The Policy Environment of Vegetable-Agroforestry (VAF) System in the Philippines: Are there incentives for smallholders?

Vegetable-Agroforestry (VAF) system is a viable farming system that integrates vegetables in tree-based system, or vice-versa. The system provides multiple benefits, including provision of micronutrients to the diet of rural communities and enhancement of on-farm biodiversity and environmental sustainability. However, its viability is constrained by various factors, including farmers’ inability to invest in the system, inadequate institutional structures to facilitate information flow, and lack of market incentives. Policy incentives are thus, needed to stimulate smallholder investments in VAF system.

Why smallholders? -- Smallholders comprised a significant segment of the Filipino population, and are most vulnerable to rapidly changing economic, social, political and environmental conditions. Small farmers and fisherfolk account for over 90% of all farmers and fisherfolk, which is around 21% of the total labour force.

What are incentives and disincentives? -- Incentives serve as motivation to accomplish a task that may lead to rewards, while disincentives are those that discourage, hinder or deter positive responses or actions to occur. In the context of VAF, incentives are considered elements of policy instruments that increase the comparative advantage of the system and thus, stimulate investments among smallholders.

### Policy Incentives and Disincentives

#### Tree Growing

**Presidential Decree 765 (1978), Revised Forestry Code of the Philippines**

- **Incentives**
  - Ownership rights to planted trees
  - Rights to sell, contract, convey or dispose of planted trees & other products
  - Discounted fees, rentals & forest charges
  - Free technical assistance
  - Assured credit assistance & use of facilities
  - Exemption from export log tax
  - Market assurance for timber products
  - Unrestricted export of plantation products

- **Disincentives**
  - Many farmers were discouraged, as they lack the capacity to develop large forest areas (a minimum of 100 ha and 10 ha to convert into agroforestry and tree farms, respectively).
  - They also lack regular cash flow between planting and harvesting.
  - There were also uncertainties with future prices of tree products.

**Integrated Social Forestry Program (ISFP) (1982)**

- **Incentives**
  - Grants & land tenure
  - Priority to women-based employment
  - Settler census to control migration
  - Extension & information services
  - Community organizing to ensure participation

- **Disincentives**
  - R&D support
  - All income given to participant
  - Exemption from forest charges
  - Provision of technical, legal, financial, marketing and other assistance

**Community Based Forest Management (CBFM) (1998)**

- **Incentives**
  - Security of tenure
  - Right to use & manage the resources
  - Exemption from land use rental & forest charges
  - Right to be consulted on government projects in the area
  - Authority to enter into contracts
  - Access to assistance & information
  - Right to receive all income & proceeds of the area
  - Right to contract with private & government entities

- **Disincentives**
  - Many of the CBFM areas were either logged over, grasslands, or relatively forested, requiring huge capital to develop.
  - The initial technical and financial support provided by the government was inadequate.

**Upland Agriculture Program (UAP) (2005)**

- **Incentives**
  - Promoted equitable distribution of opportunities and income in developing agroforestry systems.

- **Disincentives**
  - The incentive is that the smallest area that can be applied should not be smaller than 50 ha.

Policy incentives to tree growing had evolved from direct to indirect incentives. The provision of direct incentives was common from 1970s to 1980s but beginning 1990s, the notion on incentive gradually shifted to more indirect ones, such as comprehensive land and resource rights through various land tenure instruments.

#### Vegetable production

**Crop Insurance Law (PD 1447)**

- **Incentive**
  - Protected agricultural producers against loss of agricultural assets. The disincentive was the inability of smallholders to cash-out premium payment. Because of limited funding, it only focused on big farmers patronising credit from financial institutions.

**Republic Act 8178 on Agricultural Territorialisation**

- **Incentive**
  - Provided for the protection of smallholder farms by allocating priority to land reform beneficiaries and other persons and groups engaged in small-scale agriculture.
  - **Disincentive**
  - rap act 8178 on agricultural territorialisation

**Agricultural and Fisheries Modernization Act (AFMA)**

- **Incentives**
  - Credit assistance to smallholders & fisherfolk
  - Many of the Strategic Agriculture Fisheries Development Zonal Plans that LGUs developed did not materialise due to insufficient stakeholder consultation, and were expensive to implement.

**Repub Act 7900 on High Value Crops Development (HVCD)**

- **Incentives**
  - Many of the Rice Development and Finance Corporation (RDFC) and other institutional mechanisms.
  - **Disincentives**
  - High Value Crops Development

**Program components of RFOs**

- **Incentives**
  - Promotes R&D
  - Extension services
  - Information & marketing support

- **Disincentives**
  - No clear indication of how these programs are implemented.
  - High Value Crops Development

**Good Agricultural Practices (GAP) (2005)**

- **Incentives**
  - Purposes (e.g., increased yield, reduced input costs, improved product quality, increased farmer income, etc.)

- **Disincentives**
  - GAP program is not well-implemented.
  - Risks of environmental degradation.

**Organic Agriculture (2006)**

- **Incentives**
  - Promoted to production of locally grown products.

- **Disincentives**
  - Organic farm practices result in increased production costs and reduced profits.

### Major Policy Gaps

Despite on-going policy transformation, gaps exist between policy intention and policy implementation. Many national-level policies have unintended negative effect, because their intentions are too general. For instance, promoting smallholder investments in agroforestry, incentives for smallholders are limited, while disincentives persist.

There also exist apparent gaps in policy implementation, in terms of communication, funding mechanism and operationalisation. Many national-level policies are either not communicated or poorly disseminated at the local level. Policy implementation suffers from structural and funding constraints. Another issue is the weakness in addressing local specificities. National-level policies provide a general framework and enabling environment, but are not able to fully address complex, unique and diverse conditions of smallholders.

### Conclusions

- The policy environment is supportive of VAF but is insufficient in stimulating smallholder investments. Incentives for smallholders are limited, while disincentives persist.

- It is recognised that some issues are better resolved through national level policies, while a number of issues can be effectively addressed by locally-formulated policies.

- For the vegetable sector, issues on price regulation and control, environmental protection, reducing costs across market value chain, non-tariff barriers, and global trade require national level intervention.

- For the tree sector, issues on restrictive policies, transaction costs, land tenure and resource rights, and domestic and international market incentives are also to be addressed through national level policies.

- At the local level, promoting smallholder investments in VAF system requires stronger policy action in improving the effectiveness of the extension system, with emphasis on improved technology provision and support for market linkages and infrastructure.

- Policy linkages between national and local levels need to be established, and policy-makers need to mobilise adequate responses at both levels.

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