00	3,300.00	3,800.00		B. Pine
ASSORTED							1,700.00	B. Pine
REMARKS	No A2, SS & P-2 yet	Market is Open		Market limited to Region-10 only		Market open again. Prices applied to thinnings too.	Negotiated price w/ lone buyer for cut-prior 2008	
ASSORTED								
ASSORTED								
ASSORTED								

Figure 22. BFI's log price series (2002 – 2008)

#### **5.3.4.1 Control over marketing processes**

Based on BFI files, the researcher noted that the Provincial Governor of Bukidnon approved the constitution of the “Committee on Disposal of Benguet Pine logs cut prior 2008 with the volume of 12,832.22 m<sup>3</sup>”, BFI Special Order No. 01 Series of 2008 dated 04 February 2008. This has implication that the Governor required BFI to undergo a public bidding process. That BFI had adopted an open market method of selling logs since it started selling logs in 2002, and it was approved by the BFI Board and was never an issue with the Commission On Audit (COA). Consequent to the decision to undergo public bidding process, the COA Report in (2008 p. 9) disclosed that “the disposal of logs, which is its main business, was stopped and resumed only in the last quarter of 2008.” Apparently, BFI had no income for about eight months, given that it took the management several months to resolve the issue on whether the disposal of the Benguet Pine logs was subject to a public bidding process or not (Table 25). This suggests that the original decision of the Governor to do the public tender may not have been soundly based.

Finally, in September 2008, the Assistant Commissioner of the Office of the Legal and Adjudication Sector, General Counsel Office, Commission On Audit Central Office concluded in her letter (Table 25) to the COA Audit Team Leader assigned to the Bukidnon Forests, Inc. that:

“ . . . COA Circular No. 89-296 authorizes the BFI broad liberty to determine and adopt the most favourable manner by which it will dispose its cut pine logs, such disposition not being strictly required to be through public bidding. Thus, its pricing is determined based on economic factors, such as supply and demand and return of investment, among others.”

However, the researcher noted from BFI files (Table 25) that when the sale of logs resumed in the last quarter of 2008, the Operations Manager disclosed in his memorandum letter dated 22 August 2008 address to the management stated that the quality of the Benguet Pine logs had already deteriorated due to its exposure to rain and sunlight for more than eight months, thus, reducing the COA appraised average price per cubic meter from P3,500 to P2,754 per cubic meter (Table 25) was required. Finally, a lone bidder was awarded the purchase of Benguet Pine logs @ P1,700 per cubic meter regardless of log grade, a price reduction of about 51%, way below from the original average price per cubic meter. It is regrettable that of the 13, 284.02 cubic meters BFI log inventories only 3,712.54 cubic meters (28%) were sold on that year (COA Audit Report, 2008 p.7) causing financial distress to the corporation.

Table 25. Flow of documents and decision-making in the disposal of 2008 logs inventory

Date 2008	Document	Particulars
16-Jan	Memorandum letter to PENRO Bukidnon	Approval for the disposal of Benguet Pine logs cut prior to December 31, 2007 which will expire by May 30, 2008
4-Feb	BFI Special Order No. 01 Series of 2008 signed by BFI Manager and approved by Bukidnon Governor	Committee on disposal of Benguet Pine cut prior 2008 with the volume old 12,832.11 m <sup>3</sup>
3-Mar	Letter to COA Regional Cluster Director V Region X, CDO	BFI request team from COA Office to appraise logs
5-Mar	AOM No. 2008-02-0006	Audit Observation - Mandate of RA 9184 Provisions in the IRR-A as well as the cited rules and regulations in COA Circular 2003-004 in the designation and composition of the members of the BAC for disposal of the Benguet Pine logs.
5-Mar	Letter to Provincial Legal Counsel of Bukidnon	Composition of Committee on disposal was not in accordance with Republic Act No. 9184 and COA Circular No. 2003-004 dated July 2003.
7-Mar	Reply letter to BFI General Manager	Legal opinion regarding COA findings
11-Mar	Letter to COA Resident Auditor-BFI	Noted that applicable law regarding the issue is not RA 9184 but EO No. 888 and EO 285
21-Apr	COA Regional Legal and Adjudication	Suggested correction of SO No. 01 Series of 2008 Referred Provincial Legal Counsel's comments and suggestions
29-Apr	Letter to COA Regional Cluster Director from BFI General Manager	Request for legal opinion as to whether or not the composition mandated under E.O. No.888 dated March 18, 1983 applies to the disposal of inventories of Benguet Pine Logs and requesting speedy disposition of the requested legal opinion
27-May	Letter to BFI General Manager from COA Resident Auditor	Transmittal of Appraisal Report signed by BFI and COA Representatives for the disposal of Benguet Pine logs
30-May	Letter to ASEC for Field Operations DENR Central Office/BFI President from BFI GM	Requesting approval for the disposal of Benguet Pine logs per Appraisal and Review Report by BFI and COA Representatives through Public Auction
22-Aug	Letter to COA Regional Cluster Director V Region X from BFI GM	Request for devaluation of valued Benguet Pine logs from P45.291M to P33.302M or P2,574 per cubic meter
22-Aug	Status Report of 2008 Benguet Pine Logs from BFI Operations Manager	Report regarding deterioration of logs due to exposure to rain and sunlight for 8 or more months.  BFI Agency Estimate Average Price per cubic meter P3,464 for high grades A,A2,B Average Price per cubic meter P1,471 for low grades C,S,SS,R Average Price P2,574
5-Sep	Letter to BFI Manager	Opinion whether or not Executive Order (E.O) No.888 is applicable to the disposal of Benguet Pine Logs 2nd endorsement 22 July 2008 Opinion: COA Circular No. 89-296 authorizes the BFI broad liberty to determine and adopt the most favourable manner by which it will dispose its cut pine logs, such disposition not being strictly required to be through public bidding. Thus, its pricing is determined based on economic factors such as supply and demand and return of investment, among others.  COA Circular No. 89-296 provides for two (2) exceptions to the requirement of disposition primarily through public bidding, i.e., (1) disposal of merchandise or inventory held for sale in the regular course of business and (2) disposal by government financial institutions of foreclosed assets or collaterals acquired in the regular course of business.
October to December	Bid awarded to one buyer and subsequent disposal of logs	The price of logs was reduced to @P1,700 per cubic meter regardless of log grade

Sourced from compiled BFI files of letters and memorandum (Appendix C)



### **5.3.5 Conflict of government programs**

The local public newspaper also draw attention to the conflicting advice and approaches between BFI and Provincial Government regarding the attempt of the Provincial Governor to revert BFI plantation to jatropa plantation, below is excerpt from the local newspaper in March 2008:

“MALAYBALAY CITY –The provincial government has said it plans to plant thousands of hectares of barren lands with jatropa (locally known as tuba tuba) within the area of the Bukidnon Forests Inc. whose reforestation efforts it has branded as disastrous. Gov. Jose Ma. R. Zubiri, Jr. said Wednesday that the province plans to introduce jatropa in at least 21,000 hectares of BFI’s 39,000-hectare area by availing of the national government’s P10-billion fund for the program. The older Zubiri admitted he still needs to consult several ancestral domain claimants who are poised to take over the area when BFI’s IFMA ends in 2016. But he said there is no need for them to wait for 2016, as the BFI hardly could sustain its operations. The provincial government plans to provide the lumads with capital to buy seeds, get farm support such as fertilizer and even living allowance for two years under the provincial livelihood program. He said the scheme is good for livelihood as the lumads could earn at least P50,000 to P60, 000 per hectare per year if they plant jatropa. He claimed, too, that the scheme serves two purposes: livelihood and soil erosion control. The governor declared he no longer favours BFI activities claiming the corporation could no longer sustain its operations. (In operation, but could not pay wages). He said the BFI, a government-owned corporation, has not recovered after 16 years of operations. But church workers of the Diocese of Malaybalay resolved during the 38th Pastoral Assembly last week that proper government institutions and officials should make proper consultations before deciding on the plan” (Bukidnon Newswatch, 2008).

In fact during the public consultations phase in the process of conducting an Environmental Impact Assessment (EIA process), the concerned was raised by a participant that “BFI plantations will be replaced with jatropa. The response was, this issue was elevated to the DENR and said agency does not conform to the idea (EIS, 2009 p. 34). The EIA process is required prior to obtaining an Environmental Compliance Certificate (ECC) from the DENR Central Office, the document (ECC) that gave clearance and authority to BFI to operate the entire forest plantation.

## **5.4 Land tenure issues**

The NZAID Evaluation (2005, p.74) reported that access to GOP forestry land is generally via Integrated Forest Management Agreement (IFMA) lease-type agreements. The IFMA instrument was primarily for natural forest exploitation with little recognition given to the long-term certainty needed for plantation forestry. An IFMA can be cancelled at any point by a ministerial directive. Certainty of land tenure was considered by NZAID (2005 p.74) to have been further aggravated by the passing in 1997 of the Indigenous Peoples Rights Acts. Thus, understandably mean that an IFMA was not a land tenure instrument that could be used

as collateral for borrowing. Indeed as NZAID reported in 2005, there were, and remains no recognized funding programme for plantation forestry in the country.

The BFI IFMA has a life span of 25 years will have a right of renewal of another 25 years only. This will mean BFI has no certainty beyond 2041, thus the long-term sustainability of the Bukidnon forestry project is uncertain. Indeed, if the right of renewal is not exercised it may well end in 2016.

From the interviews, it was apparent that the BFI management intend to renew its IFMA for another 25 years and continue project operations. The current management of BFI and the DENR are optimistic that BFI will be able to surpass all the difficulties by adopting new coping strategies and become a commercially successful industrial tree plantation company in the near future.

However, as promulgated by DENR Administrative Order No. 04, dated March 4, 1997, stipulating the Rules and Regulations Governing the Industrial Forest Management Program, pursuant to the Presidential Decree No. 705, as amended, and Executive Order No. 278, dated July 25, 1987, section 6 states:

“... Areas covered by pending applications for Certificate of Ancestral Domain/Land Claim shall not be open to applications for IFMA until the DENR, after due notice and hearing in accordance with DAO No. 2, series of 1993, or other pertinent rules and regulations, shall have denied or rejected with prejudice such application for CADC/CALC. Those areas verified by the appropriate office of the DENR to be actually occupied by indigenous cultural communities under a claim of time immemorial possession shall likewise not be open to applications for IFMA without the prior informed consent and express and written agreement of the occupants, which shall be obtained in accordance with customary law where appropriate, or until the claim shall have been resolved.

Henceforth, BFI has to undergo a Free Prior Informed Consent (FPIC) process to achieve its IFMA renewal lead by the Provincial Office of the National Commission on Indigenous People (NCIP), who has to decide whether to issue a Certificate of Precondition granting consent to BFI to conduct forest operations within IPs/ICCs land resource.

