



## Global Environment Facility

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February 11, 2004

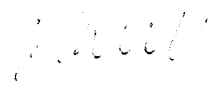
Dear Council Member,

The World Bank, as the Implementing Agency for the project, *Philippines: Asian Conservation Company (ACC)*, has submitted the attached proposed project document for CEO endorsement prior to final approval of the project document in accordance with the World Bank procedures.

The Secretariat has reviewed the project document. It is consistent with the proposal approved by the Council in May 2002, and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the World Bank satisfactorily details how Council's comments and those of the STAP have been addressed. I am, therefore, endorsing the project document.

We have today posted the proposed project document on the GEF website at [www.gefweb.org](http://www.gefweb.org). If you do not have access to the Web, you may request the local field office of the World Bank or UNDP to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,

  
Leonard Good  
Chief Executive Officer and Chairman

cc: Alternate, Implementing Agencies, STAP

# OFFICE MEMORANDUM

DATE: January 8, 2004

TO: Mr. Leonard Good, CEO/Chairman, GEF



FROM: Steve Gorman, GEF Executive Coordinator

EXTENSION: 35865

SUBJECT: **Philippines: Asian Conservation Company**

1. Please find attached the electronic file of the Project Document for Tranche 1 of the above-mentioned project for review by Secretariat staff and your final endorsement.
2. The Tranche 1 Project Document is fully consistent with the objectives and scope of the proposal endorsed by Council as part of the May 2002 Work Program. Some changes related to the implementation arrangements have been introduced during final project preparation and appraisal. Council comments received at Work Program entry have also been addressed. Minor changes and comments addressed are outlined below.

### *Changes in the Project Document*

3. Removal of Asian Conservation Foundation (ACF)
  - The original proposal involved establishing a new foundation to receive grant funds from donors and channel them to local NGOs. However, the appraisal process indicated that it would be more efficient and effective for IFC to disburse the GEF funds directly to the local NGOs. This change is described in Paragraphs 35 and 52.
  - This project will now be referred to as the Asian Conservation Company (ACC) rather than the Asian Conservation Foundation. This is appropriate because the ACC is the most innovative aspect of the project.
4. Change of Tranche 1 Duration
  - Tranche 1 will be implemented over six years instead of eight.<sup>1</sup> This will allow Tranche 1 to be implemented in conjunction with the El Nido Municipality's Comprehensive Land and Water Use Plan (CLWUP). The CLWUP will seek to establish a terrestrial and marine multi-use zoning system for the municipality over a six year period. All stakeholders agree that it would be best for the ACC

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<sup>1</sup> The total project duration is still nine years due to Tranche 2.

project to be implemented over the same time period in order to maximize the global benefits in a well-coordinated fashion. This approach is described in Annex 1A.

#### 5. Revision of Conservation Financing Mechanisms

- The Conservation Financing Mechanism for Tranche 1 was changed from a bed tax to a landing fee. Approximately US\$2 will be donated for every person that flies to the Tranche 1 project site of El Nido.
- The estimated amount of funds to be generated by the conservation financing mechanisms has been scaled down from US\$1.6M to US\$0.9M due to the challenging economic conditions in the Philippines. As a result, the project will place greater emphasis on catalyzing contributions from other private sector actors to ensure the financial sustainability of conservation activities in the El Nido area. This change has been described in Annex 5.

#### 6. Reduction of Co-Financing

- The private sector equity co-financing amount in Tranche 2 (Stellar Fisheries) has been scaled down from \$5M to \$1M as a result of a third party valuation of the company. As a result, the co-financing ratio was decreased from 1:4.7 to 1:3.9 (see Paragraph 31). Fortunately this change will have no significant affect on the financial sustainability of the Tranche 2 activities.

#### *Responses to Council Comments*

Comments from GEF Council	Responses
<i>Comments from Germany:</i>	
It is striking that there is no mention at all of the institutions directly concerned with fisheries and aquatic resources, namely the Bureau of Fisheries and Aquatic Resources (BFAR), which is under the Ministry of Agriculture, and the Philippine Council for Aquatic and Marine Resources Research and Development (PCAMRD), or of the capacities of the universities in the field of resource assessment. Instead the focus is exclusively on the competence of the Department of Environment & Natural Resources (DENR).	During the project design and appraisal process for Tranche 1, major efforts were undertaken to link the project with planned efforts of the relevant governmental and academic institutions in the Philippines. The Project Document now reflects detailed plans for collaborating with BFAR. Please see the Logical Framework for El Nido (Annex 1A), Stakeholder Collaboration Table (Annex 1A2), and Monitoring Plan (Annex 1A3). Although PCAMRD has not been involved in the Tranche 1 site of El Nido, the Project will coordinate with PCAMRD to ensure that their expertise is reflected in the biodiversity research and M & E activities. Please see paragraph 28.
The weaknesses and capacity deficits of the	In light of the weaknesses of the local and

<p>local (LGUs) and national government institutions are, we feel, not taken into account adequately. This means that competence and co-ordination problems are bound to happen, if they are not averted by other means.</p>	<p>national governmental institutions, the Project has adopted an appropriate strategy for coordinating with them. The Project will collaborate each LGU not only through its legislative/policy making body, but also with its implementing agencies (e.g., MAO, PNP, MNAO, MPDO, etc). The Project will also enter into appropriately-tailored partnerships with concerned national government agencies (e.g., BFAR). Please see the Project Management section for Tranche 1 (Annex 1A1) and the Stakeholder Collaboration Table (Annex 1A2).</p>
<p>It is also astonishing that, although the planned BMZ/GTZ project is mentioned, there is no reference to the Philippine initiative for the management of the Visayan Sea on which that project is based. The proposed project aims to support separate, relatively small-scale individual initiatives. There is no overarching co-ordination and management concept at either the activity level or the impact level, i.e. with regard to natural resources and the institutional level respectively. The primary goal of the VisSea project is to develop an overall management concept for the Visayan Sea, involving all stakeholders. This is exactly what is missing from the proposed GEF project. In that sense the BMZ/GTZ project is a necessary complement to the other project. The planned GEF project must be involved here at an early stage, which will make it possible to help strengthen the Philippine authorities created for this purpose, authorities which the GEF project will inevitably have to deal with.</p>	<p>Tranche 2 of the ACC project will work closely with the implementers of the GTZ project in order to ensure complementarity. Extensive consultations have already begun. These consultations will also ensure that Tranche 2 of the ACC project carefully builds upon the VisSea project. Please see Paragraph 8 of the Lessons Learned section (page 24).</p>
<p><b><i>Comments from Switzerland:</i></b></p>	
<p>It is difficult to understand how US\$19.5 M of investment from the private company ACC can be considered as co-financing of the incremental cost. This money will apparently serve to establish the facilities needed for economic development in both tourist resorts (phase 1) and fisheries (phase 2), that will generate revenues, a part of which will go to an endowment fund and support conservation. We agree that such investment is probably necessary (although little detail is given about</p>	<p>The ACC investment is <i>essential</i> for there to be sustainable conservation activities carried out long-term in the project sites. It is only because the ACC investments will donate a portion of their annual revenues that the marine conservation activities will be able to continue after the GEF funds are fully spent. Without the ACC investment, any conservation expenditures in the project sites by the GEF or other donors would not be sustainable. This is why the ACC investment is considered as co-</p>

<p>it), but do not understand what the baseline scenario would be without it and how the partnership could be established. Actually, the baseline scenario is seemingly inconsistent: GEF involvement appears just as necessary to allow the set-up of the whole system.</p>	<p>financing. Importantly, the costs associated with <i>developing</i> the ACC have not been counted as co-financing. Please see the Incremental Cost Analysis on page 75.</p>
<p>Partly due to the highly innovative aspect of this partnership, it is difficult to assess all the aspects of its future functioning. Without respect to the aspects of ACC economic management, that seem to be correctly described (Annex), some uncertainties have to be stressed: it is mentioned that particular agreements will “ensure that each investee will channel some of its revenues to support conservation in the sites where they operate” (21), but few details are given about the activities that will generate the revenues. Although it is claimed that they “should comply with (a number of) biodiversity conservation principles” (listed in Ann. 3: 3), the ecological and social impacts of activities as questionable as resort development and one-species targeted industrial fisheries remain to be carefully assessed. Potential social conflicts are mentioned but definitely not sufficiently and convincingly addressed.</p>	<p>In the Tranche 1 Project Document, considerable information has been provided about the ACC investments in Annex 4. During the project appraisal process, IFC’s environmental and social review specialists have examined the possible social and environmental impacts of the ACC investments. They have concluded that the ACC investments comply with (or even surpass) IFC’s rigorous environmental and social safeguard policies. Beyond that, it is important to note that Tranche 2 of the ACC Project in part aims to help shift one-species targeted fisheries towards sustainable practices by establishing the business case and practical mechanisms for doing so. The project is directly linked with the Marine Stewardship Council (MSC) certification system. This information has been incorporated in Paragraphs 62-67.</p> <p>With regard to social conflicts, additional information has been incorporated in the Summary Project Analysis (paragraph 64). This section now explains that the project’s methodology for improving management of coastal resources and mitigating social conflicts is based upon the best practices that have been developed through many of the CRM projects listed in Section B4. Numerous marine conservation projects in the Philippines and elsewhere have shown that the strategy for dealing with social conflicts can be successful.</p>
<p>The sustainability of the fisheries investments can also be questioned when information is given that 95% of the production will be sold in the USA (irrespective of the ecological incoherence of such a market!). Actually, we definitely agree with note 6 of the STAP reviewer, that it is probably difficult to find profitable enterprises that are not contradicting the principles of environmental</p>	<p>The sustainability of the fisheries investment is not affected by whether the product is sold locally or overseas. In fact, to sell into a market that may be willing to pay a premium to support marine conservation is a benefit that would not be viable in the local Philippine market. Finally, in order to preserve marine biodiversity and alleviate poverty, it is crucial to promote responsible fisheries management,</p>

sustainability. In contrast to eco-tourism (here: in particular diving), which cannot survive if the environment is degraded, fisheries have proven to be rarely managed in a sustainable way in the long term.	which is one of the many benefits that Tranche 2 will help to achieve. This information has been incorporated into Environmental Assessment (Paragraph 66).
A Reef Condition Index (measured by fish diversity, coral diversity and relative damage from human and natural causes) has been recently developed and apparently could be used with profit to evaluate the current state of coral reefs and monitor their evaluation. Information could be taken from the Marine Conservation Project in Papua-New Guinea, proposed for approval at this same GEF Council session.	The Reef Condition Index will be utilized as appropriate. This point has been incorporated into Paragraph 28.

7. Please let me know if you require any additional information to complete your review of the project document.
8. Many thanks, and we look forward to receiving notification of clearance for CEO endorsement.

Cc : Messrs./Mmes. King, GEF PROGRAM COORDINATION (GEFSEC); Boorstin, Cassagne, Keller (CES); Broadfield (EASES); MacKinnon, Khanna, Wedderburn, Aryal (ENV); ENVGC ISC, Regional Files

# PROJECT DOCUMENT

## Tranche 1

### 1. IDENTIFIERS :

<b>PROJECT NUMBER:</b>	506048
<b>PROJECT NAME:</b>	Asian Conservation Company (ACC)
<b>DURATION:</b>	Nine (9) years
<b>IMPLEMENTING AGENCY:</b>	World Bank
<b>EXECUTING AGENCY:</b>	IFC
<b>REQUESTING COUNTRY OR COUNTRIES :</b>	Philippines
<b>ELIGIBILITY:</b>	Philippines ratified the CBD on October 8, 1993.
<b>GEF FOCAL AREA:</b>	Biodiversity
<b>GEF PROGRAMMING FRAMEWORK:</b>	OP# 2

### 2. SUMMARY:

After receiving GEF Council approval in May 2002, IFC worked with the project sponsors to complete the final Tranche 1 project design and appraisal process. This Project Document provides an updated description of the overall Asian Conservation Company (ACC) project and a detailed description of the Tranche 1 work program and implementation plan.

The ACC project will conserve significant coastal and marine biodiversity through a unique partnership between a private equity investment holding company (ACC) and two local nongovernmental organizations. IFC will channel a total of US\$4.5 million in GEF grant funds for the two local NGOs to carry out conservation activities in six biodiversity rich areas. The conservation activities in the Tranche 1 site of El Nido will be implemented by the El Nido Foundation (ENF). The conservation activities in the five Tranche 2 sites in the Visayan Sea will be implemented by the World Wildlife Fund-Philippines (WWF-P). ENF and WWF-P will involve and foster ownership among multiple stakeholders, including governmental agencies, local communities, private sector operators, and other local NGOs. The conservation activities will include: conservation management, marine enforcement, information-education-communication, sustainable livelihoods, biodiversity research and monitoring, and development of institutional and financial sustainability mechanisms.

It will not be necessary to establish a new foundation as an intermediary as originally envisioned; rather, IFC will be able to disburse the GEF funds directly to ENF and WWF-P. Throughout the project implementation period, the ACC investee companies will channel some of their private funds (from fees or donations) into endowments to be managed by ENF and WWF-P. After the GEF grant funds are fully utilized, ENF and WWF-P will sustain the conservation activities through ongoing contributions from ACC investee companies, additional contributions to be catalyzed from other private sector operators, and proceeds from the endowment. This ACC model is highly innovative because it engages a private equity holding company to leverage long-term biodiversity support and conservation finance from investee companies. By combining the skills of professional investment managers with the biodiversity-related expertise of experienced conservation practitioners, the ACC proposal presents a promising and highly replicable approach for achieving sustained conservation gains affecting globally significant biodiversity.

