



Philippine - German

Environment & Rural Development (EnRD) Program



DENR

**Community Based Forest and Mangrove Management
Project (CBFMMP)**



LBP

Panay and Negros

Supported by



INCEPTION REPORT

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ACRONYMS

CBFM	Community-Based Forest Management
CBFMA	Community-Based Forest Management Agreement
CBFMMP	Community-Based Forest and Mangrove Management Project
CENRO	DENR Community Environment and Natural Resources Office(r)
DA	Department of Agriculture
DED	German Development Service

DENR	Department of Environment and Natural Resources
DFS	Deutsche Forstservice GmbH
EnRD	(GTZ) Environment and Rural Development Program
FASPO	DENR Foreign Assisted and Special Projects Office
FC	Financial Cooperation
FLUP	Forest Land Use Plan
GTZ	German Agency for Technical Cooperation
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
LBP	Land Bank of the Philippines
LGU	Local Government Unit
LGU-ENRO	LGU Environment and Natural Resource Office(r)
NRM	Natural Resource Management
NSC	National Steering Committee
PEA	Project Executing Agency
PENRO	DENR Provincial Environment and Natural Resources Office(r)
PO	People Organization
PMU	Project Management Unit
RED	DENR Regional Executive Director
RTD	DENR Regional Technical Director
TA	Technical Assistance

SUMMARY

This Inception Report follows the content and structure prescribed by DENR for Technical Assistance, with some additions and modifications by the Consultant. The report refers to the second phase of the TA assignment for the Community Based Forest and Mangrove Management Project (CBFMMP) in Panay and Negros. The first phase from July 2008 to June 2010 was financed by the German Agency for Technical Cooperation (GTZ). The second phase from July 2010 to December 2015 will be financed by KfW. The executing agencies of the project are the DENR (client for this TA) and the LBP. They will be supported through technical and financial assistance from the German development organizations KfW, GTZ and DED. The project implementers on ground level are the municipal local government units (LGUs).

The Project comprises the provinces of Aklan, Antique, Capiz, Iloilo (within Panay island), and Negros Occidental in Region VI (Western Visayas), and Negros Oriental in Region VII (Central Visayas). Community-based natural resource management (NRM) shall be supported through NRM-focussed loan/ grant investment packages. These packages (total of 4.685 million EUR or around 330 million Peso without contingencies) will consist of a mix of NRM, livelihood and infrastructure. It is expected that the project packages will have the following shares in overall financing: about 40% grant funding for NRM, 42.5% loan funding for infrastructure and income-generating livelihood plus an average of 17.5% equity from the LGUs.

By end of September 2010 the project status is as follows:

- All TA consultants started their assignment on 01 July 2010 resp. continued their work from Phase I.
- 15 municipalities (total project target) have already submitted eligible project proposals and have been endorsed by the NSC for project support. The available loan and grant funds of 4.685 million EUR have already been fully committed.
- In July 2010 the Project Operational Guidelines and the Operations Plan have been finalized and were endorsed by the NSC.
- As of September 2010 nine out of 15 LGUs have a FLUP and four a Co-Management Agreement. The remaining six FLUPs are under preparation and shall be ready within the next few months.
- A total of 58.6 million PhP equal to 977,000 Euro of loan funds have already been released to four LGUs (pre-financed from LBP regular funds).

The following issues need further attention:

- One vital pre-requisite for any project support to NRM is the security of tenure including the land use right of the participating POs, households or household groups. The present discussions re. co-management and sub-agreements have soon to lead to secure tenurial instruments in all project sites.
- Some of the partner LGUs have also received grant funds from GTZ, but have not yet liquidated their cash advances from December 2009 or incurred problems during audits. Before receiving additional funds from KfW they have to properly liquidate and account their advances.
- The Consultant DFS has continued all TA inputs from July to October 2010 even without a new contract, in order not to interrupt the project operations. It would be highly appreciated if the consulting contract could now be finally concluded.

1 RATIONALE FOR UNDERTAKING THE ASSIGNMENT

1.1 Background of the Project and the Assignment

The Project concerns the support for the Community Based Forest and Mangrove Management Project (CBFMMP) in Panay and Negros ("Project"). The purpose of the Project is the sustainable use of forests and mangroves and the increase of income of the participating families. This is to contribute to the sustainable management of forests and mangroves under co-management agreements, CBFMAs and other community-based tenurial instruments and to the alleviation of poverty and improvement of livelihood in the rural areas of Panay and Negros.

Consistent with the Loan and Financing Agreement (LFA) executed between the Federal Republic of Germany and the Republic of the Philippines in January 2009, the Project shall be implemented for a period of seven (7) years starting from the effectivity date of the LFA (i.e. until about December 2015).

The Project comprises the provinces of Aklan, Antique, Capiz, Iloilo (within Panay island), and Negros Occidental in Region VI (Western Visayas), and Negros Oriental in Region VII (Central Visayas). The Project shall be guided by the following conceptual principles:

- The project focus is on community-based sustainable natural resources management practices and improvement of the livelihood in participating communities (NRM & poverty alleviation);
- All interested LGUs with FLUP and Co-Management Agreement (with subsequent individual property rights/ sub-management agreements) or committed to enter into such before applying for grant funds, and willing and eligible to access loan funds from LBP, can avail financial and technical assistance from the Project. Since only LGUs are eligible to access financial packages, they shall be strongly encouraged to pass on part of the funds to POs or individual households for the development of NRM projects and to some extent for the improvement of certain rural infrastructure projects. Subsequently, LGUs remain responsible to repay the loan.
- Community-based natural resource management shall be supported through NRM-focussed loan/ grant investment packages. These packages (total of EUR 4.685 million or around Peso 330 million without contingencies) will consist of a mix of NRM, livelihood and infrastructure. It is expected that the project packages will have the following shares in overall financing: about 40% grant funding for NRM (total budget Peso 160 million), 42.5% loan funding for infrastructure and income-generating livelihood (total

budget Peso 170 million), plus an average of 17.5% equity. The same ratio shall apply to all classes of LGUs.