#### **5.4.1 Continuity in DENR's advocacy of integrated industrial tree plantation**

The DENR Undersecretary for Operations expressed his interest and support to BFI in his statement “... *very much interested*”. Also, a local DENR Official commented during the interview:

☞4: *DENR still have an interest in renewing BFI operations considering that DENR is advocating the integrated industrial tree plantation. However, the DENR also would like to recognize that we want to ensure participation of the local community*

*particularly those rights and interests that fall under the Indigenous Peoples rights. The challenge now is how to marry or how to institute a win-win solution that both interests of the cultural or IPs interest and the interest of the government in ensuring sustainable supply of trees through industrial tree plantation are met.*

#### **5.4.2 Prevention of illegal logging and influx of squatters**

An elected high ranking Official from Malaybalay City poses no objection for BFI's IFMA renewal. He pointed out when asked about his stand regarding BFI's IFMA renewal:

**1:** *"I don't think I will have any objection with regards to that, because an extension with IFMA would guarantee the protection of the sustainability of the project and to protect the trees that are already been planted in the area, because if they are not be granted an extension and stop, and pull out all together, then you know illegal logging will come in. A lot of people will come in and take advantage of the trees that have been planted. And so all the work that have been invested by the government, although it is a national government project, you know . . . it will just be wasted."*

One of the head claimants stressed:

**1:** *If nothing will happen in that area maybe after 2 years 10, 20, 18 years that area will be stripped off, even now illegal logging is extensive because of left and right charcoal making activities that is now happening any part of the mountains here in Malaybalay, all other trees besides Pine tree are processed into charcoal. Illegal logging activities are extensive even with the presence of BFI, they don't have faith anymore, and maybe BFI has no more rangers, those big Mahogany trees were all harvested.*

Further as pointed out in the EIS (2009 p.40):

*"Without the BFI, the project site would be susceptible to kaingin, commercial agriculture production and illegal logging activities. The planted species would be burned or harvested and the land converted into illegal agricultural activities. The natural forest would be encroached by shifting cultivators and forest resources illegally harvested at will. The natural forest would later become pockmarked with kaingin areas to further slide down into an environmental squalor. Such destructive activities (as land conversion is) could result in long-term ecological imbalance rendering the general area constrained by extreme low productivity of the land and the unavailability of commerce"*

#### **5.4.3 BFI and AD/AL Claimants**

Some IPs within BFI area expressed their dismay with BFI management. During the interview, **1** expressed her displeasure at which she perceived as racial prejudice against IPs by one of BFI's local management staff. IPs blamed BFI staff for losing a potential donor.

**1:** *" . . . during the final presentation of kalasungay Ancestral Domain Sustainable Development Project Plan (ADSDPP) the New Zealand Ambassador to the Philippines came to witness the presentation. What had really happened is that after the final presentation the consultant of UNDP will have to sit down with other*

*claimants to talk about coming up with management structure and Memorandum of Agreement (MOA) between the IPs claimants and BFI. However, due to the comments from #2, a BFI management staff in front of UNDP Consultant and Director for Planning of NCIP Office, after the visit of the Ambassador of New Zealand, they didn't contact us again for such activity."*

Additionally, in some occasions, the local BFI management were not sensitive to the cultural practices of IPs. A letter was sent to the NCIP Provincial Office by one of the AD/AL claimants requesting a dialogue with BFI management. Part of the letter from AD/AL claimants to NCIP Provincial Office dated 12 January 2011 says:

*"... we appeal for a dialogue with BFI otherwise we will be forced to request other concerned agencies assistance because our legitimate members are already losing faith and trust to us as their leaders culturally."*

During the interview, a concerned Chieftain lamented:

*#7: The problem with BFI is that they are not respecting us. For instance, in the recent harvest of trees they never informed us. Instead BFI hired a ritualist from the Municipality of Malitbog to perform the ritual, now our members laughed at us, mocking us saying we are feeble. We felt aggravated, Mr. X and myself were emotionally distress and been hospitalized for several times since that happened. But good we are still alive until now. We have to penalize BFI because they did not respect our customary law. We are asking them to do a ritual in Sitio Abyawan, and let give a public apology to us in front of our members. BFI have to pay for what they've done.*

Poor relationship could have negative consequences.

*#2: "... relationship between the BFI local administration and the natives at one time was not good, so much so when you would plant, BFI would plant and then it starts growing and then they would feel bad and if they have no work, then summer comes starts burning."*

Lastly, an NZAID evaluation report in (2005) quoted the opinions of Community Leaders and Key Government Agencies:

*"BFI's social fence around the forest is not as well developed as its technical and commercial forestry approach. Over the past two years there has been a discernable disconnection between BFI and its surrounding communities" (Evaluation Report of the Bukidnon Forests Incorporated, 2005 p.40).*

#### **5.4.3.1 Wavering IPs trust in BFI management**

With a scale of 1 to 10, all Head Claimants respondents gave between 50% to 60% trust rating to BFI. Trust includes IPs confidence to have partnership with BFI and the ability of BFI to achieved sustainable forest operations. One Head Claimant HC1 stressed:

*#1: "... trust today I will reduce it to about 6 to 7 ... not because I distrust BFI but because of the experience that has past. The stand of BFI is now not clear ... BFI has been subjected to so many kinds of pressure like taxation, system of cutting the trees,*

*many and so many test, so I don't like to be in that situation . . . like we enter into investment and later on there can be people who could come in and make dictate . . . so today BFI's position is not clear. Even right now, how many workers BFI have now, how much equipment? Production in terms of planting is very minimal . . . that's the picture now, unlike before BFI had huge development and those are realities of today."*

On the contrary, BFI local management claimed that IPs have trust in BFI, ¶2 statement during the interview:

*As of now, since I am the one facing the IPs at some stage in the preparation of their ADSDPP, they are willing to sign even today to signify their commitment to engage in partnership with BFI. They have committed their area. However, the NCIP insisted that a consultation process must be done first before IPs will sign any document giving their consent for BFI. There should be a public consultation with the concerned IPs, in a form of a formal meeting of the communities involved. So IPs has not signed at this time yet, the PFIC process should be done first. But as of now, I am very positive on their support and BFI will continue its operation after 2016.*

#### **5.4.3.2 Existence of anti BFI group**

In 2010, a total of 23 tribal leaders and members of the Cultural Communities/Indigenous Peoples from the Bukidnon tribe of Malaybalay City petitioned to the President of the Philippines for the outright cancellation of BFI's IFMA. However, this group of IPs were not listed in the AD/AL claimants within BFI area. Part of their petition letter dated 06 September, 2010 says:

*" . . . We call for the outright cancellation of BFI IFMA. . . The income of the pine tree never went back to the affected communities by way of corporate social responsibility . . . They do not respect the rights of the Lumads with approved Certificate of Ancestral Domain/Land Claim (CADC) from the DENR, they file cases of illegal occupations against the Lumads, people who have lived in this area since time immemorial".*

On the contrary, BFI records show that a stumpage share equivalent to 1% of the total sale of logs is remitted annually to the local government with the following percentage sharing, Bukidnon Provincial Government (20%), City Government of Malaybalay (45%) and to the 13 barangays (35%) where BFI operates.

However one head claimant who was a former Barangay Official claimed that:

*¶4: ... the stumpage share in Barangays goes to General Fund which can be used for Barangay Official's benefits other than livelihood projects for the affected IP communities.*

Comment from a key informant when asked about the impact of stumpage to directly affected IP communities: ¶5: *None, that's true it was not even brought out during the Barangay Assembly meeting . . . there's no concrete policy on how to spent the stumpage share . . . above all they were not transparent on their computations, showing the number of cubic meters harvested and sold . . . there's no transparency.*

On the other hand, the BFI management admitted that they have no knowledge on how the stumpage share was spent by the respective local government units.

## 5.5 The IPRA Law and its objectives

As at December 2010, there are approximately 125,502 hectares of Ancestral Domain/Ancestral Land (AD/AL) claims within BFI area lodged in the Office of the Bukidnon Provincial National Commission on Indigenous Peoples. The total number of hectares claimed by IPs is 303 times in hectares more than the actual area of BFI IFMA. This is mainly because of the overlapping of boundaries and conflict of claims. The AD/AL claims inside BFI area are scattered in the entire area of BFI. Their locations are shown the location map provided in Figure 23.

Already three (3) CADT/CALT applicants have been successful within the BFI IFMA with a total of 4892 hectares (Table 26) representing 13% of BFI's entire land area. Other applications are still in the office of the NCIP Provincial Office. Due to financial constraints, the processing of their CADT/CALT application is expected to take some time.

BFI maintains its policy to respect the rights of indigenous peoples in the area particularly those who have already been approved, the company is prepared to enter into joint venture agreements with the legal claimants.

Table 26. ICCs/IPs with approved CADT/CALT within the BFI-IFMA

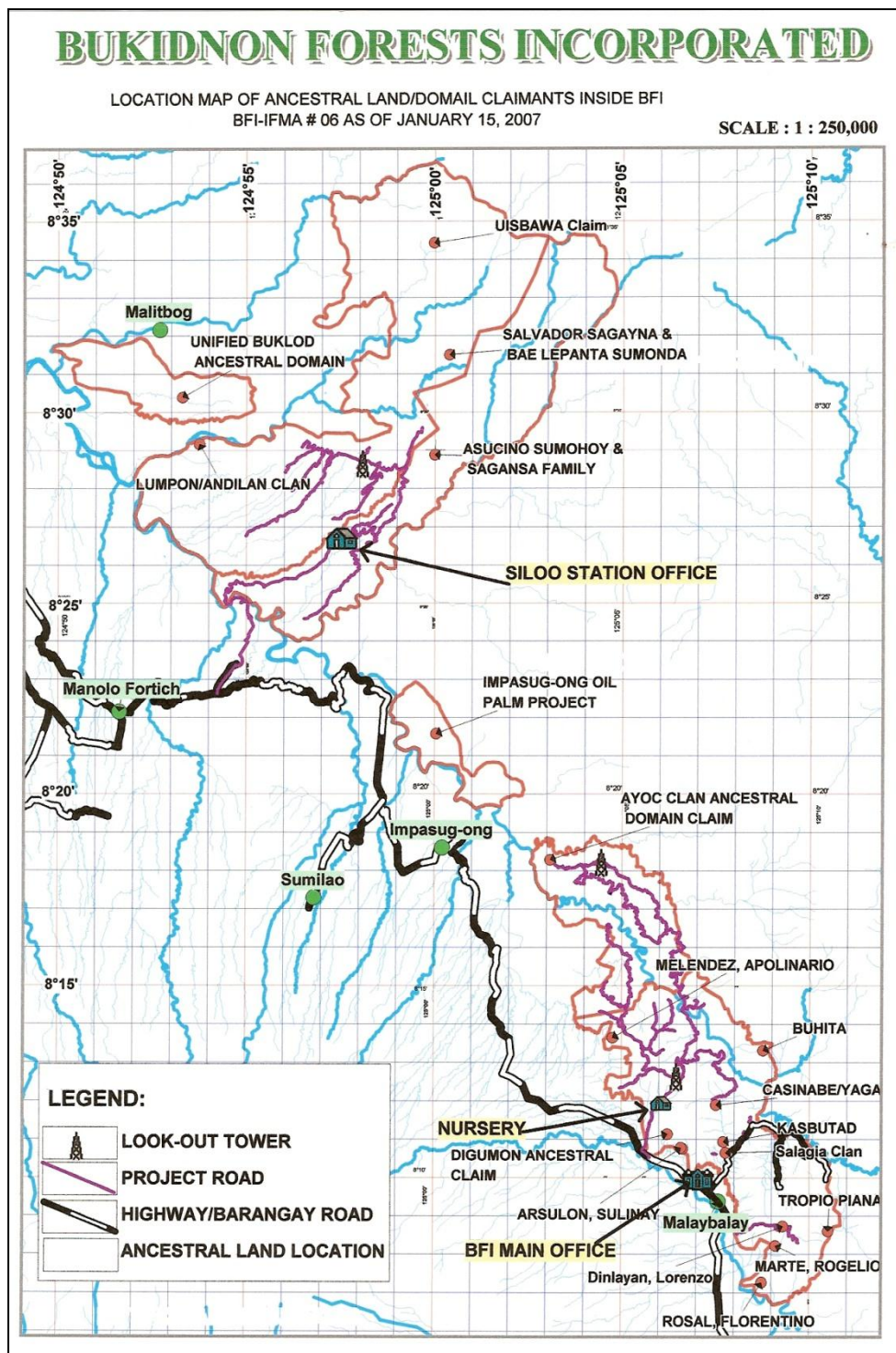



Figure 23. Location map of AD/AL claimants inside BFI area  
Sourced from: BFI files (Appendix C)

### 5.5.1 Interest of the AD/AL claimants

From interviews it was apparent that AD/AL claimants sought to secure Certificate of Ancestral Domain/Land Title (CADT/CALT) to their ancestral land:

*☞: Based on the Philippine situation, Indigenous Peoples residing in a specific territory may apply for CADT/CALT. The AD/AL applicants are to submit all the proofs required and validated by NCIP Provincial office, then forwarded to the Regional office and the National Office, if such application merits issuing of a title.*

It has been a long held aspiration of the land claimants to get hold of their CADT/CALT as recognition to their native title by the government of the Philippines.

