ITTO Project [PD 225/03 Rev. 1 (F)]

Development and Institutionalization of an Appropriate System of Criteria and Indicators for Sustainable Forest Management (C&I for SFM) in the Philippines

PROJECT COMPLETION REPORT

FEBRUARY 2007

Department of Environment and Natural Resources

International Tropical Timber Organization

Received on 8 Feb'07 by a hardcop + a CD

LIST OF ACRONYMS AND ABBREVIATIONS

AAC	Annual Allowable Cut
ACA	Annual Cutting Area
AWP	Annual Work Plan
BMS	Biodiversity Monitoring System
CADC	Certificate of Ancestral Domains Claim
CBFM	Community-Based Forest Management
CBFMA	Community-Based Forest Management Agreement
CENRO	Community Environment and Natural Resources Office
CFNR	College of Forestry and Natural Resources
C&I	Criteria and Indicators
DAO	Department Administrative Order
DENR	Department of Environment and Natural Resources
ECC	Environmental Compliance Certificate
EMB	Environmental Management Bureau
ERDB	Ecosystems Research and Development Bureau
EO	Executive Order
FASPO	Foreign Assisted Special Project Office
FMB	Forest Management Bureau
FMU	Forest Management Unit
GIS	Geographic Information System
GOP	Government of the Philippines
GPS	Global Positioning System
HA	Hectare
IAOP	Integrated Annual Operations Plan
ICCs	Indigenous Cultural Communities
IEC	Information, Education and Communication
IFMA	Integrated Forest Management Agreement
SIFMA	Socialized Industrial Forest Management Agreement
IP	Indigenous People
IPRA	Indigenous Peoples Rights Act
ITTA	International Tropical Timber Agreement
ITTO	International Tropical Timber Organization
ITTC	International Tropical Timber Council
IUCN	International Union for the Conservation of Nature
LGUs	Local Government Units
LMB	Land Management Bureau
M & E	Monitoring and Evaluation
MTDP	Medium Term Development Plan
NGOs	Non-Governmental Organizations
NIPAS	National Integrated Protected Areas System
PAWB	Protected Areas and Wildlife Bureau
PENRO	Provincial Environment and Natural Resources Office
PFE	Permanent Forest Estate
PO's	People's Organizations
PWPA	Philippine Wood Producers Association
RUP	Resource Use Plan
SFM	Sustainable Forest Management
SFMP	Sustainable Forest Management Plan
SUDECOR	Surigao Development Corporation
TLA	Timber License Agreement
UPLB	University of the Philippines Los Baños
YEAL	Year Elapsed After Logging

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PROJECT COMPLETION REPORT

List of Annexes

PROJECT IDENTIFICATION

a)	Title:	Adoption and Implementation of an Appropriate System of Criteria and Indicators (C&I) for the Philippines
b)	Serial Number:	PD 225/03 Rev. 1 (F)
c)	Implementing Agency:	Department of Environment and Natural Resources (DENR)
d)	Host Government:	Republic of the Philippines
e)	Starting Date:	June 2004
f)	Duration:	30 months
g)	Project Cost:	ITTO -- US$520,076 DENR (in kind)-- US$100,000

PART I. EXECUTIVE SUMMARY

1. BACKGROUND INFORMATION ABOUT THE PROJECT

1.1 Key Problems Addressed

This project on "Development and Institutionalization of an Appropriate System of Criteria and Indicators for SFM in the Philippines" [PD 225/03 Rev. 1 (F)] was an offshoot of the Philippines' desire to curb the continuous loss, at a very alarming rate, of its forest cover. With its shift to sustainable forest management (SFM) as its main forest policy thrust, the Philippines has to solve the underlying issues hindering the attainment of SFM which include: 1) a fragmented view of sustainable forest management resulting in fragmented approaches to sustainability; 2) insufficient information to guide decision makers in making intelligent decisions to achieve SFM; and 3) absence of appropriate framework and analytical tools to consolidate and analyze complexities of managing tropical forests, the different components of SFM, and the intricacies that exist among them. It was expected that at project completion the government would have the necessary management tools to report and evaluate progress towards SFM.

The project implemented the results of the pre-project on "Development of Criteria and Indicators for Sustainable Forest Management in the Philippines" [PPD 29/01 Rev. 1 (F)]. The said pre-project was handled in 2002 by the Philippine Forest Management Bureau (FMB) to develop criteria and indicators for sustainable forest management (C&I for SFM) in the Philippines. Among other things, the pre-project resulted in the initial draft of C&I manuals, questionnaire, and action plan.

The main problem that PD 225/03 Rev. 1 (F) sought to address was how to develop institutional mechanisms to determine progress towards SFM. The project also focused on the lack of or fragmented policies on SFM that could hinder a workable C&I system. The present system is generally silvicultural in nature with little concern for critical indicators such as biodiversity conservation and soil and water conservation, as well as the socio-economic aspects. Thus, a comprehensive review of existing relevant forestry policies, rules and regulations to identify current practices that may pose constraints to SFM practices became a must. There is also a need for the enactment of appropriate policies and administrative measures as enabling conditions for SFM in the Philippines.

The developed C&I system, however, would be meaningless unless applied along with auditing of the criteria and indicators. The project thus also dwelt on developing an appropriate auditing system which includes verifier, means of verification, and norms or standard. The audited C&I compared with acceptable norms and standard could serve as an effective tool for SFM reporting, control, verification, and monitoring.

1.2 Specific Objectives and Outputs

The project's Development Objective was to promote and enhance the sustainable management of tropical forests of the Philippines through the adoption and implementation of an appropriate system of criteria and indicators including auditing and monitoring.

Specific Objectives:

Specific Objective No. 1 was "to adopt and institutionalize an appropriate system of criteria and indicators for SFM, at the national and forest management unit levels, using the results of the ITTO pre-project on the development of criteria and indicators." The main output expected under this objective was: "appropriate system of criteria and indicators adopted and institutionalized at the national and forest management unit levels."

Specific Objective No. 2 was "to pilot-test and adopt an audit system for criteria and indicators for SFM including institutional arrangements and future linkage with timber certification." Under this objective, the main output expected was: "Audit System for Criteria and Indicators adopted and implemented."

Specific Outputs:

Output 1. Appropriate system of criteria and indicators adopted and institutionalized at the national and forest management unit levels

Output 2. Audit system for criteria and indicators adopted and implemented

1.3 Implementation Strategy

The main objective was to adopt, implement and institutionalize appropriate mechanisms and tools that will determine status and progress of the Philippines vis-à-vis SFM, identify problem indicators, and prescribe remedial measures. The project's efforts had two categories: 1) formulation and adoption of Philippine C&I for SFM system; and 2) formulation of an applicable audit system and procedures. Support activities to ensure acceptability, adoption and application/implementation of the systems were also carried out as discussed below:

Formulation of the Philippine C&I system took off from the C&I system developed from the pre-project. The C&I system, specially the indicators, were further assessed for appropriateness, applicability and suitability to Philippine conditions through an intensive and comprehensive consultative process involving the widest possible participation of relevant stakeholders including decision-makers from various sectors representing practically all regions of the country. These would ensure wide acceptability of, as well as leveling off of understanding, of the need for a C&I system to achieve SFM.

The auditing system to complement the C&I system was pilot-tested in different forest management unit (FMU) areas holding various tenurial instruments to ensure that it fits certain conditions and nature of forest agreements. The FMUs selected had diverse local socioeconomic, cultural and political conditions. Experts from various relevant fields such as biodiversity, soil and water, environment, and research were involved in the pilot-testing to ensure the wide range of applicability and suitability of the auditing system for each of the criteria and indicators of the developed system. The experiences and lessons learned from these activities were further subjected to a post-audit review by peers and experts.

To facilitate adoption of the C&I system including the audit mechanism, the project formulated an enabling policy and the C&I and audit systems were incorporated in appropriate policy/ies and/or implementing guidelines including major plans of the forestry sector. To realize this, the project conducted a comprehensive review of existing relevant forestry policies, rules and regulations to identify what provisions were lacking and what could possibly constraint implementation of SFM.

Acceptability of the proposed C&I system was further ensured through an effective promotion and advocacy activities using different media and information materials. These activities complemented the intensive consultation meetings, discussions and workshops with all stakeholders.

Capability building for carrying out the C&I system and audit process was achieved through countrywide training of concerned government implementers, FMU forest managers, and NGOs including professionals in the private sector. However, only a limited number of representative regions were involved due to insufficient funding source. The project also formulated the necessary manuals for operation and prescribed guidelines.

Moreover, the project developed a relational GIS-compatible database system for C&I. This installed the baseline and other data gathered on national- and FMU-level criteria and indicators for easy management of data, reporting, updating, retrieval and analysis to determine progress towards SFM. It also developed a computer-based C&I Audit System to be linked to the Philippine C&I Database which created an auto-generated system showing a yearly trajectory curve criterion for both national and FMU databases to determine performance of FMUs towards Sustainable Forest Management. A user's manual was also prepared for use of the databases for forest auditing of FMUs.

1.4 Planned Duration and Planned Overall Costs

The Project Agreement was signed and formally approved on January 28, 2004 and February 9, 2004 by Elisea G. Gozun, Secretary of DENR and Manoel Sobral Filho, Executive Director of ITTO, respectively. By signing this agreement, the DENR has formally and fully committed itself and all the necessary counterpart resources at its disposal in implementing the project and ensuring the realization of its project objectives. *(See Project Agreement between DENR and ITTO as Annex 1)*

The project started in June 2004 with the release of the first installment payment from ITTO. It operated with a total budget of US$620,076. Of this amount, ITTO provided US$520,076 while the balance of US$100,000 was committed by the Government of the Philippines (GOP) through in-kind equivalent contribution. The project was implemented for a period of thirty (30) months. *(See Project Implementation Schedule as Annex 2)*

All the expected outputs were completed within the project timetable and allotted budget.