As noted above, the project will be implemented in two tranches. The first tranche will establish initiate conservation activities at El Nido, where the ACC's first investment has been made in the El Nido Resorts of Ten Knots Corporation. The GEF is requested to disburse the necessary funding of US\$1.6 million for the first tranche based on the ACC having raised sufficient capital to purchase a majority ownership of Ten Knots Corporation. Lessons learned from the conservation activities undertaken at El Nido during the first tranche will be applied to the sites in the second tranche. The second tranche will launch conservation activities at the five sites in the Visayan Sea associated with Stellar Fisheries, which is the ACC's second planned investment. The GEF is requested to disburse US\$2.9 million for the second tranche when the ACC has acquired majority interest in Stellar

Fisheries. IFC will submit another Project Document when the project design and appraisal process has been completed for Tranche 2.

	<b>Co-Financing:</b>		
	<b>GEF:</b>	<b>ACC Investment:</b>	<b>WWF/Bilateral Donors:</b>
<b>Tranche 1:</b>	US\$1.6	US\$15.0M	US\$300,000
<b>Tranche 2:</b>	US\$2.9M	US\$1.0M	US\$1.2M
<b>Total:</b>	US\$4.5M	US\$16.0M	US\$1.5M
<b>Total Project Cost:</b>	US\$22.0M		

**4. ASSOCIATED FINANCING:**

Conservation financing generated from ACC investments during the project is expected to be US\$0.9M.

**5. OPERATIONAL FOCAL POINT ENDORSEMENT:**

**Name:** Mr. Gregorio V. Cabantac

**Title:** Undersecretary

**Organization:** DENR

**Date:** March 5, 2002

**6. IA CONTACT:**

Sam Keller, IFC Projects Officer, [skeller@ifc.org](mailto:skeller@ifc.org)

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## A. Background and Global Objectives

### 1 Background

1. The Philippines stands out globally as a center of marine biodiversity. More than thirty million people directly depend on this marine wealth for income and protein. However, the marine biodiversity and resources of the Philippines are severely threatened as the high human population takes its toll through destructive fishing practices, overfishing, rampant coastal development, and pollution. Some of these threats stem from private sector activities. While some companies mitigate their impacts, a very large number do not. However, with proper technical assistance and incentives, the private sector has vast potential not only to mitigate its own impacts, but also to contribute directly to biodiversity conservation.

2. Around the world, including the Philippines, Marine Protected Areas (MPAs) have proven effective as a means to protect both biodiversity and fishery resources for human use. But while the Philippines has established a large number of MPAs, effective conservation in the majority of them is severely constrained by limitations in technical capacity and the lack of long-term financial support. Many additional biologically rich marine areas are excellent candidates for MPA, but have not been established as such for the same reasons.

3. To save biodiversity, including marine ecosystems, many environmental organizations and development institutions are searching for ways to catalyze the potential of the private sector to contribute to conservation efforts. Some initiatives have provided technical assistance to help companies find ways of doing business in less damaging ways. Others have sought to obtain voluntary contributions from companies for conservation purposes. More recently, initiatives such as the IFC/GEF Terra Capital Fund and The Nature Conservancy's EcoEnterprise Fund have arisen to provide direct debt and/or equity financing to companies whose operations benefit biodiversity.

4. This proposal offers a new approach to mobilizing private capital and grant funds in order to help conserve existing MPAs and establish effective new MPAs at key sites in the Philippines. Whereas Terra Capital, EcoEnterprises and other biodiversity conservation-oriented investment vehicles executed with GEF support through the International Finance Corporation (IFC) have been structured as private equity funds (with lives of 10-12 years), this project will provide the world's first ever biodiversity-oriented *holding company*. With a life of up to 50 years, this investment company will become a long-term shareholder in companies that are strategically located in sectors and regions within the Philippines which allow it to leverage significant benefits for biodiversity. The investment company will work in tandem with a local NGOs in order to provide technical assistance and financing for conservation activities at these important marine and coastal sites.

### 2 Global Objectives

The project seeks to achieve two global objectives:

5. ***Long-Term Conservation of Globally Significant Marine and Coastal Biodiversity:*** The project will seek to achieve long-term conservation of globally significant marine and coastal biodiversity at six sites in the Philippines through an innovative partnership between a private equity investment company (i.e., Asian Conservation Company, or ACC) and local NGOs. The conservation interventions will include: conservation management; marine enforcement; information-education-

communication; sustainable livelihoods; biodiversity research and monitoring; and development of institutional and financial sustainability mechanisms.

6. The six sites to be saved through the ACC project all fall within high Priority Marine Conservation Areas for the Philippines as identified by over 70 of the region's top marine scientists and conservationists in the March, 2001 Sulu-Sulawesi Sea conservation prioritization workshop facilitated by WWF. These Priority Conservation Areas have been adopted by the Philippine Government in their process to update the Philippine Biodiversity Strategic Action Plan. These sites contain over 300,000 hectares of marine area encompassing a broad range of globally important biological diversity. All major marine ecosystems and species of concern in the Philippines are represented within these project sites, including coral reefs, mangrove, sea grass beds, sand flats, algal beds, submarine caves, karst sea cliffs, marine turtles, diverse assemblages of reef fish, threatened marine mammals including dugongs, large pelagic fish such as jacks and sharks, whale sharks, marine turtles, manta rays and many other species. Conservation of these sites will make a significant contribution to the protection of the Priority Conservation Areas and in turn make a major contribution to the protection of Philippine marine biodiversity overall.

7. ***Demonstration of a Globally Replicable Model.*** This project seeks to create a globally replicable model for achieving sustainable use and long-term conservation of biodiversity. This model will be highly replicable for several reasons:

- (i) Many companies all over the world directly benefit from the presence of biodiversity; thus, there is considerable potential to convince companies that there is a business case for helping to preserve biodiversity. The ACC project will demonstrate that conservation makes business sense. For instance, conservation of biodiversity can both promote beneficial public image as well as secure the resource base upon which many companies depend for long-term success and profit. By establishing and demonstrating the business case for biodiversity conservation, the project will help to catalyze replication among other private sector companies in Asia and elsewhere.
- (ii) The ACC project will provide a useful model for environmental organizations to achieve their objectives. At a recent workshop on Conservation Finance in Washington DC, for example, participants expressed strong interest in replicating the ACC model even though it has not been implemented yet.
- (iii) The ACC model is extremely innovative because it includes its own built-in replication plan. Using GEF funds, this project will initiate conservation activities at six sites, which will be sustained by revenues from the ACC's first two investments and other private sector operators. After successfully demonstrating this model, the ACC will raise additional donor funding to launch conservation activities at additional biologically rich, threatened sites, which will be sustained in the long-term by revenues from additional investments. ACC expects to make 5-8 investments in total.

## **B. Current Situation and Strategic Context**

### **1 Philippine Biodiversity**

8. The Philippines is part of the global center of marine biological diversity which is known as the Coral Triangle, roughly bounded by the Philippines to the north, Indonesia to the west, and Papua New Guinea and Australia's Great Barrier Reef to the southeast. Estimates show the Philippines' coral reefs cover an area greater than 10 percent of its landmass with some of the most diverse coral

reef ecosystems in the world (more than 430 species compared with approximately 50 in the Caribbean). The seas contain more than 2,000 species of fish, 22 species of whales and dolphins, six of the world's seven species of sea turtles, whale sharks (the world's largest fish, growing up to 23 metric tons), a high diversity of sharks and rays, thousands of species of marine invertebrates, and myriad other marine species. More than 50 per cent of the animal protein intake in the Philippines is derived from marine fisheries.

9. In a comprehensive analysis called "The Global 200", World Wildlife Fund (WWF) scientists and partner institutions identified some 237 ecoregions as areas where the Earth's biological wealth is most distinctive and rich, where its loss will be most severely felt if conservation efforts are not successful. The Philippines' marine systems stand out as some of the most important marine areas within this Global 200 analysis. As a result, they are a focus for marine conservation by WWF and many other international and national conservation organizations.

## **2 Threats to Biodiversity**

### **10. Destruction of coastal and marine habitats:**

- Throughout the Philippines, illegal and destructive fishing practices and over-fishing are perhaps the single largest threat to marine biological diversity. Even with legislation, enforcement, and education, the practices continue largely because these techniques are so widespread that they overwhelm the capacity of government agencies and conservation organizations to address them. Bomb fishing, cyanide fishing, muro-ami (coraling fish by beating the reef to scare them into nets), overfishing, use of illegal trawls, nets, and compressors are the main types of destructive fishing. These take place across the majority of the country except in places where they have been eliminated by strong conservation interventions.
- There are about 27,000 sq. km of coral reefs in the country but only 5 per cent are in excellent condition (Chou et al., 1994; Gomez et al., 1994).
- About 20 to 30 percent of the original seagrass beds have been lost (Fortes, 1994).
- Clearing of mangrove areas and seagrass habitats for other uses such as establishment of fish or shrimp ponds continues unabated and has resulted in reduced productivity and damage to the coastal and marine ecosystems. Mangroves have been increasingly converted for aquaculture, logged or reclaimed for development projects. There are only 120,000 hectares of mangrove remaining or only about 25 per cent of the area in 1920 (DENR et al., 2001).
- Physical damage to coral reefs mostly occurs either through anchor damage or through divers and snorkelers collecting corals or stepping on the reef.

### **11. Unsustainable and Illegal Harvesting of Natural Resources:**

- Under the Fisheries Code of the Philippines, commercial fishing is not permitted within 15 km of the shoreline; however, commercial fishing persists within these limits.
- In general, fisheries are over and improperly harvested resulting in the decline in fish catches. In spite of the increased number and tonnage of commercial vessels and increased number of country-based fishers, fisheries production has been relatively static for the past decade.
- The catch per person per year for country-based fishers using boats less than three tons has dropped from about 1,600 kilograms in 1987 to about 1,000 kilograms in 2000 (i.e. about three kilos per day). For reef fish in nearshore waters, the catch per unit effort is down to 2 kilos per day per fisher on average.
- The use of cyanide to collect aquarium and live food fish continues to proliferate, resulting in overfishing of valuable species and destruction of habitats.

- Harvesting of banned species including corals, whale sharks, manta rays, giant clams, and endangered species, as well as over collection of all valuable nearshore organisms, results in damages the ecological integrity of coastal and marine areas.

## 12. Pollution

- Untreated domestic sewage from coastal towns, cities, and ships is increasingly being dumped directly into the sea. Additional domestic waste is dumped into rivers, canals, and shoreline areas, and then enters the sea.
- Tailings and sediments from quarrying and mining in coastal and upland areas flow to the sea through rivers.
- Agricultural chemicals (e.g. fertilizers) pollute rivers, streams and groundwater, some of which reaches coastal and marine areas.
- Plastic bags and free-floating nets result in the death of threatened marine species that ingest or become entangled in them.
- Aquaculture waste (i.e. resulting from the use of fertilizers, feeds, and chemicals) negatively impacts nearshore water quality and natural fisheries.
- Leaks and spills of oil and fuel from ships periodically damages marine ecosystems.

**Table 1. Summary of Biodiversity Significance and Threats to Each ACC Conservation Site**

ACC Site	Global Biodiversity Significance	Threats
El Nido, Palawan	Over 90,321 hectares. Extensive coral reefs, mangroves, seagrass beds, seaweed beds, beach forest, limestone forest, semi-deciduous forest, lowland evergreen rainforest. Dugongs, cetaceans, and 4 of the 7 marine turtle species	Illegal fishing and unsustainable levels of extraction of forest resources; increasing number of fish pens.
Sangay Reserve, Negros Occidental	Very large reserve at over 30,000 hectares. Marine ecosystems include algal beds, extensive coral reefs, mangrove forests, mudflats, sand cays, seagrass meadows, shoal, small islands and soft bottom communities.	Unsustainable collection of marine resources; destruction of habitats; destructive fishing methods; unabated encroachment of commercial fishing boats in the marine reserve.
Asid Gulf, Masbate	Extensive mangroves covering 12,177 hectares. Rare endemic species of Sonneratia, Extensive seagrass beds. Fringing coral reefs and reef islands, very rich fish and invertebrate communities. Hawksbill, Green, and Olive Ridley turtles. Migratory routes of whales, dolphins, whale sharks. Large bird populations including a rare endemic hornbill.	Decline in fish catch due to destruction of coral reefs; extensive mangrove clearing for fishponds etc.; ilegal fishing practices; use of destructive gears like baby trawl, “palupad”, “hulbot-hulbot” and dynamite fishing.
North Guimaras Strait	Extensive soft bottom communities, coastal mangroves, seagrass meadows, and coral reefs in southwest portion of Visayan Sea. Most productive fishing grounds in the Philippines.	Overfishing resulting in fish catch decline; destruction of critical habitats (i.e. coral reefs, mangroves, sea grasses) siltation and pollutio;. encroachment of illegal fishers.
Estancia and Concepcion, Northern Iloilo	Mangrove forests, coral reef, and sandy muddy substrate. Population of seahorses in seagrasse. Pelagic fish species (scombrids, striped mackerel,	Degradation of habitats caused by unsustainable fishing practices (trawling and hulbot

ACC Site	Global Biodiversity Significance	Threats
	nemepeterids, mullets, jacks, snapper, anchovies, herring). Reef associated fishes and invertebrates abundant. Green turtles, dugong or sea cow, dolphins, sharks, rays and skates.	hulbot; siltation due to massive deforestation); uncontrolled use of dynamite and cyanide fishing; encroachment of fishers from other areas.
Bantayan Island, Cebu	Wilderness area, mangrove swamp forest reserves. Coral reef systems. Large bird populations: Pygmy swiftlet, Brahminy kite, Rufus night heron, Dyal Thrush, Chinese egret, Reef heron, Slaty-breasted rail, Little Ringed pover and Brown shrike. Dugong, dolphins, sharks and sea turtles.	Destructive fishing practices such as dynamite and cyanide fishing and use of compressors; commercial fishing techniques that destroy coral reefs like trawl and the “hulbot-hulbot” and Zipper.

*Note: Root causes of threats to Philippine marine and coastal biodiversity are described in Section B3 below and for the specific ACC sites in Annex 6.*

### 3 Underlying Causes of Threats to Biodiversity

13. The underlying causes of the above-mentioned threats are summarized below:

- **Institutional and policy gaps and weak management capacity.** Significant institutional, policy and governance weaknesses result in poor management of conservation efforts. These include: inappropriate, overlapping and conflicting policies and institutions; shortage of technical expertise; inadequate information, education, and communication capacities; weak policy mechanisms; and poor integration of research and development activities. There is also a lack of local management regimes that clarify and limit user rights to improve the sustainability of fisheries.

