

Annex A^{1/}

COMMUNITY FORESTRY PROGRAM MANUAL OF OPERATIONS

^{1/} Attachment to DAO No. 123, Series of 1989.

1.0 *CONTEXT*

- 1.1 This Manual sets forth official guidelines for implementing **COMMUNITY FORESTRY PROJECTS** pursuant to Department Administrative Order No. 123, Series of 1989. Among others, these **PROJECTS** shall grant the privilege of forest products utilization to the residents of upland communities. However, in exercising this privilege, the grantees must abide by certain rules, regulations, terms and conditions set forth in this Manual. These rules (etc.) are based on the principles of (i) sustained yield management, (ii) equity, and (iii) conservation of forest resources for the benefit of present and future generations.
- 1.2 Community participation is a new approach to forest resource management. It contrasts with standard approaches applied in the past which limited the grant of forest products utilization privileges to large corporations and denied this privilege to upland communities. In effect, therefore, this new approach represents the first phase in a comprehensive restructuring of the forest industry. This restructuring is consistent with provisions of the Constitution which mandate equity in the access to and disposition of natural resources.
- 1.3 To begin the restructuring process, the DENR will launch within 1989 not less than twelve (12) new **PROJECTS** that implement the concept of community management of forest resources. This Manual describes the procedures, rules and regulations to be followed in launching and carrying out these **PROJECTS**. Additionally, the Manual discusses the rationale, processes and linkages that are relevant to implementation of the concept. These need to be clearly understood by all DENR employees involved in implementation.
- 1.4 Based on field experience in the first twelve (12) **PROJECTS**, new lessons will be learned and new insights will be gained relative to implementation of the concept. This Manual will be updated from time-to-time in order to incorporate these lessons/experiences in the ongoing **PROJECTS** and in expansion and replication of the concept at additional new project sites. Meanwhile, concerned DENR employees and participating communities shall comply with the rules, procedures (etc.) set forth herein.

2.0 *RATIONALE AND OBJECTIVES*

- 2.1 It is estimated that remaining old growth forests will satisfy the prevailing timber demand for only nine (9) more years. Forest resources are currently being depleted and/or destroyed at an approximate rate of 210,300 ha. per year, about 190,000 ha. of which occurs in the dipterocarp residual forests.

1/ Data from the RP-German Forest Resources Inventory Project (FRI), 1979-1988.

- 2.2 Forests is widespread slash-and-burn farming (kaingin). The upland rura poor resort to kaingin because of their need to survive and also because they do not have access to other livelihood opportunities.
- 2.3 There are an estimated ten (10) to eighteen (18) million people living in the uplands. Given their poverty, it is unrealistic to expect that they will give up kaingin farming unless they are provided with alternative livelihood opportunities.
- 2.4 The COMMUNITY FORESTRY PROGRAM will provide upland residents with access to the financial benefits of forests. This will furnish an immediate and profitable alternative to kaingin farming. In so doing, the upland residents shall have gained a vested interest in protection of the forests as a permanent source of livelihood. Thus, by opening the door to new financial opportunities, the COMMUNITY FORESTRY PROGRAM will also create strong incentives to vigorously implement forest conservation.

3.0 PHASED IMPLEMENTATION

- 3.1 Without adequate controls, access to utilize forest resources can become a license to destroy these resources. Furthermore, the financial returns accruing from such access can result in a new influx of funds large enough to disrupt social stability and corrupt values within an upland community. It is therefore imperative to implement COMMUNITY FORESTRY PROJECTS in a manner that will help avoid these negative impacts.
- 3.2 To prevent the occurrence of negative impacts on the community and the forests, COMMUNITY FORESTRY PROJECTS shall be implemented in step-by-step phases, as follows:
 - 4.0 *SITE SELECTION*: Sites for COMMUNITY FORESTRY PROJECTS must offer sufficient livelihood opportunities to encourage and sustain community participation. These opportunities may include backyard industries, contract reforestation, agroforestry and timber stand improvement (TSI), along with and sustainable multiple-use management. This implies much more than the mere harvesting and sale of forest products. Detailed criteria for site selection are provided in Section 5.0 of DAO 123, Series of 1989.