2. PROJECT ACHIEVEMENTS

2.1 Outputs and Specific Objectives Achieved

All the expected outputs in pursuance of the objectives of the project and based on the approved work plans have been achieved.

The Philippine C&I for SFM system developed under the ITTO pre-project, including its Manual of Questionnaire as well as the C&I Audit System Manual of Operations and Procedures, had been improved and refined through a highly participatory consultation process conducted nationwide involving various sectors from all over the various regions of the country. These tools for reporting, monitoring and assessment are now being used by some FMB monitoring and assessment teams, NGOs monitoring CBFM areas, and the Philippine government as format for reporting forestry-related achievements. *(See Annex 3 and Annex 4 for copies of Philippine C&I for SFM and Auditing System and Procedures respectively)*

The finalized C&I and audit systems had also been presented to DENR top management who readily signified desire to adopt them. The systems are now acknowledged and accepted in the forestry sector and had been incorporated into the most important fundamental forestry plans, programs and guidelines of the DENR. This effectively mainstreamed and institutionalized the C&I and audit systems within the national forestry system.

Other activity outputs completed by the project include:

a) Incorporation of the Philippine C&I for SFM system and framework within fundamental policies and plans of the DENR;

b) Design and implementation of series of training on the use and application of the C&I system including its auditing system and procedures *(See List of Trainings Conducted as Annex 5);*

c) Formulation and design of various IEC/advocacy materials to support implementation of the Philippine C&I system *(See List of IEC Materials/Publications as Annex 6);*

d) Design, development and installation of the C&I MIS and Forest Auditing Database systems *(See Database System and Computerized Audit System Manuals as Annex 7)*; and

e) Formulation of the first update of the Philippine National Baseline Report using C&I Reporting Questionnaire. The report was submitted to ITTO and highlights the factors that enhance or hinder progress of SFM in the country. *(See 2nd Philippine National Report as Annex 8)*

2.2 Contribution to the Achievement of the Development Objective

The country, for the past many years, had been grappling with the colossal problem of rapid degradation and decline of its forest resources due to unsustainable forest management which in turn is largely a consequence of ineffective policies, programs, and management interventions the government has been trying to implement. All this was the result of a fragmented view of SFM within and outside the DENR.

The completion of the C&I and audit systems thus came as a welcome development in the DENR. For one thing, it provided decision-makers with the necessary framework and analytical tools to integrate the largely fragmented view of SFM and assist in a more credible analysis and understanding of the complexities of managing tropical forests. These tools clearly support intelligent decision-making towards an enhanced sustainable management of the tropical forests in the Philippines.

Enhanced ability to analyze the relevant data and information will also lead to more effective and relevant forestry polices and management interventions, both at the national and FMU levels. It will also define the proper roles and responsibilities that the various stakeholders must play in order to reach their common goal of enhanced and sustainable management of the country's tropical forests.

3. TARGET BENEFICIARIES' INVOLVEMENT

A wide range of stakeholders had been actively involved in various discussion and consultations that led to the formulation and refinement of the C&I and audit systems. These include FMUs (TLA officials and staff, and CBFM POs), officials and members of the Philippine Wood Producers Association (PWPA), DENR officials and staff, other government agencies, academic institutions, research institutions, centrally and locally based NGOs. These stakeholders were often consulted in making crucial decisions that affected project implementation through the Project Steering Committee (PSC) meetings held twice a year aside from regular communications with them. This gave these stakeholders enhanced sense of ownership of the C&I and audit systems thus developed.

The pilot-testing of auditing procedures in TLA and CBFM areas involving their forest managers even widened involvement of the stakeholders and gave them first-hand experience on how the audit system actually works. This move reinforced their understanding of the SFM concept and strengthened their attachment to SFM objectives. These managers started to make remedial management measures on their FMUs based on the results of forest auditing.

Later, the series of capability training on the application of C&I system and auditing procedures involving selected FMU officials and managers, people's organizations (POs), some DENR officials and staff from central and field offices, other government agencies, members of the academe, and locally and centrally based NGOs, among others, from almost all regions in the country resulted in a wider base of SFM supporters and advocates. Having this wide support base enhanced the attainment of the project's objectives and added momentum to sustain its initiatives into the future.

The DENR, particularly the Forest Management Bureau (FMB), gained an enhanced understanding of SFM and helped them to reformulate old silvicultural method-based policies and arrive at new guidelines that are more attuned to SFM objectives. The DENR-FMB is now equipped with useful management tools for reporting and assessment of progress towards SFM at the FMU and national levels.

Other ongoing foreign-funded projects of the DENR were also involved and benefited through the C&I training held at the DENR's Foreign-Assisted Special Projects Office (FASPO). The project managers acknowledged C&I as a more effective and functional monitoring and assessment tool and suggested its adoption to standardize the monitoring systems used by the foreign-assisted projects. The C&I system could also provide a necessary framework and empirical findings to improve the proposed "Sustainable Forest Management Act" now pending in both houses of Congress.

Other target beneficiaries have been involved through regular furnishing of the C&I Newsletter and other IEC materials.

4. LESSONS LEARNED

4.1 Developmental Lessons

1. The need for a management and monitoring tool to track progress vis-à-vis SFM is widely acknowledged among the forestry sector. Even DENR's other foreign-assisted projects during the orientation workshop at the Foreign-Assisted Special Projects Office (FASPO) expressed support for the institutionalization of the C&I and audit systems to standardize the country's monitoring, assessment and reporting system even if they have their own monitoring and evaluation systems. This reflects the C&I system's comprehensiveness, flexibility and adaptability in use that could be applied across various types of FMUs and projects.

2. The full maturity of the C&I system application process in the Philippines needs more time to fully develop. Like any other novel ideas, it has to undergo an iterative learning and consolidation process.

3. The inclusion of the C&I for SFM system in the DENR forestry sector's fundamental policies and plans is not enough yet to enforce effective nationwide implementation of SFM using the C&I system due to still weak institution as far as guiding, overseeing and effectively monitoring the implementation of SFM. The present institution – the DENR-FMB – is also still deficient and/or weak with regard to the highly technical requirements and expertise needed for nationwide C&I system implementation. The present project as designed could only provide general training on the application of the C&I and audit systems.

4. The current level of understanding of FMUs as well as the other stakeholders from the various sectors about SFM and the C&I system application is still limited and not enough to enable them to fully enforce and implement the systems as able partners of government. If not enhanced and strengthened, these stakeholders' apparent weaknesses may render SFM solely a national government responsibility despite it being a national concern.

5. The project's highly participatory consultative manner in formulating the C&I and audit systems and the persistent advocacy efforts using various communication methods in promoting the project's intent and purposes as well as the benefits for the stakeholders and the country in general helped generate wide awareness among stakeholders for the need of a C&I system and auditing procedures.

6. The devastating landslides triggered by the successive typhoons that wrought havoc and killed thousands in 2004 and which were blamed on rampant illegal logging in Regions 3 and 4 resulted in the suspension of all logging and cutting permits in the country. This blanket suspension brought consternation and dismay to conscientious FMUs but it also brought to light the pressing need, especially by the FMUs themselves, to adapt a monitoring and assessment tool that could clearly and immediately determine, based on assessment of solid data, information and empirical evidences, whether an FMU is engaged in destructive/illegal or sound/sustainable forest management practices. The FMUs agree that using the C&I and audit systems could avoid penalizing law-abiding FMUs in the future. Because of this, there is now a growing clamor for the immediate enforcement of the C&I system led by the Philippine Wood Producers Association (PWPA). This appeal has been aired several times by the PWPA representative during Project Steering Committee (PSC) meetings.

7. The ITTO C&I system is the most appropriate for tropical forests and can be refined effectively for use as a reporting and evaluation tool in the Philippines as shown in the project.

8. The project demonstrated that adequate IEC, training, manualization, and use of databases are important elements towards attaining project objectives.

4.2 Operational Lessons

1. Although widely accepted, the C&I Questionnaire Manual is a highly complex set of structured questions that will necessitate comprehensive training of technical personnel tasked to gather data, fill up the questionnaire, and analyze the information. The nationwide training on C&I application showed that even technical staff face difficulties on: a) comprehending highly technical indicators (e.g. biodiversity, soil and water, carbon stock, socioeconomic and cultural issues); and b) where to find data/information.

2. The project's use of multiple methods in teaching the C&I system – including lectures, group discussions among peers and FMU members, actual hands-on experience during field audit exercises in actual FMU areas, group assessments, and critiquing of audit results by experts -- made the study more effective.

3. The appreciation and acceptance of the C&I and audit systems by the FMUs especially CBFM POs does not imply full capability to implement and apply the C&I system. Although the FMUs are willing to comply with the C&I system requirements, their present capability to handle biodiversity conservation, soil and water conservation, socioeconomic concerns, carbon sequestration, and other highly technical requirements is still limited due to lack of data and clear methods to get such data in the future.

4. FMUs have difficulty monitoring and evaluating some critical indicators (e.g. identification and protection of endangered, rare and threatened species of forest flora and fauna; measurement of carbon stock) due to lack of expertise and even fundamental knowledge in some FMUs.

5. FMUs have to be properly guided and assisted in the application of the C&I system as framework for planning, decision-making and implementation especially in data gathering and filling up of questionnaire. If collection of data is left to middle-level or even first-level technical staff (familiar only with developmental and utilization activities) with minimal training to save on budget, quality of data may suffer. There is also a risk of returning to the deeply rooted habits of employing traditional methods due to the prospective user's inconvenience or unfamiliarity with the new methods.

6. Many indicators are not stated in present forest policies and gathering of data and compliance with them are not presently required. These include: a) identification and protection of endangered, rare and threatened species; b) monitoring of biodiversity; c) setting aside forest

sites for research and education, and recreation; and d) measurement of carbon storage in forest stands, among other things. The government may find it difficult to monitor these indicators since FMUs are not required to comply with them. The experiences during the pilot-testing of the audit system show that the FMUs are willing to comply with all the indicators once these are made compulsory by policy issuances.