The Philippines has instituted a policy framework that devolves coastal management functions to local governments with support from the other government agencies and assisting organizations. However, local governments often lack the basic technical knowledge, skills, and resources to be effective. Further, there is almost total lack of capacity at the national level to assist the local governments in effectively carrying out devolved coastal management functions.

The limited capacity of both the local and national governments has much relevance for MPAs. The management of MPAs has been undermined by the lack of resources and capacity of the Protected Area Management Boards and the Protected Area Offices. This has resulted in weak institutional status and unclear roles.

- **Weak enforcement of laws, rules and regulations.** Even where laws, regulations, and guidelines are already developed, their enforcement is inconsistent and weak. Although enforcement is effective where local stakeholder commitment exists and is maintained at high levels, such commitment is not present in most areas.
- **Lack of awareness and local stakeholders participation.** To a certain extent, the threats stem from lack of awareness of the values of biodiversity and natural resources among local communities, governmental agencies, NGOs, dive and resort developers, and tourists. Public awareness raising and education can promote respect and obedience of the law, but this is lacking.

- **Population growth.** Coastal areas are under increasing pressure from rapid population growth (i.e., 2.4% annually) and the increasing concentration of development projects near the coast. About 60 per cent of the Philippine population lives within the 832 coastal municipalities and 25 coastal cities. Studies have revealed that as the population density increases, environmental conditions and the quality of life for the average person living in a coastal area diminish.
- **Poverty and limited economic opportunities.** Poverty and limited opportunities for earning income are factors that lead Filipinos to use destructive and unsustainable harvesting methods.
- **Lack of financial sustainability.** One of the most persistent obstacles to long-term conservation in the Philippines is a lack of sustainable financing. All successful conservation projects in the Philippines have included a strong emphasis on partnerships, thus leveraging in-kind contributions of local stakeholders. As a result, their costs have been greatly reduced. However, there are always recurring costs such as fuel, staff salaries, boat maintenance, etc. that must be met by cash financing. Most projects have not been able to establish a means to sustain cash financing beyond the donor project cycle. This obstacle limits the ability to secure and expand conservation activities.
- **Lack of information on which to base management decisions.** In spite of the substantial amount of scientific information that has been collected and analyzed in relation to coastal and marine conservation, there remain serious gaps.

#### 4 Government Strategies and Programs Related to Biodiversity

14. The Government of the Philippines has instituted a number of policies and programs aimed at conserving biodiversity. A list of some of such actions and their highlights are listed below:

- **Formulation of the National Biodiversity Action Plan.** In 1992, as a result of signing the Convention on Biological Diversity, the Philippines undertook an assessment of its biodiversity and formulated its National Biodiversity Strategy and Action Plan. The Philippine Council for Sustainable Development (PCSD) was mandated to coordinate and oversee the National Plan and its six strategies and action plans.
- **National Integrated Protected Areas Systems Law (Republic Act 7586).** The Government has promulgated the National Integrated Protected Areas System (NIPAS) Law as the primary national legal framework covering protected areas in the Philippines. The NIPAS Law requires an overall planning and decision-making body for a protected area called the Protected Area Management Board (PAMB). Each PAMB is chaired by the Regional Executive Director of the DENR and composed of various stakeholders, such as local government, NGOs, POs, and other national government departments. The NIPAS Law also created the Protected Area and Wildlife Bureau within the DENR. The NIPAS Law generally covers protected areas that are national in scope and are declared by Congress as compared to the small municipal protected areas such as marine sanctuaries that are declared through municipal ordinance.
- **The Local Government Code of the Philippines (Republic Act 7160).** This Code provides for the decentralization of certain functions of the national government to the local government units (LGUs). The Code provides more powers, authority and responsibilities to the LGUs to carry out their specified functions. These functions include assessment, planning, regulation, legislation, enforcement, revenue generation, and monitoring of their environment and natural resources. The adoption of the Local Government Code contributed to the growth in numbers of municipal

MPAs. The Code gives extensive powers to the LGUs to manage their coastal and marine resources out to 15 kilometers offshore.

- **The Fisheries Code of 1998 (Republic Act 8550).** The Fisheries Code provides the framework for the management of the country's fisheries. It reaffirms the jurisdiction of city governments over municipal waters and their important roles in enforcing fishery laws and managing coastal resources. The Code supports local planning of MPAs through the Municipal or City Fisheries and Aquatic Resources Management Council (FARMCs). Each FARMC is composed of fisherfolk organizations, NGOs, LGUs, and government agencies.
- **The Fisheries Sector Program (FSP).** In 1991, this program was instituted to generate and implement Coastal Resource Management (CRM) plans in 12 bays. It intended to rehabilitate, conserve, and sustainably manage aquatic resources; shift commercial fishing from overfished areas to under-exploited ones; and improve productivity to maintain ecological balance.
- **The Fisheries Resource Management Project (FRMP).** The FRMP is a six-year (1998-2003) project supported by loans from ADB and OECF of Japan with co-financing from the Government of the Philippines. It has three main components: fisheries resource management; capacity building; and income diversification through community development and identification of alternative livelihood.
- **The Coastal Resources Management Project (CRMP).** CRMP, jointly implemented by the DENR and USAID, aims to: implement community management systems for sustainable coastal resource use; enhance existing and potential leadership capacity; and find solutions to key problem areas on the national level. CRMP provides technical assistance and training to LGUs, coastal communities, national government agencies, and NGOs. It has initiated coastal management improvements in 90 municipalities covering about 2,500 kilometers of coastline that constitute six learning and expansion areas of the project. The CRMP will end in 2003.
- **Coastal Conservation and Education Foundation (CCE Foundation).** CCE Foundation is an offshoot of CRMP. It will carry out similar programs to the CRMP but through the private, non-profit sector. An initial undertaking of the CCE Foundation is the implementation of a two-year CRM program in Siquijor Island (six municipalities) and southern Cebu (6 municipalities). CCE Foundation will assist municipal marine sanctuaries to become self-sustaining through revenue generation from tourism. CCE Foundation will also carry on the information functions of the CRMP together with the DENR (White, 2002).
- **The Integrated Coastal Resources Management Project.** With the assistance from ADB, the Integrated Coastal Resources Management Project will build on the national policy framework and lessons generated through the CRMP and other completed and current projects. IFC is coordinating with ADB to maximize synergies with this project.
- **The Coastal Environment Program.** Started in 1993, the Coastal Environment Program of the DENR assists LGUs with MPAs. It is the only national government program to promote and manage the entire coastal environment, including water quality and shoreline land use.
- **The Coastal and Marine Office at the DENR.** The newly established Coastal and Marine Management Office (CMMO) is under the office of the Secretary of the DENR. Its principal role is policy-making for coastal management, especially assisting LGUs in the implementation of their CRM programs.

- **The National Integrated Protected Area Project (NIPAP).** In 1995-2001, the DENR and EU provided technical assistance in the management of natural habitats and biodiversity in eight protected areas, including the El Nido-Taytay Managed Resource Protected Area.
- **The Philippine Government's Development Agenda.** The Philippine Government addresses environmental sustainability through its Medium-Term Philippine Development Plan (MTPDP). It stipulates that the government will be guided by the principle of environmental sustainability in pursuing economic growth. As part of the Agenda, the National Council for Sustainable Development (NCSD) was created in 1992 to address general environmental issues on a cross-sectoral basis. In 1996, the Philippine Agenda 21 was adopted to serve as the national action agenda for sustainable development. The Government intends to further institutionalize its environmental commitment by supporting several legislative acts, including the National Land Use Act, Clean Water Act, and National Solid Waste Policy.
- **The Presidential Commission for the Integrated Conservation and Development for the Sulu Celebes Seas.** In June 1997, Presidential Proclamation 1028 declared the Sulu Celebes Seas as an Integrated Conservation and Development Zone (ICDZ) and established a Presidential Commission devoted to the conservation and sustainable use of the marine resources in the Sulu Celebes Seas. A goal of the Presidential Commission is conserve a biologically representative complement of the biodiversity of the Sulu and Sulawesi Seas by protecting a network of areas of outstanding of biological diversity and natural resources.

15. The policies and programs summarized above have developed important tools for enhancing capacities of communities, municipal, provincial and national government, and NGOs to improve the overall management of coastal resources. There are successful MPAs as a result of these policies and projects but without the much larger effort to build more integrated CRM programs, the MPAs would not be functioning as they are. It is essential that projects must target the broader capacity problems.

## **5 Sector-Related Country Assistance Strategy (CAS) Goal Supported by the Project**

16. The World Bank Group's CAS for the Republic of the Philippines covering July 1999–June 2002 was presented in May 1999. Key objectives of the CAS are sustained structural reforms needed for fiscal consolidation, public sector management, trade and investment liberalization, and capital market development - all essential to prevent an economic slow-down. The proposed ACC project is aligned with the CAS' priorities because it:

- (i) works to reduce poverty by creating a more secure resource base;
- (ii) promotes the expansion of the private sector both economically and thematically through the creation of a new private equity investment company and the expansion of its investee companies into natural resource and biodiversity conservation;
- (iii) promotes economic development by assisting local communities to identify environmentally compatible economic enterprises;
- (iv) promotes transparency in natural resource management by supporting multi-stakeholder approaches to conservation; and
- (v) conserves biological diversity while at the same time helping to enhance economic opportunities.

## 6 GEF Operational Strategy/Program Objectives Addressed by the Project

17. The project is consistent with the GEF Operational Strategy to support long-term protection of globally important biodiversity and directly addresses the objectives of the GEF Operational Program #2: or Coastal, Marine and Freshwater Ecosystems:

- (i) The project will directly *conserve* biodiversity by not only ensuring that the portfolio companies of the ACC mitigate their own environmental impacts, but also by directly supporting greatly expanded conservation activities at all sites;
- (ii) The model provides for *sustainable use* of the conservation sites by ensuring that both the companies operating in the areas and local stakeholders generate economic benefits from the resources in environmentally sustainable ways;
- (iii) The project will enhance *equitable sharing of the benefits* of biodiversity by enhancing capacity of local stakeholders in implementing conservation-compatible livelihoods, providing employment and other economic opportunities, and supporting practices that help to secure food resources, such as fish and other marine species;
- (iv) The project includes *targeted research* and monitoring to track the status and conditions of key biodiversity and resources within this network; and
- (v) The model will provide for the long-term execution of conservation activities by generating *sustainable conservation financing* from private sector companies.

### C. Project Description Summary

18. This project is designed to overcome the most significant obstacles to long-term conservation in six globally significant, threatened areas in the Philippines by establishing a model in which private companies go beyond simple environmental mitigation to directly support biodiversity conservation. (The biological significance and threats to biodiversity in each of the sites are presented in Annex 6.) By involving the private sector as a key partner in execution of conservation activities, this GEF project seeks to ensure that conservation gains achieved through external donor support are sustained through long-term conservation financing generated by private sector activities.

19. In each of the chosen ACC sites, local stakeholders have come together to pursue conservation activities; however, due to various constraints, they have not been able to overcome the obstacles to achieve sustainable conservation. Primarily, they have not been able to access sufficient technical and financial support to adequately protect the biodiversity of the area. In the majority of the sites, extensive consultations have generated both support from stakeholders as well as conservation plans. However, full implementation of these plans has remained unrealized. Each tranche of this project has been designed to fully embrace the needs and interests of local stakeholders as expressed in consultations carried out by local organizations (see Annex 10). Using these consultation results as a background, the ACC has developed six mutually supporting project components. These components are designed to overcome the persistent barriers to effective conservation implementation and, through the ACC approach, to establish sustainable mechanisms to fully protect the biodiversity of each project site. Each component contains a cluster of activities that are the means by which the project will achieve its objectives. Emphasis on different components may vary from site to site but the overall approach will remain the same.

20. It is important to implement this initiative as a GEF Full Sized Project (FSP) in two tranches as opposed to a series of Medium Sized Projects (MSP) or a single-phased FSP in order to establish an appropriate programmatic approach. As a two-phased FSP, the project will be able to build

crosscutting capacities right from the start. Thus, a vehicle for gathering and sharing lessons among the project sites will be institutionalized with the ACC, initially, being the overseeing body. Conservation activities at all sites will be coordinated and sequenced in a manner that allows real-time information sharing and lessons learning. Conservation activities will begin at El Nido, where ACC bought a majority stake in its first investment in the El Nido Resorts of Ten Knots Corporation. This initial tranche will allow the ACC model to be demonstrated. Lessons learned in this initial tranche at El Nido will be applied during the second tranche as conservation activities are initiated at the chosen sites in the Visayan Sea which are associated with Stellar Fisheries, ACC’s second planned investment.

## 1 Project Components

The project will be implemented through seven components

**21. Component 1: Conservation Partnership: Between a Private Equity Investment Holding Company (ACC) and local NGOs:** The Asian Conservation Company (ACC) is a private equity investment holding company that has currently achieved a committed capitalization of US\$12.25 million towards its targeted level of US\$16.0 million.<sup>1</sup> As a majority or significant minority shareholder in investments, ACC will ensure that each of its investee companies directly participates in biodiversity conservation activities, such as strategic planning or providing logistical support to in-field action. In addition, ACC will pass Board Resolutions (when it is a majority shareholder) or include covenants in its Share Purchase Agreements (when it is a minority shareholder) to ensure that each investee company channels some of its cashflow to support conservation activities in the sites where they operate. These funds will be generated in a manner most appropriate for the investee company, such as adding an incremental cost to each company’s products (such as tourist fees or marginal increases on the cost of goods produced). The sustainability of this funding mechanism will depend on the financial viability of the investee companies; therefore, ACC has a formal investment management agreement with Next Century Partners, a well-established venture capital fund in the Philippines, to handle all financial management services. As part of this project, ACC intends to invest in two companies associated with six sites selected for their outstanding biodiversity features. No GEF funds will go to the ACC or to any of its investee companies.

