

COMMUNITY- BASED FOREST MANAGEMENT AT A CROSSROADS:

*The Future of
Sustainable Forest
Management in the
Philippines*

Prepared for the Office of the United States Agency for International Development (USAID) under Contract Number 492-0444-C-00-5073-00 USAID/ENV/MANILA

Donald R. Mickelwait
Bruce R. Harker
Ernesto S. Guiang

August 30, 1999



Development Alternatives, Inc.
DENR Annex Building, Visayas Avenue
Diliman, Quezon City
Telephone: 027-0461 to 65 • FAX: 929-4912

Natural Resources Management Program

TABLE OF CONTENTS

Acronyms.....	iii
Introduction	1
Part I: A Brief Overview.....	1
Part II: Ten Key Questions Regarding the Future of Sustainable, Environmentally Sound Forest Management in the Philippines.....	6
1. What Land Area is CBFM Designed to Protect and Rehabilitate?	6
2. Who are the Principal Actors Controlling CBFM's Fate and What is the Primary Policy Challenge Facing the Program?	7
3. How has NRMP Assisted in Improving DENR Procedures for the National Strategy for Sustainable Forestry?	8
4. How can LGUs Promote and Assist Forest Communities Become CBFMA Recipients?	12
5. What Economic Principles Support Community-Based Forest Management Agreements and Industrial Forest Management Agreements?.....	13
6. How do Forest Land Use Planning and Other Spatial Mapping Programs Contribute to Sustainable Forestry in the Philippines?.....	17
7. Can the CBFMA-Supported People's Organizations Create Financially Viable Cooperatives?.....	19
8. How can the CBFM Program Help Eliminate Poverty among the 20 Million Forest Land Residents in the Philippines?.....	21
9. How are the Environmental Consequences of Forest Management Actions Measured and Assessed in the Philippines?	25
10. How can USAID Continue Support and Assistance for Sustainable, Environmentally Sound Forestry Management in the Philippines?.....	28

ACRONYMS

ADB	-	Asian Development Bank
ANR	-	Assisted Natural Regeneration (a forest rehabilitation strategy)
C & I	-	Criteria and Indicators of Sustainable Forest Management
CADC	-	Certificate of Ancestral Domain Claim (an Indigenous Peoples' claim)
CBFMA	-	Community-Based Forest Management Agreement
CBFMIS	-	Community-Based Forest Management Information System (also MIS)
CBFMO	-	Community-Based Forest Management Office (of DENR)
CBFMP	-	Community-Based Forest Management Program (also CBFM)
CBRMP	-	Community-Based Resource Management Project (World Bank-funded)
CENRO	-	Community Environment and Natural Resources Office (of DENR)
DAI	-	Development Alternatives, Inc. (the Prime NRMP Contractor)
DAO	-	Department Administrative Order (Departmental policy guidance)
DENR	-	Department of Environment and Natural Resources
DOF	-	Department of Finance
DILG	-	Department of Interior and Local Government
EO 263	-	Executive Order 263 (CBFM official basis issued July 1995)
EPM	-	Environmental Performance Monitoring (related to C & I)
FLUP	-	Forest Land Use Plan (process developed by NRMP)
FRM	-	Forest Resources Management (also NRMP)
GOLD	-	Governance and Local Democracy Project (USAID-funded)
IEC	-	Information, Education and Communication
IFMA	-	Industrial Forest Management Agreement (for plantation development)
IRR	-	Implementing Rules and Regulations (of CBFMP)
LGU	-	Local Government Unit
NGO	-	Non-Governmental Organization
NRMP	-	Natural Resources Management Project (also FRM)
PENRO	-	Provincial Environment and Natural Resources Office (of DENR)
PO	-	People's Organization (managing community forests)
RRDP	-	Rainfed Resources Development Project (preceded NRMP)
USAID	-	United States Agency for International Development

Community-Based Forest Management at a Crossroads:

The Future of Sustainable Forest Management in the Philippines

by

Donald R. Mickelwait¹
Bruce R. Harker
Ernesto S. Guiang

INTRODUCTION

September 1999 marks the end of 16 years of USAID-funded, DAI/OIDCI-provided technical assistance to DENR. It is an appropriate time to reflect both on how far we have come together and how much remains to be done. The exploitation of Philippine forests by large companies colluding with government officials for private gain is well known. Less well publicized has been slow but steady progress building and testing a resources management model that protects and regenerates public forests. This report is the story of the U.S. Government's support to Community-Based Forest Management in the Philippines.

This is the narrative portion of the DAI Contract Completion Report for the Natural Resources Management Project-II, otherwise referred to as the Forest Resources Management Project. The narrative is divided into two parts, moving from larger issues of policy to more specific implementation details, both critical to the successful establishment of sustainable forest management.

PART I: A Brief Overview

This section includes a short retrospective on three USAID projects supporting DENR, a description of what USAID leaves behind as NRMP-II ends, and possibilities for USAID continued support to the environmental management of forest lands in the Philippines.

USAID catalyzed the evolution of community-based forest management within DENR.

There have been many initiatives, programs, and policies stimulated by donors providing assistance to environmental management in the Philippines. The largest loan funded programs are remembered by DENR in their official history of community forestry. USAID's comparative advantage has been to develop a concept, test it, and then

¹ Donald R. Mickelwait is Founder and Director of Development Alternatives, Inc.; Dr. Harker is Chief of Party of the DAI's NRMP-II Technical Assistance Team; and, Dr. Guiang is the DAI Team's Deputy Chief of Party. The authors have been actively involved in both institutional development and technical improvement of watershed management, uplands development, and forest resource protection and regeneration for over 30 years in South and Southeast Asia.

provide the technical assistance to work with DENR staff to make it happen. The World Bank, the ADB, Denmark, Japan, Sweden, the Ford Foundation and more, all have contributed pieces of CBFM. But USAID catalyzed the evolution of community-based forest management within DENR. USAID started early, stayed the course, and saw it through.

USAID was most effective in establishing a foothold for a new approach to protecting Philippine forest lands.

When Social Forestry was in its infancy in the early 1980s, promoting individual tenure arrangements among forest dwellers, USAID funded the Rainfed Resources Development Project (RRDP) in 1982. This multi-agency initiative of Philippine's National Economic Development Authority (NEDA), the Philippine Council for Agriculture and Resources Research and Development (PCARRD), the Ministry of Agriculture and Food, and the Ministry of Natural Resources was most successful in establishing a foothold within what is now DENR, for a new approach to protecting Philippine forest lands. The focus was on communities, those at the boundaries of upland agriculture, agroforestry and standing timber.

CBFM has become the only proven, environmentally sound, sustainable system of managing Philippine forests.

RRDP was followed by the USAID-funded NRMP-I in 1991 charged with codifying national policy. The underlying philosophy argued that the forests are best managed, as distinct from exploited, by those who live among them. Through many twists and turns of policy and implementation rulings, this program has become the only proven, environmentally sound, sustainable system of managing what remains of the Philippine forest and the residual nationally-titled uplands. During the four years of NRMP-I, the CBFM program began to take shape, incorporating the Social Forestry movement and successfully resisting the donor-supported rush into reforestation. CBFM focused on upland communities of Indigenous Peoples, settlers and ex-loggers with emphasis on protecting and conserving the remaining old growth and residual forests.

In 1994, NRMP staff helped draft the Executive Order that established CBFM as national policy.

In December 1994, at a national workshop at Subic Bay, the NRMP team, working with committed DENR staff, drafted what became Executive Order 263. Signed by President Ramos in July 1995, EO 263 established CBFM as the official policy of the Philippine government for sustainable forest management. NRMP-II, begun in April 1995, undertook to establish the CBFM program to counter the errors of the protection-by-exclusion movement that seemed to dominate uplands management thinking in the wake of past forest destruction.

CBFM is the linchpin of practical forest protection and regeneration.

CBFM is the linchpin of practical forest protection and regeneration, joining two other interrelated national policy statements: the National Integrated Protected Areas System (NIPAS) Republic Act passed in 1991 and the Indigenous Peoples Republic Act, passed in 1998. The missing piece is the Sustainable Forest Management Republic Act, nearly passed in the 1998 legislature, already re-submitted and receiving strong support in the 1999 session. Each legislative act or executive order is given teeth through Implementing Rules and Regulations published by the concerned government departments.

DENR has implementing responsibility for three of the four policies. The Indigenous Peoples' interests have been awarded to a national commission reporting to the President.

CBFM is an established functional forest management system.

CBFM is an established functional forest management system providing land tenure rights and clarifying responsibilities for individuals, communities, LGUs and DENR in the many programs that started from Social Forestry. After numerous trials and program revisions, there are established methods of defining communities and incorporating them as cooperatives or under Securities and Exchange Control rules, setting boundaries, identifying membership, completing forest surveys and sustainable harvesting plans, obtaining approvals for land tenure rights and setting concomitant environmental protection responsibilities. More than 3.8 million hectares are under this program in 1999, 500,000-plus directly attributable to NRMP support, the remainder benefiting from the policy and programmatic assistance that USAID has provided.

The CBFM approach is based upon sound national and community economics.

CBFM is based upon sound economics. Protecting 15 million hectares of public lands is not feasible within DENR's actual or imagined budget allocation. The cost of absentee landlord control over logging companies, plantation developers and 20 million uplands residents is simply too great. Some 50 percent of all wood products in the Philippines are estimated to come from illegally-obtained timber, reflecting the inability to secure public timber lands. On the other hand, forest communities can control their own area, and will do so in public forest lands in an environmentally sound manner, under the right circumstances. Those circumstances have been tested and are known—secure land tenure combining harvesting rights and protection responsibilities, the foundation of the community-based forest management approach.

Partnerships between DENR and LGUs are powerful means of enlarging CBFM areas of responsibility.

Some of the most viable new initiatives to extend the CBFM concept come from working partnerships between Local Government Units and DENR field staff. Both the Local Government Code, and the NRMP-sponsored Joint Memorandum Circular 98-01 *Manual of Procedures for DENR-DILG-LGU Partnerships on Devolved and Other Forest Management Functions*, provide for devolving authorities and creating partnerships between DENR and LGUs. Within CBFM, and in cooperation with the USAID-funded GOLD project, a partnership agreement between Nueva Vizcaya's Governor and DENR established a working relationship that has changed public lands management on 24,000 hectares. Nueva Vizcaya is one of ten winners of the 1999 Galing Pook Awards for innovation and excellence in local governance. This and other successful DENR-LGU local cooperation have improved resource management. Rather than becoming entangled in the turf battles that rage in Manila, shifting forest management responsibilities to provincial, municipal, barangay and community levels allows for cooperative solutions among agencies through local environmental and natural resources offices and committees.