7. The complementation of experts from widely diverse fields and the resulting insightful interactions among them during consultation and orientation meetings/workshops widened the stakeholders' understanding of the issues surrounding SFM, its various components and the intricacies that exist among them, and the complexities of managing the forest. This further resulted in the appreciation of having an effective tool to analyze and consolidate these complexities into comprehensible information to serve as guide to decision makers at the national and FMU levels.

8. The creation of a full-time Project Implementation/Management Team (PMIT) focused solely on meeting targets as planned made possible the solid achievements of the project.

5. RECOMMENDATIONS

Recommendations Based on Developmental Lessons

1. An institutional structure (a dedicated unit within DENR) should be established to serve as the nerve system to guide and oversee the enforcement of SFM. This institutional structure will also help elevate to implementation level the C&I and audit systems including the questionnaire and manuals developed.

2. The government should develop appropriate implementing mechanisms/systems to effectively apply the developed monitoring, assessment and auditing tools/systems.

3. Due to limited experience on SFM certification, it would be more effective and appropriate for the country to employ the C&I and audit systems to enforce regulation of FMU activities to conform to SFM while developing and readying capabilities of the government, NGOs, LGUs, and other stakeholders towards future external certification. The FMB as well as other counterpart offices in the regional, provincial and community levels should serve as the lead agency to strictly monitor operations of forest managers in the pursuit of SFM using C&I and its audit system. As a regulatory tool, evaluation of the C&I auditing process can be used by DENR to recommend corrective measures to improve forest management or as basis to assess the performance of FMUs and to suspend or cancel their operations.

4. The government has to formulate policies to enable a working C&I system in a regulatory setting. Enabling policies are lacking on certain indicators, for instance in such concerns as biodiversity protection, soil and water conservation, and measurement of carbon stock. There is also a need to develop and formulate an institutional framework as enabling condition to guide implementation of the proposed national SFM regulation.

5. A national SFM regulation framework should be designed and implemented. The framework should lead towards possible external audit and certification in the future attuned to international standards for tropical forests.

6. The government should develop mechanisms/systems and create venues and opportunities wherein NGOs and other society groups, as well as other interested stakeholders could actively participate, contribute and help pursue SFM. Towards this, the government should also develop programs to build the capacity of these stakeholders especially NGOs and other civil society groups on the use of C&I for SFM including auditing system to be effective partners of

the government. These stakeholders could also be evaluated as potential external auditors for future certification.

7. The government should develop and implement programs to strengthen the capacities of FMUs nationwide to implement SFM using the developed monitoring and management tools without which the institutionalization of the C&I system would be of limited relevance. Proper guidance and assistance on the application of C&I system as framework for planning, decision-making and implementation will be needed until these FMUs shall have been weaned from the deeply rooted habits of using the traditional and purely silvicultural methods.

9. The C&I and audit systems should be utilized by the government in assessing the status of FMUs with regard to SFM practices whether sustainably managed or unsustainably managed. This will spare sustainably managed FMUs from sweeping generalizations such as issuance of suspension of operations intended for erring FMUs. Presence of solid data, information and empirical evidences as can be gleaned from C&I audit reports should be a basis to determine the status of an FMU with regard to sustainable resource use.

Recommendations Based on Operational Lessons

1. Develop and implement a comprehensive capability building plans and training designs to enhance capacities and technical capabilities of FMUs in implementing SFM using the C&I and audit systems and applying the C&I framework for planning, decision-making and implementation.

2. As a tool for reporting and evaluating compliance with rules and regulations, we need to determine possible merging or integration of C&I audit with the preparation of annual operation plans, medium-term plans and other management plans by various FMUs including CBFM and CADC agreements. This will make the system more doable and cost-effective by blending the traditional approach with SFM requirements based on C&I. This will also prevent the creation of another layer of control and monitoring system which would entail added costs for FMUs.

3. The DENR should issue an omnibus policy guideline mandating the compulsory compliance with all the required indicators of the C&I system to make up for those indicators not presently included in and required by existing policies. Absence of policy requiring FMUs to gather data on certain indicators may give some of these FMUs with excuses not to comply and thus defeat the purpose of the C&I system. The omnibus policy guideline should include indicators on: a) identification and protection of endangered, rare and threatened species; b) monitoring of biodiversity; c) setting aside forest sites for research and education, and recreation; and d) measurement of carbon storage in forest stand.

4. FMB counterpart staff involved in the project should be maintained and should continue to perform tasks related to the use of the C&I in the country to sustain the gains made in implementation. Likewise the FMU managers, NGOs, academe, and other sectors trained on C&I reporting and auditing should be maintained as a pool of technical experts to continue using the management tools developed and to train others in the future.

PART II. MAIN TEXT

1. PROJECT CONTENT

The rapid and unabated loss of the country's forest cover has become a national priority concern, prompting the government to shift to Sustainable Forest Management (SFM) as its main policy thrust. SFM has since become the principal program of the Department of Environment and Natural Resources (DENR) and is the principal framework of all its activities involving the development, conservation and protection of forest resources. But to realize SFM, the government has to consolidate the fragmented view on SFM and provide an effective tracking system to measure progress vis-à-vis SFM through intelligent analysis of available empirical data. The government seeks for the right analytical and monitoring/assessment tools to enable decision-makers to prescribe appropriate and timely remedial measures based on available data.

During the last several years, several approaches were tried to develop a tracking system including the Environmental Performance Monitoring (EPM) system developed under the Natural Resources Management Program (NRMP) of DENR to monitoring forest quality and other environmental quality parameters (e.g., quality of water bodies, flora and fauna composition) at the FMU level. However, the system, configured mainly for community-based forest management (CBFM) units, has limited application. The monitoring system currently being employed by the Forest Management Bureau (FMB) of the DENR is also too focused on silvicultural aspects of forest management. The project's search for an effective tracking system included the review and evaluation of the C&I template developed by the Center for International Forestry Research (CIFOR) and the Manual for the Application of Criteria and Indicators for Sustainable Management of Tropical Forests (National Indicators and Forest Management Unit Indicators) developed by ITTO.

The need for improved systems led to the implementation of the pre-project on the "Development of Criteria and Indicators for Sustainable Forest Management (C&I for SFM) in the Philippines" [PD 29/01 Rev. 1 (F)]. The pre-project developed the proposed Criteria and Indicators for Sustainable Forest Management (C&I for SFM) in the Philippines as monitoring and assessment tools to determine and measure progress towards SFM and recommended that it be adopted, implemented and institutionalized to track progress of the country's initiatives in SFM both at the national and FMU levels.

The project in review took off from the results and recommendations of the pre-project. Gearing towards achieving its main objectives and expected outputs, it focused on refining the developed C&I system to conform to Philippine settings, conditions and peculiarities; develop an auditing system/mechanism to determine compliance of each criteria and indicators with acceptable norms and standards; and ensure its wide acceptance through appropriate and effective promotion and advocacy efforts.

An auditing system/mechanism has to accompany the C&I system to be significant as a tool for reporting, control, verification, planning, monitoring and evaluating a given forest area. The audit system was subjected to pilot-testing in different FMUs, i.e. holders of different tenurial instruments and of diverse local economic, cultural and political conditions. The project ensured that the audit system will fit various local conditions and nature of forest agreements. Timber concession (TLA) and community-based forest management (CBFM) areas were initially selected to pilot-test the audit system. The audit system/mechanism was further refined and put under test through post-audit review and assessment by peers and experts.

In designing the C&I for SFM and its audit system, it is imperative that the project determine possible merging or integration of the C&I and audit systems with the preparation of an Integrated Annual Operations Plan (IAOP), medium-term plans and other management plans by various FMUs including CBFM and Certificate of Ancestral Domain Claims (CADC) agreements. This will

make the system more doable and cost effective by blending the traditional approach with SFM requirements based on C&I. This will also prevent the creation of another layer of control and monitoring system which would entail added costs for FMUs.

The project moreover laid the enabling conditions for the adoption and effective implementation of the developed C&I system through enactment of appropriate policies and other necessary administrative measures. To ensure the most workable environment in the implementation of the C&I system, the project conducted an in-depth review of existing relevant policies, rules and regulations, and proposed amendments to these.

The C&I system and the audit system are novel ideas in the Philippines. Thus, only few people are familiar with these concepts, much less have the capability of implementing them. This inability of FMUs, DENR field staff and other stakeholders in using the systems could pose some serious problems to the government especially when implemented nationwide as regulatory requirement.

To complement C&I system and auditing mechanisms, the project also developed a flexible and user-friendly database management system for C&I system. The formulated database system was customized to cater to different FMU situations and to accommodate the preservation of previous data for historical record and reference to be useful for analyzing and tracking developments and trends.

Based on these hindrances to attain SFM and ITTO Objective 2000, the project focused on: 1) consolidating the fragmented view of SFM through formulation of an appropriate framework as well as effective analytical and monitoring tools that could track progress vis-à-vis SFM and consolidate and analyze the complexities of managing tropical forests; 2) developing an auditing mechanisms to compare data gathered with the acceptable norms and standard; and 3) formulating the necessary enabling policies to guide and enforce the strategic implementation of SFM in the country. The presence of these mechanisms and tools will identify the problem indicators and factors hampering attainment of SFM and ITTO Objective 2000 and will assist decision makers in determining the required interventions and remedial measures towards an enhanced sustainable management of tropical forests in the Philippines.

1.1 Development Objectives and Outputs

The Development Objective of the project was to promote and enhance the sustainable management of tropical forest of the Philippines through the adoption and implementation of an appropriate system of criteria and indicators including auditing and monitoring.