**Table 2. Summary of ACC’s First Two Investee Companies and Associated Conservation Sites**

ACC Investment*	Target US\$ Amount of Investment	Associated Conservation Site
Ten Knots - El Nido Resorts	US\$15M**	El Nido – Bacuit Bay, Palawan
Stellar Fisheries – Blue Crab Industry*	US\$0.8M	Sagay, Negros Occidental; Asid Gulf, Masbate; North Guimaras Strait; Bantayan Island, Cebu; Estancia and Concepcion, Northern Iloilo

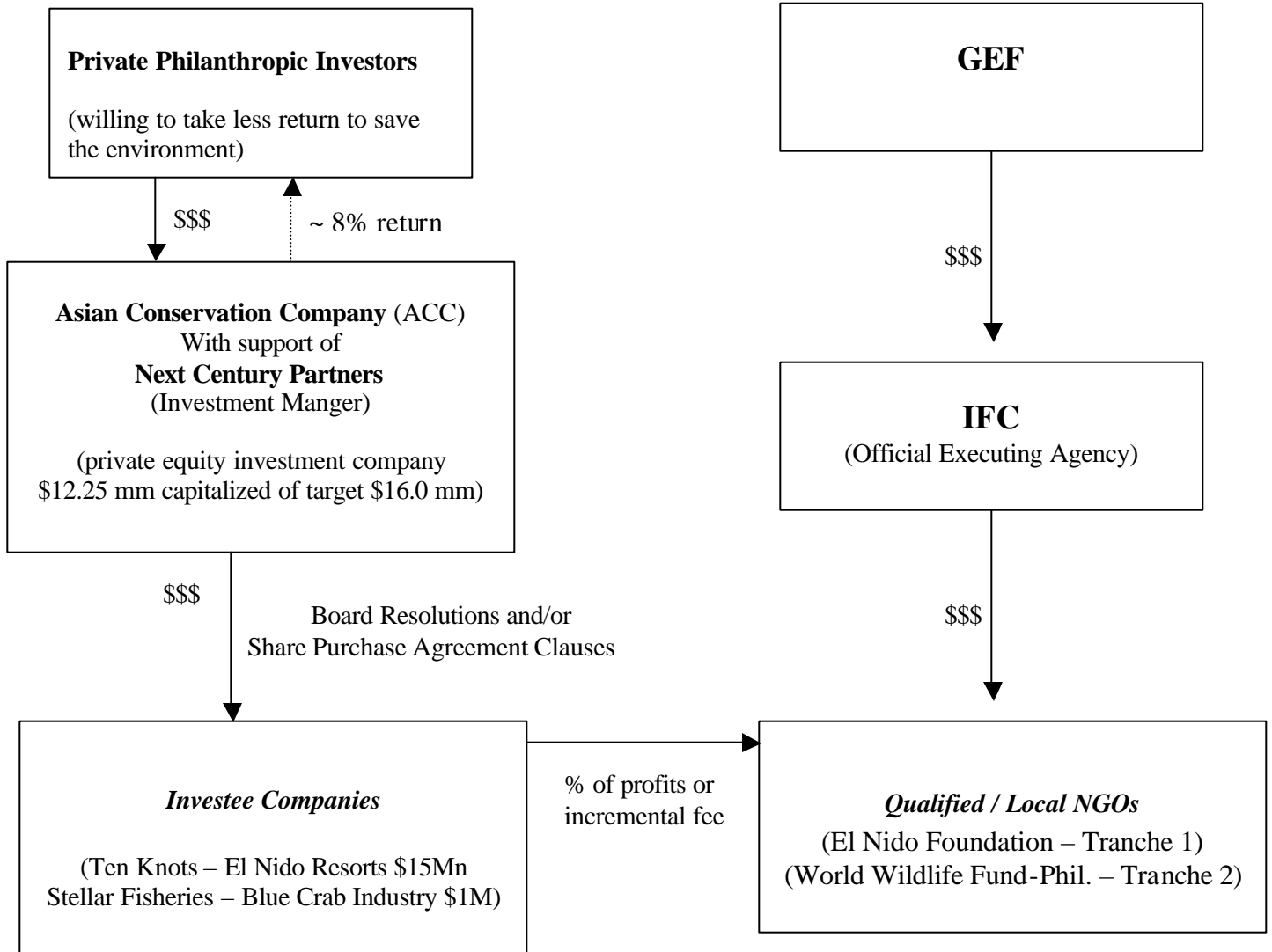
*\*Full descriptions of these two companies can be found in Annex 4.*

*\*\*Although US\$15M is the total expected ACC investment in Ten Knots, the first tranche of US\$8.5M was sufficient to obtain a controlling interest(53%) in the company. Additional contributions will be made over the course of the GEF project.*

<sup>1</sup> US\$16.0 million is the ACC’s targeted capitalization level for its first two investments only. Importantly, the ACC intends to raise up to US\$50 million for investments in biodiversity-benefiting businesses in Southeast Asia.

22. The El Nido Foundation (ENF) is a private foundation that will be the direct recipient for Tranche 1 funds. The ENF will attract and manage outside donor funding as well as conservation funding generated by ACC's first investee company and other private sector operators. ENF will allocate these funds (including the GEF funds) to the approved conservation activities at each site.

**Table 3. ACC Diagram**



22a. The World Wildlife Fund-Philippines (WWF-P) is a private foundation that will be the direct recipient for Tranche 2 funds. WWF-P will attract and manage outside donor funding as well as conservation funding generated by ACC's second investee company and other private sector operators. WWF-P will allocate these funds (including the GEF funds) to the approved conservation activities at each site. For certain activities and approved projects, WWF-P may allocate these funds to a qualified and acceptable Local Government Unit (LGU) or People's Organization (PO). WWF-Philippines is one of the most experienced conservation organizations in the region with extensive experience in the administration of GEF grants. WWF-P is also the environmental advisor to ACC.

**23. Component 2: Conservation Management: Institutional Management/Implementation Mechanisms and Conservation Action Plans to Ensure Efficacy of Conservation Activities at each site.** Conservation Management is an umbrella component for the conservation activities that will be conducted at each site (described below in components three through seven). ACC has identified two qualified and capable NGOs that will carry out the conservation activities for each tranche and oversee the conservation activities at each site, mainly ENF and WWF-P. At each site, ENF or WWF-P will form a Conservation Management Team (if one is not already in existence) from within its staff and with the assistance of outside actors, as relevant. This team will be responsible for: 1) involving relevant stakeholders; 2) developing and updating conservation action plans; 3) executing project activities; and 4) monitoring and evaluating progress. ENF and WWF-P will also form a Conservation Advisory Committee (if one is not already in existence) that will involve multiple stakeholders such as the local government, the national government, local communities, industry, and others. In the case of protected areas, the Protected Area Management Board (PAMB) and other stakeholders will constitute the Conservation Advisory Board. The Advisory Committee at each site will provide guidance to the Conservation Management Team on project design and execution. The Advisory Committees will align with and include full participation of existing local management bodies such as PAMBs, FARMCs, and MPA Management Units. In the case of protected areas, the Protected Area Management Board and other relevant stakeholders will constitute the Conservation Advisory Committee. The Advisory Committees will also be the vehicle for local stakeholders to express their interests and concerns about the project. The long-term aim of the ACC initiative is to turn over conservation execution to the most appropriate range of local stakeholders, including Protected Area Management Boards (PAMBs), fishermen associations, Local Government Units, etc. Thus, the project will prepare these stakeholders by strengthening local institutions and providing training in essential areas such as resource management, project administration, organizational effectiveness, etc.

**24. Component 3: Conservation Enforcement: Multi-Stakeholder Creation of Effective Enforcement and Regulatory Regime.** This initiative will enhance enforcement and regulatory regimes to help halt destructive activities at project sites. Enforcement and regulatory regimes are fundamental to conservation success and will help ensure that biodiversity and natural resources are no further degraded at these sites. In the Philippines, natural resource laws enable and encourage the formation of multi-stakeholder teams to execute enforcement. Bantay Dagat (or Sea Watch) teams are comprised of volunteers from local communities, while average citizens can be deputized to be fish wardens and help enforce against destructive fishing practices. The project design is based both on the expressed desire of local communities and stakeholders to prevent destructive activities in their areas and the ability to involve them in this prevention. Multi-stakeholder enforcement teams (which are divisions of the overall Conservation Management Team, as described above) will be responsible for ensuring that no illegal or destructive activities take place in the site. The enforcement teams will include representatives of various stakeholder groups, including local communities, local government, national government, local and national NGOs, the private sector, and others, as deemed appropriate. Once destructive activities are under control, both natural regeneration and targeted restoration efforts can move forward to ensure the maintenance of a healthy and vibrant ecosystem. Enforcement teams

from each site will be connected through a learning network to access and benefit from one another's approaches and activities.

**25. Component 4: Information, Education, and Communication (IEC): Awareness, Outreach, and Environmental Education to Develop Stakeholder Support.** Effective long-term conservation initiatives will be successful if relevant stakeholders are supportive of the activities. The initiative will develop targeted awareness, information, and communications activities to encourage stakeholder support. Such efforts may include presentations, trainings for community members, non-formal educational programs and development of outreach materials for fishers and other stakeholders. Experience in the Philippines and other countries has demonstrated that stakeholders are typically very interested in conservation activities once they are aware of the possible benefits and approaches that are available to them. This is particularly the case in marine conservation, as protection typically leads to increased fish biomass and often leads to increased fish catch in adjacent areas. To help inform stakeholders, the ACC project will sponsor exposure tours both to areas where fisheries have collapsed and to areas where local communities have successfully managed their fisheries through conservation. At other sites in the Philippines, successful exposure tours conducted by WWF-Philippines have resulted in local communities being more inspired to pursue conservation with conviction. The ACC project will create a learning network across its six sites. Learning and sharing of lessons at the level of communities, LGUs, NGOs, government and private sector will be encouraged by: regular exchange visits; cooperative training; visits of more experienced NGOs to less experienced groups for peer teaching; strong monitoring and evaluation with dissemination of lessons learned; semi-annual meetings of project principals to review progress; and a regular email newsletter detailing progress and issues at each site.

**26. Component 5: Sustainable Livelihood Strategies: Development of Sustainable Livelihood Strategies to Enable Communities To Support Conservation.** In order for conservation to be sustainable, local people need to be able to develop meaningful alternatives to destructive activities. The ACC, ENF, and WWF-P will help provide natural resource management and assist community members to attain sustainable livelihoods by providing capacity-building initiatives (e.g. study tours, trainings and workshops, and organized extension visits by relevant government and other stakeholders) and linking them to other development NGOs that provide technical support for the establishment of sustainable livelihood schemes and credit/ micro-financing. The ACC and its partner NGOs, along with other NGOs/Foundations, will use co-financing to support programs that may include small-scale tourism, handicrafts, employment with the portfolio company or in conservation projects, employment with restoration efforts, high value seaweed aquaculture, and other site-appropriate activities. The ACC and its partner NGOs will ensure that the sustainable livelihood activities carried out by these groups are closely coordinated with the other conservation activities undertaken in each site. Over time, conservation will help to re-establish the prosperity of local resources and therefore will help provide local people with more resources than they have now. Experience across the world and in the Philippines has demonstrated that conservation in protected areas can provide considerable increases in catch outside of protected areas. Furthermore, the elimination of destructive gear types can allow habitat to recover and support increases in fish abundance.

**27. Component 6: Institutional and Financial Sustainability: Development of Institutional and Financial Mechanisms to Ensure Conservation Sustainability.** This initiative will establish or enhance sustainable institutional and financial mechanisms to help ensure the long-term execution of conservation activities after the termination of the GEF support. Institutional mechanisms will be developed on a case-by-case basis depending on the needs of the area. In most cases, as mentioned under Component 2, multi-stakeholder Conservation Advisory Committees will oversee conservation implementation in an area. These committees will be developed over time through agreements between multiple stakeholders. Initially, NGOs will play a dominant role in project execution. If

appropriate for the site, over time, the execution of conservation activities may be fully vested to a multi-stakeholder institution (such as an Advisory Committee, PAMB, or FARMC) with the NGO playing a diminished role. Financial sustainability will be developed through increments charged by ACC portfolio companies or through annual donations and through outreach to encourage other companies to establish similar models. Incremental charges will include tourism taxes as well as marginal cost increases on products (see Annex 5 for an analysis of projected conservation financing). The conservation finance generated by ACC portfolio companies will be channeled to ACC's partner NGOs, which in turn will manage these funds, establish endowments, and grant funds as appropriate to execution partners at each site.<sup>2</sup>

**28. Component 7: Research, Monitoring, and Evaluation: Biological, Socio-Economic and Financial Monitoring to Track Changes Over Time and Evaluate Project Implementation.**

Research, monitoring and evaluation are essential to achieve adaptive project management and effective conservation implementation. The research element will address information gaps regarding the status and distribution of marine biodiversity and resources. This will involve preparing or updating participatory coastal resource assessment (PCRA) maps in each site for conservation planning purposes. The monitoring and evaluation (M&E) activities will include the development of detailed work plans for each site. Each of these plans will be designed to answer a specific set of clearly stated biological and socio-economic questions (i.e., will have clear objectives); include both implementation performance indicators (i.e., project inputs and outputs) and project impact indicators (e.g., replenishment and conservation of biological resources, number of hectares of reef conserved, generation of sustainable livelihoods); specify the frequency of monitoring activities (in most cases including quarterly, semi-annual, and annual elements) and which stakeholders will carry them out; and outline the necessary training and financial inputs. These M&E plans will allow for the updating or establishment of a biological and socio-economic baseline for each site and the subsequent tracking of changes relative to it. The project will draw upon the expertise of universities and research institutions, such as the Philippines Council for Aquatic and Marine Research and Development (PCAMRD). The project implementers will also examine, and possibly utilize, the Reef Condition Index which was recently developed as part of the GEF-funded Marine Conservation Project in Papua-New Guinea. In addition, each of ACC's partner NGOs will prepare an overall M&E plan that outlines how the periodic results produced through each site-specific M&E plan will feed into project management and be disseminated both locally (generally through community meetings) and nationally (generally through IEC materials). This overall M&E plan will also include clear procedures for measuring the performance of each partner NGO itself and the adequacy of sustainable financing to be generated from ACC investee companies and other private sector operators.