A ban on commercial logging would erode the foundation on which CBFM is constructed.

Despite both conceptual elegance and demonstrated successes, significant challenges remain for CBFM. In the face of clear evidence that tenure and harvesting rights thoughtfully extended to communities ensure protection and sustainability, there are well-meaning advocates of a ban on all commercial logging on forest lands. That is a destructive policy. A ban on commercial logging, such as that recently imposed by the DENR Secretary in natural forests in CBFMA areas, will erode the foundation on which CBFM and sustainable forest management are constructed. Land tenure and sustainable resource use, including sustainable harvesting, have led to sound environmental management and new commitment to protecting remaining forests. This is due in large part to USAID's persistence in supporting CBFM.

The nation's strategy for sustainable forestry is controlled by one department and can be countermanded at any time by the Secretary.

As national policies respond to different special interests and concerns, they and their implementing instructions are not universally consistent—the intersection of community interests, particularly indigenous communities, with protected areas, for example, provides the basis for dispute, with a case presently before the Supreme Court. But more threatening to the CBFM cause, because implementing rules for national policies are issued by a department, the nation's strategy for sustainable forestry is controlled by one department and can be countermanded at any time by the Secretary.

The DENR Secretary suspended new CBFM agreements and approvals.

Suspension of issuance of all new CBFM instruments in late 1998 by the DENR Secretary, resulted in DENR refusal to renew community Annual Work Plans and annual harvesting rights, with the effect that rights previously given to CBFM communities for sustainable forest use have been suspended indefinitely. With this will inevitably follow reduced incentive for community forest protection and increased destruction from fire and illegal logging.

The challenge is to broaden and deepen CBFM to cover most public forest lands.

CBFM is a proven system of sustainable and environmentally sound forest management that works. The challenge is to maintain the momentum of the program and to broaden and deepen the CBFM system to cover all public lands that have recognized and identifiable communities that will provide forest stewardship. This requires passage of Congressional legislation to strengthen CBFM's legal mandate.

USAID's leadership is still needed as CBFM establishes itself as a viable economic development strategy for the Philippine uplands.

To maximize CBFM's effectiveness, it must be extended outside the Open Access areas, which constitute only one third of total forest lands. The largest donor in the Philippines, the World Bank, has a program underway with DENR to test models of CBFM within protected areas, an important addition to the system. The Asian Development Bank is currently designing a new project with sustainable forest management in its title, although this activity is in the early stages of design. Many NGOs and foundations are continuing their support of individual forest communities, hoping for concrete signs of renewed affirmation of support for CBFM from DENR. USAID's leadership is still needed as CBFM struggles to establish itself as a viable economic development strategy for the Philippine uplands.

The World Bank CBRMP funds a model of upland forest management through municipal environmental subprojects.

Increasingly, as municipalities become concerned about the sources of their water supply, they turn attention to environmental management of public uplands. The World Bank has funded the Community-Based Resources Management Project (CBRMP), a variation on the Municipal Development Fund, through which class 4/5/6 municipalities can obtain grant and loan funding for environmental management subprojects. DENR has given CBRMP an institutional commitment to provide assistance for project feasibility studies, for project implementation, and in obtaining land tenure instruments for CBFM People's Organizations. To date, CBRMP has been bound by Manila bureaucracy, but the intent is to shift review and approvals to regional committees. The potential is high that the next generation of environmentally sound public land management will be initiated by LGUs incorporating assistance from DENR field staff.

USAID could make a significant contribution to extending CBFM by providing high-level technical assistance to complement CBRMP.

USAID, by continuing its support to a proven model of environmentally sound forest management, can use its comparative advantage to provide what is universally missing from loan-funded development projects—a technical assistance cadre of sufficient size and capacity to make CBRMP implementation a success. Attached directly to CBRMP, high-level expertise could complement the local consultants that are to be used for project feasibility study completion. To be successful and to obtain the necessary DENR clearance, CBFM surveys and plans must be professionally done. This includes plans for infrastructure that extends from the lowlands into the forests, as well as community environmental protection plans, resource development plans and harvesting opportunities that are part of a Community Resource Management Framework. As three USAID-supported resource management projects have demonstrated, national-level professional consultants working directly with LGU and DENR staff can make a major difference in the pace of implementation. It is an initiative that would continue USAID's leadership in CBFM through the next generation of institutional arrangements managed by local government units, a fitting extension of work successfully started, but far from complete.

PART II: Ten Key Questions Regarding the Future of Sustainable, Environmentally Sound Forest Management in the Philippines

Reports from NRMP on the state of environmental management in Philippine forest lands could easily fill a bushel, while studies from the other donors on particular forestry components, along with DENR's administrative orders, could fill a second. The problem is not a lack of information but its distribution pattern. There is far too much on some subjects, and too little on others. This section contains a distillation of the ten most often encountered issues in the world of CBFM, phrased as questions. The answers attempt to distinguish what we know, what we seek to learn, and where next we might go. Footnotes contain references leading to more detailed information sources.

1. What Land Area is CBFM Designed to Protect and Rehabilitate?

The following table provides a breakdown of the approximately 30 million hectares of land mass in the Philippines and shows that over half of the total land mass is designated as national forest land, the responsibility of the DENR to protect and rehabilitate.

Table 1: Land Mass Categorization in the Philippines ¹	(in million hectares)	(in million hectares)	(in million hectares)
Alienable and Disposable Land	14.117		
National Forest Land	15.882		
Established Forest Reserves (Watersheds)	3.273		
Parks/GRBS/Wildlife Areas	1.341		
Military Reservations	.130		
Civil Reservations	.166		
Fishpond Lease Agreements	.075		
Subtotal	4.985		
Timber License Agreements (26, w/6 active)			
IFMA/ITPLA (Plantations)	.518		
Forest Land Grazing Lease Agreements	.187		
CBFMA/CADC Tenure Instruments	3.800		
Subtotal	5.815		
Open Access Land		5.052	
Subtotal		5.052	
Total Land Mass	30.000		

¹ All data taken from the DENR publication Forest Statistics 1997 except for the land area under CBFMA/CADC management, which is from the CBFMIS maintained by the Community-Based Forest Management Office, DENR/FMB.

Fully a third of DENR's mandated area is currently unmanaged "open access" land. If it were not for CBFM which has been used to bring 3.8 million hectares of open access land under active community management, the unmanaged lands under DENR's stewardship would be almost 9 million hectares, 30 percent of the land mass of the Philippines.

The Philippines Community-Based Forest Management Program responds to two principal types of uplands communities. Certificates of Ancestral Domain Claims (CADCs) recognize perpetual claims and traditional use rights of Indigenous Peoples. Community-Based Forest Management Agreements (CBFMAAs) provide tenure and resource use rights to upland settlers for 25 years, renewable for another 25 years.

CBFMA/CADC agreements are specifically targeted at the Open Access Land, since that is where the forest is most rapidly disappearing, followed by inactive Timber License Agreement lands, and then the watersheds and protected areas. The three categories have an additional 9.5 million hectares potentially available for community management. Most "forest" lands are not forested, and land use differs greatly depending upon the timber cover.² Only about 800,000 hectares of original rainforest remain.

2. Who are the Principal Actors Controlling CBFM's Fate and What is the Primary Policy Challenge Facing the Program?

a) The Principal Actors

i) **The Office of the President**, whose Executive Orders have the force of legislative acts. CBFM was adopted as the nation's strategy for sustainable forestry by past-President Fidel Ramos in 1995 by Executive Order 263, with Implementing Rules and Regulations in DENR Administrative Order No. 96-29, the Community-Based Forest Management Strategy. This forms the basis for the CBFM system.

ii) **The Legislature**, which creates legislation in the form of Republic Acts of which four are of major importance to CBFM:

- The National Integrated Protected Areas Systems (R.A. No 7586) with Implementing Rules and Regulations in DENR Administrative Order No. 25 Series of 1992. The IRR calls for the division of protected areas into Management Zones, one specified as a Multiple-Use Zone allows land to be granted to tenured residents;
- The Indigenous Peoples Rights Act;
- The Local Government Code;
- The Sustainable Forest Management Act, which incorporates CBFM principles into a Republic Act, was close to passage in the 98 legislative session.

iii) **The Departments**, which issue the Implementing Rules and Regulations of programs and implement them (e.g., DENR and DILG).

iv) **The National Commission on Indigenous Peoples (NCIP)**, which administers the Indigenous Peoples Rights Act.

² Question #8 deals with the cover on and use of forest lands.

v) The CBFM National People's Organization Federation, a newly formed national federation with regional offices made up of the POs that are chartered within the CBFM system.

b) The Challenge in the National Policy Environment

Critical for the national policy environment for community-based forest management is not what is missing, but how policy is implemented. The Implementing Rules and Regulations (IRRs) are written by Departments, which can and do change them with frequency. A great deal of uncertainty exists in the application of the processes and procedures in the highly personalized administrative structure of the Philippine government. Uncertainty has real economic cost. In the context of tenure agreements that secure land use rights, uncertainty can be highly destructive to investment necessary to protect and rehabilitate the nation's forests. It is not the absence of national policy, but the presence of implementing administrative uncertainty that poses the greatest threat to the sustained success of the CBFM program and regeneration of the nation's forests.

In the context of tenure agreements intended to secure land use rights, uncertainty can be highly destructive to investment necessary to protect and rehabilitate the nation's forests.

3. How has NRMP Assisted in Improving DENR Procedures for the National Strategy for Sustainable Forestry?

a) Creation of a CBFMA System of Tenure Instruments

To identify potential CBFMAs, NRMP field staff combined with the DENR field offices to delineate existing and soon-to-be "open access" forest lands. Initial consultations with the LGUs (barangay captains and mayors) were conducted in conjunction with a reconnaissance survey to the area. Criteria used in identifying sites are:

- Open Access forest lands;
- Existence of communities in and near the forest lands;
- Relatively accessible area;
- Supportive local government leaders;
- Degree of economic dependency of the community residents on the forest lands and resources (cultivated uplands, harvesting forest products, water, etc.);
- Willingness of the community members to be organized and participate in CBFM; and
- Presence of natural forest in the proposed CBFMA.³

Site boundaries were specified using available control maps at the CENRO and LGU with validation through community mapping techniques.