Specific Objective No. 1 was to adopt and institutionalize appropriate system of criteria and indicators for SFM, at the national and forest management unit levels, using the results of the ITTO pre-project on the development of criteria and indicators.

The **output** to be achieved under this objective was an appropriate system of criteria and indicators adopted and institutionalized at the national and forest management unit levels.

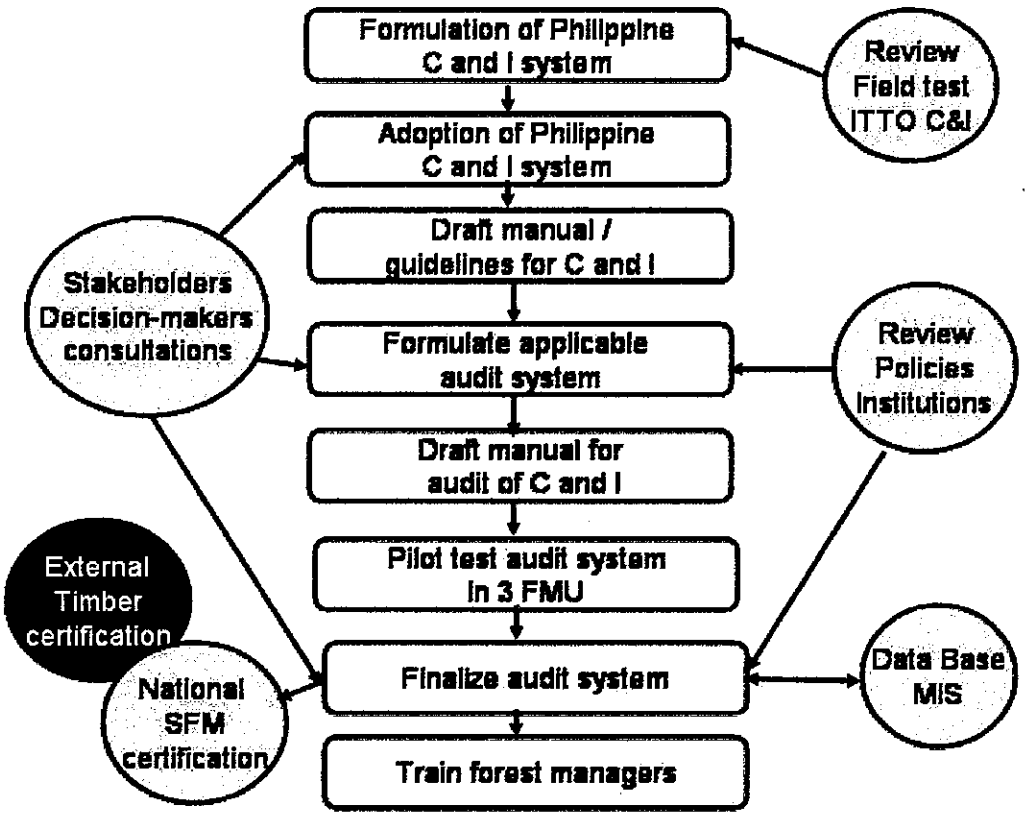
Specific Objective No. 2 was to adopt and institutionalize appropriate system of criteria and indicators for SFM, at the national and forest management unit levels, using the results of the ITTO pre-project on the development of criteria and indicators.

The **output** to be achieved under this objective was an audit system for criteria and indicators adopted and implemented.

1.2 Project Strategy

The project was intended to implement the results and action plan developed in the pre-project funded by ITTO. The main strategy was the adoption by DENR of the proposed C&I system including an appropriate audit procedures and mechanism through IEC, training, and participatory involvement of stakeholders at national and FMU levels. This was further enhanced through the inclusion of the C&I and Audit System in major plans and programs of the DENR (forestry) and the inclusion of the same in the proposed Omnibus Forestry Guidelines which will mainstream the C&I and audit systems within DENR programs. The implementation framework of the action plan developed in the Pre-project is shown in the diagram below.

Action Plan Implementation Framework



Acceptability of the proposed C&I system and the need for regular audit were achieved principally by direct participation of stakeholders in various consultations, workshops/meetings conducted by the project. This was complemented by IEC activities to level-off understanding on C&I and the need for auditing. Application and utility of the C&I audit system was demonstrated by testing in two (2) pilot FMUs (two more FMUs were added later to broaden lessons and experiences gathered) representing the main forest concessions/and community-based forest agreement holders. *(See List of FMUs where Pilot-testing were held as Annex 9)*

Capability building for C&I implementation was carried out through training of concerned government implementers, FMU forest managers, and third-party-qualified NGOs/private sector professionals especially for audit requirements and procedures. The project developed the necessary manuals for operations and came up with a set of guidelines.

Future monitoring, evaluation, and determination of progress towards SFM shall be carried out at both national and FMU levels using C&I parameters and verifiers to be installed in the projected GIS based data base.

Having adopted and institutionalized the C&I system through mainstreaming within DENR plans and programs, a detailed project proposal for a full-blown C&I for SFM implementation, including the setting up and strengthening of institutional structures and mechanisms, was developed. Specifically, the proposal aimed to develop and strengthen dedicated units within DENR to regulate/monitor the nationwide SFM operations of forest managers and to enhance awareness and capabilities of other forest stakeholders (e.g., NGOs, LGUs, civil society groups) in using the Philippine C&I for SFM and auditing system including firming-up of the appropriate institutional arrangements and linkages. The project proposal also included a detailed strategy on enhancing the performance of FMUs nationwide towards SFM using the C&I and audit systems as framework for their planning, decision-making and implementation. *(See copy of Project Proposal as Annex 10)*

1.3 Work Plan

The Project Agreement was signed and formally approved on January 28, 2004 and February 9, 2004 by Elisea G. Gozun, Secretary DENR; and Manoel Sobral Filho, Executive Director, ITTO, respectively. By signing this agreement, the DENR has formally and fully committed itself and all the necessary resources at its disposal not only in implementing the project but in ensuring the realization of the project objective, i.e. an enhanced sustainable management of the tropical forests of the Philippines through the adoption and implementation of an appropriate system of criteria and indicators including auditing and monitoring. The 30-month project commenced operation in June 2004 after the release of the first installment payment from ITTO. *(See Annex 1 for copy of Project Agreement)*

All the expected outputs were completed within the project timetable and allotted budget.

1.4 Inputs

The project operated with a total budget of US$620,076. Of this amount, US$520,076 was committed by ITTO with the balance of US$100,000 committed by the Executing Agency, the DENR.

The DENR counterpart funds were in kind. This equivalent contribution provided for the necessary equipment as well as office facilities used as center of operations and house of the C&I Project Management Implementation Team (PM/IT) composed of permanent DENR employees as well as contractual staff. The PM/IT only focused on activities contributory to and support the attainment of the Development Objective. *(See DENR S.O. creating the Project Management Implementation Team as Annex 11)*

The financial and management inputs were sufficient and effectively utilized to achieve the project's objectives.

1.5 Project Rationale

The project was conceptualized to provide solution to the present underlying issues and problems that hinders attainment of SFM. The project is expected to provide solution to these underlying issues and problems in order to strengthen national capability for SFM in general and to determine projects and interventions to guide the country towards SFM.

The government recognized that the present fragmented view of SFM, the absence of sufficient and relevant information to guide decision makers towards intelligent decisions, the lack of an

appropriate SFM framework, and the lack of effective monitoring and analytical tools to consolidate and analyze complexities of managing tropical forests substantially hinder the attainment of SFM in the Philippines. Thus it became imperative to provide a SFM framework for the decision makers and the necessary tools to help them track and evaluate the country's progress vis-à-vis SFM.

The project provided the appropriate framework on SFM as well as the appropriate monitoring and evaluation tools to help decision makers and field implementers determine indicators and other factors which hamper SFM, and identify and formulate remedial measures to achieve goals and targets on SFM and ITTO Objective 2000.

1.6 Relevance to ITTO

Based on the project proposal and the current scope and context of ITTO activities, the project was directly relevant to ITTO in the following aspects:

2.1.6.1 Compliance with ITTO Objectives

The project was approved within the framework of ITTA of 1994. At that time the project conformed to the following 1994 ITTA Objectives:

Objective (c) To contribute to the process of sustainable development.

The project will pave the way for the development, adoption, and institutionalization of the Criteria and Indicators for Sustainable Forest Management including its appropriate Auditing System and Procedures suited for the Philippines.

Objective (d) To enhance the capacity of members to implement strategy for achieving exports of tropical timber and timber products from sustainably-managed sources by the year 2000.

With the development, adoption, and institutionalization of the Philippine Criteria and Indicators for SFM and its Auditing System and Procedures, the project will enhance the capacity of the Philippine Forestry Sector to comply with the commitments to ITTO Year 2000 Objective.

Objective (f) To promote and support research and development with a view of improving forest management and efficiency of wood utilization as well as increasing the capacity to conserve and enhance other forest values in timber producing tropical forests.

The project will contribute to the improvement of forest management and utilization of tropical forest resources in the Philippine situation.

Objective (l) to encourage members to develop national policies aimed at sustainable utilization and conservation of timber producing forest and their genetic resources and at maintaining the ecological balance in the region concerned, in the context of tropical timber trade.

The project will enhance the capacity of various stakeholders in Philippine Forestry to achieve progress towards sustainable forest management.

The project was also consistent and related to the following goals of the Reforestation and Forest Management Section of the ITTO Libreville Action Plan:

Goal 1: Support activities to secure the tropical timber resource base.

Goal 2: Improve tropical resource base.

Goal 3: Enhance technical, financial and human capacities to manage the tropical timber resource base.

Similarly, the project was in line with the following Priority Areas enumerated in the Year 2000 Objective of the ITTO Libreville Action Plan:

- Security of forest resources and prevention of unplanned deforestation;
- Production of optimal mix of goods and services;
- Improvement of the utilization of the resources to give the greatest possible social benefits; and
- Improvement of the social and political environment concerning forest management.