☛2: *My father thought that it is necessary to secure a CALT in order for us to have a strong ownership to our ancestral land; otherwise it will be very difficult. If you want to speed up, you need to resort to self- financing the cost in processing the CALT application considering that NCIP Provincial Office can only fund one (1) CADT per year, like in our case, our own family members raised money for that purpose without support from any Non-Government Organizations (NGOs). The CALT application started in 1990 and the NCIP issued the title in 2006, but it is not yet awarded to us. It is now in the Office of the Land Regulatory Authority (LRA).*

At the time of this research, at least seven claimants within the BFI IFMA were already able to complete their respective Ancestral Domain Sustainable Development Project Plan (ADSDPP) funded by the New Zealand government through the Bukidnon Forest-Community Development Foundation (BFCDF) and assisted by the NCIP Provincial Office. The value of their assistance was clearly recognized:

☛2: *In the past, actually twice the Foundation has been a recipient of funds from Head of Mission of New Zealand Embassy, the first one really assisted the process and development of ADSDPP, at least with that little fund that they provided, it had facilitated training because workshops were conducted for the IPs awareness on their rights, and it was hooked with the NCIP Provincial Office. The funds were able to assist the Foundation and then in fairness it has delivered output, in fact the 7 ADSDPP was produced. On top of that, Foundation was able to provide minimal amount to help facilitate with the livelihood activities, because apparently it should helped to augment their other costs in the process, although I know it's not enough, in fact one of the vision of the Foundation was actually initially looking funds from the BFI because BFI really has commitment to the DENR to undertake community development.*

One key informant stressed that:

☛4: *It should be noted that the only instrument that binds local community and the government with regards to the development of their ancestral domain/land is the IP/ICCs ADSDPP which emphasizes sustainable use of land resources. There should be real sustainable planning for protection forest, productive forest, mechanism for partnerships and many others.*

All AD/AL claimants within the BFI area clearly manifest their intention to get access and exercise control over their ancestral land, and be able to develop their land resource once BFI IFMA expires in 2016. However, for areas having above 18% slope which are considered suitable for industrial tree plantation, they are open for a joint venture or partnership with BFI.

From my observations, the major programmes and projects in ancestral domain/ancestral land by the respective AD/AL claimants clearly demonstrate a diversified use of land resource (Table 27).



Table 27. Major programmes and projects undertaken in ancestral domain/lands

<b>Ecozone: Water Bodies</b>	<b>Ecozone:Settlement/Agricultural Area</b>	<b>Ecozone: Agro-forestry</b>	<b>Ecozone:Forest</b>
Riverbank rehabilitation and protection program  Eco-tourism program  Water resources development program  Fishpond development program	Nature farming systems Program Abaca plantation Fruit Plantation Corn production Banana (Cardava) production Honeybee farming Goat raising project IP housing project	Joint venture agro forestry program with BFI Bamboo plantation Cattle ranching Non-timber forest Product/Indigenous crafts  Agro-forest farm nurseries  Enrichment planting and protection of existing natural rattan stand for sustainable supply Small scale mining	Wildlife plant propagation  Forest protection and rehabilitation of denuded areas
<b>Self-governance and empowerment</b>	<b>Social justice and health rights</b>	<b>Cultural integrity</b>	
Multi-purpose cooperative development  Strengthening IP judicial and political systems  Mainstreaming IP judicial and political systems construction of “Tulugan”  Construction of training centre  Integration of IP plans in the Local Development Plans	Basic health, nutrition, sanitation, hygiene and medical services  Access roads within the ancestral domain  Communal irrigation  Electrification project in settlements  No-formal education program  Water system development project in settlements	Cultural heritage preservation program  School for living traditions/education and preservation of indigenous culture  IP learning centre on indigenous agriculture, agro-forestry and environment related management systems  Documentation of customary laws  Documentation of IKSPs Documentation of indigenous herbal practices	

### 5.5.2 Head claimants representation

All of the interviewed AD/AL claimants expressed their desire to be represented by one elected representative from the association of Head Claimants within the BFI area to one seat to the BFI Board. The Head Claimants claimed that having at least one representative to the BFI Board will enable them to convey their voice to the corporation and provide access to information for transparency.

According to one of the head claimants:

☛1: *I am a realist, our family are realist, on our own we cannot develop that for sure, what we could promise to the people the community at the Malaybalay once that is given to us is that it would be primarily trees in that area, there would be development but the basic development specifically that area facing Malaybalay would be trees. I think we also primarily talk informally with BFI that were in for Pine trees plants but not solid Pine trees, that means endemic trees will be planted in areas where there may be streams and creeks.*

In contrast, another head claimant commented:

☛5: *If you say partnership with for example multinational, I think it's not feasible because every company have different policy, maybe we can only understand few, and besides it will defeat the purpose.*

### **5.5.3 Issues and problems concerning CADT/CALT applications**

Finances, overlapping of claims, customary law, and government policies were the main issues of concern regarding CADT/CALT applicants.

One of the major issues and concerns of Indigenous Peoples or CADT/CALT applicants in their desire to secure recognition of their native title is financial capability while waiting for funding from NCIP. Because the NCIP funding has to be allocated throughout the Philippines (72 provinces), only one is funded per province each year. Thus, in Bukidnon Province, it would take 280 years before all applications were processed, if NCIP was the sole funder. Consequently, ☛ stated that *applicants are encouraged to seek assistance from other donors who are willing to provide financial assistance.*

In most cases, successful applicants said that family members in respective clans had to pool resources in order to finance their application. For example:

☛1: *Actually, there were members of the clan who gave cash contributions, my sister put up 100 thousand, [E] clan 50 thousand, I had a savings I put 40 thousand, so we had 190 thousand that we use for the survey expenses, of 'course some members gave contributions for snacks and meals during the preparation of the documents, our people also help and go with the survey team from Manila, my car which is now wrecked was used for transport . . . It's purely our own expenses, we owe nobody, so nobody could later on come in asking, where's my share?*

Unresolved boundary conflict and overlapping claims create an environment where AD/AL applicants may have lost their trust with each other. The majority of the claimants within BFI area prefer to individually negotiate with BFI management if future partnership arrangements are established. According to one head claimant:

☛1: *For me, it would be beneficial to BFI to transact business with only [S] in [S] area, I don't want collective, there's differences, and our group is also different.*

Using customary law to resolve boundary conflicts and overlapping claims might also be problematic. One CALT applicant claimed that the use of customary law is less effective and may even prolong the process of resolving the conflict or in worst case may lead to no-settlement at all. This view, however, was not shared by other interviewees and the extent to which it might be a constant issue. The consensus of the applicants centred on the lack of written documentation of clan interests and varying subjective interpretation of different clans and individual clan members. The lack of a clear customary process for resolving such highly emotive issues led to avoidance of customary mechanisms in favour of government resolution. But once a claim was lodged an opposing more aggressive group might come in and the NCIP would not be involved, leaving it to the claimants groups to resolve it between themselves. This could leave the more aggressive/powerful claimants in control.

☛1: *First, there is no codification or written document on that area. Interpretations may vary from one perspective to another making it difficult to come up with a unified resolution to address conflict issues.*

The BFI has adopted the concept of an Integrated Social Forestry Program (ISFP) to gradually address the tenure issues on lands legitimately occupied by people within the project area (who are not claimants of ancestral lands) and at the same time alleviate rural poverty while promoting community participation. There are now eleven tenure instruments in place (Table 28). This is intended to resolve conflicts but the process is seen by claimants as legitimizing non-claimants squatters' interests. The AD/AL claimants' interests over their ancestral land may conflict with that of the ISF holders' interests:

Table 28. List of participants in different tenurial instruments with their corresponding location and areas (in hectares) of development

Name	No. of Participants	Location	Area (ha)	Year Issued
ISF(CSC)	19	Siloo and Malitbog	57.02	1994
ISF(CSC)	156	Abyawan and Dalirig	501.07	1989
ISF(CSC)	65	San Luis	191.65	1988
ISF/CBFMA	14	Kisaray, Malaybalay	86.00	On process
ISF/CBFMA	61	Bontongon, Impasug-ong	130.00	On process
ISF(CSC)	38	Lampanag, Impurao	68.00	1992
ISF(CSC)	23	Patpat, Malaybalay	76.00	1992
ISF/CBFMA	3	Malandog, Malaybalay	20.00	On process
ISF/CBFMA		Kalasungay, Malaybalay	110.00	On process
AD		Tigbawan, Can-ayan		
MOA,ALD	3 clans	Santiago, Manolo Fortich	200.00	On process

- ISF (CSC) Integrated Social Forestry (Certificate of Stewardship Contract)
- ISF/CBFMA Integrated Social Forestry/Community Based Forest Management Agreement
- AD Ancestral Domain
- ALDC Ancestral Land Domain Claim

☛7: *There is overlapping of government programs and that is the Integrated Social Forestry (ISF) instrument. The ISF holders have their papers and have been given*

*rights to occupy and develop the area for 25 years, in that case it will very difficult for the AD/AL claimants to drive them out from the area considering they also have planted trees, naturally they will also fight for their rights. This issue should be discussed and given appropriate resolutions.*

## **5.6 BFI's strategy**

There appeared to be no clear approved strategy for BFI's future other than continuing current approaches. However, the BFI President was hopeful that the programmes of work would result in a turn-around over the next four years. BFI management claimed in 2009 that "BFI is viable; we only stop our operation for the past months to comply the COA rules which we have just resolved recently."