- Grant and loan funds have to flow together. That means only LGUs who are willing and eligible to take a loan can receive grant funds. The LBP will decide who is eligible to access loan funds.
- The project will be executed as an “open program” involving the voluntary and competitive participation of LGUs in the whole process of selecting suitable measures and sites within the framework of fair and transparent criteria and clear land tenure agreements. In principle any LGUs in Panay and Negros can participate, if they meet the criteria.
- Demand-driven investments shall ensure sustainable and adapted natural resource management practices; adequate strategy for livelihood promotion of disadvantaged communities/ families;
- LGUs shall be the primary integration point for investments through co-management agreements as to ensure that (a) the project measures are embedded and integrated into the FLUP (forest land use plan) and CLUP (comprehensive land use plan) of the communes and (b) the responsibilities of local POs (if involved) do not exceed their capacities.
- The project shall capture synergies from a combination of technical expertise (DENR), financial expertise (LBP) and local expertise (LGU). The German contributions shall be provided through KfW (financial and technical assistance), GTZ and DED (technical assistance). Planning and implementation of the German contribution shall be done in close coordination with the PMUs.
- Project progress, impact, implementation quality and financial management shall be independently monitored at regular intervals.
- The NRM measures shall be implemented on forest land covered by Co-management Agreements, CBFMAs and/or other appropriate tenurial instruments. In special cases, titled alienable and disposable lands along river banks, in watersheds in need of rehabilitation and those adjacent to the source of water supply for irrigation and domestic use of the local residents may also be included for the assistance of the project as *an exemption rather than a rule*. In this case, a binding Memorandum of Agreement shall be executed between the title holders and the concerned LGUs. The agreement shall define the necessary safeguards and the roles and responsibilities of the land owners and the contracting LGUs to ensure the long term sustainability of the project.

1.2 Objectives of the Assignment

The overall goal of the Project is to rehabilitate and sustainably manage forest and mangrove areas under Co-management Agreements, CBFMAs and/or other appropriate tenurial instruments, to improve rural infrastructure, to enhance the livelihood basis for the rural population and to reduce poverty in the rural areas of Panay and Negros Islands.

The intended outcome of the Project is “Participating LGUs, POs and farmers in Panay and Negros manage forests and mangroves sustainably and improve their livelihood”.

The outcome shall be measured by the following indicators (from NSC-approved operations plan version August 2010):

- Out of at least 15 municipalities in Panay and Negros, whose financial project proposals were accepted by the screening committee, a minimum of 10 municipalities implement the proposals by December 2010 and other 5 by December 2011.
- By the end of the project, forest, mangrove and agroforest cover in the supported municipalities has increased by 9,000 ha.
- All participating LGUs have prepared FLUPs, obtained Co-Management Agreements and concluded sub-agreements with POs and households; forestry measures are implemented according to FLUP and management plans
- At least 35,000 people in 7,000 households have benefited by the project by the end of 2014.
- At least 80% of the targeted 7,000 households received at least 50% of the calculated benefits from the subprojects / 100% of labor subsidy in case of labor only
- At least 30% of recorded conflicts over natural resources have been constructively handled by relevant partners and mitigated

The planned outputs include:

1. DENR and LBP staff, participating LGUs and POs in Panay and Negros are capacitated in planning for and implementing CBFM project packages including dealing with conflicts. Indicators are:
 - By 12/2010, at least 15 LGUs have been enabled to submit eligible project and financing proposals

- By 12/11, at least 15 FLUPs and Resource Management Plans are implemented as per agreement
 - By 06/2012 at least 100 persons from DENR, LGU and POs have been capacitated to fulfil their functions, improved awareness and at least 80% of them are satisfied with the training
 - By Dec 2010, at least 80% of DENR and LGU personnel involved in the project and POs confirmed being well capacitated to constructively deal with conflicts in CBFM areas, a systematic way of resolving resource-related conflicts is in place (procedure, designated persons etc) and by 06/12 at least 30% of recorded conflicts have been resolved
2. Forests and mangroves are rehabilitated through LGUs, POs and/or rural households. Indicators are:
- At least 15 participating LGUs have entered into and are implementing Co-Management Agreements with a total area of 50,000 ha by 2012
 - Additionally 9,000 ha. of forests, mangroves, rattan enrichment and fruit tree orchards have been established and are managed by LGUs, POs and/or households according to the work plans
 - The volume and value increments of the reforestation measures correspond to at least 75% of the estimates in the proposals/feasibility study (assessment in 2015)
 - Decrease of natural forest in participating LGUs not more than 5 % from 2009 to 2014 (baseline FLUP).
 - Sustainable and productive cropping systems on forest land have been adapted by at least 60% of households involved in the agro forestry model by 2014
3. Livelihood projects (run by LGUs) that contribute to sustainable forest and mangrove management have been introduced and implemented. Indicators are:
- At least 80% of targeted beneficiaries (male and female) confirm that they receive at least 50% of intended benefits from proposed LGU-managed livelihood projects by 2014
4. Rural infrastructure in support of livelihood has been improved. Indicators are:
- At least 80% of targeted households confirm that they receive at least 50% of intended infrastructure benefits by 2014

- After 6 years (end of 2015) at least 70% of the created infrastructure is still being maintained
 - By 12/2014 the procured road-construction equipment has been used at least to 50% for the improvement of barangay roads
5. CBFM beneficiaries supported in value-adding and marketing of forestry and agro-forestry products. Indicators are:
- By 12/2014, at least 80% percent of CBFM beneficiaries (male and female) are satisfied with the support provided in value-adding and marketing of forestry and agro-forestry products (Customer Satisfaction Survey)
 - By 12/2014 the average income of households participating in livelihood projects increases by 30% and more than 80% of supported households are above the poverty threshold of 11,500 Peso per capita
6. Project steering, planning, management and M&E provided. Indicators are:
- By 12/2014 all available investment funds have been released and the approved project packages have been implemented
 - At least 80% of participating LGU personnel directly involved in project implementation confirm in a Customer Satisfaction Survey by 2012 that the DENR and LBP project offices and responsible staff provide the required support services

1.3 Status of the Project

1.3.1 LGU Participation and Demand for Funding

In April 2010 a first batch of seven LGUs has already signed the Sub-Project Loan and Grant Agreement with DENR and LBP for the overall project package. The subsequent sub-loan agreements (with LBP) and grant agreements (with DENR) with implementation details will be signed as soon as KfW has provided its comments on the draft resp. has given its non-objection. A second batch of 8 LGUs has been endorsed by the National Steering Committee for project support in July 2010 and is being assisted in finalizing their proposals. So by end of September 2010 the targeted number of 15 municipalities has already been confirmed. The

names of all LGUs, their distribution by province and their financial requests are listed in Table 2-1. The overall demand for grant and loan funds reaches around 330 million PhP or 5.5 million EUR. This is 800,000 EUR more than available (without contingencies), and DENR has asked KfW if contingencies and savings can be used to bridge this financing gap (for details pls. refer to Table 2-1 and paragraph 2.4.1., KfW non-objection just received).

