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The Economy and Environment Program for Southeast Asia (EEPSEA) was established in May 1993 to support training and research in environmental and resource economics across its 10 member countries: Cambodia, China, Indonesia, Lao PDR, Malaysia, Papua New Guinea, the Philippines, Sri Lanka, Thailand, and Vietnam. Its goal is to strengthen local capacity for the economic analysis of environmental problems so that researchers can provide sound advice to policymakers.

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Paying the Price for Partnership: Why Community Costs Are Key to Successful Resource Management

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It is conventional wisdom among development agencies that to be effective, resource management programs must be based on local participation. This approach — usually called “community-based resource management” or CBRM — can help ensure that projects are sustainable and meet local needs. But participation takes time — attending meetings and training courses, sitting on committees, monitoring fellow villagers to see that they follow the rules, imposing penalties on those who do not. →

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A summary of EEPSEA Research Report 2001- RR9, *Transaction Costs of a Community-based Resource Management Program in San Miguel Bay, Philippines*, by Zenaida M. Sumalde and Suzette L. Pedroso (Department of Economics, University of the Philippines at Los Banos, 4031 College, Laguna, Philippines; contact: zeny@laguna.net).

The hidden costs *are people's time*

→ These "transactions costs" are often neglected when community projects are designed. Governments tend to assume that these costs are minimal, or that communities can easily absorb them.

To see how transactions costs affect the success of community-based resource management, a new study from the Philippines examined one of the country's most important coastal conservation programs. It found that these costs were quite significant, and that community groups shouldered a large proportion of them, generally without financial compensation. It also found that these costs were key determinants in the success or failure of the scheme's various projects.

The study, by Zenaida Sumalde and Suzette Pedroso from the University of the Philippines at Los Banos, looked at the community-based coastal resource management project in San Miguel Bay (SMB-CRM). This is a pilot project in the government-initiated Fisheries Sector Program, which is intended to augment the income of small-scale fishermen and preserve coastal resources. This project was chosen because it has made considerable progress in improving fisheries management and because it highlights several management issues related to community involvement.

Protecting San Miguel Bay

Sumalde and Pedroso undertook their research in response to the erratic performance of CBRM in the Philippines. Since 1984, the government has set up a number of CBRM programs as an alternative to "top-down" conservation projects. However, a review of these community-based programs showed that they are not a panacea and that many projects were unsuccessful.

The study was conducted in the San Miguel Bay coastal area — the area covered by the SMB-CRM. This area covers roughly 1,919 km² consisting of 1,115 km² of water and 18 km² of coastal land. There are three significant coastal habitats in

the area — coral reefs, mangroves and soft-bottom communities. This area has a population of over 250,000 people, about a third of whom depend on fishing. The study focused on the area's seven municipalities and a selection of 38 people's organizations involved in the project — chosen on recommendation and on their willingness to participate.

The SMB-CRM project was begun in 1993 with a series of assessment studies and other preparatory activities. These were followed by a community organizing phase that helped prepare the community to handle coastal resource management. This phase

included seminars, orientation exercises and training. Finally, in 1995, the project's implementation phase was put in place. This included projects to improve people's livelihoods, establish fish sanctuaries and marine reserves, and enforce laws against destructive fishing techniques.

Performance Varies Widely

To begin their research, Sumalde and Pedroso evaluated the performance of the different parties involved in the SMB-CRM. The groups — primarily the seven local government units and the participating people's organizations — were evaluated against a series

of criteria and indicators. These included the existence of a comprehensive fisheries management plan; security of fishers' user rights; the rate of apprehension of illegal fishers; and equitability of benefit distribution. Ten people's organizations were classified as 'successful' and 28 as 'less successful'. Only four of the municipalities were classified as successful; these were the ones with the most successful people's organizations. The researchers therefore deduced that the success of the people's organizations may be a reflection of the fact that they received more logistical support from local government.