29. Finally, it is important to note that this project's M&E results will be linked to broader M&E efforts in the Philippines in order to strengthen the nation's long-term M&E capabilities. Specifically, the biological data generated through this project will be incorporated into the Philippines' Biodiversity Monitoring System (BMS), which will allow it to be readily available at municipal and provincial levels and at Protected Area Offices of the DENR. In addition, as the project tracks its impact indicators, this information will be integrated into the Philippines' Municipal Coastal Database (MCD). This database is currently operational in selected provinces and is expected to be adopted nationwide in the near future. Complementary to the MCD, the project will feed information into the Marine Protected Area Database that is currently being established through collaboration of various NGOs and government agencies. The MPA Database will track each MPA in the country and rate the quality of each one's management. The rating system will provide a

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<sup>2</sup> In the case of protected areas under NIPAS (e.g. El Nido-Taytay Managed Resource Protected Area), the visitors to the park will also pay the visitors fee, which goes through the Integrated Protected Areas Fund (IPAF). The conservation finance generated by the ACC portfolio companies will be separate from the IPAF.

convenient way of tracking how far each MPA has come in accomplishing the basic benchmarks of a well-managed MPA.

30. For more information about the project components, please refer to the following: Annex 1 provides a Project Design Summary for the overall ACC project. Annexes 1A and 1B provide the Logical Framework for El Nido and Stellar Fisheries, respectively. Annexes 2 through 5 describe various aspects of the ACC and its conservation financing mechanisms.

## 2 Project Cost and Co-Financing

The total cost of the project per component and per fund source is summarized below.

**Table 4. Project Cost and Financing\***

Components	Total Costs		GEF	GEF	Non-GEF	Non-GEF
	US\$ M	% of Total	US\$ M	% of Total	US \$ M	% of Total
1. Conservation Partnership (ACC-local NGO)	16.0	72.7%	0.0	0%	16.0	91.4%
2. Conservation Management	1.185	5.4%	.915	20.3%	.270	1.5%
3. Conservation Enforcement	1.215	5.5%	.885	19.7%	.345	1.9%
4. Information, Education, and Communication	1.310	6.0%	.965	21.4%	.345	2.0%
5. Sustainable Livelihood Strategies	.790	3.6%	.610	13.6%	.180	1.0%
6. Institutional and Financial Sustainability	.600	2.7%	.450	10.0%	.150	0.9%
7. Biodiversity Research and Monitoring	.900	4.1%	.675	15.0%	.225	1.3%
<b>TOTAL</b>	<b>22.0</b>	<b>100%</b>	<b>4.50</b>	<b>100%</b>	<b>17.5</b>	<b>100%</b>

\*For more information, please refer to Annex 7: Project Cost and Co-Financing

31. ACC's co-financing, US\$16.0M, consists of its investments in El Nido Resorts and Stellar Fisheries. Under ACC ownership, these companies will directly support biodiversity conservation. For example, as a result of its involvement in the ACC partnership, El Nido Resorts is increasingly involved in biodiversity conservation in the El Nido area. El Nido Resorts will actively assist enforcement efforts (removing illegal fish pens, providing logistic support to patrols, etc.), monitor marine species (recording whale and manta sights, monitoring coral growth), and educate numerous parties: local townspeople, guests, and employees (through mandatory environmental workshops). Likewise, Stellar Fisheries will assist local fishing communities to adopt sustainable practices and to conserve important marine resources. The remaining portion of co-financing, US\$1.5 million, will be provided to project by ENF, WWF-P, other bilateral donors, and the private sector donations and financing mechanism. This provides an overall co-financing ratio of 1:3.9.

32. Importantly, the co-financing calculation does not include the US\$0.9M that Ten Knots and Stellar Fisheries are expected to generate for the ACC partner NGOs *during* the GEF project, nor the more than US\$1M that they are expected to contribute to the ACC partner NGOs in the ten years *after* the GEF project. In addition, the co-financing calculation does not take into account the expectation that ACC will generate as much as US\$50 million for investment purposes over the next nine years. This higher figure was not used for co-financing purposes only because it is less certain

and the additional investments undertaken with it would not necessarily be done in conjunction with GEF-funded conservation activities.

### 3 Key Policy and Institutional Reforms Supported by the Project

33. The current coastal resource management system in the Philippines is one of the most progressive in Southeast Asia. It is highly decentralized, vesting authority for managing and enforcing protected areas with multi-stakeholder groups at the local level. Although excellent in design, the system has yet to be fully and effectively implemented. Constraints on financial and human resources, as well as limitations in technical assistance, have made implementation of significant community-based, multi-stakeholder conservation efforts a challenge. This initiative will strengthen the Philippines' decentralized management system by supporting the implementation of Management Plans at each site in conjunction with local stakeholders, who will receive capacity building, institutional strengthening, and long term conservation funding.

### 4 Benefits and Target Population

**Table 5. Key benefits expected by target populations for each of the project component**

Component	Key Benefits Expected	Target Populations
1. Conservation Partnership (ACC with local NGO)	<ul style="list-style-type: none"> <li>• Creation of an innovative and replicable model based on sustained private sector financing</li> <li>• Resolution of the persistent challenge in conservation</li> <li>• Creation of a learning network and knowledge on how to create and sustain conservation measures</li> </ul>	ACC, other private sector entities, other conservation sites
2. Conservation Management	<ul style="list-style-type: none"> <li>• Training in project management and strategic planning</li> <li>• Creation of multi-stakeholder institutional partnerships for long-term conservation implementation</li> </ul>	Local communities, LGUs, local NGOs, NGAs, local businesses, and ACC
3. Conservation Enforcement	<ul style="list-style-type: none"> <li>• Near complete elimination of destructive activities at each project site.</li> <li>• Close to full protection of biological diversity and natural resources</li> <li>• Improvements in fish biomass, ecosystem indicators such as community structure, live coral cover.</li> <li>• Increased fish catch in surrounding areas</li> <li>• Enhanced motivation by local people for conservation?</li> <li>• Greatly increased capacity of multi-stakeholder enforcement teams</li> </ul>	Multi-stakeholder enforcement teams; local fishers who benefit from increased fish catch in areas around protected sites; protected area authorities; local communities; local NGOs; local Government; local business that depends on biodiversity features for success
4. Information, Education and Communication	<ul style="list-style-type: none"> <li>• Enhanced understanding of the ACC approach and possible adoption of the approach by other industries and conservation partners</li> <li>• Extensive non-formal education to the local population</li> </ul>	Decision makers; key conservation actors or participants in each stakeholder group; law makers and regulatory agencies;

Component	Key Benefits Expected	Target Populations
		private sector
5. Sustainable Livelihood Strategies	<ul style="list-style-type: none"> <li>• Legal non-destructive income generating activities as alternatives</li> <li>• Enhances local community support and engenders sense of stewardship</li> </ul>	Local communities; employees of alternative livelihoods; NGOs who provide technical support on livelihood strategies
6. Institutional and Financial Sustainability	<ul style="list-style-type: none"> <li>• Ensures institutional capacity for long-term conservation</li> <li>• Provides training and capacity strengthening for institutional management</li> <li>• Provides a consistent flow of funding for conservation initiatives.</li> <li>• Adoption of necessary statutory and regulatory systems to support the project approach</li> </ul>	Multi-stakeholder partnerships for conservation intervention; ACC portfolio companies; other private sector entities operating in the sites
7. Monitoring and Evaluation	<ul style="list-style-type: none"> <li>• Facilitates adaptive management and continual improvement of project implementation</li> <li>• Enables adequate reporting and lesson learning for the benefit of Philippine decision makers and the larger conservation community</li> </ul>	All stakeholder groups involved in project; broader conservation community that will learn from project lesson gathering

## 5 Implementation Arrangements

34. The ACC project will be implemented in two tranches. The first tranche will initiate conservation activities at El Nido, where the ACC's first investment was made in the El Nido Resorts of Ten Knots Corporation. It is anticipated that the GEF will disburse the requested funding of US\$1.6 million for the first tranche based on the ACC's purchase of the majority ownership of Ten Knots Corporation.<sup>3</sup> Lessons learned from the conservation activities undertaken at El Nido during the first tranche will be applied to the five sites included in the second tranche. The second tranche will initiate conservation activities at the five sites in the Visayan Sea associated with Stellar Fisheries, which is the ACC's second planned investment. It is anticipated that the GEF will disburse the requested funding of US\$2.9 million for the second tranche when the ACC has acquired majority ownership in Stellar and secured the co-financing arrangements.

35. Tranche 1 – ENF. The El Nido Foundation is the entity to coordinate, organize overall implementation and oversee the GEF-funded conservation activities for Tranche 1. ENF was established in 1994 with the vision to improve the quality of life of the people of El Nido while at the same time preserving the area's natural resource base. ENF has facilitated the formulation of the *Natural Resource Management Framework* of El Nido, which serves as the conservation and development framework of the municipality, in partnership with various stakeholders in the area. ENF has also implemented various integrated conservation and development projects such as watershed rehabilitation in conjunction with a local water system development project, sustainable livelihood development projects (linked with its microcredit facility), and community-based ecotourism. It has implemented both formal and non-formal IEC activities in relation to its integrated

<sup>3</sup> It is expected that ACC will raise an additional US\$6.5M over the course of Tranche 1 implementation in order to further increase its majority ownership of Ten Knots Corporation. The additional funds will be used to construct a third resort in El Nido and will bring ACC's total investment in Ten Knots Corporation to \$15.0Mn.

community-based healthcare and environment programs, and includes local governance concerns in its community development projects. ENF is governed by an independent 15-member Board of trustees and operates under the direction of a local Executive Director with support of 13 full-time and 1 part-time staff, most of whom are from El Nido. Technical assistance in the proper administration for a GEF grant will be provided by WWF-P.

36. For Tranche 1, the ENF will be appropriately staffed with program officers and finance/administration personnel. They will seek Technical Assistance where necessary. The core staff will have competency in: 1) design and implementation of integrated conservation programs; 2) compliance with multi-lateral donor requirements; and 3) administration of subgrants. The staff will oversee the design, implementation, assessment, and evaluation of conservation activities. The Finance and Administration unit of ENF will oversee financial management, subproject contracting, financial reporting, and other relevant aspects of administration of project funds. Details of the staffing and project management for Tranche 1 are shown in Annex 1A1.

37. Tranche 2 – WWF-P. The World Wildlife Fund-Philippines will be the entity to coordinate and oversee the GEF-funded conservation activities for Tranche 2. After initial due diligence by the IFC and ACC, it was determined that WWF-P was the most qualified NGO to carry out the conservation programs related to Tranche 2.

38. WWF-P has a history of conservation programs in the Visayan Sea area and the ACC project can build on, not duplicate, these baseline efforts. WWF-Philippines is the country's largest and most successful marine conservation NGO and also will provide ACC with access to WWF's international network of conservation expertise.

**39. Implementation of Site-Based Conservation Activities.** ACC's partner NGOs, the ENF and WWF-P, will coordinate and manage the conservation activities at each site and be in a formal contractual relationship with the IFC. The partners and their Conservation Management Team will prepare bi-annual proposals/work plans presenting project objectives, outputs, activities, and indicators. The IFC will release project funds based on a mutually agreed course of project execution. All financial management will meet stringent criteria for accountability and transparency and will meet or exceed GEF requirements.

40. The key to successful implementation of conservation activities will be the coordination of the many stakeholders. At the local level, the LGU, with the mandate from the local community to protect their livelihood interests, will be involved from the initial consultations all the way through to the successful implementation of a sustainable conservation project. The DENR, as the pillar supporting the legal and regulatory base of MPAs, will be invited to participate in all consultations at the local level.

**41. Process for Developing Conservation Plans.** The ENF will oversee the conservation activities for Tranche 1 which will be applied to certain marine based environmental pillars of an Interim Comprehensive Land and Water Use Plan for the Municipality of El Nido. The process for developing the detailed conservation plans for Tranche 2 (WWF-P) will include:

- (i) WWF-P will carry out consultations with stakeholders.
- (ii) WWF-P will oversee the establishment of Conservation Management Teams and Conservation Advisory Committees (if none are not already established) comprised of representatives of local stakeholders including DENR, BFAR and the ACC portfolio company.
- (iii) The Conservation Advisory Committee will give its inputs to the detailed conservation plan.
- (iv) WWF-P will prepare for project implementation and conduct project inception workshops.

- (v) WWF-P will describe in detail the work plans and budgets.

42. **Establishment of Sustainable Financing Mechanisms:** GEF funds will support the conservation activities at each site for the length designated for each tranche of the project to help ensure that critical biodiversity is not lost while conservation finance mechanisms from ACC portfolio companies are developed. During the course of the project, the ENF and WWF-P will manage and administer separate endowments that are created from the conservation funds generated from the portfolio company products (guest fee, etc.) for each of the ACC investee companies associated with their respective tranches. The funds will accrue to an endowment and become well established before being tapped for regular expenditures. The endowment will help buffer against the volatility associated with annual revenues from conservation financing mechanisms related to unpredictable private sector investments. An example of this endowment mechanism is found in Annex 5. At the completion of the GEF funding, the combination of annual proceeds from the endowment and recurring conservation finance generated by ACC companies will help to ensure that conservation activities can be carried on at each site in the long-term.