NRMP staff, together with DENR assigned staff and, when it can be arranged, barangay captains and municipal planning officers, conduct information and orientation campaigns in the proposed CBFM area. These campaigns provided information on: how the communities can participate in the CBFMA, the process of approval, the tenure instruments and land use rights, and the community responsibilities for protecting the forest. To determine the conditions and situation on the ground (the surveyors organize information into problems, issues, needs, and opportunities), NRMP

³ In prior DENR policies, natural forest was intended to be 50 percent of the total CBFMA area.

supported a community mapping exercises. The NRMP/DENR/LGU organizers identified residents willing to form into core groups at the sitio and barangay levels. These initial "participants" were trained to undertake CBFM community mapping, using key informant interviews and ground surveys. They then disseminated the information to those interested and ready to join in helping the community apply for a CBFMA.

Technical maps showing the boundaries of the CBFMA, as well as land use and the conditions of the standing timber were prepared by the CENRO, validated with community mapping, signed by the community leaders, and submitted for approval to the DENR with LGU's endorsements (barangay and municipal level). NRMP assisted the core group and other interested residents in and near the proposed CBFMA area to become officially registered with the Cooperative Development Authority or the Securities and Exchange Commission (as non-profit, non-stock organizations). When the map was approved and the PO registered, NRMP staff helped the DENR field office and the LGU complete the requirements of the template CBFMA, which was submitted to the LGU for concurrence⁴ and DENR for approval and issuance of the CBFMA. Communal tenure could then be awarded to the community or PO.⁵

b) Confirming Resource Use Rights of Tenured Communities

As soon as the CBFMA was issued, the PO was helped by NRMP and DENR to prepare the Community Resource Management Framework, the Resource Use Plan if there was to be harvesting of forest products (such as timber, rattan, and resins) and the community's Annual Work Plan. If the Community Resource Management Framework called for harvesting in natural forests, NRMP and the DENR worked with the PO in conducting reconnaissance and ground verification of proposed harvesting area, completing the Resource Use Plan. The forest resource, pre-harvesting inventory is the basis for calculating the sustainable annual allowable cut if timber harvest is planned, DENR's upper limit in approving the community's Annual Allowable Cut. The other components of the Annual Work Plan include forest protection, assistance to PO members and residents of the CBFMA area, enterprise development, PO management, and rehabilitation or reforestation. While harvesting forest products may provide revenue to the PO, all other activities necessary to fulfill their CBFMA commitments are costs.

While harvesting forest products may provide revenue to the PO, all other activities necessary to fulfill their CBFMA commitments are costs.

Out of over 4000 CBFM communities, only 98 have approved resource management plans. Of these 98 communities, 77 are NRMP sites⁶ where direct assistance from NRMP staff and NRMP liaison with local DENR staff have resulted in quality management plans and focused DENR attention to community goals. The other 22 POs with approved plans have benefited from simplified

⁴ New DENR implementation guidelines threaten CBFM progress. On August 10, 1999, as this report was being written, the DENR Secretary issued DAO No. 99-35, restricting CBFMA timber harvest rights to 'man-made plantations', reducing considerably possible community income with which to finance forest guards and reducing community incentives for protecting natural forests from illegal logging. Earlier, on July 22, 1999, the Secretary issued DAO No. 99-29, amending the CBFM IRR in DAO 96-29 to eliminate provision for direct LGU participation in and endorsement of CBFM plans, potentially setting back efforts to involve local government in resource protection and development by several years.

⁵ When it is feasible, the CBFMA is issued together with approval of the Community Resource Management Framework, a long-term indicative plan of the PO for its CBFMA area, prepared in a participatory manner and written in local dialect or Filipino.

⁶ CBFMIS, NRMP/CBFMO, July 1999.

documentation requirements designed by NRMP and from the CBFM/CADC information and orientation campaigns mobilized within DENR by NRMP.

A Community Resource Management Framework includes anticipated environmental impacts of resource management strategies and activities. CBFMA holders, however, have been conducting harvesting activities without an environmental clearance, an Environmental Compliance Certificate, from DENR. Although DENR issued DAO No. 96-37 in 1996 requiring Environmental Compliance Certificates for harvesting forest products in natural forests, guidelines and procedures for obtaining an Environmental Compliance Certificate have not been published. NRMP drafted simple guidelines that DENR and POs could follow to fulfill CBFMA requirements for environmental clearance, but they have not yet been signed and issued by the Secretary.

During NRMP-I, NGOs were contracted to organize POs in communities in and near the forest lands. This remains the approach being followed by the ADB forest loan. Under NRMP-II, it became clear that the local NGOs were not up to the task of preparing the documentation, conducting the community mapping exercises or organizing the participants. In their place, NRMP hired Assisting Professionals (community organizers, foresters, enterprise development specialists, agriculturists, etc.) to work with the targeted community sites. This proved to be a particularly valuable contribution that was possible because of the flexibility allowed by USAID financing. NRMP's senior long-term consultants and international short-term technical specialists, directly supported the Assisting Professional as well as DENR field staff, and LGU officials, to assist communities meet the requirements for the CBFMA, the Community Resource Management Framework, their Resource Use Plan and their Annual Work Plan. Direct assistance to the process of obtaining CBFMAs and the instruments that give POs the right to use the products of the land has been a major contribution of NRMP.

The more general introduction of Forest Land Use Plans (FLUPs) by LGUs will speed and simplify the process of identifying and registering CBFMA sites. With DENR and the LGUs acting in concert to create and approve the FLUP, the process of issuing tenure instruments is streamlined. After NRMP-II has concluded, DENR and local government officials will need to find ways of continuing hands-on support to potential and existing CBFMA holders.

After NRMP-II, DENR and LGUs need to find ways of continuing hands-on support to potential and existing CBFMA holders.

c) Reduction of "Non-Tariff Barriers" Restricting Sustainable Forest Management

The written procedures DENR had available as CBFM was initiated were those applicable to large timber companies working under Timber License Agreements. NRMP has cajoled, drafted and demonstrated the necessity of simplified procedures appropriate to community structures. On some issues-simplicity prevailed, on others work remains to be completed.

In one way or another, NRMP has been involved in all of the official CBFM publications of the Ramos administration, from the Executive Order 263 to the IRR, through to the dozen or more clarifying administrative orders and memoranda issued up to mid-1998 when the new administration took office. A sample listing of NRMP's contributions to rationalizing the procedures inherent in the CBFM system includes:

- The original Community Resource Management and Development Plans for the People's Organizations required by DENR were highly complex requiring professional foresters to complete. The management plan requirements and procedures as revised by NRMP are much simpler and more appropriate to forest communities, all but one chartered as a cooperative.

- Approvals for tenure instruments and plans have been devolved from the Office of the Secretary, which held all responsibility in the past⁷. CBFMAs for up to 5,000 hectares can be approved by the PENRO, and up to 15,000 hectares by the DENR Regional Executive Director. This significantly increases the efficiency of the approval process.
- The affirmation of the Community Resource Management Framework, the community's management plan, is now with the CENRO regardless of size of the CFMA area. In past procedures the Secretary's signature was required on all management plans.
- Simplified procedures for obtaining required environmental clearances have been drafted and negotiated with the Environmental Management Bureau of DENR (the Philippine "Environmental Protection Agency"). Present regulations require hiring a DENR-accredited preparer who completes an Environmental Impact Study (EIS), with costs ranging from ₱ 50,000 to ₱1,000,000 depending upon the complexity of the project. DENR personnel currently are not allowed to assist CBFM POs prepare the EIS. NRMP has prepared a proposal for a simplified checklist format to conduct an Initial Environmental Examination to replace the otherwise required Environmental Impact Study. To be completed with the assistance of the DENR field officer based on the already completed Community Resource Management Framework, this approach has been approved in principle by the Environmental Management Bureau but has not yet been forwarded to the DENR Secretary for signature.
- Early harvesting requirements for POs prohibited the use of any mechanical equipment, including chainsaws. While there has been some loosening of restrictions, in most CBFMAs, DENR staff still require that carabao must be used to drag out fallen timber. Because most whole logs are too heavy for carabao to haul, logs must be cut up in ways (half-moons and quarters) that significantly reduce their market value. In addition, the control of the harvesting process includes permits to transport; certification of log and lumber origin; and tally sheets detailing the dimension, volume number of trees, and damage to the remaining forest. There are fees associated with all of the permits and licenses, and checkpoint verification during transport. A revised and simplified set of procedures has been drafted by NRMP, endorsed by the Community-Based Forest Management Office.
- Determining a community's Annual Allowable Cut if timber harvest is planned has been a major issue for the CBFM program. The allowable cuts approved by DENR have regularly been a fraction of the amount their own inventories and affirmed forest management plans show to be sustainable. In New Bataan (Region 11), the forest survey and inventory documented more than 5,000 cubic meters a year of sustainable harvest within the cutting areas of the CBFMA. The POs have traditionally requested half this amount, which is then reduced by DENR to less than 1,000 cubic meters. The break-even point for the cooperatives in large timber areas in Mindanao that employ forest guards often requires more timber harvest than DENR allows. Further, there has been uncertainty over whether an Annual Allowable Cut is for a fiscal year from the time of approval, or only for the remaining portion of the calendar year, complicating the life of the POs since the approvals have often been delayed until September.
- NRMP has drafted a new procedure proposing a five-year work plan and new allowable cut guidelines that was discussed and recommended to DENR by the Regional People's

⁷ However, in DAO No. 99-35 of August 10, 1999, the DENR Secretary recentralized authority to his office for most cutting in natural forests including clearing of vegetation for purposes of fire prevention. In effect, all fire prevention decisions involving creation or maintenance of fire breaks in the nation's natural forests will now be made in Manila.

Organizations meetings that preceded their national seminar in July 1999. This proposed solution would eliminate many of the existing problems associated with approved harvesting.

Neither Rome nor a set of simplified procedures for forest management was built in a day. Many dedicated and capable DENR staff have worked to improve the efficiency and the appropriateness of their internal procedures that oversee CBFMAs. Until recently, the pace of simplification and rationalization was gaining momentum. NRMP has been there as each new step has been taken, working with the field staff to make the requirements fit the circumstances of CBFM.