Four municipalities were already in urgent need to start their infrastructure projects, and LBP agreed to pre-finance the loans from own resources (a total of 58.6 million PhP equal to 950,000 Euro, see Table 2-1). During the last KfW mission in February 2010 it was agreed that these loans can be financed from project funds.

1.3.2 Project Operational Guidelines

In July 2010 the Project Operational Guidelines and the Operations Plan have been finalized and were endorsed by the NSC. They include, among others, technical details, monitoring and payment criteria for the reforestation models, monitoring guidelines and contract formats for the overall Sub-Project Loan and Grant Agreement, the Sub-Loan and the Grant Agreement, and Sub-Agreement between LGU and household groups. The DENR has submitted the guidelines for review to KfW. As soon as the comments/approval have been received the financing contracts can be signed and the projects can start.

1.3.3 Project Preparation

One major condition for project participation and any implementation of reforestation measures is the participatory preparation of a Forest Land Use Plan (FLUP) and the conclusion of a Co-management Agreement between the LGU and DENR. Special emphasis has been given to FLUP within the past two years, and as of September 2010 nine out of 15 LGUs have a FLUP and four a Co-Management Agreement. The remaining six FLUPs are under preparation and shall be ready by December 2010 / January 2011.

The first batch of seven municipalities have been assisted to prepare eligible sub-project proposals. As soon as the funds arrive they can be implemented. The second batch of eight LGUs is being supported to finalize their proposals, pending a decision if contingencies and savings can be used to bridge the financing gap, or if the packages have to be scaled down.

Table 1-1: Status of Project Municipalities

Province	LGU	FLUP in %	Co-Mgmt. Agreemt.	KfW Assistance						
				Total FC PhP	Loan PhP	Loan released ¹⁾	Grant PhP	Grant released	Tot. refo ha	Infra-loan for
First Batch LGUs										
Aklan	Libacao	100%		28.875.000	14.875.000	14.875.000	14.000.000		860	road equipment
Antique	Sebaste	100%		28.800.000	14.800.000	14.800.000	14.000.000		850	water system
Iloilo	Carles	100%		28.875.000	14.875.000	14.875.000	14.000.000		880	fish market
Negros Oriental	Bayawan	100%	yes	29.055.200	15.100.000		13.955.200		854	water, aquaculture
	Sta. Catalina	100%	yes	24.282.016	12.290.016		11.992.000		777	water system, FMR
	La Libertad	100%	yes	14.850.000	7.650.000		7.200.000		454	road equipment
Negros Occidental	Ilog	100%		28.875.000	14.875.000		14.000.000		858	road equipment
Total First Batch				183.612.216	94.465.016	44.550.000	89.147.200	0	5.533	
Second Batch LGUs										
Aklan	Altavas	50%		12.370.000	6.370.000		6.000.000		366	
Antique	Lauaan	100%		22.680.000	11.680.000		11.000.000		630	water system
	Anini-y	50%		5.876.000	3.026.000		2.850.000		190	water system
Capiz	Dumarao	50%		22.680.000	11.680.000	14.000.000	11.000.000		611	road equip., market
Iloilo	Passi	50%		22.680.000	11.680.000		11.000.000		631	FMR, market
Negros Oriental	Sibulan??	100%	yes	14.433.000	7.433.000		7.000.000		438	FMR equip.
Negros Occidental	Candoni	50%		22.680.000	11.680.000		11.000.000		676	water system, livelihood.
	Kabankalan	50%		22.680.000	11.680.000		11.000.000		677	irrigation, FMR
Total Second Batch				146.079.000	75.229.000	14.000.000	70.850.000	0	4.219	
Grand total				329.691.216	169.694.016	58.550.000	159.997.200	0	9.752	
in Euro (1 EUR =		60		5.494.854	2.828.234	975.833	2.666.620	0	589.000	Contingencies
Available German FC w/o contingencies (EUR):				4.685.000	2.415.000		2.270.000		156.000	savings capacity build.
Gap (EUR)				809.854	413.234		396.620		20.000	savings awareness
Gap (PhP)				48.591.216	24.794.016		23.797.200		100.000	savings FLUP

¹⁾ Advance loan release by LBP from own funds

51,5% ratio loan/grar

48,5%

865.000 Total cont. & savings

1.3.4 Consulting Services

The Consultant (DFS) from the first phase July 2008 to June 2010 has been selected by DENR to provide TA services also for the second phase July 2010 to December 2015. So DFS has continued all TA inputs from July to October 2010, in order not to interrupt the project operations (for details pls. refer to paragraph 4.1). It would be highly appreciated if the consulting contract could be finally concluded, since DFS is pre-financing all operations for over three months now.

1.4 Issues to be Considered

1.4.1 Financing Gap

In 2008 the available KfW investment funds of 4.685 million EUR corresponded to roughly 330 million PhP, at the exchange rate of 1:70 at that time. This budget has been used as ceiling for sub-project planning. Due to the decrease of the Euro-Peso exchange rate from 1:70 in 2008 to 1:58/1:60 in September 2010 the Euro equivalent for 330 million PhP is now 5.5 million EUR, or 800,000 Euro more than originally anticipated.

As shown in Table 2-1, the excess demand for loans would amount to 24.8 million PhP or 413,000 EUR, which can be provided by the LBP from their regular funds (statement by LBP).

The additional demand for grant funds would total 23.8 million PhP or 396,600 EUR. The total uncommitted grant budget is estimated as 856,000 EUR (589,000 EUR contingencies and 276,000 EUR potential savings, see Table 2-1). So the additional demand for 396,600 EUR could be financed from 276,000 EUR savings under Position (5) and 120,000 EUR from contingencies (leaving 469,000 EUR uncommitted). In order to achieve the physical target of 9,000 ha reforestation, it is therefore recommended to increase Budget Position 1.1 Afforestation/ Rehabilitation/ Agroforestry by 396,600 EUR, decrease Position 5 Training and Extension by 276,000 EUR from 1,096,000 to 820,000 EUR (sufficient), and allow the use of 120,000 EUR contingencies for reforestation. In case the Euro would appreciate again the financing gap will be smaller, but as of now a positive answer of KfW would be highly appreciated, so we can finalize the remaining 8 contracts with the second batch of municipalities and can start supporting their projects (> *non-objection of KfW just received*).

