

ANNEX 2

ITP DEVELOPMENT: CHILE AND PHILIPPINE MODELS

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PARAMETERS	CHILE	PHILIPPINES
<ul style="list-style-type: none"> ▪ Time ▪ Enabling Law 	1974 Decree Law 701 To be in effect 1974-94 US\$55.8 million annually	1975 P.D. No. 705 To be in effect immediately US\$363.6 million annual average
<ul style="list-style-type: none"> ▪ Export prior to Law (1970-1974) <ul style="list-style-type: none"> - Logs - Lumber - Wood pulp - Wood panels ▪ Export in 1987 alone <ul style="list-style-type: none"> - Logs - Lumber - Wood pulp - Wood panels ▪ Incentives <ul style="list-style-type: none"> - Tenure - Subsidy 	Nil US\$577.3 million solely plantation products 1.16 million cu m 866.40 million tons 0.57 million tons 0.04 million tons Stable, no expropriation of land One-time 75% by government on Tree planting for 20 years Annually 75% by government for Maintenance of fire roads and fences Subsidy for two prunings In 1984-85 subsidy increased to 90% to stimulate employment 30-year tax exemption on soil for forestland No tax payment on plantation prior to first harvest Prior to harvest – agriculture During harvest-wood processing Provided rediscount lines to state banks, development banks and commercial banks lending loans directly to ITP development 3 to 6 years; 1 to 3 years grace Negotiable Value added tax credit on equipment for producing export Direct grant of 10% of export revenues for products <US\$2.5 million 30% of country 8.8 million hectares 7.5 million hectares 1.3 million hectares	6.8 million cu m 0.25 million cu m 0.0 million cu m 0.31 million cu m US\$8.5 solely plantation products 0.20 million cu m None None None 25 years + 25 years public forest None No forest charges up to first harvest None BOI incentives 50% of country 2.5 million hectares All Unknown
<ul style="list-style-type: none"> - Taxes - Activity category - Central Bank - Tenure of Loans Interest rates Tax credit ▪ Forest lands <ul style="list-style-type: none"> - Commercial forest Native Planted - National parks/resources 	13.0 million hectares	4.9 million hectares

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<ul style="list-style-type: none"> ▪ Rate of planting <ul style="list-style-type: none"> - Before the Law - After the Law - Species 	<p>6,000-13,000 hectares 50,000 hectares Radlata pine (87%)</p>	<p>8,000 hectares 52,000 hectares Mixed species</p>
<ul style="list-style-type: none"> ▪ Total plantings <ul style="list-style-type: none"> - Before the Law - After the Law (up to 1986) 	<p>140,000 hectares 1,242,300 hectares</p>	<p>Unknown 563,000 hectares but plantings unknown</p>
<ul style="list-style-type: none"> ▪ Allowable cut from plantation Internal demand (1986) 	<p>20-21 million cu m by 2000 4 million cu m/year Net importer</p>	<p>Unknown 2.5 million cu m/year Net importer</p>
<ul style="list-style-type: none"> ▪ Ownership <ul style="list-style-type: none"> - Large firm - Medium - Small operations 	<p>45% 25% 30% (5,000 owners of 50-150 hectares) All subsidized at 65% of cost</p>	

Source: (Angeles, 2003).