The project was also related to the following priority actions defined in the context of Year 2000 Objective of the ITTO Libreville Action Plan:

- Adopt a forest policy and apply legislation;
- Limit timber harvest to the sustained yield capacity;
- Raise public awareness that timber harvesting can be consistent with sustainability of tropical forest; and
- Focus forest research on the analysis and use existing data and knowledge.

2.1.6.2 Compliance with ITTO Criteria

The project complied with the criteria set out in Article 1 of the ITTA of 1994. In particular, it complied with the 1994 ITTA Objectives c, d, f, and l. In addition, the project complied with the goals, priority areas and actions of the ITTO Yokohama Action Plan.

Through the policy component and implementation/enforcement of audit systems using the C&I framework, the project will push for stronger and effective enforcement of forest laws and regulations to ensure SFM and secure the production base. Continued adherence to the C&I framework will also strongly promote the conservation, rehabilitation and sustainable management of threatened forest ecosystems; promote the development of non-timber forest products and services; and introduce innovative mechanisms and legislative frameworks to secure and expand the forest resource base. Implementation of the C&I and audit systems as monitoring tool will lead to identification and prevention of irregular/inefficient forestry activities and shortcomings in the enforcement of forest laws and regulations. It will also incorporate operational knowledge of forest ecosystem behavior in planning and management prescriptions.

The project effectively modified the ITTO updated manual on Criteria and Indicators and its questionnaire to suit the Philippine setting. Moreover, the project promoted the implementation of ITTO Guidelines especially in the management, restoration and rehabilitation of secondary tropical forests and management of plantation forests. It will strengthen, through the use of C&I and audit systems as an assessment and monitoring tool, the implementation of sustainable forest harvesting (using selective harvesting system), including reduced-impact logging.

Using the C&I and audit systems in the Philippines thus developed, the country's proper institutions will also be able to monitor and assess the environmental, social and economic costs and benefits of sustainable management of natural forests as well as secondary/forest plantation development. For the plantation forests, information gathered in monitoring plantation management could be utilized to promote new plantations in accordance with the ITTO Guidelines for the Establishment and Sustainable Management of Planted Tropical Forests.

Finally the project is essentially related to the actions promoted by ITTO to bring the forest estates under sustainable management as agreed in ITTO Objective 2000.

2.1.6.3 Relationship with ITTO Action Plan

The project fully supported the priority objective of ITTO to "arrest the decline and degradation of tropical forests and bringing all productive forest estates as soon as possible under sustainable management, so that exports of tropical timber products should come from sustainably managed resources".

The project strongly supported and contributed to both goals formulated for the "Reforestation and Forest Management" chapter of the ITTO Yokohama Action Plan, to support activities to secure the tropical timber resource base and to promote sustainable management of tropical forest resources. The project was essentially in line and concurred with the following actions: Libreville's old action plan

- Goal 1: Actions 1, 2, 4, 5, 7;
- Goal 2: Actions 1, 4, 5, 10;

2. PROJECT CONTEXT

The existing system of monitoring forest operations of FMUs in the country has not abated the fast rate of deforestation in the Philippines. This led to some drastic proposals from some sectors such as the imposition of a total logging ban to cover the entire country for a certain number of years.

But the dilemma is that the country also needs the precious revenues that would be lost to importation of timber to meet the country's own timber/lumber needs. The Philippines is one of the poorest countries in the tropics. With its current economic difficulties, particularly the negative balance of payment it is experiencing, the Philippines could not afford the lost revenues from forests and other related charges especially with the pressing need to fund its economic, social and other developmental programs to push the country back to the recovery path.

It is in this context that the country embraced and adopted Sustainable Forest Management (SFM) as its main strategy for the forestry sector to provide solution to the country's fast deteriorating forest conditions and at the same time be able to fund its social, economic and other developmental programs through revenues it can generate from sustainably managed forests. Another goal is to raise current contribution of the forestry sector to the Gross Domestic Product (GDP) which now stands at less than one percent (1%).

Although it has embraced SFM for the plans and programs of its forestry sector, at present the Philippines still lacks the appropriate SFM framework needed to integrate and consolidate the loosely fragmented concept of SFM in the country and to develop new paradigms that would support both the conservation needs and revenue-generating functions of its forest resources. Tools are also lacking to monitor, assess and interpret the performance and current management system of FMUs to determine whether they adhere to or veer away from SFM practices.

The SFM framework and the proper monitoring and assessment tools to evaluate the status of the country vis-à-vis SFM are critically needed to demonstrate the workability and utility of the SFM concept. The reasons stated above point to a serious limitation of the ability of the government to achieve the objectives of SFM. These limitations will put into jeopardy the ability of the future generations to also benefit from the forest bounty enjoyed by the present generation.

The project in review supported and is expected to reinforce the country's development framework as outlined in the Philippine Strategy for Sustainable Development. This strategy seeks to promote economic growth without putting into jeopardy the country's biological resources and its biodiversity, vital ecosystem functions and the overall environmental quality. The project also

expanded the goal and objectives of E.O. 263, "Adopting Community-Based Forest Management as the National Strategy to Ensure Sustainable Development of the Country's Forestland Resources". The project moreover reinforced the country's 25-Year Master Plan for Forestry Development which, among other things, plans to attain the following:

a) Equitable access for all Filipinos to opportunities to develop and manage the forest and partake benefits derived from it;
b) Scientific management, conservation and utilization of the forest resources by a mix of managers from the private sector and the local communities in partnership with the government; and
c) In appropriate ways and on a sustainable basis, satisfaction of the needs of people for forest-based commodities, services and amenities.

3. PROJECT DESIGN AND ORGANIZATION

3.1 Effectiveness of Project Design

The project design proved to be effective and adequate and measures employed were relevant and contributory to and met all the requirements of the project's development and specific objectives as well as the expected outputs.

The highly participatory process of the consultative meetings and discussions during the C&I and audit systems formulation process, aside from eliciting vital suggestions and recommendations from stakeholders, proved to be highly effective in gaining wide acceptance among all sectors involved in forestry. The involvement of widely varied sectors such as the TLAs, POs, non-government organizations (NGOs), local government, academe and research institutions, local communities, among others, also contributed to the systems' high credibility and wide acceptance.

The formulation of C&I for SFM provided the project with an effective tool to enable the stakeholders' analysis of the different components of SFM and how they affect environmental conditions. The orientation of stakeholders on the C&I system including the attendant auditing procedures integrated, for the first time, the diverse views on SFM by the different DENR bureaus and offices. Many old timers in the DENR admitted that prior to the training on the application of C&I they participated in, they viewed SFM only within the limited context of their own bureau or office functions. Personnel of the Protected Areas and Wildlife Bureau, for example, tended to view SFM only in terms of biodiversity and were oblivious of the social, cultural, and soil and water conservation and other relevant aspects. It was like they were holding a piece of a jigsaw puzzle without any idea of the whole picture. Armed with the more complete concept of SFM, field implementers and offices could now be tenfold more effective in carrying out their assigned tasks.

For the decision-makers, one impact of having a complete picture of SFM will be policies and plans responsive to the needs of SFM. One recent immediate impact of this is the inclusion of the C&I system in the DENR's basic plans and guidelines such as the Revised Forestry Development Master Plan, the Government Plan of Action (GPOA), the Forest Logic Model, and the Omnibus Forestry Guidelines. With the adoption of these plans and guidelines, the C&I system is now effectively mainstreamed within the fundamental polices of the DENR's forestry sector. Another effect is informed/intelligent decisions and/or remedial measures framed after a complete concept of SFM and founded on hard facts and empirical evidences.

The pilot-testing of the audit systems and procedures developed proved to be effective in determining that many indicators lack necessary policy support. The pilot-test also revealed that most FMUs hesitate to comply with certain indicators unless mandated by appropriate policies. These include indicators on estimating carbon stock, biodiversity conservation, soil and water protection and conservation, and other social and cultural aspects. This led to suggestions for the formulation and enactment of an omnibus policy on C&I regulation and implementation. The pilot-

testing further identified potential problems and constraints faced by full-blown implementation of SFM using the C&I system as well as approximated the technical and financial capabilities of FMUs in undertaking SFM. This would be very useful information later on in the design and creation of institutional structures and mechanisms for the nationwide regulation and monitoring of SFM operations.

The baseline data gathered from four (4) different FMUs revealed critical indicators where FMUs are weak and where they are strong. It showed that FMUs are strong with regard to indicators on silvicultural aspects but find it hard to comply with non-traditional indicators such as biodiversity and water and soil conservation. This information will help in designing the most appropriate capability-building programs for FMUs and other stakeholders.

If the FMUs that have been trained on C&I application could be considered a representative sample of the FMU universe, then it could be concluded that the conduct of training would not only heighten the awareness of FMUs regarding SFM but would also restructure their frame of mind towards adopting a higher standard of sustainability. In a C&I training conducted in Quirino Province, for instance, the PO members gave themselves lower rating than what the project gave. This trend is uniform among all POs that received C&I application training through the project. This also signaled that implementation of the C&I and audit systems will be supported and accepted as fair and indispensable to achieve SFM by the majority of FMUs nationwide.

3.2 Organizational Effectiveness

The active involvement of the different DENR sectors, wood producers, FMUs, NGOs, LGUs, local communities, national and local NGOs, academe, research institutions, within their defined roles in various undertakings substantially contributed to the effectiveness and efficiency of the project's activities and outputs.

A Project Steering Committee (PSC) provided overall guidance and policy directions for the implementation of the project. A Project Implementation and Management Team (PI/MT) handled the day-to-day management of the project with technical assistance from a team of multi-disciplinary consultants and experts. The PSC, meeting at least twice a year depending on needs and/or progress of project implementation, evaluated, defined, and guided project activities in close consultation with the ITTO.