43. For example, in the case of El Nido Resorts, in an average year conservation fees charged to guests in combination with the Ten Knots annual donation will be about US\$50,000. In the beginning years, annual conservation costs may be as much as US\$270,000 in order to adequately protect the El Nido Area, which should reduce to approximately US\$100,000 to US\$150,000 in later years. With an endowment set up to protect the conservation efforts against the uncertain swings of the tourism market, the El Nido site may have accumulated up to US\$400,000 by year six of the project. After termination of the GEF funding, interest on the endowment amounts, in combination with ongoing annual fees and committed donations, should be sufficient to cover a larger percentage of the costs of ongoing conservation interventions in the long term.

44. In general, funds generated by an ACC portfolio company at a project site will be only used for conservation activities at this particular site. During the life of the GEF project, it is estimated that approximately US\$0.9 million will be generated by ACC portfolio companies for conservation activities. In the ten years following the termination of this project, it is expected that a total of at least US\$1 million additional will be generated for conservation activities.

45. This model has been successful at Tubbataha Reefs National Marine Park in the Philippines. The Tubbataha project is currently supported by outside funding including the Packard Foundation and the GEF. While this outside financing is paying for ongoing conservation activities, the majority of funds raised through dive fees are being directed into an endowment, which is earning needed interest. It is fully understood that recurring annual fees on tourism will not be sufficient to pay all the recurring costs of conservation. As a result an endowment is a critical piece of the formula for long-term financial sustainability.

## **6 Monitoring and Evaluation**

46. Project monitoring will be done on quarterly, semi-annual, annual, and tri-annual basis using participatory methods to increase learning and ownership for all stakeholders. The monitoring of the project will be based on the indicators listed in the logical frameworks.

- The ENF and WWF-P and local stakeholders will use the objectively verifiable indicators to conduct quarterly monitoring of site-based conservation activities. The results will provide insights on issues affecting the project implementation.

- Semi-annual monitoring of project activities will be conducted by ENF and WWF-P.
- Annual monitoring to review the strengths and weaknesses of the project and to assess the programmatic and financial performance will be conducted by ENF and WWF-P with participation of IFC and various stakeholders. The aim will be to prepare a follow-through plan for the subsequent year.
- External evaluators will conduct tri-annual monitoring to ensure adequate progress in meeting the project’s stated objectives.

Detailed monitoring and evaluation plans will be developed for each site and will be in line with detailed work plans that will be developed after project funds are secured. The participatory monitoring and evaluation plan for Tranche 1 is found on page 46.

## **7 Key Performance Indicators**

- (i) Multi-stakeholder management bodies are meeting milestones, adhering to work plans, and operating with increasingly fewer programmatic and administrative difficulties in each subsequent year;
- (ii) Quantifiably measurable improvement in biodiversity features including fish biomass, coral cover, keystone species (such as primary marine predators), and fish catch (where fishing is legal), as a result of conservation activities supported by the ACC;
- (iii) Marine and coastal areas – measured in improvement in quality of habitats and length of coastline in kilometers - coming under improved management;
- (iv) Alignment of the management or action plan for each ACC site with the plans mandated by either the PAMB of a NIPAS area, a municipal wide coastal resources management plan or a MPA management plan under the local municipality or city government;
- (v) Presence and effectiveness of marine enforcement activities measured in terms of presence of the local marine patrol or “Bantay Dagat”, cumulative number of patrol hours and number of apprehensions in relation to the actual level of illegal fishing in a given area;
- (vi) Laws and regulations that support conservation of ACC sites;
- (vii) Regular monitoring activities are taking place and are precise enough to identify changes both in biological parameters and socioeconomic elements critical to the success of the project;
- (viii) Local communities applying improved or additional practices and measures such as coastal resources management which promotes biodiversity conservation;
- (ix) LGUs increasingly involved in and providing appropriations for effective resource management.
- (x) Livelihood schemes providing improved income to families, especially those previously were depending on illegal methods of fishing for some portion of their income; and
- (xi) Recurring cost of conservation being provided by revenues from the ACC portfolio companies.

47. Additional information about the indicators for measuring project progress is found in Annex 1. Annexes 1A and 1B describe the Logical Framework for El Nido and Stellar Fisheries, respectively.

## **D. Project Rationale**

### **1 Importance of GEF Support**

48. GEF support is crucial to the ACC initiative for two reasons: (i) Without GEF support, the partner NGOs would not have sufficient funding to initiate adequate conservation activities in the six project sites. The baseline conservation activities – and the minimal additional conservation activities that

the ACC portfolio companies could fund – is not sufficient to protect the biodiversity at the six project sites. As a result, considerable globally significant biodiversity would be lost; and (ii) Without GEF support, the ACC in partnership with the ENF and WWF-P would not be able to build up an adequate endowment. Conservation financing obtained from ACC investee companies and other private sector operators would need to be channeled directly into immediate conservation activities (otherwise the biodiversity would be lost while the endowment was being established). This means that the integrity of the entire sustainable financing model would be severely compromised. The project concept simply does not work without up-front GEF funding to initiate conservation activities in the initial years.

49. GEF support will also add considerable value in two additional ways: (i) During the project preparation process, it has become clear that GEF involvement will bring credibility and visibility to the ACC initiative, thereby encouraging the participation of government agencies, private sector operators, and bilateral donors; and (ii) GEF involvement will provide an excellent vehicle for disseminating lessons learned from the ACC initiative. Given the vast potential of the private sector to provide much more significant support for conservation efforts around the world, it will be highly useful to share the experience gained through the ACC model.

## **2 Value Added of IFC Involvement**

50. IFC involvement in the ACC initiative has been and will continue to be critical for two basic reasons: (i) IFC has gained considerable experience regarding biodiversity-related investment that allows it to add considerable value to the ACC's investment activities. IFC has developed the IFC/GEF Terra Capital Fund, has helped to capitalize The Nature Conservancy's EcoEnterprises Fund, and is in the process of creating the Kijani Fund in Africa. IFC has also financed many "biobusinesses" through its IFC/GEF Small and Medium Program as well as its mainstream investments. This experience has fostered considerable expertise within IFC regarding investment appraisal and structuring in biodiversity-related sectors such as aquaculture, ecotourism, etc.; and (ii) IFC is equipped with many investment officers, attorneys, economists, engineers and other professionals – all of whom focus on for-profit investment in developing countries. These individuals have tremendous experience in various sectors which they can bring to bear on financial issues related to the ACC initiative. For example, the IFC Funds Department has compiled the lessons learned from IFC's investments in over 200 private equity funds throughout the developing world. As a result, it was this department that led the project sponsors to establish the ACC as a holding company rather than a fund. It is expected that IFC's Environmental Markets Group (which will oversee the ACC project on behalf of IFC as GEF Executing Agency) will continue to leverage the full range of IFC capacities throughout the ACC implementation process.

51. That said, IFC is not prepared to invest in the ACC at this time. Considerable effort was devoted to finding a way to make an IFC investment possible. Although the ACC's long-term holding company structure is best for biodiversity conservation, it is not best in terms of providing an optimum financial rate of return for investors. Since IFC practices triple bottom line investment (i.e., which values environmental/social, economic, and financial aspects), it appreciates the strong environmental and social benefits that the ACC investments will generate. However, for various reasons related to its Charter, IFC must seek an adequate risk-adjusted financial rate of return on its investments. In the case of the ACC, IFC has concluded that whereas the ACC investee companies are likely to be profitable, they are not likely to provide a sufficient financial rate of return to offset the risk (i.e., the ACC's expected rate of return for investors of 8-10% does not meet IFC's threshold). More importantly, the ACC investments do not provide an assured exit, meaning that IFC is not confident that it would be able to sell its equity (i.e., to realize a return and receive its invested funds) within a short-enough timeframe. In this sense, the holding company structure presents a tension between what is best for biodiversity (i.e., long-term patient equity) and what is best in terms

of financial rate of return (i.e., relatively quick exits and high valuations). Although IFC looked for ways in which GEF funding could help to overcome the barriers preventing IFC investment, it appears that any possible solution would create wrong incentives on the part of the ACC managers. However, IFC is prepared to consider continuing specific ACC invitee companies on a case by case basis.

### **3 Project Alternatives Considered and Reasons for Rejection**

52. Four project alternatives were considered – all of which involved a private equity investment holding company with either internal or external conservation-related capacities:

- Alternatives for Acquisition of Conservation-Related Capacities:
  - (i) Alternative 1: Formation of the ACC with the inclusion of an internal non-profit facility (e.g. Biodiversity Grants Facility) to carry out conservation initiatives. This option could have potentially saved funds by leveraging on some of the administrative capacity of the ACC; however, it would have also diluted the business focus of the ACC. Given that the long-term success of the conservation objectives of this initiative are completely dependent on the success of the business objectives of the ACC, it is critical that ACC staff are able to fully focus on business elements. It was decided that separate expertise and administration should be devoted to the carrying out conservation activities.
  - (ii) Alternative 2: Formation of ACC with dedicated conservation staff to oversee implementation of conservation initiatives. This option was rejected for the same reasons as above. It was furthermore rejected because the biodiversity conservation mechanism of the initiative would be embedded in a private-sector for-profit company. This was deemed unworkable because many foundations and bi-lateral donors have prohibitions on funding for-profit companies. Also, the administrative expertise to manage conservation and NGO grants is very different than the expertise needed to manage private sector, for-profit investments.
  - (iii) Alternative 3: Formation of the ACC with a parallel but completely independent non-profit entity (i.e. Asian Conservation Foundation (ACF)) to be responsible for overseeing and funding conservation initiatives. This option would allow the ACC staff to remain focused on the business elements of the initiative and provide a non-profit vehicle for management of conservation financing, housing of conservation expertise, and administration of NGO grants. However, it would require a new non-profit entity to be established. As a result, fewer conservation funds would flow to programs at the local level.
  - (iv) Alternative 4: Formation of the ACC with partnerships with independent non-profit entities that operate in the areas of ACC's investee companies (i.e. ENF and WWF-P). This option was selected because it allows the ACC staff to remain focused on the business elements of the initiative and allows experienced, local NGOs to manage the conservation activities and funds. This alternative allows conservation funds to flow more efficiently to the program areas on the ground. It also provides a good system for governance since IFC will have a direct relationship with the local NGOs, as opposed to working through a 'middleman' (ACF), as in Alternative 3.
- Alternatives for Channeling of Conservation Finance:

53. Several options were considered for how funds generated through conservation finance mechanisms would flow between the investee companies, ACC, and execution partners. The options considered included:

- (i) Alternative 1: Investee companies provide funding to the ACC, which manages the funds and grants them to local NGOs.
- (ii) Alternative 2: Investee companies provide funding to a newly created non-profit, which manage the funds and grants them to local NGOs.
- (iii) Alternative 3: Investee companies provide funding directly to local NGOs.

54. The last option was chosen because it gives all conservation related administration to the local NGO partner. This allows the ACC and its investee companies to focus on their business mission while enabling the local NGO to focus on conservation initiatives at each site. Also, it is an efficient option because it channels funds raised through conservation finance mechanisms directly to the program areas.

#### **4 Major Related Projects Financed by the World Bank Group and/or Other Development Agencies**

55. Many coastal and marine conservation projects have been, or are currently being implemented in the Philippines. With GEF funding, the World Bank is currently implementing such biodiversity projects as the Conservation of Priority Protected Areas Project (CPPAP), the Mindanao Rural Development Project, and the Community-Based Resource Management. Likewise, UNDP is using GEF resources to execute two medium-sized projects (i.e. Conservation of the Tubbataha Reefs National Marine Park, and the Biodiversity Conservation and Management of the Bohol Islands Marine Triangle). Other development agencies are also financing coastal resources management projects, including:

- Coastal Resource Management Project - U.S. Agency for International Development (USAID);
- Integrated Coastal Resources Management- Asian Development Bank (ADB);
- Critical Coastal Management Project - New Zealand Official Development Assistance (NZODA); and
- Visayan Sea Coastal Resources and Fisheries Management Program (VisSea) - Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ).

#### **5 Lessons Learned and Reflected in the Proposed Project Design**

56. The project builds on lessons learned in marine and coastal conservation projects to create the most efficient and effective program of action for six project sites. Highlights of the lessons learned documented in GEF International Waters and Marine Biodiversity Projects (Hudson, 1998) and others prepared by various groups (e.g. USAID-CRMP), and ways in which the project will adopt and built on these lessons are summarized below:

- (i) **Flexible and Adaptive Management.** The design of the project allows for management flexibility based on the current and changing needs in the project sites. Recommendations

arising from the monitoring and evaluation activities will enable to adapt and change activities and management approaches. The project design puts a great deal of emphasis on regular monitoring and evaluation to ensure that the project management unit is aware of changing needs, priorities and project progress.

- (ii) **Multi-Stakeholder Partnerships and Collaboration.** Conservation practitioners have found in recent years that multi-stakeholder approaches offer high probability of success, particularly under the highly decentralized natural resource management regime of the Philippines. Supported and committed POs, LGUs, NGOs, and government are essential to ensure that MPAs and other conservation interventions are sustained. As a result, the ACC approach emphasizes the use of the multi-stakeholder approach where it is appropriate and applicable.
- (iii) **Capacity Building and Institutional Strengthening for Local Managers.** Capacity limitations of local agencies is one of the most significant obstacles to effective marine conservation. Capacity building is essential to develop skilled and capable POs, NGOs, LGUs, and government through planning and training workshops with community participants. The project will enhance the capacity of stakeholders to ensure that they have skills and expertise needed to participate fully in co-management arrangements of the project sites.
- (iv) **Practical and Simple Approaches.** The project's conservation activities are based on tools that have proven effective in marine conservation management, including multi-stakeholder management, capacity-building, conservation awareness, sustainable livelihoods, biodiversity/ecological monitoring, and sustainable financing mechanisms.
- (v) **Institutional and Financial Sustainability.** The project places a strong emphasis both on institutional and financial sustainability. For instance, PAMBs, which are mandated by the NIPAS Act to undertake protected area management, will receive capacity-building to develop skills and expertise to carry out this responsibility. In terms of financial sustainability, it is clear that tourism and other private sector operations have vast potential to provide both in-kind and financial support to conservation initiatives. The project will work with private sector operators to establish sustainable financing mechanisms to help cover the recurring costs of conservation management. In this way, the project builds directly upon the lessons learned via WWF's GEF funded project at Tubbataha Reef National Park. After surveys at the park indicated sufficient willingness to pay among dive tourists, a conservation user fee system was developed to help cover the recurring costs of conservation management and patrol.
- (vi) **Sound Science.** The project will carry out biodiversity research and monitoring to record the baseline condition of ecosystems and to identify changes in marine habitats over time. This research and monitoring will allow the project to assess ways in which its interventions have impacted the marine habitats in the long term and to identify new areas of concern.
- (vii) **Proper Sequencing of Project Activities.** It is imperative that actions to help secure the support needed from various stakeholders are conducted early in the project preparation. Therefore, one of the requirements for ACC's NGO partners is their track record in working with local stakeholder groups. The project will also aim to achieve optional sequencing of

project activities by implementing the site based conservation activities in a phased fashion that allows lessons learned from the first sites to be applied at later sites.