### **5.6.1 BFI's privatization**

There are diverse perspectives among key informants regarding BFI's privatization as a strategy to achieve the project's objectives of being a model in demonstrating commercial industrial sustainable tree plantation in the Philippines. A NZAID person, speaking on a personal capacity referred to the Exchange of Notes:

☪3: *The task to privatize will be left to the Philippine Government through the DENR in consultation with, so they have to take the ball there, we cannot. . . . shouldn't BFI would be in a position to design some sort of or come up with a plan or which might involve getting an investor to come in to try to start this business for example, a joint venture with this IPs because they are the owners of the land. Even now it might be strategic to get in an investor to help, to help put BFI in a good position, and then increase its value and since the investors are part owner the benefits of increased value will also run-down to the owner which is BFI I would think majority owner would still be the BFI.*

This Official see New Zealand government of currently being an observer rather than actively engaged, but wanting the project to succeed.

Deferring the decision to privatise BFI and focus was instead on coming up with strategic plans to turn BFI operations into a productive corporation to achieve its optimum benefits seemed to be preferred by Philippines respondents. As one noted:

☪1: *...[it] isn't right yet to privatize the company [..]. When I review the performance of the company it has not attained its purpose or its periodic programs so that it could have evolved into a company engaged in tree plantation, in a kind of attaining a status to be model where the same could be replicated in other areas.*

One of the Chief Executives of BFI expressed a desire to delay privatization for three (3) years to enable it to turn around its financial performance:

☪1: *I want those who would be interested to come in, that this is a live company, not that they would look at my company and said this is good for nothing. I want my*

*company to command the price, that's my objective to get the said optimum benefit. I want my employees there to love the company and be proud of the company.*

### **5.6.2 BFI as a joint venture**

The EIS (2009 p.40) suggested BFI to a joint venture agreement with companies, local or foreign, with financial resources. This was expected to speed up the development of the 12,000 open areas, the certification of the forest by international forest certifying institutions, and the earning of (future) credits from carbon sequestration.

Addressing claims was seen as the first priority by the incumbent Acting President (concurrently the DENR's Undersecretary for Field Operations) especially with regards to which areas might be set aside for non-commercial forests areas. Since Ancestral Domain (AD) claimed areas that overlapped the IFMA areas was "determined absolutely" he would look at the actual groups areas that might be set aside from commercial plantation.

The 2009 EIS had also looked at the possibility of a joint venture with AD claimants and while DENR Officials seemed to accept this. There were concerned that sustainable development must be clearly understood by interest groups. They also seen this as something BFI should consider now through a strategic plan and involve local government, DENR, NCIP, IPs and concerned communities.

As discussed in a BFI Board meeting held on 03 August 2009, the then Governor affirmed that IPs are willing to enter into a joint venture scheme with BFI when its tenure instrument IFMA 006 expires. Accordingly, claimants who were present committed a total area of 26,000 hectares, yet the joint venture area is still to be identified. It was agreed that land where the slope was less than 18% should be classified as agricultural areas and would be retained by CADT claimants, while the 18% slope and up shall be joint venture areas, to be planted with plantation forestry by BFI. Land areas to be retained by BFI will only be 12,000 hectares.

However, there appear to be some unmet expectations creating a lack of trust. One head claimant pointed out during the interview:

**Q7:** *We are willing, but where is the 3.5 million? Besides, the Foundation now has a different way. They are now selling the waste from logs to use the money for development. It's a different story, we were promised to have a share from the waste of the harvested logs and now the Vice Governor is contracting the waste with a foreigner. In our tribe, we have the gentlemen's agreement. What kind of a Chieftain is the Vice Governor, he was ordained as a Datu? He is named as "Datu Intunda", meaning a gift from God.*

According to another head claimant: 🕌5: *Natives have their word of honour, even if it's not written, they will stand for it for as long as it's true, that's the culture of natives.*

It is apparent from the minutes of the 2009 Board meeting that Governor Zubiri stressed that an amount of Php3.5M would be allocated to the claimants in advance for the delineation of their AD claims for areas within BFI IFMA 006. A MOA to this effect should be drawn up between BFI and the claimants stipulating thereon that the amount shall be deducted from the Joint Venture share after 2016. Further, the BFI management was requested by the board to present in the next BOD meeting the BFI 2009 Revenue Projections versus Expenditures to be discussed and acted on by the Board so that the proposed Php3.5 million advance payments from BFI could be budgeted (Minutes of BFI BOD Meeting, August 2009). However, no progress yet has occurred on the above board's decision, up to this time of research.

A Chief Executive of the BFI showed support to the idea of providing AD/AL applicants with financial assistance but subject to BFI's availability of funds. His comments during the interview:

*Every corporation just like BFI should always carry a social responsibility, you can only afford that when you have money to spare but I believe I would have some money to do that and help out but there are a lot basic things that may not be under my authority. [...] Right now my concentration to be honest still the putting afloat of the corporation, I could come to that later on maybe 2012, but my problem is that I might not be here to do it for them. But my prayer is to have somebody to take over the operation with the same sense of direction.*

### **5.6.3 Conditioning mutual agreements between BFI and IPs**

There are diverse school of thoughts that key informants stressed during the interview with regards to the conditions that need to be in place to achieve mutual agreement between the IPs and BFI. Interviewees emphasized the necessity of IPs and BFI recognizing their mutual need. As one put it:

🕌4: *The government recognizes IPs' land ownership since time immemorial and have knowledge that the area is previously claimed by IPs. The IPs must recognize their need for BFI's technical expertise and experience in the area to help them implement their plan. Likewise BFI should recognize a mutual need to pursue their interest, particularly industrial tree plantation.*

But this would need to be supported by clear structure and financial arrangements. One head claimant said:

🕌1: *Allowing BFI to continue their activities inside our ancestral land will be dependent on how the arrangements would be, it's a matter of arrangement.*

The majority of the key informants recognized the need to return the arable land within BFI area to the land claimants (IPs) with one emphasizing the sincerity of the Board's 2009 decision.

☛4: *Before, there was a series of dialogue asking our approval on their request to reforest the whole area, but there was no agreement reached at that time. We opposed the idea because if they are going to reforest the whole area, our clan can no longer till our land for our living, and BFI did not offer us anything to convince us. So we really tried to stop them but because we only belong to the minority, the government pushed through the project and we cannot do anything to stop them. That's why I am in favour that arable land will be utilized by us. If only BFI had offered us before to involve us in their project we would have had help them guard the forest plantation. I felt sad seeing those cut trees laying along the road going to Bontongon, it's a waste of money and effort.*

Participation of the Indigenous Peoples in any programs was argued as necessary if BFI is to continue its operations beyond 2016. A key informant stated:

☛2: *I am not supporting BFI IFMA renewal if it is not to include the claimants. I will only be supportive of that if the claimant of the land which is the IPs should be included in whatever programs... If it is to continue that kind of program of let us say commercial tree planting that's fine with me, but we have to find alternative ways of livelihood for the people. Because you know very well with your experience, given that I have no experience working with BFI, but if you just depend to utilize this people on tree planting and only for purposes of let me say, once in a while need, you hire them for ground weeding, fertilization, and etcetera. I don't think it will be sustainable, it cannot be sustainable. If there is no sustainability to the livelihood of these people, then you will have problem, they will never agree and I will support those IPs. Now, if there would be an alternative as I said offered by the company that can guarantee that they will have work for the day so that they can support their family, then I think that would be the best approach.*

## **5.7 Potential institutional arrangements between BFI and (AD/AL) claimants emphasized by the interviewees:**

The NZAID report in 2005 (Figure 24) suggested possible shareholding for the community if any privatization of BFI.

As described in the Section 5.10 of the evaluation report:

“During the review the suggestion was raised that any sale of BFI could or should include a community shareholding arrangement for example the 13 barangays. However, the concept was discussed with the Bukidnon Provincial Governor, the City Mayor of Malaybalay, DENR (at national, regional and provincial levels) and BFI. All responded positively to the concept.”

“The benefits that could flow from such a shareholding arrangement are:

- a. A mechanism to give communities a stronger feeling of ownership of BFI.
- b. A mechanism that recognizes that BFI can only succeed in the long-term if it is truly a symbiotic relationship with the surrounding communities;
- c. An opportunity to have community representation on the BOD of BFI and involved directly in decision-making;
- d. The potential in the longer term, if desired, for BFI to be 100% community owned.

The mechanics of establishing and funding such shareholding are seen as likely to include the following steps:

- a. An examination of similar shareholding arrangements that are understood to have been developed in mining and sugar growing processing sectors in the Philippines;
- b. A decision on what percentage of BFI ownership should initially be vested in communities;
- c. Modifications of the BFI constitution to allow a special class of initially unpaid/dividend-participating/director-participating shares to be owned by a legal entity(s) (e.g. trust, foundation/community holding company) representing the communities;
- d. Assignment of a parcel of new shares with full dividend rights to the legal entity established to own the shares, with an agreement covering what percentage of dividends received will go to paying up the unpaid capital on those shares.

“At the next meeting the BFI BOD approve a study to research the concept of a community shareholding arrangement and bring a recommendation back to the BOD on the concept, objective(s), perceived strengths and weaknesses, options for implementation, practicality, legal arrangements, consultation requirements, communication requirements and recommended project implementation timeline if adopted.”

Figure 24. Proposed community shareholding if any privatization of BFI

However, as of the time of this research, the researcher observed that there is no progress on the above recommendation.

During the research, possible arrangements thought by the claimants as feasible and much simpler were raised. These included land rental plus livelihood assistance, and priority in employment. Until it was raised it appeared the ancestral land claimants had never thought of owning BFI shares. In response, for various reasons, most of the land claimants prefer individual negotiations with BFI.

☛1: *I think, land rental is a better arrangement option, it will be simpler than based on sharing of the produce, there is a tendency that reports will be distorted and it will cause friction between BFI and CADT/CALT holders later on. On top of the rental, other benefits like for example livelihood, priority in employment are also preferable.*

☛6: *If I were to be followed, I will opt to develop the land but my children would prefer to have it rented. For now, I have leased the 60 hectares for P3,000 per hectare for 3 years. I intentionally have it leased for a short term period, so I can increase the rental rate in the next contract. The P180,000 was equality shared to my seven (7) children, actually it is just a very little money compared to the income that the tenant would generate from planting crops like cassava. I've heard they are getting as much as P100,000 income per hectare. Anyhow, my children can still work as labourers and earned money for their daily needs when the tenant hires workers.*



☞8: *In my perspective, majority of us would agree on land rental. In this way, we are happy to see our elders enjoy the benefits, after all the hard work they have done to obtain our CADT. Land rental is better than having a share in the harvest, because waiting for the harvest would still take many years and our elders could no longer wait for that considering they are now very old.*

Others, however, [☞2☞4] saw a share in BFI's profit as a better approach, preferring co-production/co-ownership with BFI.

As one put it:

☞2: *My idea is co-management because there are people within the claimants who have expertise that we can also access in establishing forest. For example in the protection of forest, they will also protect their interest if we have joint venture with them. It will be more effective, we have experienced before, the BFI community based forest management, it was very effective then it could be effective in the future. It will be preferable to deal with their leader the head claimant, rather than individually. It will be difficult to get consensus if we deal with them individually.*

The possibility of IPs contracting BFI to manage the area for them was also discussed, but it did not appear acceptable to BFI as it would not provide it with security. That BFI management also buy out the IPs leaving them with no say on its operations.

Usually, IPs sold their land to capitalist, and they will end up as labourers.