5.0 NGO PARTICIPATION

- 5.1 No projects shall be approved for implementation unless (i) a complement and credible NGO has signified its commitment to assist in project implementation, (ii) the recognized leaders of the community have signified their acceptance of the NGO.

- 5.2 The CENRO, in coordination with the PENRO, shall be responsible for (i) helping organize NGO accreditation procedures that may be applied by the community leaders such as the barangay captain, parish priest or community elders verify the NGO's commitment to assist. Preferably, the NGO should be a local organization with its headquarters in the same region as the PROJECT.
- 5.3 NGO's shall provide assistance in community organization, resource inventory, preparation of the management/development plan, training, marketing and consultation with the community. The NGO shall provide from its staff, or hire under contract, one (1) or more foresters and agriculturists to assist in resource inventory, preparation of the management/development plan, reforestation, agroforestry and other technical features of the PROJECT.
- 5.4 The NGO shall also take the lead in support activities beneficial to the community such as, but not limited to, sourcing of social service (e.g., medical services), initiating new livelihood opportunities (e.g., processing) and establishing credit and marketing linkages.
- 5.5 DENR shall contract the services of the NGO approved by the community and pay for such services. However, the costs thereof shall be covered pursuant to Section 14 of this Manual. DENR-NGO contracts shall be witnessed by authorized representatives of the community.
- 5.6 The DENR signatory to contracts with NGO's shall be the CENRO, PENRO, RTD or RED, depending on the amount of the contract and the authorized ceilings for contract approval by the signatory. The duties and responsibilities of the NGO shall be clearly defined in the contract. In general, the duration of a contract shall be three (3) years. However, there shall be provision for early termination in case of non-performance or for other valid reasons.

6.0 *CONSULTATION AND ISSUANCE OF CFMA*

- 6.1 Consultation with the community and local leaders shall be a continuous process. The CENRO, in collaboration with the PENRO, RTD, and the RED, shall initiate the first phase of consultation during the site selection process explained in Section 5 of DAO No. 123, Series of 1989.
- 6.2 Once a site has been selected and the services of an NGO have been contracted, the NGO and the CENRO will jointly explain to the community all the terms and conditions of CFMA's. In some instances, this particular phase of consultation may be protracted and tedious. However, the NGO and CENRO shall take special pains to ensure that all terms and conditions are clearly understood.

- 6.3 Having reached an agreement in principle on the terms and conditions, the community shall file application for issuance of a COMMUNITY FORESTRY AGREEMENT (CFMA) using the form appended thereto as Attachment "A". Upon processing of the application, the DENR office/officer concerned shall issue a CFMA to the community using the form appended hereto as "Attachment B". If it is not possible to secure agreement in principle, the PROJECT and the DENR-NGO contract shall be terminated.
- 6.4 If the PROJECT participants have previously organized and have been registered as a legal entity by a duly authorized government agency, the application shall be filed and the CFMA shall be issued in the name of the legal entity. If the PROJECT participants have not yet organized and registered as a legal entity, the application shall be signed by all of the participants who signed the application. In the latter case, the participants shall be given six (6) months within which time the CFMA issued jointly and severally will be cancelled and a new CFMA issued in the name of the legal entity.
- 6.5 CFMA's shall be issued by the Regional Executive Director (RED) for areas up to five hundred hectares (500 ha), the Assistant Secretary for Field Operations for areas more than five hundred (500) and up to one thousand (1,000) hectares and by the Secretary or a duly authorized Undersecretary for areas larger than one thousand (1,000) hectares.

7.0 *RESOURCE INVENTORY*

- 7.1 It is imperative to conduct a comprehensive inventory of forest resources found in the PROJECT site. The inventory will provide baseline data for monitoring and evaluation. Additionally, the inventory will be an input to preparation of a management/development plan.
- 7.2 Inventory of forest resources shall begin immediately after issuance of the CFMA and shall cover 100% of all trees 10 centimeters diameter at breast height (d.b.h.) and up, for all areas that will be subject to forest products utilization during the first two (2) years of the PROJECT. In addition to timber, the inventory must cover all bamboo, minor forest products and commercial palms whether climbing (e.g., rattan) or erect (e.g., anahaw).
- 7.3 Forest resources found on all the areas to be operated from year 3 onward shall be subjected to a five percent (5%) evaluation. However, before any forest products are subsequently removed from these areas, follow on 100% inventories must first be carried out.
- 7.4 Expenses for the first 100% inventory (para. 7.2) and the 5% evaluation (para. 7.3) shall be advanced by the DENR and costs shall be recovered as explained in Section 14 of this Manual. Expenses for subsequent 100% inventories shall be borne to the community. This must be explained to the community and the community must agree to abide by this condition.