4. How can LGUs Promote and Assist Forest Communities Become CBFMA Recipients?

RRDP was working between the ministry that would become DENR and local governments in the 1980s, encouraging cooperation in establishing community-based forest management. The broader concept of devolution of authority, responsibility and budget to LGUs has been in place since the passage of the Local Government Code in 1991. Within DENR, devolution was authorized by DAO No. 92-30, issued June 30, 1992, on the "Guidance for the Transfer and Implementation of DENR Functions Devolved to the Local Government Units".⁸ This DAO devolved to LGUs the management and control of communal forests with an area not exceeding 5,000 hectares as well as many attendant responsibilities. In practice, however, DENR did not relinquish control to the LGUs of the approvals and instruments necessary for communities to obtain land tenure security in small forests. This administrative order was issued early in the national devolution movement and did not have mechanisms in place to make it work. Other implementing procedures had to be found to encourage DENR to share control over forest lands with LGUs.

NRMP wrote the Joint Memorandum Circular No. 98-01 and lobbied hard for its issuance of by DENR and the Department of the Interior and Local Government (DILG). This document provides the basis for a Memorandum of Agreement between DENR and a specific LGU on devolved forest management functions. In particular, following the principles and language of the CBFM IRR, it moves the decision making process on the MOAs to the concerned local DENR officials for forest areas as follows:

Up to 1,000 ha	CENRO
Up to 5,000 ha	PENRO
Up to 15,000 ha	Regional Executive Director
Up to 30,000 ha	Undersecretary for Field Operations
More than 30,000 ha	Secretary

In practice, the "partnership" model of devolution with the field staff of DENR sitting on LGU committees that take decisions on forest management has proven successful. One particularly good example is the 24,000-hectare forest being managed by the province of Nueva Vizcaya, under a MOA signed between the Governor and the DENR Regional Executive Director for Region 2.⁹ The PENRO sits on the Steering Committee with representatives of the LGU and provides professional forestry expertise in discussions of management options. Since the MOA between the DENR Regional Executive Director and the Governor is a CBFMA-type instrument, the Governor

⁸ This DAO and many other DENR and DILG administrative orders, the CBFM IRR, and Executive Order 263 have been published in, A Compilation of Policies on Community-Based Forest Management, NRMP, July 1998.

⁹ Creation and implementation of the MOA in Nueva Vizcaya was a joint product of NRMP and the USAID-funded Governance and Local Democracy (GOLD) project.

can delegate management of a sub-area within the MOA to a local community, and has done so. *Subsequent improvement in community protection of the forest area from poachers and fires has been widely noted and reported.* The NRMP-initiated co-management route is an innovative and successful method of establishing partnerships in the field, where cooperation is most prevalent, between DENR and LGUs. It likely has blazed the path for future LGU involvement in forest lands management.

The NRMP-initiated DENR-LGU resource co-management route likely has blazed the path for future LGU involvement in forest lands management.

5. What Economic Principles Support Community-Based Forest Management Agreements and Industrial Forest Management Agreements?

There is a powerful anti-poverty contribution from CBFM, discussed in some detail in Question #9. The success of the CBFM program is solidly grounded in well-established equity and economic principles, and is supported by empirical evidence of success in similar resource-based land areas around the world. DENR's Industrial Forest Management Agreements (IFMAs) have no such obvious equity basis. IFMAs are commercial investments that the owners would intend to have return more than the cost of capital and a risk premium. Both are considered below.

a) The Economics of CBFMAs

Three years ago, Professor William Hyde was the principal author of an NRMP study on forest economics, one that defined the functions inherent in forest land development.¹⁰ There are three functions:

- The value of land as a function of net farm gate price of products produced on the land;
- The costs of market access as a function of the distance and transport mode of the products produced on the land; and
- The costs of acquiring and maintaining *secure* rights to the products produced on the land.

On forest land, upland crops give way to agroforestry and plantations and those, in turn, to secondary and old-growth forest as distance from the market (measured in the costs of road infrastructure and hauling charges) and slope increase. Land value is highest when distance from the market is shortest (Figure 1).

Figure 1 also includes the cost of acquiring and securing rights to the products from the land. These costs include the costs of protection, which vary greatly from local residents to absentee landlords (such as DENR). Size of the area to be defended from outside intrusion also affects cost, smaller is clearly less demanding than larger. Community costs for acquisition of land rights (high) and territorial defense (low) are represented by the 'dashed' line. The heavy solid line represents DENR acquisition costs (low) and territorial defense costs (high to incalculable in truly remote regions of the country). Figure 1 shows that forest residents will protect relatively low value land, far from market centers, land typically too expensive for the absentee state owner to protect.

¹⁰ William F. Hyde, et. al., "Forest Charges and Trusts: Shared Benefits with a Clearer Definition of Responsibilities", NRMP, July 29, 1996.

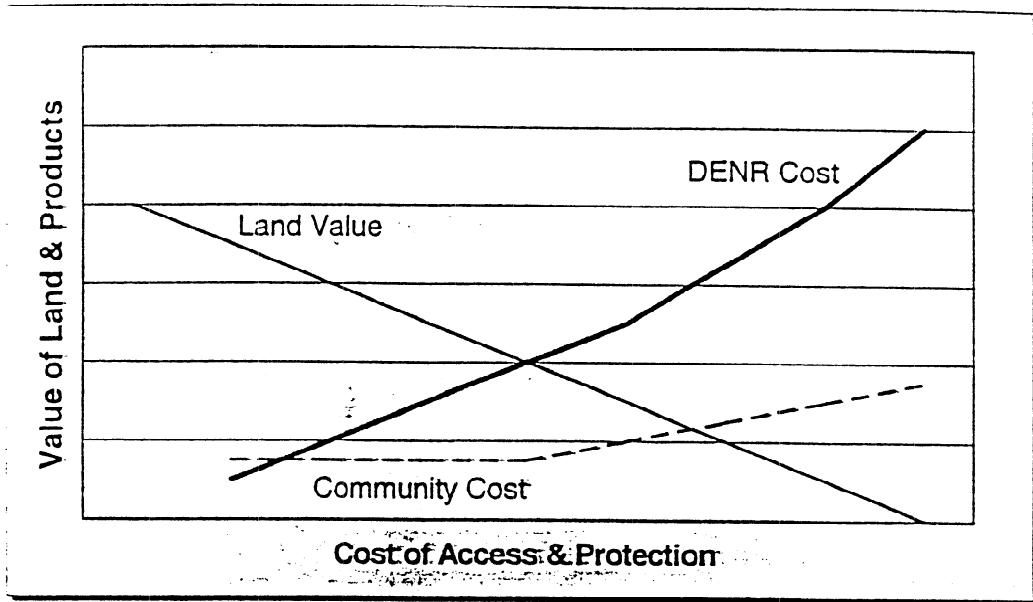


Figure 1: Forest Economic Functions under Policy Certainty

Figure 1 assumes stable secure rights to the products of the land. If the policy environment is not stable and there is the potential for significant and rapid change in the application of administrative rules and requirements, uncertainty over the ability to harvest the results of investment in CBFMA land shifts the community cost curve upward and moves its intersection with the Land Value line to the left (Community Cost 2, Figure 2). Uncertainty means an increased 'risk premium' as a part of total community costs, resulting in communities reducing their protection of lower value land—land more difficult to protect, less productive or further from markets, as shown in Figure 2.

Community Cost 2, the dotted line in Figure 2, represents the higher cost of acquiring secure rights to the products from the land when there is uncertainty, for example, about whether the state (DENR) will honor previous agreements allowing the community to harvest and sell natural timber or even the right to sell community-planted trees (in actual fact, even this right has often been denied by DENR). The land which is primarily used for upland crops and non-timber agroforestry will continue to receive PO protection and investment, but the now increased cost of protection for natural forest and plantation timber lands (because of uncertainty and likely lower income) will result in reduced area of forest actively managed and protected. As a result, the forest will become accessible to illegal loggers.

It is not altruism but sound economics that drives the CBFM program. The economic principles are clear. The state has been unable to stop illegal logging and in many areas it is not economically sound policy to try—the cost of protection is higher than the value of the land being defended. *Forest communities protect the forests they use, substituting their "sweat equity" efforts for expensive and largely ineffective government forest protection expenditures.*

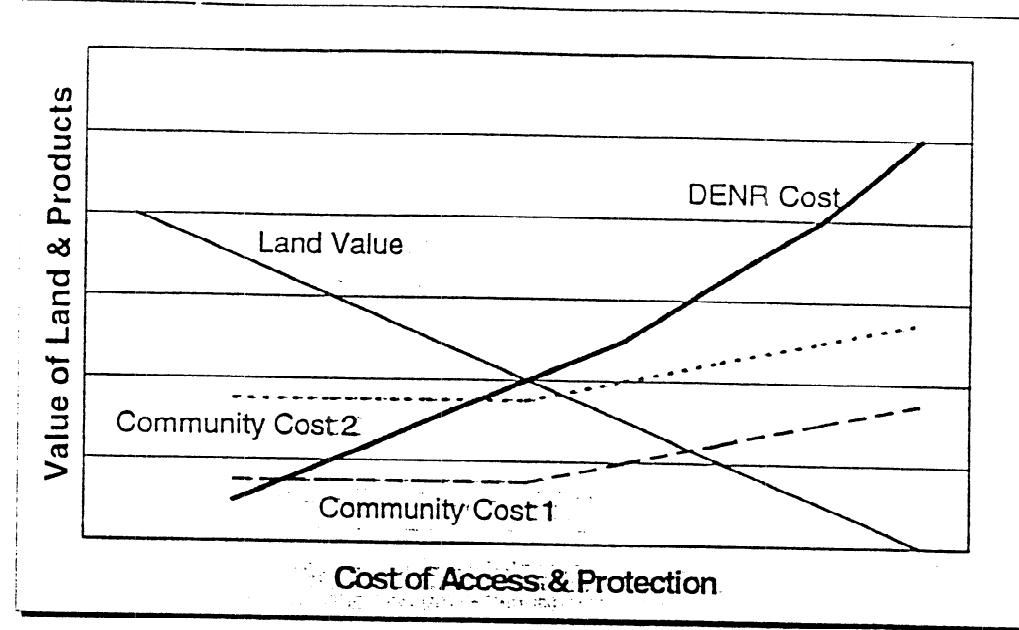


Figure 2: Forest Economic Functions under Policy Uncertainty

Forest land has value to forest residents when they can capture the benefits of their investment. Subsistence farmers have shown willingness to replant; to protect from intrusion; to protect from fire; to manage the land in their, and the nation's, long term interest. Forest communities, that once required professional organizers to promote the community-based forestry management concept, are now demanding assistance in acquiring land tenure status. Question #7 considers the success of CBFM in creating financially viable community forest management systems.

b) The Economics of IFMAs

Industrial reforestation under the headings of contract reforestation, tree plantations, importation of species not native to the Philippines, timber corridors and other attempts to foster commercial replanting of logged-over land have been heavily funded by other donors. The intent of the IFMA is not to allow cutting of standing timber, but to create incentives that will stimulate commercial reforestation. Simple economics makes most of these programs fail—the economic returns are simply not adequate for the long-term investment that must be made before harvesting is feasible.