☞1: *Our concern is if we enter into contract with BFI and later on be subjected to many obstacles . . . that's why since your husband now has experience in forestry maybe we can already manage, then we sell to BFI, then BFI will now be out in the whole operation, so they will not be subjected to pressures, and the government now questions, but with the IPRA law as the one behind us they don't have the right whatsoever.*

However, comments during the interview described some scepticism towards community management.

☞4: *BFI has 38,033 hectares and there is no model yet in the Philippines in which shows a community based resource management able to manage a considerably huge land resource.*

Consequently, one suggested that the best approach would be to:

☞4: *Adopt a Memorandum of Agreement (MOA) between parties: BFI will provide marketing and accounting; Local Government Unit will provide roads and infrastructure; National Agency will turn the area as a convergence area for agriculture, a special area for industrial tree plantation, homeland for IPs and a biodiversity corridor.*

Others, however, saw the potential to utilize BFI expertise if the IFMA was not renewed.

☞2: *If we are not able to get the support from AD/AL claimants in 2016, BFI will be gone as a forest plantation, what be left will be the knowledge of the BFI staff, but we*

*can still help the IPs by using the expertise of the BFI staff in establishing their forest plantation. It will be more on consultancy.*

Overall, diverse ideas on what constitute the best possible future arrangement for BFI and the Indigenous Peoples are apparent in the responses from interviews.

## **5.8 Chapter summary**

This chapter has reported the results of the fieldwork, including analysis of file documents, financial statements and interviews with key informants. These have highlighted the difficulties facing BFI as it tries to achieve the original project objectives. The most common themes emerging are the inability of BFI to achieve commercial viability and the continued problems caused by lack of certainty over land ownership and tenure issues. No clear strategy has been implemented to address the future of the area once BFI's IFMA expires in 2016. Options discussed during the interviews showed no consistency. This forms the basis for the discussion in the next chapter.

## **Chapter 6**

### **Discussion**

The main focus of this study is to look at institutional arrangements for BFI and the Indigenous Peoples to achieve long-term mutual benefits. It has become apparent during the research that the future cannot be divorced from considering the present status of the project. Hence, this chapter revisits the critical success factors described (Table 19) in the Results Chapter in the context of the holistic forest management model discussed in chapter two. It also discusses the applicability of collaborative approach in looking at mutually beneficial institutional arrangements for the long-term sustainability of the project. The discussion is based on the research questions, research findings and literature review.

#### **6.1 Key factors critical to BFI's success**

At the outset of BFI's commercialization process, key factors were identified as crucial to BFI's success in the Business Plan. These six key factors were: government support, corporate governance, financial security, appropriate product, staff performance and community support. I assessed these six key factors identified at the outset of BFI project, my research has found that BFI had difficulties meeting all these criteria (e.g. such as sufficient government support). In fact, the reasons contributing to BFI's failure to achieving commercial viability include: lack of commitment from owners, inefficient marketing, weak governance and leadership.

Firstly, one of the critical factors identified at the outset of the BFI project that was expected to have an influence on BFI's success is government support; this would create a conducive business environment for BFI to operate effectively and efficiently. DENR provincial, regional and central level had been very supportive to BFI in terms of facilitating and approving the BFI's Environmental Compliance Certificate (ECC), Comprehensive Development Plan (CDP) and Annual Integrated Operations Plan (AIOP) making it possible to harvest the Benguet Pines and utilization of planted forest plantations. However, with regards to enforcing action against forest violators, there has been little support from the local DENR.

On the other hand, this study finds that the Provincial Government's plan and campaign to direct the BFI forest plantation into jatropha plantation for biofuels under the past administration was in effect demoralizing for the BFI and perceived as an attempt to terminate

BFI. In fact, BFI was caught in between the interest of national government program to promote and encourage private sector's investment in the timber forestry sector and the past Provincial administration's drive towards a different biofuel goal. In addition, the national government department has conflicting mandates in respect to the indigenous people and BFI. No whole of government collaborative approach emerged to support BFI.

Secondly, another basic element identified as critical to the success of BFI was good governance. Good governance involves transparency, accountability, participatory, effective and equitable approaches, promotes and protects human rights and the rule of law. Crane and Matten (2010) pointed out that managers and directors have a fiduciary responsibility to protect the investment of shareholders senior management is expected to hold shareholder's investment in trust and to act in their best interests. In a nutshell it is about having a board of directors who set the strategic direction, employ the Chief Executive Officer and senior executives to implement the plan, approves operational policies arising from the plan for the CEO to implement, involving all staff in the vision, maintaining shareholder support and importantly, having good internal audit/management reporting systems so that breaches of policy can be detected and fixed quickly. Key Performance Indicators (KPI) must be measured - including financial/cash flow and reported on monthly and operational plans/budgets amended as required enabling the organisation to adopt the changing contexts and performance in a positive fashion.

This study however finds that good governance in BFI is far from being achieved. The composition of the BFI Board is problematic, its composition is mostly high ranking public Officials and appointments were political in nature comprising almost 50% of the BFI Board. While this may have been expected to help gain government support, the weak point was that the board had mixed background and were hard to engage, with un-managed conflicts of interest. Some seemed to care little about their duties and seemed unwilling to stand up to political pressure. The desirable committed, cohesive board of directors, especially important in the early years of a commercial business enterprise has not eventuated.

The third critical factor to BFI's success identified at the outset of the project is financial stability. The maintenance of adequate liquidity described in the business plan will be achieved through integrated marketing and operational/financial management planning. This study finds that BFI was unable to maintain financial stability over the past ten years. In fact, the management's decision to undergo public bidding in marketing BFI logs in 2008 has put the finances of the corporation in crisis. The management decision was not grounded in achieving corporate objectives but rather politically motivated, overwhelmed by the

intervention of local government Official. There is a lack of checks and balances on how BFI has been managed. The interest of the corporation has therefore not been pursued and protected.

The fourth critical factor is appropriate products, which involves sustainable pricing and supply to market requirements. Apparently, good pricing of BFI logs was not sustained as evident in 2008's financial report, specifically (e.g. as on 2008's very low pricing of timber products leading to a failure to achieve financial goal). In addition, BFI solely relied on the production of raw materials (logs) while making a minimal return from the sale of logs. Innovative ideas to engage in adding value to the products were never fully explored. For example, the potential of the nursery to generate additional income for the corporation by raising revenues from the seeds and seedling production was not maximized. A lack of research and marketing strategies to explore the market for seeds and seedlings was evident.

The fifth critical factor identified at the outset of the BFI project is staff performance. This requires professional, commercially orientated staff who are also prepared to develop a high level of local community/stakeholder/customer support. It has been shown BFI has invested in human resource development prior to its commercialization in 2002, purposely to enhance the skills and capability of its staff and employees. That BFI has "fallen over" is hardly the fault of staff which is part of the tragedy. Evidently, staff and employees' morale had gone down as salaries and wages were not paid on time. However, the BFI employees have shown loyalty or, alternatively, have no other opportunities and option but to stay with the company despite the financial difficulties they have gone through.

The sixth critical success factor identified is community support with a need for a high level of local community acceptance and positive support. This study finds that BFI has not achieved a high level of community acceptance and support. BFI has failed to meet community expectations or realise the many livelihood development opportunities which were there to be taken. Without community support it is hard to see how BFI can continue as a commercial operation.

In summary, a factor to achieve the original key performance factors inevitably has made BFI vulnerable. In addition to the pre-identified key factors critical to BFI's success, Brown, et al., (2005) in their model of good forest management (Figure 1) identified a number of additional factors that may be requisites to BFI's success. Their model emphasizes the importance of commitment, resource security, attention to providing livelihoods in local community, sound institutional frameworks, attention to silviculture and ecosystem management, and application

of sensible management philosophies. Central to the model is reaching societal consensus with regard to how a forest should be managed. My findings, however, suggest that profitability/livelihoods not societal consensus should be in the centre box of the forest management model (Figure 25).

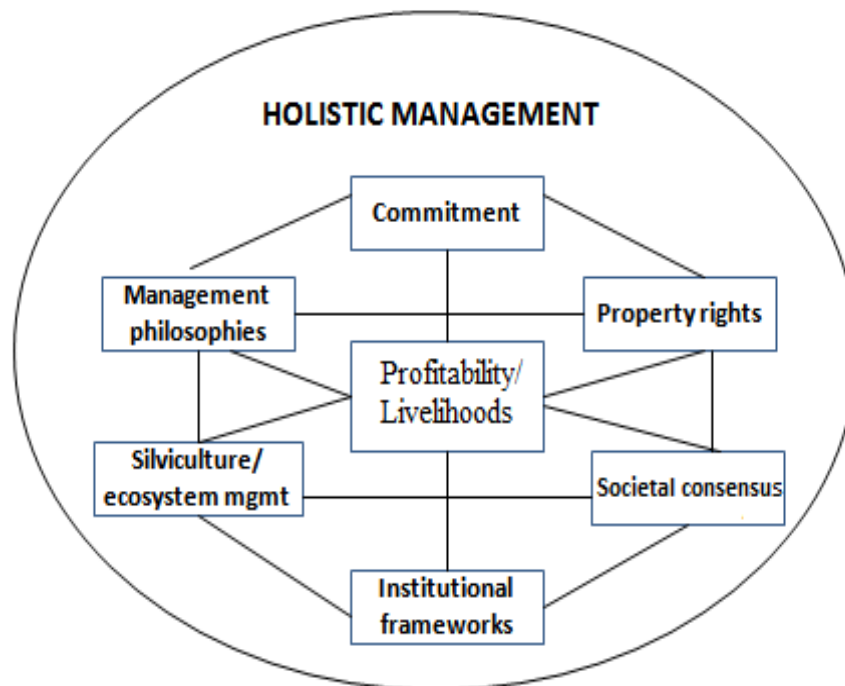


Figure 25. Modified model of good forest management

Without profitability and people obtaining livelihoods at the centre, there will be little opportunities for societal consensus. No one (except some very non-commercial/benevolent "Green" donors) will be keen to plant large areas of new forest anywhere if there was no commercial advantage. In fact, the whole aim of the NZ's involvement to the project is to show how forestry/reforestation could be profitably undertaken, following the President Aquino's original request for reforestation assistance many years ago. The case of the Bukidnon forestry project showed that poor financial performance and lack of profitability has resulted in BFI's downturn, as evident in employees' low morale, non-attainment of re-planting and maintenance of forest plantation, deterioration of its assets and discontinuance of community assistance projects and programmes. The lack of performance, sharing of profits and replanting has naturally have given local people good cause to discredit BFI and it will take a lot of convincing to win back their support.

Overall, this study suggests that obtaining commercial profitability is the key to maintaining the holistic concept of forest management that requires not just investments but also good

governance. However, perhaps the most fundamental problem has been the critical assumption that BFI would be using land to which it had clear title.