- 7.5 The resource inventory/evaluation shall also cover all nonforested areas and provided information needed to plan the development of these areas. For example: (i) how many hectares of grasslands/brushlands the community can set aside for contract reforestation, (ii) how many hectares in various slope categories will be developed into production forests and protection forests, (iii) how much of the land is occupied or claimed and by whom, (iv) what types of development are intended on the occupied/claimed lands.
- 7.6 The CENRO, in collaboration with the PENRO and the NGO, shall take the actions necessary to ensure that inventory and evaluation work is initiated promptly after the CFMA is issued and that the work is carried out consistent with professional standards.
- 7.7 All expenses for services and materials required to conduct a 100% inventory and 5% evaluation (excluding DENR supervisory expenses) shall be included in the DENR-NGO contract referred to in paragraphs 5.3, 5.4, 5.5 and 5.6 of this Manual. The CENRO shall assist the NGO in identifying competent foresters to be employed by the NGO to carry out the inventory/evaluation.
- 7.8 However, if it is not feasible to include the inventory/evaluation in the DENR-NGO contract, the CENRO may undertake the inventory/evaluation.
- 7.9 Optimum participation by the community shall be pursued in conducting the 100% inventory and 5% evaluation. The NGO and DENR shall organize the inventory/evaluation along the lines of an "on-the-job" training exercise for the community. For example, as trees are marked during the inventory/evaluation, the NGO and/or DENR will identify the trees that may be harvested in the near term, mid-term and long-term. The objective will be to demonstrate by example the operating principles of sustained-yield management. Similarly, by pointing out slope, soil and vegetative characteristics, it will be possible to explain the criteria for differentiating between management/development of protection forests and production forests.
- 7.10 Community residents shall be hired by the NGO to provide labor inputs for carrying out inventory/evaluation work.
- 8.0 **PREPARATION OF MANAGEMENT/DEVELOPMENT PLANS.** The resource inventory/evaluation will provide the basis for preparing a management/development plan. Additionally, the NGO and DENR shall conduct consultation during the inventory/evaluation exercise and in other venues in order to secure community inputs to the plan. (e.g., preferred species to plant in agroforestry areas). The management/development plan shall be prepared by a competent forester with assistance from a competent agriculturist. The forester and the agriculturist should be part of the staff of the NGO of contracted by the NGO. Expenses for preparation of the plan shall be recovered as explained in Section 14 of this Manual. Essential features of the plan are set forth in Section 6.0 of DAO No. _____, Series of 1989

9.0 *APPROVAL OF MANAGEMENT/DEVELOPMENT PLANS*

9.1 No forest products extraction will be unauthorized until a management/development plan has been approved.

9.2 *Who May Apply:* Application for approval of the management/development plan (hereinafter referred to as the "PLAN") may be filed by the duly registered legal entity that represents the community.

9.3 *Application Requirements:* The following requirements shall be submitted:

9.3.1 Letter from the CFMA holder to the CENRO requesting approval of the PLAN;

9.3.2 Certified xerox copy of Certificate of Registration with an appropriate government agency e.g., SEC, DENR, Bureau of Cooperatives Development or Bureau of Rural Workers.

9.3.3 Resolution signed by two-thirds (2/3) of the members, authorizing the signatory to file the application.

9.3.4 The PLAN proposed for approval.

9.4 *Fees:*

9.4.1 *Application fee:* Five pesos (P5.00) per hectare or one thousand pesos (P1,000) for the entire areas applied, whichever is higher.

9.4.2 *Annual License Fee:* Five hundred pesos (P500.00) to be paid upon approval of the PLAN and annually thereafter.