The PSC was headed by the Director of FMB as Chair, and the Director of the DENR Policy and Planning Service as co-chair. The members were the Assistant Director of FMB, the Director of the Protected Areas and Wildlife Bureau (PAWB), the Director of the Ecosystems Research and Development Bureau (ERDB), a representative of the Philippine Wood Producers Association (PWPA), a representative of a Non-Government Organization (NGO), a representative of the Surigao Development Corporation (SUDECOR), the President of Ngan, Pagsabangan, Panansalan, Forest Resources Development Corporation (NPPFRDC), and a representative of ITTO. All the PSC chairs and members actively participated in all the scheduled PSC meetings where they provided valuable insights, recommendations, and constructive critiques on how to make the project successful.

A set of project consultants comprising of experts on C&I for SFM, Information, Education and Communication (IEC), Policy and Technical Development, and GIS and Database Management provided the technical assistance and expert guidance to the project specifically in the highly technical aspects of project implementation.

A Project Implementation and Management Team (PI/MT), composed of regular and project-hired staff, was responsible for the implementation of project activities and day-to-day undertakings to ensure attainment of project objectives and outputs in compliance with various commitments to ITTO. The PI/MT was created under the Office of the FMB Director and was also headed by the

FMB Director. The creation of a project team solely dedicated to the pursuit of project activities made possible the attainment of numerous outputs amidst a highly bureaucratic setting with minimum use of project funds.

The DENR bureaus and sectors, with the FMB, EMB and ERDB serving as auditors, made possible the successful completion and pilot-testing of the C&I audit system and procedures. They also provided expert suggestions, recommendations, and advice during the post-audit evaluation workshop. Top management and staff of the FMB, in particular, made possible the incorporation of the C&I system and framework within the DENR plans and programs, thus effectively adopting, mainstreaming and institutionalizing the C&I system and framework.

The FMUs of SUDECOR and NPPFRDC served as pilot sites to test the newly developed Audit Systems and Procedures including it accompanying Manual of Operations. They also provided, along with other FMUs in the provinces of Nueva Vizcaya and Quirino, baseline data of their respected FMUs which provided valuable data for the project in refining the C&I systems and audit procedures and mechanisms.

Other stakeholders from various sectors such as NGOs, local government units (LGUs), academe, research institutions, and local communities also had taken a very active role and had contributed immensely in attaining the project's objectives and expected outputs. These stakeholders acted as critiques, provided valuable suggestion, recommendations, and timely information as well as novel ideas, and sometimes acted as resource persons during the consultation process, baseline data gathering and pilot-testing of the developed audit system and procedures. The highly participatory process of the consultative meetings, workshops and discussions adopted by the project during the C&I and audit systems' formulation and post-evaluation stages proved to be an important contributing factor to the successful project implementation as well as wide acceptance among various sectors of society.

4. PROJECT IMPLEMENTATION

The Project Agreement was signed and formally approved on January 28, 2004 by Elisea G. Gozun, Secretary of the DENR, and on February 9, 2004 by Manoel Sobral Filho, Executive Director of ITTO. By signing this agreement, the DENR has formally and fully committed itself and all the necessary resources at its disposal in implementing the project and ensuring the realization of the project objectives.

The Project was planned for implementation for a period of two-and-a-half (2½) years or 30 calendar months (June 2004 to December 2006) with a total Project Budget of US$620,076. Of this amount, US$520,076 was committed by ITTO with the balance of US$ 100,000 committed by the DENR as the Executing Agency. *(See Project Implementation Schedule as Annex 2)*

The five (5) tranches/installments were released as per Project Agreement between ITTO and the DENR.

While the creation of an institutional C&I office within FMB and the development of institutional mechanisms is yet to be completed, the C&I system will become an integrated part of forest management operations. The project was able to complete all the other required activities and delivered all the expected outputs as originally planned. The budget inputs have been used appropriately on necessary activities to achieve the goals, objectives and expected outputs of the project as agreed upon with ITTO. The able leadership of DENR, the expert guidance and technical assistance from the project consultants, the commendable cooperation of the other stakeholders, and the focused manner by which the project implementation and management team carried out project implementation were the important factors that worked together in synergy to make possible the successful outcome of project implementation.

All the major risks identified, including willingness of the government to undertake policy and institutional reforms and active participation of stakeholders, had been satisfactorily resolved.

The Philippine C&I System and the complementary Audit System and Procedures developed have been carefully formulated to fully conform to Philippine settings. As such, they could be implemented in any FMU in any place in the country subject to minor (or no) adjustments in the indicator/s. The accompanying user-friendly manuals would make the systems fully implementable by any FMU or forest manager. More capability-building activities, however, need to be done and clear institutional mechanisms need to be put in place including the necessary tie-ups and linkages.

5. PROJECT RESULTS

5.1 Existing Situation at Project Completion

a. Formulated and developed: a) Philippine C&I System; b) Philippine C&I Data Gathering Questionnaire and Manual; c) Philippine C&I Audit System; and d) Auditing C&I Procedures and Manual

The project, a pioneering work in monitoring and assessing trends in FMU activities whether moving towards or veering away from sustainable management, formulated and developed the necessary tools to achieve these objectives through the formulation and development and use of the Philippine C&I system including the complementary Audit system/mechanisms and procedures. With the development of these tools, the country now has at its disposal effective monitoring and assessment systems and tools necessary to achieve its goal of SFM. If used soon, the decision-makers could now intelligently base their judgment and decisions on sound analysis and complete data/information. When fully enforced at field level, the C&I framework would be the bases of FMU planning and implementation. The C&I systems and tools fit and fully conform to distinct Philippine conditions and peculiarities. *(See Annex 3 and Annex 4 for copies of Philippine C&I for SFM and Auditing System and Procedures respectively)*

b. Existence of the Philippine National Baseline Report using the C&I Reporting Questionnaire including its first update

The Philippines has now completed its baseline report (Philippine National Baseline Report) including its first update. This will serve as useful benchmark to measure the country's progress towards sustainability. The report has been used to analyze the existing gaps and hindrance in attaining SFM. *(See 2nd Philippine National Report as Annex 8)*

c. Available C&I MIS database system

The project completed C&I MIS and forest auditing database system including a manual both of which provide the country with the necessary tool for the long-term monitoring of trends or directions whether towards or away from SFM especially at the national level. The tool will also be useful to facilitate accurate analyses of data. Selected personnel at the national and field offices have initially been trained on its use and application. *(See Database System and Computerized Audit System as Annex 7)*

d. Wide acceptability of C&I system and audit system implementation among forestry stakeholders

The Philippine C&I system and the complementary Audit system and procedures have wide acceptability among the forestry sector stakeholders who were involved in C&I formulation, IEC activities and training. These stakeholders include the DENR (national and field offices), FMUs (TLA and CBFMs), nationally and locally based NGOs, academe, research institutions, Congress

staff, and local communities. This would ensure support by these stakeholders once the C&I system is implemented nationwide as a regulatory mechanism.

e. Philippine C&I for SFM system adopted and institutionalized through incorporation in the DENR plans and programs

The Philippine C&I for SFM system and framework is now well entrenched in the fundamental policies and plans of the DENR forestry sector such as the Revised Master Plan of the Forestry Sector, the Government Plan of Action (GPOA), the Forest Logic Model, and the Omnibus Policy Guidelines. These policies and plans serve as the government's road map for forestry development. What remains to be done is to fully institutionalize the C&I system and the institutional structures (creation of a permanent dedicated C&I office as part of DENR structure), including mechanisms to serve as nerve system to enforce, monitor and guide nationwide implementation of the systems.

f. Availability of Training Design and Materials for C&I system (to enhance the capability of central and field based selected DENR staff and other stakeholders)

A training template design and training materials on the application of the Philippine C&I for SFM system including its audit system and procedures used on various training occasions has been developed. *(See Training Template Design and Training Materials as Annex 12)*

g. Availability of various IEC/Advocacy Materials to support implementation of the Philippine C&I system and its audit system

Various IEC/advocacy and other support materials including C&I and audit systems manuals, newsletters, primers, brochures, pamphlets, video compact disks (VCD), exhibit materials, studies, and reports are now available to support implementers in using the C&I and audit systems. *(See List of IEC Materials/Publications as Annex 6)*

5.2 Outputs and Specific Objectives Achieved

a. The Philippine C&I for SFM system including its Manual of Questionnaire developed under the ITTO pre-project has been improved and refined. The finalized C&I system had also been presented to DENR top management who readily signified desire to adopt them.

   The system is now being used by some FMB monitoring and assessment teams, NGOs monitoring CBFM areas, and the Philippine government (as format for reporting forestry-related achievements) for reporting, monitoring and assessment.

   The system is now acknowledged and accepted in the forestry sector and had been incorporated into the most important fundamental forestry plans, programs and guidelines of the DENR. This effectively mainstreamed and institutionalized the C&I and audit systems within the national forestry system.

b. The Audit System for Criteria and Indicators including its Manual of Operations and Procedures had been pilot-tested in four pilot areas consisting of one (1) TLA and three (3) CBFM areas (one CBFM area with harvesting operations and two CBFM areas without harvesting operations).