## **6.2 Absence of clear strategies to address future land ownership and tenure rights**

The tenure problem for BFI means that it faces immediate difficulties dealing with encroachment. The looming threat to BFI is the uncertainty of BFI's IFMA renewal, once it expires in 2016. Such problems may not be insurmountable and other countries have addressed these (e.g. New Zealand). However, this study finds that BFI has no clear strategy to address issues on future land ownership and tenure rights. BFI mainly depended to a large extent on the efforts of the BFCDF to win the support of the AD/AL claimants. However, the programmes and activities of the BFCDF were suspended since the passing away of the Director in early 2010, mainly because of the absence of a Director to run the BFCDF and the limited finances to fund the programmes and activities. Likewise, the BFI Board Resolution to provide funds for IPs application of their CADT/CALT has made no progress so far because BFI lacks the funds. Consequently, AD/AL claimants are losing faith in BFI, primarily because of unmet expectations held by some AD/AL claimants. Despite the limitations of BFI management in reaching out for support from AD/AL claimants, both parties still profess to be open to resolve current issues. In fact, AD/AL claimants have requested a dialogue with BFI management through the NCIP Provincial Office.

It was an expectation of my research that models presented for resolving the BFI/claimants issues might reveal a pathway forward, a latent consensus might be brought to the surface. However, this was not the case. The options discussed on the future arrangements between BFI and AD/AL claimants during the interviews showed no consistency. The options identified by AD/AL claimants and key informants include land rental plus livelihood assistance, profit sharing in BFI's income, contracting AD/AL claimants to grow trees. Another suggestion was to turn the area into zones: a convergence area for agriculture, a special area for industrial tree plantation, homeland for IPs and a biodiversity corridor that will involve different government agencies and local government units. There was no consensus evident nor was there a forum through which one might be achieved.

What is certain is that BFI is open to engage in partnership with successful AD/AL claimants after 2016. While the AD/AL claimants (but not all) had also signified their interest to engage in partnership with BFI, but will be dependent on what BFI can offer them. Some AD/AL claimants were expectant of BFI offering them clear arrangements outlining the mutual

benefits for both parties. But a process by which such a partnership might be achieved was not evident, especially with unresolved claims.

### **6.3 Role of collaborative approach in looking at institutional arrangement**

In complex resource management situations such as this, a collaborative approach is often considered an effective strategy for managing conflict and the natural resource (Warner and Jones, 1998). This study finds that collaborative approach is useful as a framework to understand the complex problems facing Bukidnon forestry project. The approach requires identifying the issues, interests and positions of the of BFI and AD/AL claimants. Basic elements necessary to attain successful collaborative processes involves trust, open communication and commitment of the parties in this case AD/AL claimants and BFI.

This study finds that the objective of the Philippines and New Zealand Governments to establish a large scale industrial tree plantation is in conflict with the objective of the AD/AL claimants in developing their ancestral land (Table 29). On one hand, the ultimate aim of the Bukidnon forestry project is to become a private company and become a model to attract private sector investment in forestry and replicate BFI elsewhere in the Philippines. The establishment of a large scale industrial tree plantation requires vast tracts of land to achieve economies of scale. The Bukidnon forestry project adopts western technologies in establishing a forest plantation mostly fast growing tree species to achieve maximum yield of tree production and governance structure comprising a Board of Directors and management team to carry out its objectives.

On the other hand, the AD/AL claimants' ADSDPP requires the use of indigenous knowledge systems and practices; resource utilization is governed by customary laws, traditions and practices; and directed by the Council of Elders. Generally, the ADSDPP of AD/AL claimants showed diversity in the use of land resources as illustrated in their programmes and activities (Table 27). Key components include: an ecozone (which includes water bodies), settlement and agricultural areas, agro-forestry and timber forest areas; and the construction of necessary facilities and infrastructures to ensure that self-governance and empowerment, social justice and health rights, and cultural integrity are preserved and developed. What is common in both parties is the desire to achieve their goals sustainably in perpetuity, but although timber forestry might fit in the ADSDPP the area available may not achieve the amount of scale necessary to be commercially viable.



Table 29. Objectives of BFI and AD/AL claimants

BFI			AD/AL Claimants		
Objective	Governing Body	Means of achieving their goals	Objective	Governing Body	Means of achieving claimant's objective
Develop large scale sustainable industrial tree plantation,	Board of Directors and Management	Use of western technology	Obtain CADT/CALT on their ancestral land	Council of Elders	Funding from NCIP Self- financing Seek donors
Create employment to local communities			Develop their ancestral land in accordance with the ADSDPP (Table 27)		Assistance from Local Government Units Cultural practices
Provide continuous supply of wood		Continued silviculture activities			
Privatize BFI		Sell shares to investors			
Model to replicate elsewhere in the Philippines		NZ shares in BFI turn into a "Trust Fund/ Foundation" and fund the replication of BFI project in other parts of the country			

### 6.3.1 Position of BFI and AD/AL claimants

The intention of AD/AL claimants to take control and exercise their rights over their ancestral domain/land after 2016 is evident in the interviews; the use of areas below 18% slope is non-negotiable. On the other hand, BFI management also intends to renew its IFMA once it expires by 2016, and retain ownership of the trees planted within the ancestral land of AD/AL claimants (Table 30). This appears an insurmountable problem. This finding supports with Shimamoto, et al. (2004) that mostly, conflicts arise where reforestation projects by governments and companies compete with the subsistence use of land by indigenous people and migrants.

Table 30. Position of BFI and AD/AL claimants

Year	BFI's position	AD/AL claimants' position
2016	IFMA expires (require FPIC from ICCs/IP's prior to renewal)	Full exercise of land rights
	Full ownership of trees planted in BFI IFMA area	Rights to have a share in any development in their ancestral land
		Develop arable land (below 18% slope)

However, despite the contradictory positions between BFI and AD/AL claimants, both signify their interest to engage in partnership once BFI IFMA expires in 2016 subject to BFI's offer.

### 6.3.2 Concerns, needs and interests of BFI and AD/AL claimants

Looking at the concerns, needs and interest (Table 31) of BFI and AD/AL claimants, common issues or needs appear to be the use of land resource and funding. In the case of BFI, commercial viability and secured land resource are requisites to continue its operations, while AD/AL claimants have inadequate finances to fund application for their CADT/CALT and lack of financial resources to fund development projects. Also, obtaining the CADT/CALT is

not a guarantee that AD/AL claimants can gainfully utilize their ancestral land and be able to uplift their socio-economic conditions. In most cases, indigenous peoples end up becoming labourers in their own land. It seems that AD/AL claimants will need investments from third parties or donor agencies. Therefore, BFI can be an option, this will open an opportunity both parties to discuss and find mutually beneficial solutions. In fact, the commercial value of BFI's forest plantation was assessed and is valued at billions of pesos (EIS, 2009 p. 83). The challenge is how to convert this potential into a reality. To achieve corporate objectives is to have committed owners and proficient board of director and management team to carry out corporate plans. With regards to changes in ownership, a further question is will BFI ever be privatized, if so then when? Who will be prepared to invest? Unless there are viable commercial prospects, no private investor will want to buy in except to just buy and remove the mature trees as they can. Investors also needed to have confidence that politics and government would not interfere. The governments (DENR/NRDC) have arguably had their chance; a new community based ownership that involves the AD/AL claimants maybe worth exploring. Thus, a review of BFI's future community ownership structure may be useful.

What appears to be needed to me is massive investment in the court systems to enable claims to proceed more rapidly. In the interim BFI could be a model in terms of reaching an agreement to work collaboratively with AD/AL folk until such time as the claims are resolved. This might necessitate a change in BFI's focus on being a commercially viable, standalone forest organization.

Table 31. Concerns, interest and needs of BFI and AD/AL claimants

<b>BFI's concern, interest and needs</b>	<b>AD/AL claimants' concern, interest and needs</b>
To continuously implement the program of the National Government to promote private sector investment in forestry sector and pursue the objective of the Philippines and New Zealand Governments	To develop their land resource to uplift the economic condition of their respective families Provide a bright future for their children Preserve their customs and traditions and cultural practices now and in the future generations
Achieve commercial viability	Secure funding for CADT/CALT application
Secure tenure rights after 2016	Secure funding to develop their ancestral land/domain
Protect and develop the entire IFMA	Protect their ancestral domain/land from influx of squatters

In order to successfully progress to the collaborative process, there is a need for both BFI and AD/AL claimant to recognize their mutual needs, say, the need for funding (AD/AL claimants) and need for land resource (BFI). This requires trust and open communication to ensure active participation from both parties. Empirical studies by Wade (1988) support

Ostrom and other authors suggesting that “non-cooperative behaviour” may result when “individuals do not trust each other, cannot communicate effectively, and cannot develop agreements” (Agrawal 2001, p.16). Forums and dialogues with the concerned AD/AL claimants prior to undertaking the free and prior informed consent process (FPIC process) would be an advantage to both parties to avoid gaps in the process. In effect it requires a reframing, by all parties, of the nature of the problem solution and an open transparent forum. Who will create this forum especially in a context where BFI CEOs are largely political appointees and, no matter what their personal commitments or views, are required to meet misconceived short term political and commercial targets while also securing the existing BFI forests against encroachment is difficult to identify.

## **6.4 Chapter summary**

This chapter has discussed the results of the research in the context of the original expectations of the BFI project, drawing on models of forest management and collaborative problem solving as lenses through which to frame the discussion. The following chapter draws conclusions from this research and also recommends possible ways of increasing the likelihood BFI’s long-term sustainability without negatively affecting the lives and well-being of the AD/AL claimants.

## Chapter 7

### Conclusion

In this chapter, the key findings are summarized and the threads of the arguments drawn together. Recommendations are also given as to future research.

Addressing the original research questions, this research set out to look at institutional arrangements that might work and suit the needs of all parties, identify conditions or criteria to bring stakeholders into mutual agreement, and know the strategies being employed by stakeholders to reach sustainable governance arrangements. In the process, it has explored the challenges of Bukidnon Forests Inc. (BFI)-forestry project and Ancestral Domain/Ancestral Land (AD/AL) claimants as they try to attain their respective goals. Diverse options of future arrangements were also explored. The conclusions in this research are drawn from the results and discussions.

Firstly, The BFI model is an illustration that the development of a man-made forest from once denuded and marginalized grasslands using expertise from western developed countries can be established successfully in the Philippines. It has been shown that forestry can be well developed, that Filipino people have more than enough capability to learn the operational skills. The problems however arise from its governance - government ownership and its competing objectives. The government ownership and style in managing commercial industrial tree plantation is ineffective in achieving BFI's commercial viability. Research results have identified factors contributing to BFI's non-attainment of corporate goals such as lack of commitment from owners, weak governance, inefficient marketing, and insecure land ownership and tenure rights.

Secondly, there is an emerging conflict between the objectives of an industrial tree plantation and those with Indigenous Peoples' (IPs) use of their ancestral land. The research results indicated that the use of land for large scale industrial tree plantation, which focuses mainly on the production of fast growing tree species using western technology to achieve maximum yield of wood for commercial purposes is in conflict with indigenous peoples' (IPs) customary land ownership and non-commercial use of forests. The Ancestral Domain Sustainable Development Project Plan (ADSDPP) of the Ancestral Domain/Ancestral Land (AD/AL) claimants demonstrates a diverse use of their ancestral land. Their utilization of resources is governed by customary laws, traditions and practices which conform to the use of indigenous knowledge systems and practices. Such finding is not uncommon, for example,

the timber plantation in Swaziland where the establishment of more than 100,000 hectares of plantations meant displacement of the Swazi people-San people (Bushmen) and their livestock. These people were provided by their domestic crops and animals, hunting, and natural resources from the forest and grassland, the resources they needed to survive (Menne, 2004). This raises questions about the compatibility of western-models of production in developing countries.