1.4.2 Land Tenure

One vital pre-condition for KfW-assisted reforestation projects is the security of tenure for the farmers planting trees. They must not be seen as paid laborers but as “owners” of their land who are supported to establish and manage forest and agroforest plantations on a long-term basis (i.e. for at least 25 years). They must also be allowed to harvest the trees later on. During project planning it was the perception that a Co-Management Agreement between a LGU and the DENR constitutes a security of tenure for 25 years, and the LGU can enter into sub-agreements with households or household groups (Individual Property Rights or IPRs). The DENR in Region 7 (incl. Negros Oriental) shares this view. The DENR in Region 6 (Panay and Negros Occidental), however, sees a Co-Management Agreement merely as a management tool and not as a tenurial instrument. Even under FLUP and Co-Management the untenured forest land is still considered “open access” and the farmers participating in the project have no land use rights over the established forestry and agroforestry plantations and are not allowed to harvest the planted trees. Eventually the DENR can issue tenurial instruments at a later stage.

Without security of tenure right from the start, however, a basic pre-requisite for KfW-assisted forestry projects is lacking. The DENR Region 6 intends to issue a Regional Memorandum Circular allowing the Co-Management Steering Committee of LGU and DENR to issue sub-agreements with local households, so they can start planting trees (is no land use right, though). In the spirit of devolution of forest management functions to the LGUs and to provide security of tenure to all households planting trees it is strongly suggested to declare a Co-Management Agreement a tenurial instrument for LGUs. This issue should be included in the policy dialogue on national level, to create the same legal basis for all Regions in the Philippines.

1.4.3 Liquidation of Cash Advances

In addition to financial support from KfW, also GTZ is providing technical and financial assistance to the partner LGUs (same measures and conditions). Some of the LGUs have not yet liquidated their cash advances from December 2009 or incurred problems during audits. Since it cannot be excluded that these LGUs show the same behavior towards the KfW

assistance it is suggested to enter into new financing agreements only when the previous ones are properly managed and accounted.

1.5 Strategy to Address Risks and Assumptions

The basis to address risks and assumptions is the quarterly monitoring of project outputs and the identification of any threat to reach the intended results.

On project level, the Regional Project Committee meets regularly (at least every three months) to discuss recent developments, progress and issues needing further attention. According to the strategy of *result-based management*, the status of intended outputs and outcomes shall be regularly assessed and possible deviations from the target corridor shall be identified and corrected in time. A quarterly adjustment of the annual work and budget plan shall fine-tune the project activities and address identified risks and assumptions.

Issues deserving higher attention will be elevated to the National Steering Committee, which also meets quarterly (at least in the initial project phase). The NSC submits proposals regarding policy decisions to the DENR and LBP main offices and takes decisions in case partner LGUs do not come up to the agreed arrangements. In addition, issues of general concern may also be included in the national policy dialogue e.g. in the DENR Upland Working Group.

2 DESCRIPTION OF APPROACH, METHODOLOGY AND WORK PLAN

2.1 Approach and Methodology

The service of the Consultant shall cover the German Financial Cooperation with the Republic of the Philippines regarding the Community Based Forest and Mangrove Management Project in Panay and Negros. The Consultant shall support the PEA in the Project's planning, implementation and monitoring processes and help to achieve the above mentioned results. It will be the Consultant's task to critically follow the implementation process and to point out adverse developments threatening the achievement of intended results to the PEA and to

KfW. This also includes the enabling CBFM policy framework. Whenever possible, he shall offer advice as well as develop and introduce remedial measures in close collaboration with the PEA.

The Consultant's duties include the close coordination with all CBFMMP cooperation partners, especially DENR on national, regional, provincial and community levels, LBP, involved government agencies including LGUs, with GTZ and DED.

The Consultant shall provide advisory support to the PEAs in the following fields (with milestones in parentheses):

(1) Project Planning, Steering, Management and M&E

- Finalize project implementation arrangements, including fund transfer mechanisms from LGU level to household level (guidelines by 09/2010);
- Complete staffing and equipment of project offices, incl. task description and ToR for project staff, assistance in tender/procurement procedures (procurement complete by 12/2010, TOR finalized by 12/2010);
- Finalize project planning documents and operating guidelines, organize seminars for DENR, LGU and LBP staff, update the overall plan of operation and prepare of annual work plans (DENR orientation by 07/2010, LGU orientation by 09/2010, AWP revised each year by Dec.);
- Assure overall project coordination, identification of shortcomings and constraints as well as suggestions for their elimination in the course of internal or external assistance (quarterly team meetings at PMU level);
- Follow-up signing of MoUs between DENR, LBP and LGUs re. implementation of NRM and infrastructure (MoUs by 12/2010);
- Screening of project proposals and selection of partner LGUs (second batch endorsed by 07/2010);
- Administration of project funds, financial monitoring (annual financial reports);
- Establishment and implementation of a result-based project M&E system, finalize refo M&E guidelines and establish DENR monitoring teams, identify and contract NGO(s) for control checks, supervise M&E of reforestation success (RBM system by 09/2010, refo M&E guidelines by 09/2010, NGO contracted by 12/2010);

- Coordination with other relevant programs and projects, develop and promote measures for knowledge management and up-scaling of project achievements (2 workshops in 2012 and 2014, 3 packages for up-scaling).

(2) Capacity Building and Training

- Organization and implementation of training (including training needs assessment based on TOR of staff, elaboration and follow up of training plan) with special emphasis on CENRO and LGU staff who take on important tasks in the course of the Project (by 06/2011 at least 100 persons trained, all trainings documented by a short report);
- Introduction of KfW regulations (financial procedures, reporting, procurement rules, documentation, etc) and their observance (orientation course by 09/2010);
- Train and support DENR and LGU-ENROs in FLUP preparation, prepare and disseminate extension materials (all concerned PENRO, CENRO and LGU staff trained by 12/2010);
- Assist in obtaining and implementing co-management agreements (for the total forest land of a LGU) incl. resource management and sub-agreements for individual households (12 new co-management agreements by 12/2012);
- Support LGUs to develop project proposals for financing (15 eligible proposals accepted by 12/2010);
- Enhance capacities of responsible LGU, DENR and PO staff to implement approved project packages (by 06/2012 at least 100 persons trained and 80% confident to carry out tasks);
- Annually monitor training outcomes/effects and improve modules (annual reports);
- Capacitate DENR, LGUs and POs in managing/ mitigating resource-related conflicts (at least 80% of core staff is confident to mitigate conflicts by 06/2012).

(3) Natural Resources Management

- Clarify tenure, management and utilization schemes within co-management agreements, prepare guidelines, also in respect to sub-agreements (guidelines for sub-agreements by 12/2010);
- Assist in preparing resource management plans, 5-year work plans and resource use plans, considering various sub-agreement and tenurial instruments (15 LGUs implement plans by 2013);
- Promote silvicultural measures like thinning, final harvesting and reforestation of older plantations (at least one demo per province until 12/2012);

- Support reforestation/rehabilitation of forests and mangroves and establishment of agroforestry crops (9,000 ha established by 2014);
- Organize cross-farm visits and on-farm demonstrations of improved upland agriculture (6 visits by 2012, 2 demos per province);
- Provide technical and financial assistance to LGUs and POs for implementing their forest management plans (15 LGUs implement management plans for a total of 50,000 ha by 2014).