Even a back-of-the-envelope calculation demonstrates this. Table 2 provides reasonable estimates of IFMA financial returns.

Simple economics makes most IFMA plans fail—the economic returns are simply not adequate for the long-term investment that must be made before harvesting is feasible.

This does not consider the maintenance costs after planting, the potential risk of fire, disease, drought or other natural disaster; the loss of bio-diversity in fast growing plantation species, the potential soil erosion on plantations, or the high water requirements of plantation trees.¹¹

¹¹ "Myth 3, reforestation will solve the [watershed soil and water loss] problem. Poor plantation establishment and management practices can result in higher soil losses than from well managed hillside farms. Fast growing exotic tree species have high water demands and using them to reforest extensive areas of grassland

Condominiums in Manila may be a far better investment for domestic capital. Foreign capital priced closer to 10 percent per annum has more degrees of freedom, but still hasn't found timber plantation development in the Philippines an attractive investment.¹²

Table 2: Rough Approximations of Costs and Returns in Commercial Reforestation

Plantation reforestation cost per hectare	₱ 25,000
Assumed plantation size	10,000 ha
Initial plantation cost	₱ 250,000,000
Years to maturity	12 years
Harvest in cubic meters per hectare	200 m ³ per ha
Net returns to investment per cubic meter	₱ 1,000
Total return after 12 years	₱ 2,000,000,000
Approximate return per year on initial capital	19 percent

This may be why the IFMA program is at a standstill even though fees to the government are set at only 5 percent of the sales of logs less logging and transport costs, which would be ₱ 500 per cubic meter in the above example. IFMA as a program is only likely to prosper when agreement holders are offered other incentives, such as permission to harvest existing natural and plantation timber to reduce the up-front costs of the tree plantations, or approval for commercial-scale agricultural production on a portion of the land, requiring clearing of any existing forest. Both could easily defeat the environmental and forestry objectives the program was designed to achieve.

c) The Economics of Assisted Natural Regeneration (ANR)

There is another way. ANR has been proven to work as a protection and rehabilitation strategy, especially appropriate to critical watersheds where contract reforestation is likely to be too expensive. ANR can rapidly and inexpensively achieve the same objective. It can be seen among the community-managed lands in Nueva Vizcaya, where residents have provided fire protection to grasslands that have traditionally been burned each year. Within five years, tree species native to the region re-appear, faster if provided some assistance in restraining weed competitors and some enrichment planting with native tree species. The costs are 20-25 percent of those of plantation reforestation, and the result will be a second growth natural forest that closely resembles the one originally harvested.¹³ ANR works best in conjunction with CBFMA holders, who provide the labor for protection and enhancement as a natural concomitant of tending their own fields.

may reduce the total water yield from a watershed." WRDP-WMIC Study Team, "Formulation of a Watershed Management Strategy and Investment Program: A Philippines Strategy for Improved Watershed Resource Management". April 1998. Ministry of Foreign Affairs, DENR, Government of the Philippines (draft), page v.

¹² This conclusion matches the far more detailed calculations leading to an estimate of 19.2 percent returns to tree plantations completed by Dr. Kjell Christophersen. "Economic Analysis Support for Management Plans for T'Boli and Ubo Ancestral Domain Claims", NRMP, March 25, 1996.

¹³ "The group agreed that the potential for success of Assisted Natural Regeneration (ANR) is very high, and is a wise strategy, especially from a financial perspective. ANR is a much more economically viable process than reforestation, and it would improve the forest's biodiversity." Philippine Working Group. "Review of Community Involvement in Forest Management", 3 June 1999, page 5.

6. How do Forest Land Use Planning and Other Spatial Mapping Programs Contribute to Sustainable Forestry in the Philippines?

This is a "knowing what's where" question, and reaches directly into the largest unknown in the management of forest land. At no level of forest management—national, provincial, municipal or barangay—are there detailed maps that accurately position the forest land, define current use and identify special or critical areas, except in those CBFMAs with land use surveys completed with NRMP-provided Global Positioning System equipment.

a) Forest Land

The first question must be, "What is forest land?", since most of what is under DENR's management responsibility is no longer forest. In 1987, the Constitution mandated that the Congress determine by law the specific limits of forest lands and national parks that should be protected. Congress has not enacted such a law, which has led to an impasse in land classification. The result has been that, "pressure from an ever expanding population has resulted in vast expanses of lands being opened to cultivation by people who believe, albeit erroneously, that lands not clearly given to private ownership are free for all others to settle and use. There has thus been a rapid conversion of forestlands to non-forest uses with in many cases adverse environmental consequences."¹⁴

There is a need to know what portion of the Philippine uplands has standing forest and which areas must be protected to allow environmentally friendly land use planning to proceed.

The story is further complicated by disposition of forest land by Presidential decree during the Marcos era. But even without a congressional resolution, there is a need to know what portion of the Philippine uplands has standing forest and which areas must be protected in relation to elevation, slope and watersheds to allow environmentally friendly land use planning to proceed.

This subject is not unrelated to recent decisions made by DENR to adopt watersheds as the basic planning unit for forest land, and to support land use planning by LGUs through training and assistance.¹⁵ The DENR guidelines are well established and documented. They are in use by some provincial and municipal planning committees. What is missing, which makes Forest Land Use Planning (FLUP) especially difficult, are accurately positioned base maps that show existing land use and forest cover.

b) Mapping

The rapid deforestation in the Philippines invalidates older maps for the purposes of land use planning in DENR's 15 million hectare jurisdiction. The solution is well understood and technically feasible—the interpretation of current digitized satellite imagery combined with ground truthing to prepare base maps that can be used to overlay locally-established political jurisdictions and land use patterns.

The World Bank has funded early studies in watershed mapping, and may be willing to expand its scope beyond the Mindanao river basins that will be studied in Phase III of their Watershed

¹⁴ WRDP-WMIC Study Team, "Watershed Management Strategy", op. cit., page 48.

¹⁵ In 1997, DENR, NEDA and the UNDP collaborated on a manual for land use planning in forest land, "Guidebook on the Preparation of a Sustainable Land Use Plan". In 1999, DENR issued DAO 99-01 which established watersheds as the basic planning unit in forest lands.

Management Strategy and Investment Program. The excellent report previously referenced as WRDP-WMIC Study Team, called locally the Danida study, proposes a National Watershed Information System that would coordinate all of the spatial as well as multi-dimensional data required for the technological, bio-physical and social understanding of how a particular watershed might be best developed.¹⁶

Whether such an analytic effort to develop base maps for land use planning should be made from within DENR, or be based upon regional university resources, depends upon the donors' willingness to provide yet more institutional development support for a national GIS capacity under the auspices of a government bureau. The steps in undertaking this later task have been well defined by an NRMP study that looks broadly at the requirements of making Forest Land Use Plans the basis for future decisions on forest land management.¹⁷

c) CBFMIS

But while decisions may be forthcoming that lead to more accurate base maps, in the present there is the requirement to identify and define the CBFMA areas, the IFMAs, the Timber License Agreements, the Protected Areas and special use reservations and donor-defined sites. Because the CBFM program provided an umbrella for seven different community or family tenure programs, NRMP supported the generation and implementation of a Community-Based Forest Management Information System (CBFMIS), a data base of all community tenure agreements, including those awarded to Indigenous Peoples.

- The CBFMIS is located within DENR's Forest Management Bureau, and is built up from reports submitted by the DENR staff assigned to each CBFMA, to CENROs and then to PENROs where it is computerized and fed to the DENR regional offices. The data base is combined at DENR headquarters from the regional offices and is managed by the Community-Based Forest Management Office of the Forest Management Bureau.¹⁸ It is the only DENR-wide computerized information system extant and has been operational only since January 1999.¹⁹

In prior reports, the extent of land under CBFMAs/CADCs has been variously estimated at 4.1 to 5 million hectares. This is due to the complexity of distinguishing between overlapping claims, where individuals and families have tenure within larger CBFMA areas. The CBFMIS screens these "overlapping areas". Initial data submitted by DENR regional offices show 3.8 million hectares under community management. The CBFMIS also shows current status of the PO and the planning and approval instruments in hand, in process and still required. For the Community-Based Forest Management Office, it is a management information system that defines where assistance and support is needed to complete the process of awarding land rights, and responsibilities, to forest communities.

¹⁶ WRDP-WMIC Study Team, op. cit., page 56.

¹⁷ David Craven, "Forest Land Use Planning in the Philippines: Recommendations for Strengthening Technical and Institutional Capacity", NRMP, April 16, 1999. The report contains a Forest Land Use Plan from Maitum, Sarangani Province in Mindanao using GIS capacity, and a summary of existing digital data sets relevant to watershed management, both supported by the World Bank in Phase I and II of its Watershed Management Strategy.

¹⁸ Rebecca Paz and Alex Tamayo, "CBFMIS Guide", NRMP, March 1999.

¹⁹ One continuing issue with the generation of MIS systems within DENR is the absence of staff assigned to this requirement. While donor programs can dedicate personnel to manage their particular information requirements—for example, the ADB loan relied upon tree planting and survival data for community payments—DENR has no personnel in national, regional or provincial offices that are assigned specific data collection and reporting responsibilities for the forestry sector.

The Forest Management Bureau has prepared a proposal to extend the CBFMIS system, based in Microsoft Access, to all DENR land agreements and designated areas, which would combine in one location a searchable data base, updated quarterly, on all of DENR's many land agreements. It is a desirable outcome as an intermediate step before clear demarcation of land use is provided by a nationwide GIS data base.

This has been a long round-about way to find an answer to the question posed above. Forest Land Use Planning is alive and well within several LGUs (five provinces and five municipalities), where provincial and municipal offices have eliminated the black hole that was forest land planning, and are incorporating that land and its current uses into their updated master plans. With NRMP technical and financial assistance DENR provided training and field support to this effort. It is one important way that DENR can gain the assistance of LGUs in protecting and developing resources; and, that LGUs can increase their influence on forest land management and hasten the time when CBFMA-type tenure instruments will be issued to present forest residents and users.