Thirdly, BFI and Ancestral Domain/Ancestral Land (AD/AL) claimants have to recognized their mutual need/interest for land (BFI) and financial resources (AD/AL claimants), otherwise the chance of coming up with mutually beneficial solution will be very slim. This requires a reframing of “the problem”.

Lastly, lessons from the Bukidnon forestry project (BFI) unveil the need for any forest development project to secure land ownership and tenure rights first, prior to implementation of the forestry project. This is to ensure that huge investments such as money, time and effort will not be wasted, especially those coming from aid agencies and donor countries. Tree plantations require huge financial capital and a long period of time prior to receiving a return on investments. In the case of BFI, the Government of the Philippines (GOP)/Department of Environment and Natural Resources (DENR) was unable to fulfil its commitment to provide land solely intended for the Bukidnon forestry project (BFI) mainly because of changes in government policies regarding how forest should be managed sustainably. The changes were the result of the shift from corporate to community based forest management in the Philippines as mandated by the passing of the Indigenous Peoples Rights Act (IPRA) Law in 1997. Whether or not such an eventuality was foreseeable before the project commenced was not specifically investigated in this research, such that New Zealand Agency for International Development (NZAID) sought assurance of clear title indicates that they were aware of the potential complications. Had NZAID been aware that claims of ownership might arise then it may have considered alternative approaches.

## **7.1 Recommendations for future research**

In order to ensure the long-term sustainability of the Bukidnon forestry project without compromising the interests and rights of the Ancestral Domain/Ancestral Land (AD/AL) claimants, BFI must first be able to demonstrate its commercial viability and profitability. The complex questions regarding AD/AL claimants, squatters and local politics, etc. will adversely impact on the Integrated Forest Management Agreement (IFMA) renewal which will require a profitable BFI employing/returning benefit to the local communities in order to

win local support for the IFMA's extension. The following section suggests questions for future research arising from these conclusions.

A possible way forward is a model whereby BFI becomes a commercial area of a coalition of Indigenous Peoples (IPs) groups. This would provide localised ownership and arguably transparent, accountability to local communities. This option was not well supported during the research and would need to be assessed alongside alternative suggestions. Research is required into the effects of a change in BFI's ownership on achieving commercial viability.

There is also a need for a re-appraisal of BFI's commercial viability. Research results reveal the poor condition of the existing assets such as roading, building, machinery, equipment. Despite the estimates of the potential value of BFI's production, its current commercial viability and asset value is not sound. Questions arise on what is needed to bring assets up to standard? What will be the cost? What is the breakdown of the forest asset now? Replanting has been well below that required to sustain an economic harvest in the future, a harvest rotation gap is foreseeable. An inventory needs to be completed and a new annual harvest budget assessed based on the known area of trees that will come available for harvest year by year. The re-appraisal will also require estimates of updated operational costs and future land rental and community charges to assess if BFI is in fact financially viable as a commercial entity. Also, another question raised that needs immediate answer is, will BFI still be viable if available areas for industrial tree plantation is fragmented concentrating only on above 18% slope areas? Such a re-appraisal was beyond the scope of this thesis as also is the effect of the 18% slope limit.

The findings of the research also suggest that BFI management must put in place clear strategic plans to address the future of the area. This requires collective action that involves other concerned agencies such as Bukidnon Forest Community Development Foundation (BFCDF), Department of Environment and Natural Resources (DENR), Natural Resources Development Corporation (NRDC), National Commission on Indigenous Peoples (NCIP) and concerned Local Government Units (LGUs) and participation of Ancestral Domain/Ancestral Land (AD/AL) claimants. The collaborative approach offers effective problem solving process, and may be applicable, but further research is necessary on the nature of institutional arrangements and mutually beneficial solutions to address land issues affecting BFI and the AD/AL claimants.

Mechanisms to continuously monitor the performance of BFI are still lacking. The adoption of voluntary forest certification would increase the likelihood that BFI will be managed

sustainably. For instance, Forest Stewardship Council (FSC) adopts principles, standards, criteria and measures that ensure sustainable practices in forest management are carried out. This will also increase the confidence that Indigenous Peoples rights are recognized and respected. Research is required into the achievability of certification given the current situation.

Turning now to the more fundamental questions, this research raises the question; can the Philippine political system ever provide genuine reforestation and protection of denuded land? In the push for rapid development and rush to attain developed country living standards has the Philippines, and possibly other developing countries, short circuited the evolution of property rights on which developed capitalist economies rely? The findings of this research suggest that a fundamental error underpinning the difficulties for the Bukidnon project was the assumption of clear title. For sustainable forestry to proceed the problem of demonstrating commercially viable plantation forestry needs to be reframed to one of demonstrating how indigenous peoples and local communities can develop sustainable livelihoods on land where many of the aspects of Brown, et al. (2005) forest management model are in a state of transition and uncertainty. This may need sufficient external funding.

Alternatively, the research suggests that before embarking on developing commercial forestry projects, along developed country lines, funding should be put into the resolution of outstanding ownership and property rights grievances. This suggest that rather than fund forestry projects countries like New Zealand may do better to export their expertise in developing political and judicial systems for determining clear property rights. Forestry production projects would follow later. Such an approach would seem to suggest placing property rights at the centre of Brown, et al. (2005) model, but that would be an error. The research here has indicated that even where there is some certainty of property rights, people will breach in order to meet their livelihood needs. So any attempt to determine property rights must be coupled with an approach that ensures livelihoods needs are met. How to achieve this remains a major challenge for future research.

Finally, the future of BFI still remains uncertain, yet it's never too late for managers to make a difference. The final decision of the government to renew BFI's IFMA or not, will challenge its commitment to the Exchange of Notes (EON) and it's sincerity to protect the rights of the indigenous peoples to their ancestral land.

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## Appendix A

### Cases filed in court by BFI concerning A & D land

Name of Dependant	Area Occupied in Hectares	Status of cases

## Appendix B

### Checklist of sample research questions

#### B.1 Chief executive, senior management of BFI, NRDC and DENR officials guide questions

1. Please comment on the current status of the Bukidnon forestry project.

Probing:

- Are the objectives of the project being achieved at this time?
- What are the challenges and issues facing BFI?

2. What are the future plans of BFI?

Probing:

- What are the short and long-term strategic plans of the management to achieve corporate objectives?

3. Please comment on the progress of Principle 3 Section 12 C of the EON.

*“Plantation forestry and re-forestation is capital-intensive and both New Zealand and the Philippine Governments acknowledge that private sector involvement is required and is to be encouraged. Political and legal uncertainties adversely affect investor confidence and there are policy issues that require further work. The Government of the Philippines will work to achieve the policy changes necessary to increase the levels of future investor confidence. The Government of New Zealand will support these changes.”*

Probing:

- What is the status?
- If there are delays, what are the reasons of the delays?
- What are the current strategies to catch up?

4. Please comment on the progress of Principle Five Section 14 b and d.

Section 14b.) “ . . . the Government of the Philippines considers that full or part privatisation would be desirable by 31 December 2002.”

Probing:

- What is the status?
- If there are delays, what are the reasons of the delays?
- What are the current strategies to catch up?
- Are there private companies interested to BFI?
- Do you think the current financial standing of BFI is able to attract to private sector?

Section 14d.) “ The two governments and BFI acknowledge that it is important to resolve all outstanding issues of ownership of assets, security of tenure,

*harvesting of the Benguet Pine and any outstanding labour issues quickly, efficiently and in the year 2000.*

Probing:

- What is the status?
  - If there are delays, what are the reasons of the delays?
  - What are the current strategies to catch up?
5. Is there any further Exchange of Notes after year 2000? Is the Philippine Government still having an interest with BFI?
  6. What is the implication if the milestone in the exchange of notes will not be achieved? Is there any liability in the part of the Philippine Government?
  7. Is BFI a viable industrial tree plantation venture?
  8. What are the current strategies made by BFI to address land tenure issues?
  9. Are BFI and DENR lobbying for amendments in IPRA Law?
  10. Considering BFI IFMA expires by 2016, is there any intention to apply for renewal for another 25 years IFMA?
  11. What institutional arrangements do you see as appropriate for the future management of the area currently covered by BFI?
  12. Is BFI open for partnership with IPs as land owner of the area covered within BFI IFMA? Which is more preferable collective partnership or individual with AD/AL claimants?
  13. What are the possible benefits if AD/AL claimants are willing to have joint venture with BFI?
  14. Which is more preferable, lease agreement or rent of land with AD/Al claimants or co-ownership or management? Why?
  15. Is BFI open to consider that AD/AL claimants will be represented with one seat to the BFI Board?
  16. Is BFI planning to reduce plantation area? Is there any replanting going on?
  17. Any other question that may arise during the interview



## B.2 Donor agency (NZAID) guide questions

1. Please comment on the progress of Principle 3 Section 12 C of the EON.

*“Plantation forestry and re-forestation is capital-intensive and both New Zealand and the Philippine Governments acknowledge that private sector involvement is required and is to be encouraged. Political and legal uncertainties adversely affect investor confidence and there are policy issues that require further work. The Government of the Philippines will work to achieve the policy changes necessary to increase the levels of future investor confidence. The Government of New Zealand will support these changes.”*

Probing:

- What is the status?
- If there are delays, what are the reasons of the delays?
- What are the current strategies to catch up?

2. Please comment on the progress of Principle Five Section 14 b and c.

Section 14b.) *“... the Government of the Philippines considers that full or part privatisation would be desirable by 31 December 2002.”*

Probing:

- What is the status?
- If there are delays, what are the reasons of the delays?
- What are the current strategies to catch up?
- Are there private companies interested to BFI?
- Do you think the current financial standing of BFI is able to attract to private sector?

Section 14c.) *“(.) ‘The Government of New Zealand will continue to have a Director on the Board of BFI, while there is New Zealand involvement in BFI’.*

Probing:

- Is there any representation from the New Zealand in the BFI Board?

3. Is there any further Exchange of Notes after year 2000? Is the NZ Government still having an interest with BFI?
4. Please comment on the concept of a *“New Zealand-Philippines Plantation Forestry Trust” (Foundation); the foundation is a mechanism, mutually agreed through the Exchange of Notes to realise the appropriate part of the New Zealand Government’s investment in BFI* (Principle Five Section 15 a and b). What is the main purpose of setting up the Trust?
5. What is the implication if the milestone in the exchange of notes will not be achieved? Is there any liability in the part of the Philippine Government?
6. What management arrangement do you see as appropriate for the area currently covered by BFI? Are there any models used in some NZAID projects (forestry

projects or any project having land tenure issues) in other developing countries (PNG or in any other countries) that have similar case with BFI?