   The experiences and lessons learned from these activities were further subjected to a post-audit review by peers and experts from the DENR, NGOs, PO members, TLA forest managers, and academe. The system is now being used by some FMB monitoring and assessment teams, and NGOs monitoring CBFM areas in auditing forest management performances.

c. Other activities/outputs to complement and/or support these specific outputs:

i) Formulation and implementation of a Training Design for the application of the C&I system including its auditing system and procedures – the Training Design had been used in building capacities of DENR, FMUs, NGOs, and other stakeholders nationwide in the use and application of the C&I and auditing system; *(See Annex 12)*

ii) Conduct of capability-building trainings on the use and application of C&I for SFM and its Auditing System – DENR staff from all regions (Regions 1 to 13) in the country, NGOs, LGUs, FMU forest managers and other stakeholders have been trained; *(See Annex 5)*

iii) Formulation and design of various IEC/advocacy materials to support implementation of the Philippine C&I system; *(See Annex 6)*

iv) Design, development and installation of the C&I MIS and Forest Auditing Database systems – This database system is a flexible and user-friendly system that can be customized to cater to different FMU situations and can accommodate the preservation of previous data for historical record and reference which is useful for tracking development and trends. The database system is expected to support and reinforce the overall FMB management information system (MIS) for the national and FMU Levels; *(See Annex 7)*

v) Formulation of the first update of the Philippine National Baseline Report using C&I Reporting Questionnaire. The report was submitted to ITTO and highlights the factors that enhance or hinder progress of SFM in the country. *(Annex 8)*

5.3 Project Impacts

The completion and adoption of the Philippine C&I system along with the audit system will contribute significantly to arrest the long years of unsustainable forest management practices in the country. As showcased by the results of the pilot-testing conducted in four (4) FMUs, the use of these systems as vital tools to monitor, measure and assess the country's progress in SFM proves to be the needed link to bridge the gap between unsustainable forestry practices and real attainment of SFM. The pilot-tests clearly showed that using the right assessment tool will enable forest managers to identify critical factors that hinder sustainability.

The conduct of audit procedures also showed the weaknesses as well as strengths of certain FMUs. The audit tool appropriately classified the FMUs' level of progress vis-à-vis sustainability. The systems developed also showed that when a balanced system is used, sustainability could be achieved even without resorting to more drastic measures such as total logging ban. This development is definitely a trailblazing one for the Philippines and is certainly a gigantic leap towards sustainable development. The next most important thing now is to be able to enforce the regulation of forest management within the whole country to conform towards SFM.

One of the more visible impacts of project advocacy and information dissemination efforts is the appreciation of the C&I system and framework as an emerging paradigm on sustainable development among the various stakeholders of the forestry sector. This was shown by the stakeholders' response in the different consultations, discussions, workshops and training held nationwide including high-level consultations. The appreciation and acceptance of as many stakeholders as possible is very important for this novel idea to be successful and a fitting prelude to its nationwide implementation which would entail the cooperation of various sectors.

The lack of an enabling law to implement the Philippine C&I for SFM has been effectively addressed with its incorporation, along with the audit system, in the fundamental policies and plans of the DENR forestry sector. In particular, the C&I system and framework are now included in the: a) Revised Master Plan of the Forestry Sector; b) Government Plan of Action (GPOA); c) Forest

Logic Model; and d) Omnibus Policy Guidelines. Their incorporation in the said policies and plans has effectively mainstreamed them and will ensure their full implementation since the policies and plans are considered the road map for forestry development and are mandated to be implemented by the Forest Management Bureau. The FMB itself fully supports the implementation of the C&I and audit systems.

Moreover, the project has also completed the other necessary support mechanisms/materials to support the implementation and application of the C&I and audit systems and to assist implementers through the accompanying user-friendly manuals, MIS database system, training template designs and the various and numerous reports and studies produced by the project.

Specific impacts of project implementation among various sectors and stakeholders resulted in the following:

a) The FMB monitoring team now uses the C&I system in monitoring performances of the Industrial Forest Management Agreement (IFMA) holders.

b) The Philippine Wood Producers Association (PWPA) clamors for the immediate implementation of the Philippine C&I system including its auditing system. This insistent request has been aired by the PWPA representative in several instances during C&I Project's Project Steering Committee (PSC) meetings.

c) The C&I system is now being used by some NGOs in their community-based forest management (CBFM) projects.

d) The C&I system is now being used by the government as common framework for reporting Philippine accomplishments to various international commitments/covenants.

5.4 Project Sustainability after Completion

The DENR-FMB has included C&I framework in its fundamental policies and plans such as the Revised Master Plan of the Forestry Sector, the Omnibus Forestry Guidelines, the Government Plan of Action, and the Forest Logic Model. As such, the FMB is now mandated by these policies and plans to implement the C&I system and framework as part of and inherent in their regulation, monitoring and evaluation of FMUs in the country. These policies and plans set the trajectories for forestry management in the Philippines.

Forest managers, NGOs, members of the academe, civil society, and other concerned stakeholders who have attended C&I consultations and workshops indicated strong commitment in spreading out information about the C&I for SFM system and its auditing system. The impact of these sectors in selling the idea of the system will certainly prove to be useful in keeping track of the Philippines' progress towards SFM.

The Philippine C&I System and the complementary Audit System and Procedures developed by the project have been carefully formulated to fully conform to Philippine settings. As such, they could be implemented in any FMU in any place in the country with very minor or no adjustments in the indicator/s. The presence of accompanying user-friendly manuals makes the systems fully implementable by any FMU or forest manager.

The initial accomplishments of the project could be further pursued through nationwide enforcements of the C&I system and framework as part of the regulatory function of the DENR. The C&I system should be made the framework for FMU planning, decision-making and implementation of forestry activities.

At the institutional level the FMB will continue to conduct follow-up projects and activities for the nurture and full operationalization of the C&I system in the country.

6. SYNTHESIS OF THE ANALYSIS

1) Specific Objective(s) Achievement

   The two (2) specific objectives of the project were realized

2) Outputs

   All of the two (2) main outputs were realized

3) Schedule

   Some specific activities were slightly delayed while some were completed ahead of schedule. Overall, schedule of implementation of activities was on time

4) Actual Expenditure

   Actual expenditures were in accordance with what were planned

5) Potential for replication

   The project results have significant potential for replication. The manual of C&I for SFM system and its auditing system suited for the Philippine setting which was developed under the project can be distributed and used to train different FMUs and forest managers in the country to use them as management, monitoring and evaluation, and planning tools for the management of their forest areas. Updated Country's Baseline Report based on C&I format can be distributed to different FMUs, academe, concerned NGOs, and other environmental sector/institutions in the country, and international organizations to be used as reference and information of country's current situation concerning forestry.

6) Potential for scaling-up

   There is a significant potential for scaling-up the project outputs to a follow-up project. There is a strong commitment from the government and stakeholders to adopt and use the Philippine C&I for SFM system to improve implementation and monitoring of SFM in the country. There will be significant improvement towards pursuance of SFM if the all forest stakeholders (NGOs, Forest Managers, Local Government Units, and Civil Society groups) will be trained and capacitated on the use of C&I for SFM including auditing system as able partners of the government.

7. DEVELOPMENTAL LESSONS

1) The need for a management and monitoring tool to track the progress of SFM is widely acknowledged among the forestry sector. Even DENR's other foreign-assisted projects, as evidenced during the orientation workshop at the Foreign-Assisted Special Projects Office (FASPO), support the C&I and audit systems' institutionalization to standardize the country's monitoring, assessment and reporting system -- although they have their own existing monitoring and evaluation systems. This reflects the C&I system's comprehensiveness, flexibility and adaptability in use, which translates to its applicability across various types of FMUs and projects.

2) The full maturity of the C&I system application process in the Philippines needs more time to fully develop. Like any other novel ideas, it has to undergo an iterative learning and consolidation process.

3) The inclusion of the C&I for SFM system in the DENR forestry sector's fundamental policies and plans is not enough yet to enforce effective nationwide implementation of SFM using the C&I system due to still weak institution as far as guiding, overseeing and effectively monitoring the implementation of SFM. The present institution – the DENR-FMB – is also still deficient and/or weak with regard to the highly technical requirements and expertise needed for nationwide C&I system implementation. The present project as designed could only provide general training on C&I and audit systems application.

4) The current level of understanding of SFM and the C&I system application by FMUs as well as the other stakeholders in the various sectors is still limited and not enough to enable them to fully enforce and implement the system as able partner of government. If not enhanced and strengthened, these stakeholders' apparent weaknesses may render SFM solely a national government responsibility despite its being a national concern.

5) The project's highly participatory consultative manner in formulating the C&I and audit systems and the persistent advocacy efforts using various communication methods in promoting the project's intent and purposes as well as the benefits for the stakeholders and the country in general helped generate wide awareness among stakeholders for the need of a C&I system and auditing procedures.

6) The devastating landslides triggered by the series of typhoons that wrought havoc to the country and killed thousands and which were blamed on rampant illegal logging in Regions 3 and 4 resulted in the nationwide suspension of logging and cutting permits. This blanket suspension brought consternation and dismay to conscientious FMUs. Yet it also brought to light the pressing need, especially by the FMUs themselves, for the adoption of a monitoring and assessment tool that could clearly and immediately determine, based on assessment of solid data, information and empirical evidences, whether an FMU is engaged in destructive/illegal or sound/sustainable forest management practices. The FMUs agree that using the C&I and audit systems could avoid penalizing law-abiding FMUs in the future. Due to this, there are clamors for the immediate enforcement of the C&I system. Led by the Philippine Wood Producers Association (PWPA), these clamors have been aired several times during Project Steering Committee (PSC) meetings.

7) The ITTO C&I system is the most appropriate for tropical forests and can be refined effectively for use as a reporting and evaluation tool in the Philippines as shown in the project.

8) The project demonstrated that adequate IEC, training, manualization, and use of databases are important elements towards attaining project objectives.

8. OPERATIONAL LESSONS

1) Although widely accepted, the C&I Questionnaire Manual is a highly complex set of structured questions that will necessitate comprehensive training of technical personnel tasked to gather data, fill up the questionnaire, and analyze the information. The nationwide training on C&I application showed that even technical staff face difficulties in: a) comprehending highly technical indicators (e.g. biodiversity, soil and water, carbon stock, socioeconomic and cultural issues); and b) where to find data/information.

2) The project's use of multiple methods in teaching the C&I system, including lectures, group discussions among peers and FMU members, actual hands-on experience during field

audit exercises in actual FMU areas, group assessments, and critiquing of audit results by experts, made the study more effective.