(4) Improvement of Rural Infrastructure and Livelihood

- Assist LGUs in preparing and submitting technical and financing proposals for rural infrastructure (all proposals supported as requested);
- Monitor implementation of infrastructure measures (semi-annual reports);
- Propose measures for maintenance and cost recovery (operational by 2014);
- Identify promising LGU-operated livelihood schemes, analyse feasibility and calculate benefits for target groups (5 options identified by 12/2010);
- Support interested LGUs in the preparation of feasibility studies and financing proposals for livelihood projects to LBP (all LGUs with livelihood projects supported by 06/2011);
- Provide technical and financial assistance to LGUs for implementing eligible livelihood projects (80% completed by 2013);
- Train LGUs and target groups in technical aspects, marketing and financial management (training in all LGUs with livelihood projects until 2014).

(5) Support CBFM Beneficiaries in Livelihood Projects

- Analyse viable livelihood options, analyse value chain for forest and agro-forestry products and identify suitable measures (10 options by 06/2011);
- Carry out ex-ante socio-economic baseline study (study covering all project LGUs by 12/2010 through contracted organization);
- Provide training, technical support and assist in finding financial support for value-adding to selected forestry/agroforestry products (training provided for at least 5 options by 12/2012);
- Link POs and household groups with support agencies (e.g. DTI, FIDA) and buyers (incl. DECS), organize trade fairs and exhibitions (1 event per year);

- Support the formation of producer's associations for increased income (6 associations in business by 2014);
- Monitor socio-economic impact of project measures on household level (impact reports by 12/2012 and 12/2014).

2.2 Schedule of Activities and Outputs Generated

Table 3-1 shows the proposed activity schedule and the intended outputs.

Table 2-1: CBFMMP Activity Schedule

ACTIVITY	2010				2011				2012				2013				2014				2015				Outputs
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
1	DENR and LBP staff, participating LGUs and POs in Panay and Negros are capacitated in planning for and implementing CBFM project packages including dealing with conflicts																								
1.1	Support DENR and LGU-ENROs in FLUP preparation																								11 new FLUPs by 12/2012
1.1.1	<i>Finalize FLUP for Ilog, Carles, Sebaste, Libacao by April, for Dumarao, Lauaan, Altavas, Passi, Anini-y, Kabankalan, Candoni by April 2011</i>																								
1.1.2	<i>Identify and analyze conflicts during FLUP process and initiate mitigating measures</i>																								
1.1.3	<i>Strengthen CENRO (and PENRO) capacities to prepare FLUP and ensure field work</i>																								
1.1.4	<i>Issue request to PENRO, CENRO to assign additional staff and create FLUP teams</i>																								
1.1.5	<i>Include staff from PAWB, ERDS, EMB, LMS, MGB and others in FLUP teams,</i>																								
1.1.6	<i>Include baseline data on socio-economic data, forest cover and conflicts in FLUP</i>																								
1.2	Obtain and implement co-management agreements incl. resource management (for whole FL of a LGU)																								11 new co-mgmt agreem. 12/2012
1.2.1	<i>Facilitate formation of steering committee, installation/designation of municipal/city ENRO</i>																								
1.2.2	<i>Assist households to obtain sub-agreements</i>																								
1.3	Support LGUs to develop project proposals for financing																								15 props. accep-ted by 12/2010
1.3.1	<i>Select second batch of LGUs and support them to prepare eligible proposals</i>																								
1.4	Ensure capacities of responsible LGU, DENR and PO staff to implement approved project packages according to training needs assessment																								>100 staff by 06/2012, 80% ok
1.5	Carry our capacity building and training programs for implementing agencies based on needs assessment, including study tours																								10 courses by 06/2012, 3 tours
1.5.1	<i>Define capacities needed and carry out training needs assessment</i>																								
1.5.2	<i>Provide training, possibly in project guidelines/procedures, site/species matching, mangrove management, nursery operation, values/basic leadership,</i>																								

ACTIVITY		2010				2011				2012				2013				2014				2015				Outputs				
		I	II	III	IV																									
1.6	Annually monitor training outcomes/effects and improve modules				→				→				→													Annual reports and suggestions				
1.6.1	Assess training impacts through interviews, surveys			→				→				→																		
1.6.2	Revise training modules according to findings and expressed needs			→				→				→																		
1.7	Capacitate DENR, LGUs and POs in managing/ mitigating resource-related conflicts	→																												Pers. able mitigate by 06/2012
1.7.1	Organize seminar for DENR and LGU staff re. conflict mitigation, in coordination with EnRDP		→				→																							
1.8	Participate in knowledge exchange with EnRD and other relevant programs/projects	→																												2 workshops + 3 packages
2	Forests and mangroves are rehabilitated through LGUs, POs and/or rural households																													
2.1	Clarify tenure, management and utilization schemes within co-management agreements, prepare guidelines		→																							Sub-agreement guide by 12/2010				
2.2	Prepare resource management plans, 5-year work plans and resource use plans, considering various sub-agreement and tenurial instruments				→				→				→													15 LGUs implement by 2013				
2.3	Promote silvicultural measures like thinning, final harvesting and reforestation of older plantations																									Demos from 2011 to 2015				
2.4	Support reforestation/rehabilitation of forests and mangroves and establishment of agroforestry crops																									9,000 ha by 2014				
2.5	Organize cross-farm visits and on-farm demonstrations of improved upland agriculture																									6 visits by 2012, 2 demos/province				
2.6	Provide technical and financial assistance to LGUs and POs for implementing their forest management plans.	→																												15 LGUs implement 50,000 ha
3	Livelihood projects (operated by LGUs) that contribute to sustainable forest and mangrove management have been introduced and implemented																													
3.1	Identify promising LGU-operated livelihood schemes, analyse feasibility and calculate benefits for target groups				→																					5 options by 12/2010				
3.2	Support interested LGUs in the preparation of feasibility studies and financing proposals for livelihood projects to LBP				→																					Assistance where requested				
3.3	Provide technical and financial assistance to LGUs for implementing eligible livelihood projects																									80% implemented by 2013				
3.4	Train LGUs and target groups in technical aspects, marketing and financial management																									Training in all LGUs w livelihood				