9.5 *Processing, Issuance, Tenure and Renewal:* The procedures for processing and approval of the PLAN including any subsequent revisions thereof, are as follows:

9.5.1 *Procedures*

a. Application and required documents submitted to the Community Environment and Natural Resources Office (CENRO).

b. CENRO reviews and evaluates the application and the supporting documents, and checks to ensure that all requirements have been submitted. If found in order and satisfactory, issues 1st endorsement to the Provincial Environment and Natural Resources Officer (PENRO). The 1st endorsement shall be issued within fifteen (15) days after the application is submitted.

- c. PENRO evaluates the application and supporting documents. If found in order and satisfactory, issues 2nd endorsement to the Regional Executive Director (RED) within ten (10) days from receipt of the 2nd endorsement.
- e. RED reviews the documents. If found in order and, if the area is not more than 500 hectares, approves, the PLAN. If area is more than 500 hectares the RED endorses the application to the Assistant Secretary for Field Operations.
- f. The Assistant Secretary for Field Operations, reviews and evaluates the applications for areas larger than 500 hectares and, if found in order, approves the PLAN.
- g. The PLAN shall be recorded in the books of the approving officer and copies thereof distributed as follows:
 - 1. Original -- the applicant^{1/}
 - 2. Duplicate -- RED
 - 3. Triplicate -- PENRO
 - 4. Quadruplicate -- CENRO^{1/}
 - 5. Quintuplicate -- ASEC, Operations
 - 6. Sextuplicate -- USEC for Field Operations
 - 7. Septuplicate -- Central Records^{1/}

9.5.2 *Tenure*

- a. The CFMA shall have a tenure of 25 years and be eligible for renewal thereafter for another 25 years.
- b. Violation of the terms and conditions of the CFMA shall be a cause for the imposition of fines, suspension of forest products utilization privileges or outright cancellation of the CFMA if the violation is deemed to be serious.

10.0 **COMMUNITY ORGANIZATION AND TRAINING**

10.1 Concurrent with implementation of the resource inventory/evaluation and preparation of the management/development plan, the NGO shall carry out community organization and training. One major output of this activity shall be the preparation and approval by the community of rules and regulations covering forest management operations and sharing of financial benefits.

10.2 Community organization work shall be initiated as soon as the NGO contract has been signed.

 1/ To receive full set of documents, i.e., CFMA, application for approval and all supporting documents.

- 10.3 It is desirable that some type of organization be established at the earliest possible time so that a CFMA may be issued to a legal entity composed of the PROJECT participants. However, community organization work must strive for substance and not merely form. Neither the NGO nor the DENR should attempt to impose a permanent organizational structure that is not suitable to or desired by the community. Where existing organizations are already in place, these should be strengthened rather than replaced. The organization should be set up in the manner that best suits the long term interests and needs of the community.
- 10.4 Bearing in mind, however, that the community organization will be managing funds, the organizational structure must be adequate to cope with this responsibility. Preferably, the structure would be along the lines of a producers' cooperative. But the organizers must not insist on this structure if other types of organization are more suitable. The NGO shall, however, ensure that financial management procedures are clearly understood by all, written down and included in the management/development plan and the articles and by-laws of the organization.
- 10.5 Pending the establishment and registration of a formal organization, the participants to whom a CFMA has been jointly and severally issued, per paragraph 6.4 herein, shall elect authorized representative to deal in their behalf with the DENR.

11.0 *REGISTRATION*

- 11.1 Once a formal organization has been set up, it shall register with the government to establish its legal personality. Preferably, the organization should register with the Securities and Exchange Commission (SEC). However, if it is difficult or not feasible to register with SEC, the organization may register with the DENR, the Bureau of Rural Workers or any other government office authorized to grant recognition.
- 11.2 The NGO shall provide assistance in registering the organization as a legal entity.

12.0 *Terms and Conditions:* The terms and conditions of the CFMA shall be as follows:

12.1 Reforestation

- a. The CFFMA holder shall reforest all open, denuded and marginal areas as prescribed and scheduled in the Management/Development Plan.

As a general rule, reforestation shall be undertaken at the expense of the CFMA holder, using funds generated from the sale of forest products. However, reforestation may also be undertaken through contract with the DENR. Trees and other forest products planted by the CFMA holder may be harvested upon maturity thereof, provided such harvest plans are included in an updated/duly approved management/development plan.

