

Administrative Order  
No. 33  
June 25, 1991

**SUBJECT: Amending Department Administrative Order (DAO) No. 71 Series of 1990, Otherwise Known as the "Implementing Guidelines for the Award and Administration of Forest Land Management Agreement (FLMA)"**

In order to make the FLMA program more economically-viable and attractive for its intended beneficiaries, the following amendments to DAO No. 71 Series of 1990 are hereby promulgated:

1. Section 16, paragraph 16.1 of Article VI of the Implementing Guidelines for FLMA is hereby amended to read as follows:

16.2 The government's production share shall be equivalent to thirty percent (30%) of the gross sales, computed at farm gate price, inclusive of any amount paid for forest charges or taxes arising from the sale, derived from harvests of trees and other perennials planted through contract reforestation or other modes of implementation financed by the government: **Provided**, That in no case shall the government's production share be more than the real value of the initial investment in plantation development. The government's production share shall be computed on the sale of the following products:

- a) Timber sold as poles, sawlogs, veneer logs or pulpwood logs;  
and
- b) Rattan, bamboo and all other non-wood products if the combined area planted to supply these products covers fifty percent (50%) or more of the total FLMA area.

2. Section 16, paragraph 16.6 of Article VI of the Implementing Guidelines for FLMA is hereby deleted in its entirety and a new paragraph 16.6 is substituted in lieu thereof to wit:

16.6 The FLM shall not be required to pay production share on the following products, the proceeds of which shall pertain to him/it exclusively:

- a) Products derived as a result of thinning, pruning, rouging and related silvicultural treatments carried out to increase the quality or quantity of final harvests;
  - b) Tops and branches derived as by-products of harvests conducted to produce sawlogs, veneer logs or pulpwood logs;
  - c) Harvests from non-wood species planted as intercrops, windbreaks or greenbreaks; and
  - d) Harvests from wood and non-wood species which were planted, maintained and protected by the FLM at his/its own expense (e.g. post-harvest replanting)
3. Section 17 of Article IV of the Implementing Guidelines for FLMA is hereby amended to read as follows:

**SEC 17.** On the seventh year of effectivity of the FLMA, the FLM shall open an interest bearing account in a bank of good standing. This account shall be in the name of the FLM, but the terms and conditions of the account shall stipulate that no withdrawals can be made without the written concurrence of a duly-authorized representative of the DENR. This account shall be identified as a Reforestation Guarantee Fund, hereinafter referred to as "the **FUND**".

4. Section 18, 19 and 20 of Article VII of the Implementing Guidelines for FLMA are hereby deleted and, in lieu thereof, the following provisions are incorporated:

**SEC. 18** Immediately after each harvest and sale of the products specified in Section 16, paragraph 16.2 hereof, the FLM shall deposit into the FUND an amount equal to not less than forty percent (40%) of the gross income derived from the sale computed at the prevailing farm gate price.

**SEC. 19** Not less than sixty (60) days after conclusion of each harvest and sale referred to in Section 18 above, the FLM (upon written concurrence of DENR's duly-authorized representative), shall withdraw an amount from the FUND equivalent to thirty percent (30%) of the gross income derived from the sale, computed at the prevailing farm gate price, less any amount previously paid to the Government by the FLM in the form of forest charges or taxes arising from the sale. The amount withdrawn shall then be remitted by the FLM to the DENR as production share. Any balance in the FUND remaining after the remittance of the Government's production share shall be retained by the FLM for replanting of the area assigned to him.

**SEC. 20** In cases where harvests and schedules for payment of the production share are interrupted due to natural calamities such as typhoon, drought or other unforeseen circumstances (e.g. serious peace and order condition), and subject to approval of the Community Environment and Natural Resources Office (CENRO) having jurisdiction over the FLMA area, the production share due at that time may be deferred until such time that the FLM is in a position to resume payments, based on a revised schedule jointly drawn up by the FLM and the CENRO concerned. In no case however should the deferment be for a period of more than five (5) years.

**SEC. 21** Payment of the production share shall continue for the duration of the FLMA for all final crop species planted with government funds that are harvested during the period. Furthermore, if the FLMA is renewed for another twenty-five (25) years, production shares will be collected on harvests of final crop species that did not mature during the first twenty-five (25) years (e.g. slow-growing premium timber such as narra). However, payment shall automatically end whenever the cumulative total of payments is equivalent to the real value of the initial government investment in the area.

**SEC. 22** After payment of all production shares accruing to DENR from harvests of final crop species planted with Government Funds, the FLM may reforest additional areas adjacent to or contiguous with the area covered by the FLMA. Such area shall be identified by DENR and planted pursuant to plans mutually acceptable to DENR and the FLM, taking into consideration the financial and technical capability of the FLM to reforest additional areas and still operate the original FLMA area as a profitable enterprise. The FLMA shall have the first option to apply for another FLMA over the new site reforested or developed outside the original FLMA area.

5. Sections 21, 22, 23, 24, 25, 26, 27, 27.1, 27.2, 27.3, 27.4, 28, 29, 30, 31, 32, 33, 34, and 35, are hereby renumbered as Sections 23, 24, 25, 26, 27, 28, 29, 29.1, 29.2, 29.3, 29.4, 30, 31, 32, 33, 34, 35, 36, and 37, respectively.
6. This Order shall take effect immediately.

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