ACTIVITY		2010				2011				2012				2013				2014				2015				Outputs
		I	II	III	IV																					
4	Rural infrastructure in support of livelihood has been improved																									
4.1	Prepare feasibility and detailed engineering studies, submit technical and financing proposal to LBP																									15 proposals by 12/2010
4.1.1	<i>Specify intended benefits/impact for beneficiaries in project proposals</i>																									
4.1.2	<i>Facilitate ECC issuance (resp. CNC or IEE)</i>																									
4.2	Implement infrastructure measures																									all completed by 2014
4.3	Propose measures for infrastructure maintenance and cost recovery																									operational by 2014
5	CBFM beneficiaries supported in livelihood projects, especially value-adding and marketing of forestry and agro-forestry products																									
5.1	Analysis of viable livelihood options																									10 options by 06/2011
5.1.1	<i>Identify beneficiaries and carry out ex-ante socio-economic baseline study</i>																									
5.1.2	<i>Monitor satisfaction of beneficiaries and increase of household income</i>																									
5.2	Analyse value chain for forest and agro-forestry products and identify suitable measures																									6 value chains by 12/2010
5.3	Provide training, technical support and assist in finding financial support for value-adding to selected forestry/agroforestry products																									80% of HH >50% benefits by 2014
5.3.1	<i>Review bamboo, furnitures, abaca etc processing, carry out technical and financial assessment</i>																									
5.3.2	<i>Compile technical and financial briefing kits on selected agroforestry crops (e.g. coffee, cacao)</i>																									
5.3.3	<i>Support coffee farmer trainings in Davao del Norte at Nestle training center</i>																									
5.3.4	<i>Assist in entering marketing agreements, PPP for suitable products</i>																									
5.4	Link POs and household groups with support agencies (e.g. DTI, FIDA) and buyers (incl. DECS), organize trade fairs, investment forum and exhibitions																									in 2011 all POs aware, 1 event/yr
5.5	Support the formation of producer's associations for increased income																									6 associations in business by 2014

ACTIVITY	2010				2011				2012				2013				2014				2015				Outputs
	I	II	III	IV																					
6 Project steering, planning, management and M&E provided																									
6.1 Finalize project implementation arrangements, orientation on project procedures																									all in place by 12/2010
6.1.1 <i>Elaborate fund transfer mechanisms from LGU level to household level</i>																									
6.2 Complete staffing and equipment of project offices																									Complete by 12/2010
6.3 Finalize project planning documents and guidelines																									Complete by 12/2010
6.3.1 <i>Finalize Project Operational Guidelines and organize seminars for DENR, LGU and LBP staff</i>																									
6.3.2 <i>Follow-up signing of MoU between DENR, LBP and LGUs re. implementation of NRM and infra</i>																									
6.4 Screening of capsule proposals and selection of partner LGUs																									second batch by 07/2010
6.5 Ensure project effectiveness																									already effective
6.6 Provide and administer project funds																									by 08/2010 first tranche on acct.
6.7 Establish and implement a financial monitoring system																									operational by 09/2010
6.8 Establish and implement a result-based project M&E system and appoint M&E team, including Client Satisfaction Surveys																									operational by 09/2010
6.8.1 <i>Finalize refo M&E guidelines and establish DENR monitoring teams</i>																									
6.8.2 <i>Identify and contract NGO(s) for control checks</i>																									
6.8.3 <i>Carry out M&E of reforestation success</i>																									
6.9 Technical assistance in planning, implementation and M&E, leveling-off with consultants (new phase starts July 2010)																									Accord. to TOR

2.3 Organization and Staffing

The detailed organigram of the Project is shown in the Operating Guidelines Figure 2-1. On operational level the DENR has established two Project Management Units in Iloilo (for Region 6) and in Dumaguete (for Region 7). For details please refer to chapter 3.4. They are each headed by full-time PMU Heads and staffed by a group of six (Iloilo) resp. three full-time professionals. Each PMU is supported by one Technical Assistance Team consisting of one national long-term Project Advisor, one Administrative Assistant and one driver. The German TA is coordinated by one part-time international Chief Adviser, who is also CA to the GTZ-assisted forestry projects (good for synergies). In addition each PMU is also assisted by one DED adviser. Details on the staffing schedule is given in Table 4-1.

2.4 Complementation Framework (with DENR and Project) including clear Delineation of Roles

The roles of the project partners shall be as follows:

DENR. The DENR, through FASPO, act as the lead project executing agency to oversee the overall implementation of the Project and shall serve as the central project coordinating office. It shall perform the following oversight functions: (1) review and submission of pertinent documents as required by KfW and oversight agencies, (2) M&E of progress of accomplishment and loan/grant conditionalities, (3) document lessons learned and (4) provide secretariat support to NSC. The Project Accounts Management Division (PAMD) of FASPO shall manage the Special Project Account, transfer funds to the two DENR Project Management Units and its counterpart at the regional level. The FASPO Procurement Unit handles the procurement services for the project at the national level and provide technical assistance in the procurement of goods and services at the sub-national level.

The associated secretariats, the POMS (Project Operations and Management Services) of the Foreign Assisted Project Office (FASPO) of DENR and the Project Management Division (PMD) of LBP shall coordinate and shall issue request for replenishment of project funds from KfW.

Project Management Units (PMU). DENR shall designate the existing Regional CBFM Office in Iloilo and the PENRO in Dumaguete as the two PMUs who shall be responsible in ensuring the smooth implementation of the Project. They shall be under the direct supervision of the DENR

Regional Executive Directors of Region 6 and 7, who are both authorized to sign the financing agreements with LGUs/accredited organizations. The Regional Technical Director for Forestry shall assist the RED in providing technical direction and supervision to the Project. The full-time PMU heads are the Chief, Regional CBFM Office Iloilo and the PENRO Dumaguete resp. a designated CENRO. The PMUs shall be responsible for the day-to-day management activities of the project. Their tasks include, but are not limited to (i) operational planning, (ii) technical capacity building, (iii) extending support to implementation partners in developing and delivering the investment packages, (iv) procurement, (v) contracting of service organizations for capacity building, training and external M&E, (vi) and financial management of grant disbursements. The PMU shall provide secretariat support to the RPC.

Both PMUs shall prepare all supporting documents for the disbursements requests for KfW. The signing and submission of disbursement requests for grant funds and portion of the loan to be accessed by DENR will be done through DENR-FASPO.

Technical Assistance Team. The PMUs shall be supported by one Technical Assistance Team (TAT) each in their responsibilities, including assisting DENR-FASPO in preparing the requests for replenishment. Each TAT shall consist of one national long-term adviser, a pool of national and inter-national short-term advisers, one adviser from the DED, and shall be supervised by one international Chief Adviser for both PMUs.