- (viii) **Linkages with Complementary Projects.** The project is built upon the lessons learned from other projects on coastal and marine conservation and management by GEF and other projects. The project will link with the USAID-funded CRMP to build on its significant experience in implementing coastal resources management in the Philippines. The project will also carefully build on the VisSea project for Tranche 2.
- (ix) **Local Stakeholder Participation.** Engendering local-level support for biodiversity conservation requires the empowerment of local communities and the demonstration of potential economic benefits from the sustainable use of natural resources. Thus, the project will involve communities in multi-stakeholder patrols and will promote sustainable livelihoods.
- (x) **Private Sector Development.** The project is designed to fully engage the private sector both in mitigation of their environmental impacts and in supporting biodiversity conservation at the sites where they operate. The local NGO will work with ACC portfolio companies to develop mechanisms by which to support biodiversity conservation (such as financing, education for guests, and in-kind support). Private sector operators (including ACC investee companies) will be invited to participate in the development of conservation plans and to serve on advisory committees and/or management boards for each ACC site.

## **6 Indications of Grant Recipient Commitment**

57. Although the ACC is a fairly new organization, the individuals who have spearheaded its development will continue to direct the organization during project implementation. The original concept was developed by a group of individuals at Next Century Partners, WWF-Philippines, WWF-US, and other key stakeholder groups. Together, these individuals committed considerable funding and staff time to carry out project design activities as well as due diligence on the environmental suitability of potential ACC investments and its conservation initiatives. These individuals have been working in conservation in the Philippines for five years or more (some for decades) and are deeply committed to developing innovative approaches to conservation in the country.

58. It should be noted that WWF-US, in particular, was pivotal to the design and development of the ACC and the idea of conservation partnerships with local NGOs. WWF-US and its global conservation network remain fully supportive of the ACC and will continue to provide advisory services to the ACC in the long-term.

## **E. Summary Project Analysis**

### **1 Economic**

59. The cost effectiveness of this project was analyzed relative to conservation projects of various sizes in the Philippines and the region. This analysis concluded that this project is highly cost effective for several reasons: (i) it leverages the participation of various organizations to reduce overall costs to accomplishing conservation at project sites; (ii) it establishes long-term sustainability mechanisms from the start; and (iii) it is designed to catalyze major financial contributions from a broad range of private sector operators. The analysis has concluded that the single most important

cost effectiveness measure taken by this project is the establishment of mechanisms to ensure long-term financing for conservation activities after the completion of the GEF project itself. Please refer to Annex 8 for a full explanation.

**Table 6: Summary of Incremental Costs Associated with ACC Initiative**

Cost of the GEF alternative: US\$ 24.08M over 9 years.	GEF will provide US\$4.5 M.
Cost of the baseline: US\$ 2.08 M.	Co-financing will provide US\$1.5 M.
Incremental cost: US\$ 22.0M.	ACC will provide US\$16.0 M

Please see Annex 9 for a full Incremental Cost Analysis; Annex 9A for Incremental Cost Analysis for El Nido; and Annex 9B for Incremental Costs Analysis for Stellar Fisheries.

## **2 Financial**

60. The project is expected to reduce the possible financial returns to ACC shareholders because each ACC investee company will give some of its revenues to the local NGO partner for conservation purposes. Most of the costs for conservation activities will be passed to users of the products or services of portfolio companies in the form of conservation fees that may negatively impact the market for such products. The ACC investment manager will manage impact of conservation fees by identifying a fee level that is low enough to have an acceptable impact on business but high enough to provide sufficient resources for conservation activities. The ACC shareholders are fully aware that one of the mandates of ACC is to support conservation; as a result, the potential impacts associated with conservation financing are understood as an integral part of the ACC's business model and investment thesis. Fortunately, the financial analysis of El Nido Resorts and Stellar Fisheries indicates that these already profitable companies should perform well enough over the long term to provide substantial financing to the local NGO partners (see Annex 4 and 5).

## **3 Institutional**

61. A partnership between a private equity investment holding company and local NGO partners in the developing world has never been attempted before as far as IFC can determine. This project will establish an entirely new model. The project will aim to successfully manage its key institutional relationships in the following ways:

- (i) The relationship between the ACC and the local NGO partner will be formalized through an MOU;
- (ii) The relationship between ACC and Next Century Partners (its fund manager) has been formalized through a management contract;
- (iii) Multi-stakeholder management arrangements will be established largely through MOUs and sub-contracts; and
- (iv) GEF's interests will be secured through legal agreements between IFC with each local NGO partner.
- (v) The relationship between ACC and its investee companies shall be legally established via Shareholder Agreements.
- (vi) The relationship between IFC and ACC will be formalized through a Letter Agreement.

## **4 Social**

62. The success of this project is very much dependent on the participation and support of local stakeholders. However, there are perverse disincentives to achieving adequate conservation at project sites, including: (i) financial gains from destructive fishing practices, with relatively low risk of

punishment, due to inadequate enforcement of laws; and (ii) the fact that illegal fishers are often from near-by municipalities and therefore may place peer pressure on enforcement agents to allow them to fish illegally. Compounding these conservation disincentives is a lack of positive conservation-enhancing incentives, including: (i) the absence of financially attractive alternatives to entice local fishermen away from destructive practices; (ii) few real opportunities for local communities to participate in decision-making regarding conservation management, engendering little feeling of ownership or commitment to conservation; and (iii) limited awareness of opportunities for conservation management that actually help support the socio-economic needs of local communities.

63. The major social conflict anticipated by the project is a possible conflict between local communities who want to conserve their natural resources, and outsiders who want to exploit them. While it is true that local people often use destructive techniques themselves, they are generally more open to converting to sustainable methods in their own areas once they understand the likely benefits. Outsider perpetrators are often less interested in using sustainable methods, as they don't have a vested interest in protecting areas where they don't live. As a result, there is likely to be conflict as the project clamps down on these destructive methods and seeks to raise local people's awareness about the need to protect and sustainably harvest resources. However, the appraisal process for Tranche 1 has indicated that such conflict should not be severe in the El Nido area. As enforcement efforts are increased, it is anticipated that many of the larger-scale vessels that infringe upon the protected waters will be deterred.

64. The project will work to address disincentives and potential social conflict by:

- Supporting ongoing environmental awareness-raising campaigns among local communities;
- Empowering local communities to participate in conservation management, through representation on multi-stakeholder advisory committees;
- Facilitating development of the local economy through the ACC, which will have a significant impact on the per capita income in communities living in and around the ACC sites;
- Providing local fishermen with economically-acceptable alternatives to destructive practices through alternative sustainable livelihood schemes;
- Over time, increasing livelihoods for local fisherman by allowing the natural regeneration of stocks adjacent to protected areas; and
- Supporting the process of communities enforcing their own local regulations both through enforcement and peer pressure on violators to respect local regulations.

Numerous marine conservation projects in the Philippines and elsewhere have shown that these types of interventions can be successful. The project's methodology for improving management of coastal resources and mitigating/avoiding social conflicts is based upon the best practices that have been developed through many of the CRM projects listed in Section B4.

65. The main gender issues associated with this project include the need to involve women in management decisions and to provide opportunities for women to pursue appropriate livelihood programs. Fortunately, the current multi-stakeholder system and cultural norms enable women to participate in decision-making processes. The project will help to ensure that they are given a role by organizing community meetings at times and places where women can attend. The project will also work directly with women to help them develop sustainable livelihood projects such as small-scale agriculture, fish processing, provision of services to tourism operations, and others

## **5 Environmental Assessment**

66. The ACC will work with WWF-Philippines and IFC to ensure that its investee companies (themselves not funded by the GEF) mitigate their environmental impacts to comply with the ACC's principals for environmental responsibility. All investee companies will employ very stringent environmental controls on their operations. For example, in the case of El Nido resorts, the resort facilities themselves restrict their staff from fishing in the reserve, have desalination plants and a wastewater treatment plant on site, educate their guests on wildlife and ways to protect the environment while diving and snorkeling, and have restricted shoreline development to an absolute minimum. Stellar Fisheries also employs environmentally responsible practices including not purchasing gravid or undersized crabs, treating its wastewater prior to disposal, and helping the local community to set up replenishment zones for crabs. It is important to note that Tranche 2 of the ACC Project in part aims to help shift one-species targeted industrial fisheries towards sustainable practices by establishing the business case and practical mechanisms for doing so. Indeed, in order to preserve marine biodiversity and alleviate poverty, it is crucial to promote responsible fisheries management. Any new ACC portfolio companies that have environmentally questionable practices prior to ACC involvement will adopt environmentally responsible practices as part of their requirements under ACC ownership.

67. The GEF-funded activities carried out through the local NGO partners will have negligible environmental impacts as well. In fact, they will serve to improve the local environment both by protecting ecological processes and restoring degraded ecosystems. There are no resettlement plans associated with this project. Where indigenous people are present they will be involved in project planning and execution as a key stakeholder group. IFC will closely monitor the execution of conservation activities to ensure that all IFC safeguard policies are followed.

## **6 Participatory Approach in Project Design**

68. The ACC model has been designed to respond directly to the expressed needs and desires of local stakeholders. These include: strengthening the capacity of conservation management bodies (i.e. protected area management boards, protected area office), enhancing policy and marine enforcement, developing sustainable natural resource management programs, and developing conservation-linked alternative livelihood programs. The design of the project has built on two main consultation mechanisms:

- **Assessing Conservation Needs at Each ACC Site:** The ACC project builds on ongoing and past consultation processes conducted with stakeholder groups at each site. Over the last two years at each of the ACC sites, a broad mix of groups have organized and convened consultations regarding conservation needs. WWF-Philippines was a participant, co-convenor, or organizer of these consultations. During these consultations, local communities and other stakeholder groups have expressed the strong desire to immediately address the main threats to marine conservation—illegal fishing (e.g. use of dynamite and cyanide, encroachment of the commercial fishermen) and lack of sustainable livelihoods. In preliminary studies for Tranche 1, ENF also conducted an assessment study.
- **Designing the ACC Initiative:** In order to design the ACC-funded conservation activities, a series of consultations have been carried out with key partner NGOs, local governments (in the Visayan Sea), the central office of the DENR, and various conservation practitioners. These partners have brought a wealth of experience at individual ACC sites to the design of the ACC initiative. Consultations with these stakeholders refined the selection of priority conservation interventions by analyzing the gaps between existing and needed conservation activities. The results of the analysis demonstrate that the existing conservation efforts are inadequate to conserve the globally significant biodiversity of each site and the ACC initiative is therefore necessary and timely. For Tranche 1, in particular, the ENF has identified acceptable activities

within a multi-stakeholder approved Comprehensive Land and Water Use Plan that will fit with the GEF components for Tranche 1, as described in this project.

69. Please see Annex 10 for a full description of the stakeholder analysis and participatory approach used in this project.

**70. Consultation Guidelines for Design of Conservation Projects at Each ACC Site:** Experience in conservation throughout the world has demonstrated that participation of local stakeholders is critical to long-term success. Therefore, the ENF and WWF-P have developed their own set of consultation policies to ensure that local stakeholders have an opportunity to participate in project design and implementation. Any subcontracted NGO, LGU or grassroots organization they support must follow the guidelines as part of developing a conservation project at a particular site. The NGO must either demonstrate that consultations have occurred (to the standard of these policies) or must lay out a clear plan to undertake these consultations in order to receive support. The majority of project sites has already been through considerable consultation and therefore already meets these guidelines. The IFC and ACC will periodically evaluate the executing organization. To make sure they are meeting these guidelines, the IFC and ACC will stipulate that:

- (i) Local stakeholders and their interests must be identified through a stakeholder analysis;
- (ii) Stakeholders' opinions regarding the development of conservation activities in the area must be assessed;
- (iii) If a sufficient number of stakeholders support conservation so that activities are to be undertaken, all relevant stakeholders will be asked to participate in the development of these activities, as appropriate;
- (iv) Each project site must develop a comprehensive conservation plan with the participation of local stakeholders and taking their interests into consideration;
- (v) Conservation plans must include mechanisms for local people to adequately meet their basic economic needs;
- (vi) Every site-based conservation project will have a local advisory committee comprised of various stakeholder representatives;
- (vii) Conservation plans will be reviewed at least once a year with the participation of the local advisory committee;
- (viii) Periodic community meetings (at least once every six months) will be held to understand the communities' feelings, attitudes, and changing needs; and
- (ix) Results of monitoring and evaluation of project progress and natural resource indicators will be shared with the community and other stakeholders.

## **F. Sustainability and Risks**

### **1 Sustainability**

71. The ACC approach is a promising model for ensuring long-term sustainability of conservation benefits for the following reasons:

- The project's nine year life span will allow time for both institutional and financial sustainability mechanisms to be developed<sup>4</sup>;

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<sup>4</sup> GEF resources will be used to support conservation activities at each site for six to eight years. Since the second tranche is expected to begin after year 1, the GEF project has an overall duration of nine years.