3) The appreciation and acceptance of the C&I and audit systems by the FMUs especially CBFM POs does not imply full capability to implement and apply the C&I system. Although the FMUs are willing to comply with the C&I system requirements, their present capability to handle biodiversity conservation, soil and water conservation, socioeconomic, carbon sequestration and other highly technical requirements are still limited due to lack of data and clear methods to get such data in the future.

4) FMUs have difficulty monitoring and evaluating some critical indicators (e.g. identification and protection of endangered, rare and threatened species of forest flora and fauna; measurement of carbon stock) due to lack of expertise and even fundamental knowledge in some FMUs.

5) FMUs have to be properly guided and assisted in the application of the C&I system as framework for planning, decision-making and implementation especially in data gathering and filling up of questionnaire. If collection of data is left to middle-level or even first-level technical staff (familiar only with developmental and utilization activities) with minimal training to save on budget, the quality of data may suffer. There is also the risk of returning to the deeply rooted habits of employing traditional methods due to inconvenience and unfamiliarity with the new methods.

6) Many indicators are not stated in present forest policies and gathering of data and compliance with them are not required at present. These include: a) identification and protection of endangered, rare and threatened species; b) monitoring of biodiversity; c) setting aside forest sites for research and education, and recreation; and d) measurement of carbon storage in forest stand, among other things. The government may find it difficult to monitor these indicators since FMUs are not required to comply with these indicators. The experiences during the pilot-testing of the audit system shows that the FMUs will be willing to comply with all the indicators once these are made compulsory by policy issuances.

7) The complementation of experts from widely diverse fields and the resulting insightful interactions among them during consultation and orientation meetings/workshops widened stakeholders' understanding of the underlying issues of SFM, its various components and the intricacies that exist among them, and the complexities of managing the forest. This further resulted in the appreciation of having an effective tool to analyze and consolidate these complexities into comprehensible information to serve as guide for decision makers at the national and FMU levels.

8) The creation of a full-time Project Implementation/Management Team (PMIT), focused solely on meeting targets as planned, made possible the solid achievements of the project.

PART III. CONCLUSIONS AND RECOMMENDATIONS

1. CONCLUSIONS

1) All the criteria and most of the indicators developed by ITTO are also applicable to Philippine settings and appropriately refined for various purposes of management and planning.

2) With appropriate SFM tools and mechanisms as well as enabling conditions, the Philippines could progress faster towards SFM.

3) The development of appropriate tools (C&I and audit systems) elevated the readiness of the country to pursue higher opportunities and responsibilities such as nationwide enforcement/regulation of forest management activities in line with SFM standards.

4) Full institutionalization of the Philippine C&I system and its accompanying auditing system will not be achieved overnight but has to undergo an iterative learning and consolidating process with guidance and assistance from C&I units within DENR until maturity is reached. Although the C&I system had been adopted, its actual use by monitoring and assessment teams of FMB in monitoring performances of some FMUs is still in an initial exploratory learning stage. The speed of its development towards full institutionalization will depend on: a) enactment of a more forceful policy enforcing SFM nationwide through regulation of forest management using the C&I systems and framework; b) creation of an institutional unit dedicated to enforcing the C&I system; c) formulation of a national C&I implementation mechanism; and d) enforcement of nationwide capability-building/training program to capacitate FMUs and other partners.

5) Formulating the C&I and audit systems in a highly transparent, participatory and consultative manner coupled with untiring advocacy efforts ensured its wide acceptability among stakeholders. A sizable number of stakeholders are now ready to serve as starting force to help the government gain foothold and further momentum in accelerating full implementation of SFM. There is now opportunity for the government to shift to higher gear in exploring other necessary efforts such as enhancing capacities of stakeholders (FMUs, NGOs and other society groups, LGUs, DENR field personnel) and preparing for future external certification of FMUs in the country.

6) Complementation and synergy among experts and specialists from various fields and disciplines and involvement of stakeholders from various sectors resulted in high quality, effective and applicable outputs acceptable to all.

7) The absence of policies to mandate compliance with certain indicators as well as the lack of capability and expertise of FMUs in monitoring some highly technical indicators create some problems for the regulatory agency as well as for the FMUs in fully implementing the C&I system. The issuance of an omnibus policy guideline on implementation of the Philippine C&I system along with its auditing system and mandating compliance with all the indicators is necessary.

2. RECOMMENDATIONS BASED ON DEVELOPMENTAL LESSONS

1) An institutional structure (a dedicated unit within DENR) should be established to serve as the nerve system to guide and oversee the enforcement of SFM. This institutional structure will also help elevate to implementation level the C&I and audit systems including questionnaire and manuals developed.

2) The government should develop appropriate implementing mechanisms/systems to effectively apply the developed monitoring, assessment and auditing tools/systems.

3) Due to limited experience on SFM certification, it would be more effective and appropriate for the country to employ the C&I and audit systems to enforce regulation of FMU activities to conform towards SFM while developing and readying capabilities of the government, NGOs, LGUs, and other stakeholders towards future external certification. The FMB as well as other counterpart offices in the regional, provincial and community level should serve as the lead agency to strictly monitor operations of forest managers in the pursuit of SFM using C&I and its Audit System. As a regulatory tool, evaluation of the C&I auditing process can be used by DENR to recommend corrective measures to improve forest management or as basis to suspend or cancel operations depending on performance of FMUs.

4) The government has to formulate policies to enable a working C&I system in a regulatory setting. There are lack of enabling policies on certain indicators such as in biodiversity conservation, soil and water, measurement of carbon stock, etc. There is also a need to develop and formulate and institutional framework as enabling conditions to guide implementation of the proposed national SFM regulation.

5) A national SFM regulation framework should be designed and implemented. The framework should lead towards possible external audit and certification in the future attuned to international standards for tropical forests.

6) The government should develop mechanisms/systems and create venues and opportunities wherein NGOs and other society groups, as well as other interested stakeholders could actively participate, contribute and help pursue SFM. Towards this, the government should also develop programs to build the capacity of these stakeholders especially NGOs and other civil society groups on the use of C&I for SFM including auditing system to be effective partners of the government. These stakeholders could also be evaluated as potential external auditors for future certification.

7) The government should develop and implement programs to strengthen the capacities of FMUs nationwide to implement SFM using the developed monitoring and management tools without which, institutionalization of the C&I system will be of limited relevance. Proper guidance and assistance on the application of C&I system as framework for planning, decision-making and implementation will be needed until these FMUs shall have been weaned from the deeply rooted habits of using the traditional, purely silvicultural methods.

8) The C&I and audit systems should be utilized by the government in assessing status of FMUs with regard to SFM practices whether sustainably managed or unsustainably managed. This will spare sustainably managed FMUs from sweeping generalizations such as issuance of suspension of operations intended for erring FMUs. Presence of solid data, information and empirical evidences as can be gleaned from C&I audit reports should be a basis to determine status of an FMU with regard to sustainable resource use.

3. Recommendations Based on Operational Lessons

1) Develop and implement a comprehensive capability building plans and training designs to enhance capacities and technical capabilities of FMUs in implementing SFM using the C&I and audit systems and applying the C&I framework for planning, decision-making and implementation.

2) As a tool for reporting and evaluating compliance with rules and regulations, determine possible merging or integration of C&I audit with the preparation of annual operation plans, medium-term plans and other management plans by various FMUs including CBFM and CADC agreements. This will make the system more doable and cost-effective by blending the traditional approach with SFM requirements based on C and I. This will also prevent the creation of another layer of control and monitoring system which entails added costs for FMUs.

3) The DENR should issue an omnibus policy guideline mandating the compulsory compliance with all the required indicators of the C&I system to make up for those indicators not presently included in and required by existing policies. Absence of policy requiring FMUs to gather data on certain indicators may give some of these FMUs with excuses not to comply and thus defeat the purpose of the C&I system. The omnibus policy guideline should include indicators on: a) identification and protection of endangered, rare and threatened species; b) monitoring of biodiversity; c) setting aside forest sites for research and education, and recreation; and d) measurement of carbon storage in forest stand.

4) FMB counterpart staff involved in the project should be maintained and continue to perform tasks related to the use of the C&I in the country to sustain the gains made in implementation. Likewise the FMU managers, NGOs, academe, and others trained on C&I reporting and auditing should be maintained as a pool of technical experts to continue using the management tools developed and to train others in the future.

4. Recommendations for Future Projects

1) Create a dedicated unit within the institution (DENR) to regulate forest management practices and enforce SFM nationwide using the Philippine C&I system and framework. This is through a policy issuance from the DENR Secretary creating such office and formulation and adoption of SFM nationwide implementation mechanisms.

2) Maintain and utilize FMB project staff and stakeholders trained in use of C&I for implementation of future projects and follow-up activities.

3) Strengthen/develop capacities of FMUs, NGOs, and local governments as able partners of government in regulating forest management and enforcing/implementing SFM using the Philippine C&I system.

4) Establish institutional tie-ups or linkages with NGOs, members of civil society and other professional groups for joint monitoring and evaluation of FMU compliance with SFM and C&I system requirements. This would improve their efficiency and technical capacity regarding SFM and C&I and audit systems that they could later use once market-based certification becomes a necessity for forest producers in the country.

5) Strengthen/develop capacities and performance of FMUs in using the Philippine C&I and audit systems as framework for planning, decision-making and implementation. Also develop and enhance capacities of FMUs in implementing the C&I and audit systems for internal monitoring and assessment of their progress vis-à-vis SFM.

Responsible for the Report:

Name: **NONITO M. TAMAYO**

Position Held: Deputy Project Director, C&I for SFM Project

Date: 06 Feb 2007

Signature: _____

Noted:

Name: **ROMEO T. ACOSTA**

Position Held: Director, FMB

Date: 06 Feb 07

Signature: _____