The assistance to the PMUs shall include:

- Capacity building and advisory support in overall project planning, management and monitoring
- Support in preparing the Project's operations plan and annual work plans, procurement documents and tender specifications
- Capability building and on-the-job training in FLUP, forest management plans, annual work plans and resource use plans;
- Coordination with support agencies and other units in the Region (e.g. DTI and Fiber Industries Development Authority) that provide technical and financial assistance related to livelihood /enterprise development.
- Preparation of project proposals and financing requests for livelihood measures and infrastructure improvement;
- Assistance in the conduct of training for DENR and LGU technicians in participatory communication, planning, extension and training techniques;

- Advisory on silviculture and general forest and mangrove management, plantation establishment, tending and maintenance, forest management and sustainable utilization, trials/demonstrations, and agroforestry and livelihood development;
- Data processing and data bank design, trouble shooting, training of PMO, PENRO/CENRO and Project M&E Team computer operators and land use mapping and planning.
- Support in designing and setting-up of monitoring system (program progress, afforestation success, ecological and socio-economic impact), including the preparation of monitoring guidelines;
- Validation of survival rates and fulfilment of payment criteria, baseline studies and socio-economic M&E; and

Land Bank of the Philippines. The LBP Lending Center in Iloilo will act as LBP PMU, supported by the Lending Centers Bacolod and Dumaguete. The tasks include (i) operational planning, (ii) financial (LBP) capacity building, (iii) extending support to implementation partners in developing and delivering the development plan in the municipalities and barangays, (iv) the financial management of loan disbursements. The signing and submission of disbursement requests for loan funds to KfW will be done through the Project Management Division at LBP.

3 RESOURCE REQUIREMENTS PER TASK/OUTPUT

3.1 Personnel Input and Deployment Schedule

The staff deployment is illustrated in Table 3-2. Due to the limited budget for consulting inputs the national long-term advisers, local staff, office and vehicle expenses can only be financed until 12/2013. A KfW project review mission in 2013 shall evaluate, together with the DENR, if further TA inputs are required, to be financed out of contingencies. All staff has started their assignments on 01 July 2010.

Table 3-1: Personnel Input and Deployment Schedule

3.2 Cost of Operations

3.2.1 Project Cost

Table 4-2 shows the overall cost and financing of the Project. For investive measures, a total budget of 369 million PhP has been dedicated in the Financing Agreement (around 5.7 million EUR at the exchange rate of 1 EUR = 65 PhP). 184.5 million PhP have been earmarked for forest rehabilitation and agroforestry, the same amount of 184.5 million PhP for the improvement of rural infrastructure. A total of 12.7 million PhP have been calculated for the procurement of 8 4WD vehicles and 12 motorbikes. Another 3.5 million PhP have been earmarked for office and field equipment, satellite images etc. For project management total cost of 56 million PhP have been assumed (details see below), for training and extension another 71 million PhP. The budget for Technical Assistance (borne 100% by KfW) amounts to 769,230 EUR or around 50 million PhP (partly included under project management, partly under training and extension). Around 56 million PhP are budgeted under contingencies (around 32% GOP funds and 68% German FC funds).

Table 3-2: Project Cost and Finance Summary

	Description	Total Cost		Philippine Contribution		Max. German Contribution
		PHP	Euro	PHP	Euro	Euro
1	Investive measures	369.000.000	5.676.923	64.474.998	991.923	4.685.000
1.1	Afforestation/rehabilitation, agrofore	184.500.000	2.838.462	36.949.985	568.461	2.270.000
1.2	Rural infrastructure, livelihood	184.500.000	2.838.462	27.525.013	423.462	2.415.000
2	Vehicles	12.716.004	195.631	1.156.000	17.785	177.846
2.1	4WD Vehicles (8)	11.660.004	179.385	1.060.000	16.308	163.077
2.3	Motor cycles (12)	1.056.000	16.246	96.000	1.477	14.769
3	Equipment and materials	3.500.000	53.846	700.000	10.769	43.077
3.1	Office, training, extension, sat image	3.500.000	53.846	700.000	10.769	43.077
4	Project management/operation	56.050.000	862.308	18.970.000	291.846	570.462
4.1	DENR (7 yrs)	15.750.000	242.308	15.750.000	242.308	0
4.2	LGUS (7 yrs)	2.800.000	43.077	2.800.000	43.077	0
4.3	External audits (7 yrs)	1.500.000	23.077			23.077
4.4	External Monitoring (5 yrs)	3.000.000	46.154			46.154
4.5	Baseline, Progress/Impact M&E	2.100.000	32.308	420.000	6.462	25.846
4.6	Technical Assistance for PM	30.900.000	475.385			475.385
5	Training and extension	71.250.000	1.096.154	10.500.000	161.538	934.615
5.1	Capacity build. DENR, LGUs, POs	23.150.000	356.154	0	0	356.154
5.2	Awareness campaign	3.000.000	46.154	0	0	46.154
5.3	FLUP	12.500.000	192.308	0	0	192.308
5.4	Extension of DENR/LGU to benef.	10.500.000	161.538	10.500.000	161.538	0
5.5	In-country study tours	3.000.000	46.154	0	0	46.154
5.6	Technical Assistance for Training	19.100.000	293.846			293.846
	Sub-total	512.516.004	7.884.862	95.800.998	1.473.862	6.411.000
6	Contingencies	56.233.996	865.138	17.949.002	276.138	589.000
	TOTAL	568.750.000	8.750.000	113.750.000	1.750.000	7.000.000

Exchange rate: Peso/Euro = 65

3.2.2 Budget for Technical Assistance

The budget for Technical Assistance totals 769,220 EUR. According to the consulting contract, this sum is composed of:

Remuneration (internat. and local)	523,380 EUR
Lumpsums (travel, office, vehicle, staff)	215,840 EUR
Reimbursables (contingencies)	30,000 EUR

4 REPORTING REQUIREMENTS

4.1 Kind of Reports and Submission Schedule

The Consultant shall submit to the Client and to KfW the following reports:

- Inception/status report not later than 6 weeks after the start of services
- Semi-annual reports on the progress of the services
- Reforestation monitoring reports (annually, attached to the progress reports)
- Draft Final Report not later than 3 months after the contract has been executed
- Final Report not later than 6 weeks after receiving comments of the PEAs and KfW on the draft report.

Of the reports, KfW and the two PEAs will receive 2 copies each and GTZ and DED one copy each. If desired all parties shall also receive an electronic copy of the reports.