7. Can the CBFMA-Supported People's Organizations Create Financially Viable Cooperatives?

It has been well established that, in the right circumstances, secure land tenure will bring forth community investment that is environmentally sound. What is not clear is whether the communities and their People's Organizations, chartered in almost all cases as cooperatives, are themselves sustainable under CBFM programs.

Income available to the cooperative that forms the base of the People's Organization is measurable and auditable. As the program is just getting underway, there are only a few instances of profitable forest management, with many cooperatives losing money in their early years—generally money borrowed from timber buyers. Several economic studies focus on profitability per cubic meter of extracted logs cut into lumber, but these must be carefully done or errors in conversion between logs and lumber, as well as inappropriate methods of calculating the overhead required to keep the cooperative alive, will produce conflicting and misleading data.

a) Sources of PO Income

As an example, consider Compostela (69)²⁰ in Davao Province, with 14,800 hectares in the CBFMA, 83 percent in standing timber, mainly residual forest. The PO is composed of experienced timber workers, ex-loggers from a Timber License Agreement who remained in the area after the logging company departed. DENR approved Annual Allowable Cuts of 1,500 cubic meters in 1997 and 2,000 cubic meters in 1998.²¹ There are three sources of income from the operations of the cooperative that could flow to members:

- Distributions of the financial surplus;
- Benefits in kind from the cooperative (tree seedlings, etc.); and
- Salaries and wages when employed by the cooperative.

²⁰ Numbers in parentheses refer to communities in Tables 4 and 5.

²¹ As was indicated earlier, award of a 1999 Annual Allowable Cut has been suspended by local DENR authority in response to the September 1998 order of the Secretary of DENR suspending issuance of all new community forestry instruments.

Interpreting financial statements is fraught with danger, but Compostela's audited return is relatively straightforward, showing a profitable year in 1998.

Profitability was only possible with the added value of the sawmill incorporated into the cooperative's account. The forest charges (25 percent fees collected by DENR on FOB log value), for example, were only 16.3 percent of total sales, indicating the value added in turning logs (on which forest charges are based) into lumber. Even when fees that are additional to the 25 percent of FOB log value are added, less than 20 percent of total revenue went outside the cooperative in these charges.

**Table 3: Compostela Cooperative Financial Performance 1998
(converted at \$1 = P 37)**

Total Revenue	\$ 346,688
Total Costs	\$ 324,051
Savings	\$ 22,637

For a \$350,000 commercial enterprise, a 6.7 percent return would not be considered excessive, modest at best. There were small dividends paid in February of 1998, before the cooperative expanded to its present cost structure. In any one year, Compostela can hope to break even, but the cooperative does not have the financial return to be a significant contributor to the income of its members from the distribution of profit.

Compostela does not have a large program for delivery of development services to its members, and only an insignificant part of its revenues were allocated for member assistance. It does allow members to borrow, in relation to their paid-in capital; there is some support to microenterprises within the cooperative's boundaries; and, it allows consumer goods to be taken on credit from the cooperative store, against the employee-member's next paycheck. While this benefits the members, a good portion of the cooperative's asset base is in accounts receivable from members that, if timber harvesting does not continue, will be difficult to recapture. The real value of the cooperative is in the salaries paid to members. More than a third of all expenses, approximately \$120,000, are estimated to be in direct income to workers. During full operation, there were 25 regular workers, 10 management staff and 15 forest guards. The remaining salary expenses were for workers in the cutting areas, sawmill and consumer store.²²

Although the balance sheet was positive at the end of December 1998, the DENR suspension of harvesting has curtailed operations. "The Cooperative is demonstrating that the CBFM model is a financially viable alternative....However, the suspension of the logging permit since January 1999 may be an indicator of lack of political support. This situation is seriously affecting the financial viability of the organization. Despite this fact, the

DENR's suspension of Compostela's logging permit since January 1999 is seriously affecting the financial viability of the community PO, and they will have to stop the employment of their forest guards.

²² NRMP staff notes from accompanying a SmartWood certification assessment of the Compostela CBFMA site in June 1999.

protection of the forest resources continued. The Manager however indicated that they will have to stop the employment of their forest guards in July.²³

b) Patterns of PO Expenditures

The budgets for Compostela and for New Bataan (70), as distinct from their records of expenditures, show a category called Member Assistance in their fixed cost projections—an account that is intended to help members develop their individual agricultural holdings. The New Bataan budget, for example, allocated ₱ 663,000 for member assistance, including surveys of individual land claims, fruit tree seedlings, livestock dispersal and vegetable production. New Bataan's budget also demonstrates the difficulty of determining financial performance based upon estimates of net return per cubic meter of harvested trees. In this cooperative, log costs in cubic meters would be ₱ 3,091 at their requested Annual Allowable Cut of 3,289 cubic meters, which would make the cooperative profitable. However, the Annual Allowable Cut granted by DENR was only 600 cubic meters in 1998. At this volume, with fixed costs remaining at the same level as the requested amount, the cost per cubic meters is nearly ₱ 5,000, which makes the cooperative clearly unprofitable. This is after subtracting their budget for membership assistance and new development, and using depreciation rather than full capital costs.²⁴ Thus, the budgets as prepared have little bearing on the actual revenues and expenses for each cooperative, since these are critically determined by the administrative ruling from DENR on the size of the Annual Allowable Cut. This ruling is in almost all circumstances well below both a professionally determined 35-year sustainable harvesting plan and the Annual Allowable Cut requested by the POs.

c) Factors Limiting PO Profitability

The CBFM program offers both individual and cooperative financial returns to People's Organizations. The cooperatives can be profitable at the right levels of sustainable timber harvesting, levels that are administratively set by DENR, sometimes below break-even. When this happens, member benefits, new developments, cooperative investments in other-than-timber all shrink or disappear. When harvest is prohibited, as it has been in 1999, those cooperatives that employ forest guards lack the income to cover guards' salaries, and basic protection from illegal logging is seriously diminished.

In the early years of most CBFM People's Organizations harvesting timber, the major benefits are salaries for workers in the timber harvest, very significant in those CBFMAs with Annual Allowable Cuts greater than 1000 cubic meters. As the Annual Allowable Cut approaches 2,000 cubic meters, the cooperative becomes a major employer for the area. The potential for financial return is there, and has been demonstrated by a few cooperatives. Time, directed assistance and the rationalization of the administrative requirements for the approved Resource Utilization Plan would greatly facilitate financial viability, member benefits and continued forest protection.

8. How can the CBFM Program Help Eliminate Poverty among the 20 Million Forest Land Residents in the Philippines?

NRMP has made and defended the claim that embodying "land tenure" and "resource use rights" as it does, CBFM constitutes possibly the single most powerful element of any national strategy for poverty eradication and economic development in the nation's uplands.²⁵ There are two sources of

²³ Ibid.

²⁴ New Bataan, Annual Work Plan, budget and break-even calculation for 1999.

²⁵ Martha O. Blaxall, "A Review of CBFM Enterprise Development", NRMP, May 20, 1999.

income to members of a CBFM People's Organization: the individual returns from crop cultivation, agroforestry and forest collection, and the group returns from timber harvesting discussed above. The relative size of the individual or group return depends upon the amount and value of standing timber on the CBFMA. For CBFMAs in the north, standing timber is less significant and more of the land under their control is logged-over grassland. For those CBFMAs in Mindanao, standing timber is often the main source of income, but the economics of sustainable harvesting of standing timber under the rules required by DENR challenge even the most experienced and best organized.

a) Most Forest Land is NotForested

Tables 4 and 5 show the land distribution of CBFMAs/CADCs in Region 2 (Northern Luzon) and Region 11 (Southeastern Mindanao). Combining the two regions, CADCs represent 70 percent of the total old growth forest, suggesting that the cost of access to standing timber has protected these remote areas from commercial logging operations in the past.²⁶

Table 4: Region 2 CBFMA/CADC NRMP Sites by Land Distribution (in hectares)

Name	Tenure Instrument	Old Growth Forest	Residual Forest	Mossy Forest	Brushland	Grassland	Cultivated	Agroforestry
1. Bagao	CBFMA	90.0	220.0	1240.2	1258.0	60.0	2.6	
2. Ilagan	CBFMA	128.6	6,143.0	2,566.0	1,130.0	273.0	18.2	
3. Adipay	CBFMA	18.5	618.5	261.4	352.8	459.2	23.6	
4. Cabagan	CBFMA		2,235.0		1,857.0	718.0	190.0	
8. Nagtipunan	CADC	30,000.0	40,000.0	10,000.0	2,360.0	16,000.0	10,000.0	
9. San Pablo	CBFMA	2,080.7	5,011.2	671.0	1,062.1	1,517.5	1,125.2	2.3
10. Maconacon	CBFMA		5,160.0		400			
11. Sta. Ana	CBFMA	1,024.2	1,457.3	626.2	1,051.1	407.3	313.7	
12. Sanchez Mira	CBFMA	6150	7,995.0		2000	180.0	375.0	
13. San Guillermo	CBFMA		4,775.0		225.0			
14. Gonzaga	CBFMA	1,833.8	6,195.9	297.4	426		114	
15. Tumauini	CBFMA	1,165.5	2,807.1	375.9	595.0	850.0	630.0	1.3
16. Diadi/Bagabag: DENR/LGU MOA		5,674.0		7,475.0	24,555.0	6,547.0		
total		36,937.8	88,692.0	1,964.5	18,975.4	26,968.6	19,984.5	45.4
average		3,078.15	7,391.00	163.71	1,581.28	2,247.38	1,665.38	3.78

The DENR/LGU MOA tenure agreement (16) in Nueva Vizcaya, has been previously mentioned as an innovative method of providing land tenure, with a community, Bagabag, holding delegated land rights under the MOA. One reason this agreement could go forward without major interference was the absence of high-value old growth forest, and the small area of residual forest—77 percent of the land is in the four categories of brushland, grassland, cultivated and agroforestry.

b) Reducing Forest Community Poverty

There are no believable figures on changes in incomes or other stronger indicators of well-being of families who belong to the People's Organizations with CBFMAs or CADCs. In any event, family income is a limited measure of poverty and is exceedingly difficult to collect by survey, with errors in measurement usually exceeding changes in income from year to year.