12.2 Social Forestry/Agro Forestry

- a. Suitable areas may be developed into agroforestry farms based on results of the inventory, provided the improvements to be introduced shall enhance and/or conserve soil and not diminish the productive capacity of the area.

12.3 Forest Protection: The CFMA awardee shall:

- a. Organize forest protection teams that work closely with the DENR to prevent forest destruction, illegal cutting, vandalism, unauthorized and/or illegal occupation.
- b. If so deputized by the DENR, arrest offenders, file cases in court, and seize illegally harvested forest products.
- c. Establish check situations at entry–exit points of the PROJECT area and man the same with deputized forest officers.
- d. Where feasible, establish and man look-out-towers at strategic locations to detect occurrences of fires and other incidence of forest destruction.
- e. Report to the CENRO on the incidence of any serious insect, pest or disease infestation.

12.4 Timber Stand Improvement: Carry out TSI pursuant to the Management/Development Plan.

12.5 Forest Products Utilization: Timber and minor forest products harvesting shall begin only after approval of the management/development plan (the PLAN) and shall be regulated as follows:

- a. Harvesting of timber and minor forest products shall be controlled by the DENR pursuant to prevailing rules and regulations.
- b. Selective cutting shall be in accordance with the Harvesting Schedule set forth in the PLAN. The CFMA awardee shall strictly observe the following prescriptions:

As a general rule, reforestation shall be undertaken at the expense of the CFMA holder, using funds generated from the sale of forest products. However, reforestation may also be undertaken through contract with the DENR. Trees and other forest products planted by the CFMA holder may be harvested upon maturity thereof, provided such harvest plans are included in an updated/duly approved management/development plan.

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12.3 Forest Protection: The CFMA awardee shall:

- a. Organize forest protection teams that work closely with the DENR to prevent forest destruction, illegal cutting, vandalism, unauthorized and/or illegal occupation.
- b. If so deputized by the DENR, arrest offenders, file cases in court, and seize illegally harvested forest products.
- c. Establish check situations at entry–exit points of the PROJECT area and man the same with deputized forest officers.
- d. Where feasible, establish and man look-out-towers at strategic locations to detect occurrences of fires and other incidence of forest destruction.
- e. Report to the CENRO on the incidence of any serious insect, pest or disease infestation.

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- b. Selective cutting shall be in accordance with the Harvesting Schedule set forth in the PLAN. The CFMA awardee shall strictly observe the following prescriptions:

- h. Only registered members of the CFMA organization shall be allowed to participate or be employed in on-site harvesting/utilization activities. Contracting or subcontracting of any on site harvesting/utilization activity to non-members is prohibited.
- i. The CFMA holder shall plant not less than five (5) seedlings for every tree cut during harvesting operations. These seedlings shall be planted on understocked sites and other areas that require enrichment planting. Planting of indigenous species shall be encouraged.
- j. Harvesting operations shall be undertaken primarily during the dry season, so that farmlot development (agroforestry) and reforestation may be vigorously pursued during the rainy season.
- k. Transport of forest products during night time and non-working days or holidays shall not be allowed except by special permission from the CENRO on each such occasion. Unauthorized transport at prohibited times shall be a cause for imposition of fines, suspension or cancellation of the CFMA. Cutting/harvesting of timber and minor forest products in excess of the Annual Allowable Cut, as specified in the Management/Development Plan, is strictly prohibited.
- l. Forest products shall be disposed of and/or marketed to registered dealers and legitimate wood processors. However, small volume sales not exceeding five hundred pesos (P500.00) may be sold to PROJECT site residents.

13.0 RESOURCE DEVELOPMENT AND OPERATIONS

- 13.1 In no case shall project implementation be confined to forest products utilization. All other livelihood opportunities must be explored and wherever feasible, operationalized. For example, backyard industries, agroforestry, crop and food processing activities should be stimulated, drawing on financial capital generated from the sale of forest products. Reforestation contracts may be awarded. Construction and/or rehabilitation of roads and trails may be carried out as part of a reforestation contract. TSI may also be carried out and the participants may be paid for doing this work.
- 13.2 In brief, *comprehensive rural development must be set in motion concurrently with resource exploitation*. Moreover, it is important to ensure that the community is committed to the long term goals of conservation. This will not be achieved if the project merely deals with forest products utilization. The unfortunate experiences of the past demonstrate that sustainable development will not occur if communities rely entirely on forest resources for livelihood.