4.2 Prescribed Layout and Content of the Reports

The Inception Report shall follow the DENR format for TA, i.e. the layout and content used for this report.

The Semi-annual Reports shall meet the requirements of result-based management. Besides information on the progress of the services the reports shall contain the following data: (i) progress/update in reaching the outcome indicators (for details pls. refer to chapter 5.3), (ii) progress in delivering the intended outputs (in table and graphical form), (iii) highlights for the reporting period, (iv) bottlenecks and proposed measures, and (v) consulting inputs provided.

The annual Reforestation Monitoring Reports of the Consultant shall contain a comparison of the external control checks with the DENR monitoring results for selected compartments, evaluate the reforestation success and monitoring quality, identify shortcomings and propose improvements.

The Final Report shall comprise one volume (main report) containing results, summary and conclusions and an appropriate number of volumes accommodating the annexes which provide all details, relevant data, analyses, calculations, design considerations etc. necessary to understand the main report. An Executive Summary Report of about 3 to 5 pages shall give a brief synopsis of the basic conditions, results, recommendations for future measures, cost etc.

4.3 Milestones and Outputs

The following milestones and indicators have been identified in the Operations Plan and shall be the reference for result reporting:

Outcome indicators:

- For the 15 municipalities in Panay and Negros, whose financial project proposals were accepted by the screening committee, a minimum of 10 municipalities implement the proposals by December 2010 and other 5 by December 2011.
- Forest, mangrove and agroforest cover in the supported municipalities has increased by 9,000 has. by the end of the project.
- All 15 participating LGUs have prepared FLUPs, obtained Co-management Agreements and concluded sub-agreements with POs and households; forestry measures are implemented according to FLUP and management plans.
- At least 35,000 people in 7,000 households have benefited from the Project by

the end of 2014.

- At least 80% of the targeted 7,000 households received at least 50% of the calculated benefits from the sub-project/100% labor subsidy in case of labor only.
- At least 30% of recorded conflicts over natural resources have been constructively handled by relevant partners and mitigated by 2014.

Output indicators:

Output 1: DENR and LBP staff, participating LGUs and POs in Panay and Negros are capacitated in planning for and implementing CBFM project packages including dealing with conflicts.

- At least 15 LGUs have been enabled to submit eligible project and financing proposals by Dec. 2010.
- At least 15 FLUPs and Resource Management Plans are implemented by Dec. 2011.
- At least 100 persons from the DENR, LGU, LBP and POs have been capacitated to fulfil their functions, improved awareness and at least 80% of them are satisfied with the training.
- At least 80% of the DENR and LGU personnel involved in the project and POs confirmed being well capacitated to constructively deal with conflicts, at least 30% of recorded conflicts have been resolved by June 2013.

Output 2: Forests and mangroves are rehabilitated through LGUs, POs and/or rural households

- At least 15 participating LGUs have entered into and are implementing Co-Management Agreements with a total area of at least 50,000 ha by 2012.
- Additional 9,000 ha. of forests, mangroves, rattan enrichment and fruit tree orchards have been established and managed by LGUs, POs and/or households according to the work plans.
- The volume and value increments of the reforestations measures correspond to at least 75% of the estimates in the proposals/feasibility study.
- Sustainable and productive cropping systems on forest land adopted by at least 60% of households involved in the agro forestry model by 2014.

Output 3: Livelihood projects (operated by LGUs) that contribute to sustainable forest and mangrove management have been introduced and implemented

- At least 80% of targeted beneficiaries (male and female) confirm that they receive at least 50% of intended benefits from proposed LGU-managed livelihood projects by 2014.

Output 4: Rural infrastructure in support of livelihood has been improved

- At least 80% of targeted households confirm that they receive at least 50% of intended infrastructure benefits by 2014.
- Procured road-construction equipment has been used at least to 50% for the improvement of barangay roads by Dec, 2014.
- After 6 years (end of 2015) at least 70% of the created infrastructure is still being maintained.

Output 5: CBFM beneficiaries supported in livelihood projects, especially value-adding and marketing of forestry and agro-forestry products

- At least 80% percent of CBFM beneficiaries (male and female) are satisfied with the support provided in value-adding and marketing of forestry and agro-forestry products (Customer Satisfaction Survey) by 12/2014.
- The average income of participating households in livelihood projects increases by 30% and more than 80% of supported households are above the poverty threshold of 11,500 Peso per capita by 12/2014.

Output 6: Project Management Component: Project steering, planning, management and M&E provided

- All available investment funds have been released and the approved project packages have been implemented by 2014 (total of 184.5 million PhP grant for NRM, 184.5 million PhP loan for infrastructure).
- Sufficient funds from the KfW, DENR and LGUs for project measures and operational expenses are available every year.
- At least 80% of participating LGU personnel directly involved in project implementation confirm in a Customer Satisfaction Survey by 2012 that the DENR and LBP

project offices and responsible staff provide the required support services.

- The project implementing guidelines are in-place and adopted by 12/2010.
- Organizational and functional structure of the project established and operationalized by 12/2010.
- Monitoring systems to determine the results of the project (NRM and infrastructure) in-place and data analyzed by 2011.

5 PAYMENT FOR TA CLAIMS

5.1 Total Cost of TA Assignment/Engagement

The total budget for Technical Assistance amounts to 769,220 EUR. According to the consulting contract, this sum is composed of:

Remuneration (international and local consultants)	523,380 EUR
Lumpsums (travel, office, vehicle, secretaries, drivers)	215,840 EUR
Reimbursables (contingencies)	30,000 EUR

5.2 Payment Schedule

The Consultant's remuneration shall be paid as follows:

- EUR 122,000 advance payment, representing around 15% of the contract value, due within 30 days upon entry into effect of this Contract, against presentation of an invoice.
- EUR 576,800 in 7 consecutive instalments of EUR 82,400 each upon presentation of semi-annual invoices and acceptance of the progress reports during the first 3.5 years. The first invoice for the first instalment shall be furnished not earlier than 3 months after the contractually agreed commencement of the services. The Client shall have the right

to suspend payment of instalments at any stage of disbursement in the event of substantial deviations from the time schedule and/or insufficient performance on the part of the Consultant. This right shall also apply to payments not based on output-related evidence of performance.

- EUR 40,420 as a final payment, representing about 5% of the contract sum, upon termination of the services and the acceptance thereof by the Client and KfW.
- The reimbursable expenses (upon evidence) of up to EUR 30,000 and the international study tour (lumpsum of EUR 45,100 upon completion) shall be invoiced separately.