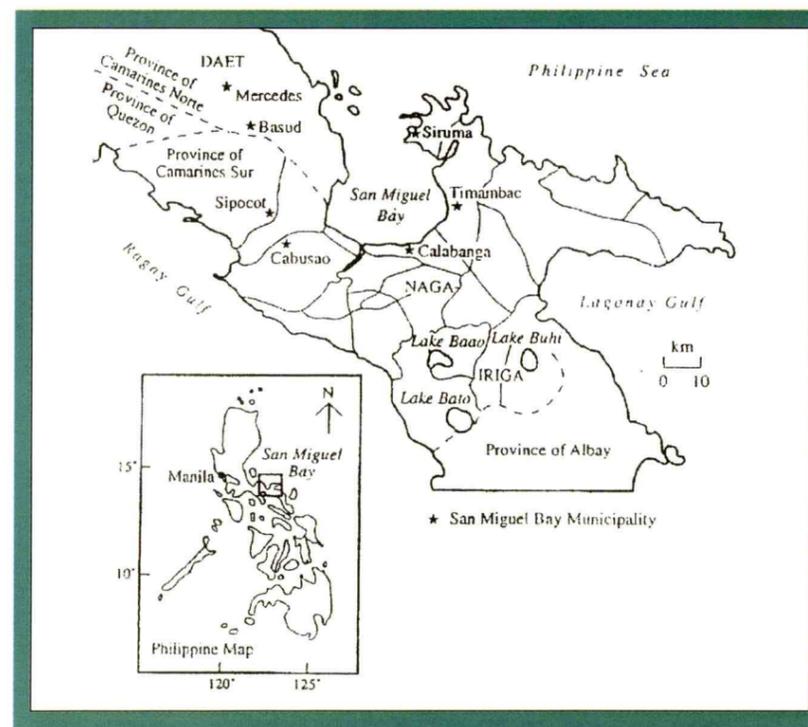
Counting the Costs

Having analyzed the success and failure of the individual SMB-CRM participants, the authors then assessed the costs involved in the three stages of the project. Direct project costs — defined as the direct expenses needed to carry out the SMB-CRM activities — were obtained from available records. Transactions costs were obtained by estimating the value of time spent in planning, follow-up and monitoring activities. For the people's organizations, the estimated value of time was based on the expected net income from fishing. For the other parties, it was based on actual wages.

Sumalde and Pedroso estimated that the total project costs amount to PHP 64.7 million (USD 1.3 million). Over 42% of these costs were incurred by capacity-building activities across all phases. On average, transactions costs comprised 37% of total project costs across all phases. Transactions costs were highest — at 86% — during the implementation phase.

The Community Foots the Bill

In general, the people's organizations were found to have contributed almost 78% of the total transaction costs — the highest of all the participating organizations. Their significantly higher share may be explained by



Map of San Miguel Bay coastal areas.

| Activity | Successful Barangay/POs | Less Successful Barangay/POs |
|------------------------|-------------------------|------------------------------|
| Artificial reef | 10 | - |
| Bangus culture | 259 | 67 |
| Billboards | - | 25 |
| Cleaning of seashore | - | 120 |
| Lapu-lapu culture | 7 | - |
| Law enforcement | 17,119 | 1,806 |
| Lobster culture | 648 | - |
| Mangrove reforestation | 114 | 152 |
| NFA rice retail | - | 48 |
| Seaweed culture | 294 | 72 |
| Tree planting | 48 | 72 |
| Total | 18,499 | 2,362 |

Time spent by People's Organisations (POs) on community management (in person-days)



their active participation in the community organizing and project implementation phases. Sumalde and Pedroso further analyzed this contribution and found that the transactions costs shouldered by the people's organizations during the implementation phase were dominated by the value of time in coordinating, motivating and follow-up activities. Looking at specific activities, it was found that law enforcement, which amounted to 18,925 person-days, consumed most of the time. This was due to the fact that the biggest problem in San Miguel Bay was the presence of small and commercial trawlers which should have been phased out of municipal waters. Policing these illegal fishers therefore took up a lot of time. The researchers also found that women play a considerable role in coastal

resource management activities. For example, the female mayor of one of the municipalities was a staunch supporter of the conservation work.

Comparing Costs and Performance

Finally, Sumalde and Pedroso looked at the relationship between transactions costs and success. Not surprisingly, they found that transactions costs mounted as more effort was expended. They also found that during the initial stages of implementation, high transactions costs were associated with success. It appears — not surprisingly — that a moderate amount of transactions costs reflect active community involvement and have a positive effect. But once these costs exceed about 35% of total costs, project performance begins to decline, as time is diverted

from other productive activities.

This study shows how important it is that such costs be considered carefully by project planners at the national level. Mechanisms for participation should be designed efficiently, to keep the amount of time required to a reasonable level. Furthermore, some transactions costs involve cash expenditure. Sumalde and Pedroso recommend that seed money be provided to cover the community's cash costs during the early stages of the project. Poor communities may find it difficult to shoulder these costs, although they have shown themselves willing to make substantial commitments of time.

50 PHP = 1 USD (June/01)

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