- 13.3 Ideally, reforestation and development of alternative sources of livelihood should be implemented prior to forest resource exploitation. However, it would be impractical to impose this as a condition to the issuance of CFMA's. If it is impossible to provide immediate livelihood alternatives through other means (e.g., contract reforestation, TSI or backyard industries) the uplanders will be forced to continue kaingin in order to survive. This will defeat the objectives of the project.
- 13.4 Moreover, it is important to assure the participants that implementation of forest conservation and protection will redound to their financial benefit. The best assurance they can receive is permission to practice selective cutting or other types of forest products utilization (e.g. rattan gathering). If this is delayed too long, the participants may suspect that they are merely being used and DENR may eventually allow a logging corporation to operate in the area. Remember that DENR has not previously granted "concessionaire status" to upland residents. There are credibility gaps that need to be overcome.
- 13.5 A major objective of PROJECT implementation should be to encourage the investment of forest-derived revenue in activities that do not rely on forest products. The NGO and DENR share a joint responsibility to help bring this about.

4.0 *COST RECOVERY*

- 14.1 Several of the preceding paragraphs have mentioned cost recovery. The rationale for this is quite simple. Communities granted the privilege to harvest and sell forest products will be engaging in a business enterprise. It is not envisioned that the taxpayers should subsidize this enterprise. If it is to be sustainable, the enterprise must bear the costs involved and still provide a profit to the community.
- 14.2 Given the high value of forest products and the low cost of extraction using labor-intensive methods, there is no doubt that community-based forest management can be financially viable. ^{1/} However, the residents of upland communities may not have the operating capital needed to begin a forest products enterprise. Therefore, DENR will advance certain operating costs and recover these costs from the participants.
- 14.3 The costs that will be advanced and recovered are for (i) resource inventory/evaluation, (ii) preparation of management/development plans and (iii) services of NGO's for the first three (3) years of the PROJECT. All the foregoing represent management and technical services essential for start-up opera-

^{1/} All timber harvesting shall be done through labor-intensive methods as provided in Section 12 of this Manual.

E= the prevailing cost in the project area to implement one (1) hectare of contract reforestation.

tions of the enterprise. The community may request other advances which, if provided by DENR, shall also be recovered (e.g., application fees, registration fees, tools).

14.4 Costs shall be recovered in kind by requiring the participants to implement a certain amount of reforestation at their own expense. This amount (i.e. number of hectares) shall be computed as follows:

$$\frac{(A + B + C + D)}{E} = \text{no. of hectares to be reforested}$$

Where:

- A = costs to conduct the first 100% inventory referred to in para. 7.2 and 5% evaluation referred to in para 7.3.
- B = costs for preparation of the management/development plan
- C = costs for NGO services for the first three (3) years of operations
- D = any other costs advanced by the DENR at the request of the community (e.g., application fees, registration fees, tools)

14.5 In arriving at costs for "A" and "B", the services provided by permanent employees of the DENR shall not be included. However, costs shall be recovered for the services of DENR contractual employees hired specifically to carry out items "A" and "B", and whose tenure begins and is co-terminus with the services embodied in "A" and "B".

5.0 TRUST FUND

15.1 To ensure recovery of costs advanced for the community (per Section 14) the DENR shall require the community to deposit into a trust fund thirty percent (30%) of gross revenues from timber sales and ten percent (10%) of gross revenues from sales of minor forest products. Withdrawals from this trust fund may be used to defray the expenses of reforestation carried out as repayment (in kind) of DENR advances. When these advances shall have been fully recovered, trust fund deposits shall be used to pay the costs of reforestation, TSI, and other activities required under prevailing rules and regulations. Any surplus thereafter shall be used for whatever investments the community may wish to provide for the improvement of socio-economic or environmental conditions in the community (e.g., agroforestry or processing).

15.2 The trust fund shall be administered by the community. However, the community shall be required to submit quarterly reports to DENR on the use of the trust fund. Furthermore, DENR shall have the option to conduct a quarterly post audit of the fund.