²⁶ They also demonstrate the lack of utility of average calculations, as the CADC Nagtipunan (8) with 95,230 hectares overwhelms the numbers of the other CBFMA holdings in Region 2.

Table 5: Region 11 CBFMA/CADC NRMP Sites by Land Distribution (in hectares)

Name	Tenure Instrument	Old Growth Forest	Residual Forest	Mossy Forest	Brushland	Grassland	Cultivated	Agro- forestry
62 Taytayan	CBFMA	5320.0	18,671.0	173,030.0	176.4	1,730.0	176.4	176.4
63 Marayag	CBFMA		1,676.4		176.0	176.0	176.0	171.6
64 Napnapan	CBFMA	3,162.2	3,688.0	105.4	275.6	134.8	162.1	173.0
65 Miasong	CBFMA		501.0		500.4			170.7
66 LakeSebu/Ubo CADC		6,856.3	11,928.7	23,270.0	5,652.0	822.5	4,812.0	1,161.5
67 LakeSebu/Ubo CADC		6,488.6	1,825.3	220.3	5,348.9	778.4	4,553.9	11.0
68 Macambol	CBFMA		831.0		58.0	100.0		
69 Campostela	CBFMA	915.0	11,348.0		1,000.0	1,000.0	537.0	14.0
70 NewBataan	CBFMA	4,100.0	5,800.0		2,500.0	2,500.0	2,100.0	3.0
71 Limot	CBFMA	1,313.0	3,231.0		863.0	1,000.0	133.0	
72 Malita	CADC	7,375.0			15,325.0	3,144.7	7,886.0	
73 Mt. Matutum	Other	1,397.0	2,292.0		8,070.0	3,014.0		
74 Banay-banay	CBFMA	10,800.0	1,880.0		500.0	500.0	400.0	
75 Laac	CBFMA		4,620.0		155.0	3,005.0	3,900.0	
76 Kapalong	CBFMA	3,000.0	17,000.0		200.0	2,200.0	3,700.0	
total		36,219.1	50,740.0	558.4	40,796.9	17,551.8	22,395.6	430.2
average		2,414.6	3,382.7	37.2	2,719.8	1,170.1	1,493.0	28.7

Attempts to measure economic returns to forest households were made under the World Bank funded SECAL-ENR program, through a monitoring system called PRIMES. While the initial surveys showed promise, the extension to sites not covered by DENR teams paid for by the special donor program did not prove successful. Efforts to document income change, if attempted at all, should follow the successful implementation of systems to collect indicators of community forest management, potentially captured by the Environmental Performance Monitoring plan discussed in Question #9.

If the PO's cooperative structures can be financially viable, as discussed above, then this strength can be built upon to acquire new capacity that will add value to the land and income to the residents. With financial stability comes the potential to borrow and invest, to contract and joint venture, and to add value to forest products by international accreditation.

The first step in reducing forest poverty is to increase the return to sustainable timber harvesting operations managed by the forest residents. These are business operations requiring decisions on the types and levels of investment, on whether to borrow in order to obtain hauling and loading equipment, for example, or to build a sawmill if the volume is sufficient. In conditions of administrative uncertainty, when the POs do not know if timber may be harvested, transported, or sold or when permission might be rescinded, little business investment will go forward. If this problem can be overcome, the Land Bank and other funding sources have stated that collateral for lending to PO cooperatives is less a requirement than a sound business plan backed by profitable past performance.²⁷ Over time, faster with technical help, many cooperatives will achieve this goal. So long as cooperatives managing forests must borrow from local money sources, rent hauling and transport equipment, sell hacked log pieces to sawmills and live with administrative uncertainty, their tenure instrument has little financial value.

²⁷ Blaxall, Op. cit., pages 8-9.

The second step, if value can be achieved based upon stable and secure land tenure, is to extend development past the forest's resources into ancillary and complementary economic activities. This can be done through the provision of small credit to microentrepreneurs, with some assistance in start up, business organization and marketing. While external capital and retained earnings from the cooperative are important sources of funding for these initiatives, the mobilization of local savings can provide funds as well. A small credit union could serve both functions, and move the risk from the cooperative to the lenders and borrowers of capital.²⁸ The point is to identify and support business initiatives that expand beyond timber harvesting and add employment and income to the members of the People's Organization.

The third step, once there is a solid cooperative management structure that can contract and show financial discipline, is to attract investment through joint ventures with companies seeking land for agricultural and agroforestry development. The CBFMA tenure instrument allows contracting with third parties. Two POs with CBFMAs in Mindanao have entered into joint ventures for agroforestry. Their purposes are not plantation reforestation, but investment in high value crops: coffee, cashews, fruit trees, etc. Each joint venture offers the immediate employment of field workers and improvement of worker skills. They may have, and this could be part of the agreement, the opportunity to grow similar crops on their own land and sell to the joint venture. As these activities are just getting underway, it is too early to declare victory, but the direction is clear. Once land tenure is established, with a stable and legally acceptable management structure, there is value in the land that others will pay to use.

Another method of adding value to the forest community is by international accreditation that increases the value of the forest products based upon the PO's environmentally sound forest management and extraction. NRMP has supported accreditation of CBFMA sites through the Forest Alliance/SmartWood, an international NGO that is accredited by the Forest Stewardship Council, that awards "Green Seals" to establish that the final forest-based product has met all standards at each change of custody, from source/production to retail. Green Seals have both process and organizational requirements, and the involvement of the community in managing the forest and maintaining forest cover are important determinants of the certification. The value is in the ability to obtain a higher price for the retail product, based upon its environmentally sustainable production. Many European and American forest products buyers will only source from Green Seal suppliers. NRMP is likely to have at least one CBFM site approved by SmartWood for Forest Stewardship Council certification by September 1999.

c) Social Benefits of CBFM

In addition to the means of creating economic value in People's Organizations, there are distributional and social development benefits to POs within the CBFMA program. An organized legally chartered group can access local services with far more ease than individual forest residents. Cooperation and coordination with barangay, municipality and provincial offices, and involvement in land use planning, can bring additional benefits. Compostela was provided many

Many European and American forest products buyers will only source from Green Seal suppliers. SmartWood is likely to approve the Compostela CBFM site for certification by September 1999.

An organized legally chartered group can access local services with far more ease than individual forest residents.

²⁸ David A. Lucock, "Improving Access to Financial Services in Forest Communities", NRMP, January 22, 1997.

thousand seedling fruit trees from the local LGU as part of the local government contribution to their well being. Schools are more likely to be supported in communities with active POs; roads leading to the community can be placed on the list of priorities for funding from the LGU's annual budget. With an end to the isolation of many forest communities, previously viewed as living illegally on public land, the extension of government services will be far faster and more complete.

Organizing as a community also allows the cooperative members to help themselves, to mobilize assistance for those most in need, to provide support to new endeavors and enterprises. The mobilization of savings to be used for local investment is one such self-help activity that has proven value if the credit union is given strong oversight and support. Although difficult to capture and quantify, there is a community spirit that can accomplish and achieve what is impossible by individual actions. The CBFMA program allows this initiative to come forward and take its place as one more poverty elimination opportunity.

Poverty is the order of the day in upland communities where either Indigenous People live in the remotest areas, or migrants and ex-loggers have settled in the forest because there is no other land available. A CBFMA secures land use rights for these forest dwellers, and by doing so provides the basis for a movement out of poverty. It is not automatic, and a great deal of self-help will be required. Success will come far faster with outside technical and financial assistance. The land has value and that value can be leveraged to produce more and continuing income for the land's managers. The challenge is to get the incentives right so that the Philippine environment, and the Philippine people, benefit as one. That is the heart of the Community-Based Forest Management Program.

A CBFMA secures land use rights for these forest dwellers, and by doing so provides the basis for a movement out of poverty.

9. How are the Environmental Consequences of Forest Management Actions Measured and Assessed in the Philippines?

In spite of NRMP's innovative and sustained attention to developing and extending the concepts of Environmental Performance Monitoring, no such regularly conducted, broadly-applied monitoring system exists within DENR.²⁹ The environmental consequences of forest management are typically neither measured nor assessed, one of the major shortfalls that restrains forward progress in improving the condition of Philippines forests. After hundreds of millions of dollars of donor money, there is no operative system within DENR that tracks the bio-physical results of various forest management systems, or the more holistic concerns of sustainable forest management.

DENR issues Environmental Compliance Certificates before authorizing activities that impact the environment, and assess fines if those activities, such as timber harvesting, damage the remaining forest. Its environmental regulation is punitive, but not evaluatory and ongoing. Environmental consequences measurement should include not only the potential losses, but the gains in forest cover, in watershed holding capacity, in the carbon sequestering that makes CBFM a powerful and potentially growing carbon bank to help deal with the "greenhouse effect". This should be completed across all resource management regimes.

²⁹ The one DENR-wide monitoring system is called Key Result Areas, built up from budget submissions, tasking Regional, Provincial and local staff to satisfy output requirements. Reports are submitted on written forms to the DENR Central Planning Bureau. No Key Results Area indicators have yet been distributed for 1999.

a) Environmental Performance Monitoring

One significant thrust of NRMP has been the preparation of guidelines and a field manual for the introduction of Environmental Performance Monitoring (EPM). Begun in 1997, a highly consultative process was initiated to develop an environmental performance monitoring system for resident forest managers, DENR program supervisors, and communities to measure performance in managing and protecting forest resources. "Over 120 community members, DENR staff, NGO representatives, and LGU staff worked together for 10 months in 1998 and 1999 to discuss, test and finally agree on a simple set of valid, reliable, and *do-able* criteria, indicators, and verifying evidence measures to monitor environmental consequences of forest development and enterprise activities by forest-based communities."³⁰

The EPM system is based upon the Forest Management Unit, which in CBFMAs is the People's Organization. This means the criteria, indicators and measurements must be those that can be understood and completed by local residents after initial training and orientation.³¹ EPM is conducted by a team assembled by the principal forest management unit, which could be any of the land tenure managers in various DENR resource management arrangements. Both baseline and periodic monitoring allows starting points and trends to emerge from careful observation and measurement. The system is designed so that the details are available to the Forest Management Unit, while increasingly aggregated data sets are transmitted upwards from CENRO and PENRO to the DENR Regional Offices.

Monitoring environmental consequences of resource use should record not only potential environmental costs, but the gains in forest cover that make CBFM a powerful force for dealing with the "greenhouse effect".