7. Please comment on how BFI should be managed in the future?
8. Any other question that may arise during the interview

### **B.3 AD/AL claimants guide questions**

1. What are the challenges that you experienced in securing the CADT/CALT of your ancestral land?
2. How were you able to overcome the challenges?
3. Considering that the process of securing CADT is very costly how did you able to fund the cost? Are there any support given by the government and other agencies, NGOs and other donors?
4. How will you develop your ancestral land? Any plans? How about the resources  
Probing:
  - Do you have available resources (financial and technical)?
  - Do you have now the Comprehensive Development Plan?
5. Do you consider engaging in partnerships with the public or private sector in developing your land resource?
6. What are the key conditions?
7. Are you open to have partnership with BFI? Or any private company?
8. Are you willingness to forfeit use rights in lieu of benefit rights (IPs)
9. Considering that your ancestral land is within BFI IFMA, do you have any plans to engage in partnership with BFI in industrial tree plantation?
10. Will you allow BFI to continue their activities in your ancestral land after 2016?
11. Do you trust BFI Trust (commitment from both parties) range of 10, rate of trust re: BFI?
12. What benefits or incentives do you expect from entering into partnership agreement with BFI?
  - Rent from land? Why?
  - Stumpage share? Why?
  - Share in profit? Why?
  - Employment priority? Why?
13. What institutional arrangement do you see as appropriate for the area currently covered by BFI?
14. Do you consider having one seat in the BFI Board to be the representative of all the AD/AL claimants?
15. What is your view about co-ownership/co-management with BFI in developing your ancestral land? How?
16. Have you think of owning or buying shares of BFI to have ownership, are you prepared to pay for the cost?

17. Which do you prefer individual or collective action in dealing with BFI?
18. Are there any promises made by BFI to your clan prior to the commencement of the industrial tree plantation in 1989? If there is any, are they fulfilled?
19. What are the benefits you received from BFI?
20. Comment on the impact of the industrial tree plantation to the socio-economic condition in your community within the BFI area.
21. Any other question that may arise during the interview

## **B.4 Other government Officials guide questions**

### **a. NCIP**

1. To what extent does NCIP provides support to help indigenous peoples secure their CADT?
2. What are some its challenges?
3. How many years on average does it take to process CADT?
4. How much is the average estimated cost per hectare? Any support for funding from the government? LGUs and foreign aid or NGOs?
5. After issuance of CADT, are IPs already entitled to enter their Ancestral Land or Ancestral Domain within the BFI area in order to develop their land resource? What are the conditions?
6. If there is conflict or dispute or overlapping of claims in certain areas, how does NCIP resolve conflict between claimants? Apply customary law?
7. Prior to the commencement of the industrial tree plantation in 1989, is there any dialogue with IPs within the area where NCIP office is involved?
8. Are there any MOA before?
9. How many claimants within BFI area? How many are given CADT?
10. Is BFI working together with NCIP to provide support claimants to secure their CADT/CALT?
11. If ever, BFI applies for renewal for another 25 years in their IFMA, is it subject to FPIC?
12. Who will issue for the Certificate of Precondition? Procedure FPIC process? Any procedure to follow/document.
13. Does IPs without CADT will not be sought in the FPIC process?
14. What will happen to the improvements within an ancestral land/domain covered by BFI IFMA once it will expire by 2016? Does IPs have to pay for the improvements or it will be turned over to the CADT/CALT owners?
15. Any development to CADT/CALT should it strictly follow the ADSDPP?
16. Any monitoring of NCIP after issuance of the CALT/CADT in terms of the development projects introduced in the ancestral land?
17. Are there any groups lobbying for the amendment of the IPRA Law?
18. Any other question that may arise during the interview

### **b. Local Government Officials (Provincial and City/Municipal)**

1. Comments on BFI's success in terms of achieving sustainable forest management.

2. What do you think is the impact of BFI operations to the local communities in terms of providing economic activities and its contribution to the environment, in general?
3. Do you support the renewal of BFI's IFMA once it expires in 2016?
4. What management arrangement do you see as appropriate for the area currently covered by BFI?
5. Please comment on how BFI should be managed in the future?
6. What do you think will be condition of the forest land within the BFI area if BFI's IFMA will not be renewed?
7. Are there any support provided by your office to the AD/AL claimants within BFI area?
8. Does your office have plans to support CADT/CALT applications of IPs within your jurisdiction?
9. Any other question that may arise during the interview

# Appendix C

## List of secondary documents

### Documents from the Bukidnon Forests Incorporated

1. Annual Concession Reports submitted to DENR Regional Office (2002-2010)
2. Audited Financial Statements and other related reports issued by the Commission On Audit (COA) (2000 to 2010)
3. BFI (IFMA 006) Five Year Integrated Development and Utilization Plan (2008-2012) approved by the DENR Regional Office
4. BFI Annual Budget 2011
5. BFI Budget Utilization Reports (2006-2010)
6. BFI Comprehensive Development Plan (2000) approved by the DENR Central Office
7. BFI Environmental Impact Statement (2009) prepared by third party approved by DENR Central Office
8. Exchange of Notes between GOP and GNZ (2000-2003)
9. BFI IFMA
10. BFI- Multipartite Monitoring Committee (MMT) report on BFI IFMA No. 006 ECC Compliance submitted to DENR Regional Director endorsed by PENRO Bukidnon (2010)
11. BFI updated list of cases filed in court
12. Business Plan (2001) approved by the BFI Board
13. Documents (letters and memorandum) listed in Table 25
14. Endorsement letter from DENR CENRO Malaybalay to BFI regarding the request of Tribal leaders/IPs for the immediate cancellation of IFMA dated 12 January 2011
15. Environmental Compliance Certificate issued to BFI for the entire IFMA No. 006 (ECC Ref. Code:0904-006-0501) approved by the DENR Secretary in 2009
16. Photos of BFI field operations
17. Minutes of BFI Board Meeting held on 03 August 2009
18. Price series report from BFI Marketing Section (2002-2011)
19. Other related letters and reports (inter-office) and soft copy of BFI briefing kit to DENR Secretary and ppt. slide presentations for board meetings

### Documents from FASPO Central Office

20. BFI Annual Reports (1990-1991)
21. NZAID Project Post Evaluation Report (2005)

### Documents from AD/AL claimants

22. Ancestral Domain Sustainable Development Project Plan (ADSDPP) of the seven (7) AD/AL claimants (Bukidnon Tribe of CADT No. R10-KAL-0906-049, 2009 to 2014)
23. Letter from AD/AL Claimant to NCIP Provincial Officer requesting a dialogue with BFI management dated 12 January 2011
24. Letter from the association of Tribal Leaders in Malaybalay address to the President of the Philippines dated 06 September 2010

### Documents from NCIP Provincial Office (Bukidnon)

25. Consolidated list of CADT/CALT Application filed within BFI area (2010)
26. Guidelines on the formulation of the Ancestral Domain Sustainable Development and Protection Plan (ADSDPP) of 2004
27. List of affected members of the Cultural Minorities in BIPP project at Patpat, Malaybalay, Bukidnon
28. Omnibus Rules on Delineation and Recognition of Ancestral Domains and Lands of 2008
29. The Free and Prior Informed Consent (FPIC) Guidelines of 2006

### Other secondary document

30. Bukidnon Newswatch – Capitol mulls jatrophia plan, hits BFI (local newspaper article)
31. BFCDF SEC Certificate of Incorporation
32. BFCDF Reports

## **Appendix D**

### **Invitation letter to research participant**

Date

Name

Address

Dear Sir/Madame,

Greetings!

I am studying for my Master in Applied Science degree at Lincoln University in New Zealand. As part of the requirements for my degree, I am undertaking some research for my thesis that explores challenges in integrating indigenous and state interests to advance sustainable use of forests resources. The case of the Bukidnon forestry project is an illustration of an environment where complex problem of resource governance exist resulting from the emergence of claims to forest access and ownership by indigenous communities. This study looks at these changes, develops models of institutional arrangements mutually beneficial to both parties and explores the strategic response of the actors to the proposed future governance models.

This research is funded by the New Zealand Agency for International Development (NZ Aid) as part of my scholarship.

Given you are one of the primary stakeholders in this forestry project; I would like to invite you to participate in my research. As an informant you will be interviewed for not more than an hour. If you are willing to participate, I ask that you sign and return the attached consent form that indicates your willingness to participate in the study. Please be assured that your responses will be held in the strictest confidence. Pseudonyms will be given to names of each informant as well as the name of the organization (unless otherwise specified by the respondent or group members) to maintain anonymity. Transcriptions of interviews and analysis of field notes will be undertaken by the researcher. No identifying information will be used if the results of this study are to be written for publication, for oral presentation or for any general discussion.

As a follow-up to this activity, you will be asked to confirm and approve any direct quotations from your interview answers once used in the final report.

Your participation in this study is voluntary. You may also withdraw your participation and the information you have provided for the study by contacting me prior to 28 February 2011 by phone, mail, or email.

Contact details:

Address: Department of Environmental Management  
PO Box No. 84  
Lincoln University  
Lincoln Christchurch

E-mail: Vilma.Lorca@lincolnuni.ac.nz  
Mobile Number: +64212346970

Any concerns you have about participation in the project please contact my supervisor HAMISH RENNIE, PhD.



Contact details:  
Address: Department of Environmental Management  
PO Box No. 84  
Lincoln University  
Lincoln Christchurch  
Email: Hamish.Rennie@lincoln.ac.nz

I hope that you will be able to participate. It will be an honour for me to work with you in this research.

Thank you very much.

Respectfully,

VILMA O. LORCA  
Master in Applied Science (candidate)

## **Appendix E**

### **Consent form**

Research Title: Challenges in integrating indigenous and state interests to advance sustainable use of forest resources: Case of the Bukidnon forestry project, Philippines.

I confirm that I am of legal age (above 18 years old) at present and I have read and understood the description of the above-named project. On this basis I agree to participate as an informant in the research. I consent to the publication of results of the research with my understanding that my anonymity will be preserved. I understand also that I may, at any time, withdraw my participation in the research, including the withdrawal of any information I have provided.

Name: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

## **Appendix F**

### **Letter request to access public document**

Date

Name

Address

Dear Sir/Madame,

Greetings!

I am studying for my Master in Applied Science degree at Lincoln University in New Zealand. As part of the requirements for my degree, I am undertaking some research for my thesis that explores challenges in integrating indigenous and state interests to advance sustainable use of forests resources. The case of the Bukidnon forestry project in the Philippines is an illustration of an environment where complex problem of resource governance exist resulting from the emergence of claims to forest access and ownership by indigenous communities. This study looks at these changes, develops models of institutional arrangements mutually beneficial to both parties and explores the strategic response of the actors to the proposed future governance models

This research is funded by the New Zealand Agency for International Development (NZAID) as part of my scholarship.

In this regard, I would like to ask permission from your office to give me access to public documents relevant to my research. Signing the attached consent form indicates your permission for my access to public documents from your office.

I hope that you will be able to confirm access to research materials. It will be an honour for me to work with you in this research.

Any concerns you have about participation in the project please contact my supervisor HAMISH RENNIE, PhD.

Contact details:

Address: Department of Environmental Management

PO Box No. 84

Lincoln University

Lincoln Christchurch

Email: Hamish.Rennie@lincoln.ac.nz

Thank you very much.

Respectfully,

VILMA O. LORCA

Master in Applied Science (candidate)

E-mail: Vilma.Lorca@lincolnuni.ac.nz

Mobile Number: +64212346970

## **Appendix G**

### **Consent form to grant access to public documents**

Research Title: Challenges in integrating indigenous and state interests to advance sustainable use of forest resources: Case of the Bukidnon forestry project, Philippines

I confirm that I am of legal age (more than 18 years old) at present and I have read and understood the description of the above-named research. On this basis I agree to give consent to allow access to public documents from my office that are needed for the study.

Name: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_