15.3 Terms and conditions for cost recovery and operations of the trust fund must be clearly explained to the community by the NGO and DENR. Additionally, DENR and the NGO shall submit quarterly reports to the community covering expenditures that will be subject to cost recovery. The community shall have the option to conduct quarterly post audit of such expenditures. DENR and the NGO shall provide the community with full access to all records of such expenditures.

16. *PROJECT IMPLEMENTATION FUNDS*

16.1 To implement COMMUNITY PROJECTS in calendar years 1989 and 1990, the RED, PENRO, and CENRO are hereby authorized to draw on the following funds allocated to their offices:

<i>Activity</i>	<i>Source of Funds</i>
a. NGO services, resource inventory and preparation of management/development plans	a. Allotments for TSI and contract reforestation
b. Other NGO services	b. Allotments for contract reforestation and ISF
c. DENR supervision of PROJECT implementation	c. Allotments for MOOE
d. Monitoring and Process Documentation	d. Allotments for MOOE

16.2 For calendar year 1991 onward, the RED shall include a specific item for COMMUNITY FORESTRY PROJECTS in the Regional Office budget submission. The RED, PENRO, and CENRO shall also assist the NGO in the preparation of requests for grants from local and foreign donors to provide financial support to COMMUNITY FORESTRY PROJECTS.

17.0 *CO-PRODUCTION, PROFIT SHARING, JOINT VENTURE*

17.1 Pursuant to the Constitution, each CFMA management/development plan shall contain provisions for co-production, profit sharing or joint venture. Selection among these options shall be negotiated on a case-to-case basis depending on the circumstances of the PROJECT site and the community.

17.2 The government share in the proceeds of co-production, profit sharing or joint venture shall be delivered in the form of reforestation undertaken at the expense of the CFMA on lands designated by the DENR adjacent to or near-by the PROJECT site.

17.3 The amount of reforestation to be conducted (i.e., no. of hectares) shall be as follows:

$$\frac{A}{B} = C$$

Where:

A = government's share in co-production, joint venture or profit sharing

B = the prevailing cost to conduct one hectare of contract reforestation at the project site.

C = the no. of hectares to be reforested by the CFMA in payment of the government's share.

17.4 However, in the event that Congress or other government agencies may prescribe cash payments for the government share in co-production, joint venture, profit sharing, stumpage fees and the like. Should this happen, the following shall be applied:

17.4.1 The DENR shall award reforestation contracts to the CFMA holder, with a value equal to or greater than the government's share in co-production, joint venture, profit sharing (etc.);

17.4.2 The CFMA holder/contractor shall implement the reforestation contract and bill DENR for accomplishments under the contract;

17.4.3 In processing and disbursing payments from the CFMA holder/contractor for activities already accomplished, the DENR shall, on behalf of the CFMA holder/contractor, pay the government's share in CFMA operations to the appropriate government agency and deduct the amount of such payments from any payments due to the CFMA holder/contractor.

17.4.4 The CFMA holder/contractor shall issue written authorization to the DENR to make any payments explained in paragraph 17.4.3; and

- 17.4.5 Any amounts still due and payable by virtue of contract reforestation accomplishments shall be paid to the CFMA holder/contractor.

18.0 *MONITORING AND PROCESS DOCUMENTATION*

- 18.1 The first twelve (12) PROJECTS launched in 1989 shall be closely monitored to document positive/negative experiences and the dynamics of PROJECT implementation. The results of this monitoring/documentation exercise shall be consolidated into quarterly reports submitted to the Secretary through the Undersecretary for Field Operations and the Assistant Secretary for Field Operations having jurisdiction over the project site.
- 18.2 Responsibility for monitoring and process documentation will rest with the concerned Regional Executive Director (RED). Preferably, this work should be contracted out to a competent independent organization or entity (e.g., a local university or college). However, if the RED is unable to secure the services of such an organization/entity, monitoring and process documentation shall be done by the regional office staff with inputs from the concerned PENRO and CENRO.
- 18.3 Monitoring and process documentation reports will focus on areas for improving implementation, updating this Manual and replicating the project at additional sites.

For Compliance.

FULGENCIO S. FACTORAN, JR.
Secretary

Signed on November 28, 1989

- * (Attachment A, B and C Omitted)
- * (Annexes 1 and 2 Omitted)