One study extended the concept of EPM to link it to the coastal zone, in particular the mangrove protection programs of USAID and DENR. This has significant implication for watershed management. Water is the link between the uplands and the marine environments. EPM indicators of erosion; siltation; chemical, bacterial and other solid waste contamination; and populations of target species of flora and fauna are key indicators of success or failure of environmental management systems.³²

The building blocks for an EPM system have been constructed and training has been provided in some NRMP-supported sites. The clock has run out for this project, but others, particularly those with a watershed perspective, should continue what has been initiated. The lessons available from this monitoring exercise could make a world of difference in environmental management in the Philippines.

b) DENR Internal CBFM Assessment

If there is no ongoing monitoring system of the results of forest management, how then can CBFMA be said to be successfully protecting the forest lands. The best reference on the overall success of CBFMA comes from a DENR report by a special evaluation group dispatched by and ordered to

³⁰ Todd R. Johnson, Molly K. Curtin, "Community-Based Environmental Performance Monitoring: Guidebook", NRMP, June 22, 1999, Preface.

³¹ Rebecca R. Paz, "Community-Based Environmental Performance Monitoring: Field Manual", NRMP, June 22, 1999.

³² Michele Zador, "Environmental Performance Monitoring for Watershed Management: Linking the Upland Forest with the Coastal Zone", NRMP, June 30, 1999.

report to a skeptical Secretary.³³ DENR Special Order No. 98-1048 dated November 3, 1998, created six teams to conduct a Comprehensive Assessment and Evaluation of People-Oriented Forestry Projects granted cutting permits. The teams were composed of personnel from the Forest Management Bureau, the CBFMO, and the Legal and Planning Offices, all from the DENR Central Office. Representatives from each region were also included in the teams. The regions visited by the teams included Regions 2, 4, 5, 10, 11 and 13. The teams were able to evaluate the performances of a total of 23 POs and reported the following findings.

Peoples' Organizations have not committed infractions nor abuses of cutting privileges granted them under CBFMP.

The POs have religiously abided by applicable forest laws and implemented activities in accordance with their affirmed Annual Work Plans. The POs followed selective logging practices and there was no incidence of over-cutting nor cutting outside designated cutting areas. In fact, most of the POs have not exhausted their approved Annual Allowable Cut (AAC) because they generally employed carabao logging as their harvesting methodology, in accordance with existing regulations.

The POs have also successfully protected the CBFM areas and also assisted the DENR in protecting adjacent forestlands. Incidence of timber poaching has dramatically decreased in the localities where these CBFM projects operate, due to patrol activities conducted by deputized PO members. Confiscation of illegal logs by deputized PO members with assistance from DENR and the LGU is gaining ground in CBFM areas.

The People's Organizations have also initiated and carried out development activities and livelihood projects. A certain portion of the proceeds from the sale of their timber production is committed and apportioned to area development such as reforestation and agroforestry, and livelihood activities such as cooperative stores and micro-lending schemes.³⁴

Along with many operational recommendations in the Assessment Team's report, two further observations are pertinent to the issue of EPM.

Monitoring and Evaluation

Need to formulate clear and unequivocal M&E indicators, e.g., community well being, resource development, PO capability, and sustainability (the NRMP work on SFM-C&I,³⁵ and the SECAL PRIME [sic] if these can suffice could be considered.)

³³ The Philippine Working Group, composed of the leaders of environmentally sound forest management strategies, was even more pointed when they wrote in its June 3, 1999 publication, Review of Community Involvement in Forest Management, "Developments at the DENR indicate that the Secretary does not support CBFM.", page 3.

³⁴ "Assessment of the Community-Based Forest Management Strategy and Program" presented at the DENR workshop held in Angeles City, DENR, January 11-13, 1999, the bold text occurs in the original but some additional text has been italicized for emphasis, pages 13-14.

³⁵ NRMP's Criteria and Indicators of Sustainable Forest Management, linked to Environmental Performance Monitoring, Forest Stewardship Council international certification of forest products, and measurement of CBFM's contribution to increased forest cover and decreased "greenhouse effect".

Issues pertaining to DENR operations

Key Results Areas (KRA) [are] not appropriate to the CBFM process. The KRAs are budget-driven measures of **outputs** (e.g., hectares, number of seedlings, etc.). A next-level of indicators should be established to measure the **desired outcomes** (e.g., economic well-being of PO members, capability to manage CBFM resources).³⁶

The DENR Team Draft Report Concludes:

"The suspension of the process of Annual Work Plans and Resource Utilization Permits for qualified CBFM projects and People's Organizations should now be lifted."³⁷ We could not have written it better or more clearly.

DENR has many capable staff who understand the power of CBFM and how the program can be improved and extended. The challenge is to convince DENR at large and each new generation of politically appointed senior management to allow the organization and its people to get on with the job of creating sustainable forestry management systems in the Philippines.

10. How can USAID Continue Support and Assistance for Environmentally Sound, Sustainable Forestry Management in the Philippines?

Most major donor-funded programs that support CBFMAs and CADCs are ending in 1999. The Japanese Overseas Economic Cooperation Fund (OECF) forestry loan, signed in conjunction with the ADB Program Loan II, continues into the year 2000; and the World Bank-funded test of the CADC concept in multi-purpose zones of protected areas continues until 2001 in the Conservation of Priority Protected Areas Project (CPPAP). One of the unresolved issues for the CPPAP program is the absence of rules and regulations for the issuance of tenure instruments. Without sustainable harvesting rights there is little financial capacity to move the forest populations out of continuing poverty. The ADB is presently bringing forward a new project with DENR that has sustainable forestry management in the title, but it is still in the early stages of design and its shape and direction are yet unknown.

Without sustainable harvesting rights there is little financial capacity to move the forest populations out of continuing poverty.

There are two projects of the World Bank that hold significant promise for continued involvement of communities in forest management if project implementation can match the high expectations of the Resident Mission in Manila. One is the Watershed Management Improvement Component of the Water Resources Development Project (WRDP-WMIC) whose Phase I report (the Danida study) was described in Question #6. This study is remarkable for its clear advocacy of community-based responsibilities for watershed management and the importance of tenure instruments to create investment patterns that support sustainable environmental management. Phase II prepared the groundwork for a River Basin and Watershed Management study to be started in a Mindanao watershed with a Master Plan completed under Japanese bilateral funding (Phase III). The resulting framework would identify specific lending projects for the World Bank in 2002 (Phase IV). NEDA is coordinating, with DENR as a major or perhaps the major Government institutional player. The inter-

³⁶ DENR, Assessment, Op. cit., emphasis in the original, pages 15-16.

³⁷ Ibid., emphasis in the original, page 17.

of the program is to get out of the center and into the regions and provinces, where cooperation among agencies is more feasible than in the territorial fortresses of Manila.

The second World Bank-supported initiative of special interest is the Community-Based Resources Management Project (CBRMP), funded through the Department of Finance (DOF) under procedures developed for the Municipal Development Loan. This project delivers funds from its Municipal Development Fund (MDF) to poor municipalities so they can engage in sub-projects with positive environmental consequences. While the first year's results are less than desirable, there is a new program manager who has long DENR experience and much positive energy from the Bank's Resident Mission to make this project successful.

It is within the LGUs that the best opportunity lies for continuing the work of community-based forest management. The USAID-funded GOLD project has supported participatory development initiatives in local government. NRMP has helped make it possible for DENR and the LGUs to sign agreements that allow LGUs to manage public land. Watershed management, Forest Land Use Planning and environmental conservation all intersect at barangay, municipality and provincial levels. This is where the next generation of donors' funds for CBFM should be targeted. The World Bank's CBRMP can be a center point for the sustainable management of public lands as the next century begins.

NRMP has helped make it possible for DENR and the LGUs to sign agreements that allow the LGUs to manage public land.

CBRMP is set to work in four regions – two of them, Regions 5 and 13, where NRMP has supported CBFM. The possibilities are there for expansion as the program proves to be successful. The funds to be released to communities are in the 1999 Department of Finance (DOF) budget, so as long as the total funds requested from the program do not exceed the DOF budget line for the year, money can be accessed quickly when requests are approved. At the moment, CBRMP reimburses the LGUs for funds expended, but the World Bank is attempting to change this requirement so that there is a 25 percent up-front mobilization grant. The project will move from Manila all that can be relocated and extend the approval process for grants/loans to Class 4/5/6 municipalities to regional review committees after the Manila operation has been made to work correctly. DENR has signed agreements that make it responsible to support project preparation and implementation. DENR's Regional Executive Director is a member of the regional review committee.

The MDF procedures presently call for both a Policy Governing Committee and a Technical Review Committee based in Manila. In later stages of the project, the World Bank envisions having the Provincial Technical Review Committee make decisions much closer to the location of the municipality requesting assistance. Although there is a \$50 million loan for this project, no pesos have been released to municipalities to date. For the LGUs, it is expected to be 60% grant, 30% loan, 10% counterpart. One intent of the project is to change the way in which the Department of Agriculture and DENR support resource management at local levels under LGU leadership.

This project could be especially interesting to USAID, as the mechanisms and major funding are in place. The World Bank's Resident Mission Director is regularly in the DENR Secretary's office, pushing for the agreements and implementation actions. The Secretary's agreement to continue with CPPAP is a sign that they have successfully lobbied for their program. It is a fact of life that DENR cooperation is much more likely to be secured by a donor with very deep pockets than through USAID's targeted but, from DENR's perspective, relatively modest technical assistance grants.

What is missing from CBRMP is highly qualified technical assistance, not the local NGO kind or the local skills enlisted to help LGUs prepare their MDF grant and loan proposals, but that professional assistance necessary to complete environmental assessments and technical surveys, to accurately position boundaries and to serve as the interface between the LGUs and DENR.

This is USAID's comparative advantage in the development field. A six-person team assigned to the national CBRMP, able to travel and assist at regional, provincial, municipal and CBFMA levels, could make a significant difference to the pace and the success of CBRMP. The experts are available, three-dozen are presently working for NRMP in many of the roles that will continue to be required for CBRMP to be successful. Augmenting CBRMP's loan-financing with senior professionals who are not administrators, but field technical assistance personnel working hand-in-hand with municipalities and DENR, would go a long way toward continuing, at modest cost, the momentum and direction established over 15 years of U.S. Government support to Community-Based Forest Management in the Philippines.

Missing from the World Bank's CBRMP is highly qualified professional assistance. This is USAID's comparative advantage in the development field.