- The project seeks sufficient up-front external donor funding to cover the short-term costs of conservation, thereby enabling sustainable financing mechanisms to establish an endowment;
- The project’s emphasis on capacity-building will endow local stakeholders with necessary skills to effectively manage conservation interventions in the long-term;
- The project’s emphasis on creating viable livelihood initiatives will generate lasting impacts through a viable local economy based on environmentally responsible use of resources;
- The project will develop clear exit strategies to enable site-based conservation management to be passed from the local NGO partners to local institutions and/or multi-stakeholder teams;
- The project will include a thorough monitoring and evaluation program to ensure that each project follows tenants of adaptive management and therefore has a higher probability of succeeding in the long-term; and
- For many years after the GEF project ends, ACC Board Resolutions will continue to commit investee companies to mitigate their environmental impacts, participate in local conservation activities, and provide long-term funding for conservation.

72. Sustainable financing from ACC investee companies is expected to cover a significant portion, but not all, of the recurring costs of conservation at the six sites. As a result, the project will work to encourage cost and activity sharing by the multiple stakeholders that benefit from conservation, including local communities, local government, national government, NGOs, local businesses, and local and regional universities. Estimates by WWF-Philippines have indicated that through this cost and activity sharing, the vast majority of recurring conservation needs of the sites will be met. Regardless of how much money the sustainable financing mechanisms are able to raise from ACC investee companies, they will never be the sole source of financing for any of the conservation initiatives (nor should they be). The ACC believes that sharing the costs and activities of conservation is critical to the long-term success of conservation initiatives. A broad variety of stakeholders can, and should, contribute to conservation initiatives in whatever way they are able. For example, while ACC funds may purchase building materials, a combination of stakeholders may contribute to the construction of a guard station. The government can provide equipment and supplies, while local communities can provide labor. Working in teams, success may be reached with relatively little financing. This active participation by stakeholders helps to generate buy-in and ownership that is critical to the success of conservation initiatives. As a result, ACC projects will do more than raise sustainable finance. The ACC will work diligently to involve multiple stakeholders in a meaningful and active way.

## 2 Critical Risks

**Table 7. Evaluation of Project Risks and Risk Mitigation Measures**

<b>Risk</b>	<b>Rating</b>	<b>Risk Mitigation Measure</b>
Political instability adversely affect the ACC investments.	High	<ul style="list-style-type: none"> <li>• ACC will remain non-political and will draw out the commitment and interest of the majority of the stakeholders in furthering conservation.</li> <li>• ACC cannot limit the risk of political instability; however, it can mitigate its impacts as discussed below in terms of securing additional investors, and buffering conservation projects against dependency on only ACC conservation financing.</li> <li>• ACC has greatly increased security at El Nido and will follow suit at other tourism related sites.</li> </ul>
The ACC is not able to attract additional investors thus limiting ACC investment in additional companies and subsequent	Modest	<ul style="list-style-type: none"> <li>• The local NGOs with the support of the ACC will work with other private sector operators to encourage them to provide sustainable finance.</li> <li>• For this project, ACC has majority control for the first</li> </ul>

Risk	Rating	Risk Mitigation Measure
conservation interventions.		<ul style="list-style-type: none"> <li>investment and will obtain majority for the second.</li> <li>• ACC will continue to seek additional investors.</li> </ul>
Tourism arrivals at key ACC sites do not meet original expectations and as a result associated conservation finance and sustainable livelihood strategies are diminished.	High in next two years but modest after that	<ul style="list-style-type: none"> <li>• Targeted marketing to tourism markets that have demonstrated resilience and continued arrivals.</li> <li>• Work with other companies in the area on conservation financing.</li> <li>• Development of alternative livelihood strategies that do not depend on tourism.</li> </ul>
An ACC portfolio company goes bankrupt or is sold	Low	<ul style="list-style-type: none"> <li>• The ACC portfolio companies have been chosen based on thorough due diligence of their current and project financial stability.</li> <li>• The local NGOs, with the support of the ACC, will work with other private sector operators to encourage them to contribute to sustainable financing.</li> <li>• If the ACC sells one of its portfolio companies, it will require, as terms of sale, the purchaser to continue providing sustainable finance for a minimum of five years after the sale.</li> </ul>
Profitability of ACC portfolio companies does not meet expectations therefore limiting success of conservation finance strategies.	Modest	<ul style="list-style-type: none"> <li>• Diversification of the ACC portfolio to help ensure that more profitable companies compensate for less profitable ones.</li> <li>• Professional investment manager to ensure that stringent financial criteria is met and maintained.</li> <li>• Pursuing outside financing to build endowments at key ACC sites to help buffer against volatility in the market.</li> </ul>
Absence of operating history limits capacity and performance of ACC.. This may create challenges to its capacity and success.	Modest	<ul style="list-style-type: none"> <li>• ACC investments are managed directly by Next Century Partners, an experienced and successful venture capital company in the Philippines.</li> <li>• The conservation activities will be directly implemented by ENF and WWF-P, both with successful operating histories that reflect their capacity and success.</li> </ul>
The ACC's financial performance suffers due to its limited diversification. ACC's investments are restricted to companies working in association with natural resources or tourism. As a result, the companies' investments will not be as diversified as would be optimal. They are therefore exceptionally vulnerable to the forces of nature (climatic conditions, typhoons, temperature, etc.) as well as political events (e.g., terrorism that dries up the tourist trade) that are beyond the control of ACC.	High	<ul style="list-style-type: none"> <li>• Investing in companies showing evidence of profitability.</li> <li>• Diversifying the operations of its companies as much as possible (for example, Stellar Fisheries is receiving crabs from numerous sites helping to buffer against declines in any one site).</li> </ul>
Support from and participation of critical stakeholders is not adequate for the conservation interventions to succeed:	Low	<ul style="list-style-type: none"> <li>• Development of targeted outreach and communication programs that inspires and elicits participation from all stakeholder levels.</li> <li>• Development of incentives to encourage long-term participation (including possible compensation on a site by site basis).</li> <li>• Tranche 1 activities are centered around a multi-</li> </ul>

Risk	Rating	Risk Mitigation Measure
		stakeholder approved Comprehensive Land and Water Use Plan.
Local multi-stakeholder protection efforts are insufficient to combat against outside threats.	Substantial in some sites but modest overall	<ul style="list-style-type: none"> <li>• Nurture partnerships with more equipped enforcement agencies to ensure their availability in situations that exceed the capacity of local enforcement.</li> <li>• Where possible the project will pursue alternative livelihood work with outside illegal, destructive, or over-consumptive fishers to help them develop their livelihoods while limiting destructive activities.</li> </ul>
Non-anthropomorphic threats (e.g. El Nino event) overwhelm anthropomorphic conservation interventions.	Modest	<ul style="list-style-type: none"> <li>• Networks ACC sites will help to create a buffer for the system overall. This will help to prevent large-scale destructive events from degrading all ACC sites.</li> </ul>
Controversy may arise at specific sites where enforcement serves to limit the economically valuable, yet illegal and destructive, activities of individuals and companies. For example, in the case of El Nido, fishermen are being pressured by commercial organizations to set up fish pens in the pristine waters of the protected area.	Modest	<ul style="list-style-type: none"> <li>• Experience has demonstrated that conflict can be avoided in most cases through awareness raising and diplomacy between project staff and destructive fishers.</li> <li>• If conflict does arise, the project will utilize enforcement actions that ensure the safety of its enforcement agents but that also remove the threat of illegal perpetrators.</li> </ul>

## Annex 1: Project Design Summary For Total ACC Project

Hierarchy of Objectives	Key Performance Indicators	Source of Verification	Risks and Assumptions
<p><b>Objectives</b></p> <p>1. Long-term conservation of globally significant marine and coastal biodiversity at six sites in the Philippines through an innovative partnership between a private equity investment company and local NGOs</p> <p>2. Creation of a globally replicable model for achieving sustainable use and long-conservation of biodiversity</p>	<ul style="list-style-type: none"> <li>• Improvement in biodiversity features.</li> <li>• Multi-stakeholder management bodies are meeting milestones, adhering to work plans, and operating with increasingly fewer difficulties in each subsequent year.</li> <li>• Alignment of the conservation plan for each ACC site with plans mandated by either the PAMB, a municipal wide coastal resources management plan or a MPA management plan under the local government.</li> <li>• Expansion of ACC sites and the conservation projects initiating similar approach to biodiversity conservation.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual project reports.</li> <li>• M&amp;E periodic reports and baseline data.</li> <li>• Periodic biological monitoring surveys will be conducted at each site.</li> <li>• Mid-term evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>• Project stakeholders participate in conservation.</li> <li>• Continuation of governmental support for conservation in the existing and subsequent administration.</li> <li>• Coral bleaching or other natural events do not impact the ecosystems such that these do not neutralize the impacts of the project.</li> <li>• ACC portfolio companies are financially successful and as a result the ACC overall is able to provide recurring sustainable financing to project.</li> <li>• National and international demand for products generated by environmentally sustainable projects is stable or increasing.</li> </ul>

Hierarchy of Objectives	Key Performance Indicators	Source of Verification	Risks and Assumptions
<p><b>Components/ Outputs</b></p> <p>1. Establishment of an effective and replicable model for private sector investments to go beyond the baseline of environmental mitigation and proactively form partnerships that conserve biological diversity while simultaneously generating profits for investors.</p>	<ul style="list-style-type: none"> <li>• Two (2) profitable ACC portfolio companies consistently supporting a significant portion of the recurring costs of biodiversity conservation.</li> <li>• Expansion (in number or geographic area) of ACC portfolio companies and sites for conservation programs..</li> </ul>	<ul style="list-style-type: none"> <li>• Project Reports</li> <li>• Records of ACC portfolio contributions to local NGO for conservation programs at each site.</li> <li>• Reports of ACC portfolio company profitability both for each company and overall.</li> </ul>	<ul style="list-style-type: none"> <li>• ACC portfolio companies on average succeed in their goal of being financially successful and as a result the ACC overall is able to provide recurring sustainable financing to conservation projects at its network sites.</li> </ul>
<p>2. An effective multi-stakeholder project management and conservation mechanism and plan for each site in the network of high priority conservation areas where the ACC invests.</p>	<ul style="list-style-type: none"> <li>• Management bodies are meeting milestones, adhering to workplans, and operating with increasingly fewer programmatic and administrative difficulties in each subsequent year.</li> <li>• Marine and coastal areas – measured in improvement of habitat quality and length of coastline in kilometers - coming under improved management.</li> <li>• Each ACC network site has its own conservation management plan which are the results of the participatory process promoted by the project including design and execution of the activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of a conservation action plan for each ACC site.</li> <li>• Semi-annual project reports, and external evaluations every two years indicate effective project management of conservation efforts at each site.</li> <li>• Reporting performance as well as fiscal management will be monitored by the timeliness and quality of reports submitted.</li> </ul>	<ul style="list-style-type: none"> <li>• Local project partners (e.g. NGO, LGU) that manage conservation projects at each site have sufficient programmatic and administrative expertise or can develop this expertise to ensure proper project management.</li> </ul>

Hierarchy of Objectives	Key Performance Indicators	Source of Verification	Risks and Assumptions
<p>3. Multi-stakeholder enforcement programs are established and ensuring that legal and regulatory regimes are fully supportive of this model.</p>	<ul style="list-style-type: none"> <li>• Presence and effectiveness of marine enforcement activities measured in terms of presence of the local marine patrol or “Bantay Dagat”, cumulative number of patrol hours and number of apprehensions in relation to the actual level of illegal fishing in a given area..</li> <li>• Significant decrease (by end of project) of destructive activities in each site.</li> <li>• Trends in the frequency of observations of indicator species selected for each site.</li> <li>• Laws and regulations link to conservation of ACC sites as well as the ACC model in place as necessary.</li> </ul>	<ul style="list-style-type: none"> <li>• Project patrol and surveillance reports from each project site indicate decreasing numbers of violations and destructive activities in project areas.</li> <li>• Annual biological monitoring reports as well as annual reports from annual surveys of fishermen.</li> <li>• Text of new laws and regulations as well as semi-annual reports providing detail on new laws and regulations and the process used to secure them.</li> </ul>	<ul style="list-style-type: none"> <li>• There will be no extreme climate condition (e.g. El Nino), or other events do not impact the ecosystems at ACC network sites such that ACC conservation activities are ineffective.</li> <li>• Government support to social participation for biodiversity conservation and sustainable use is maintained and enhanced.</li> </ul>
<p>4. Stakeholders at each site in the network are aware, supportive of and participating in conservation efforts through well targeted information-education-communication programs.</p>	<ul style="list-style-type: none"> <li>• Stakeholders increasingly aware of the need to conserve biodiversity and natural resources and increasingly participating in-field protection efforts.</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes of community and multi-stakeholder management board meetings.</li> <li>• Semi-annual progress reports from each project site.</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders respond positively to awareness messages and have time and interest to participate conservation and participatory processes.</li> <li>• IEC is tightly linked with project’s biodiversity conservation goals.</li> </ul>
<p>5. A suite of functional sustainable livelihood initiatives that help local communities find</p>	<ul style="list-style-type: none"> <li>• Local communities applying improved or additional practices and measures such as coastal resources management which promotes biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>• Report of capacity-building initiatives like cross visits and EED skills trainings.</li> <li>• Semi-annual progress reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable productive practices generate equal or greater economic value in comparison with unsustainable practices.</li> <li>• There are no major subsidies for practices not compatible with conservation.</li> </ul>

Hierarchy of Objectives	Key Performance Indicators	Source of Verification	Risks and Assumptions
alternatives to destructive activities, thus enabling them to improve their quality of lives while supporting conservation.	conservation; <ul style="list-style-type: none"> <li>• Increase in number of households benefiting from livelihood schemes</li> </ul>		<ul style="list-style-type: none"> <li>• Economic stability; peace and order situation</li> <li>• Stable population growth rate</li> </ul>
6. A set of well established institutional and financial sustainability mechanisms to ensure long-term support to conservation initiatives at each site in the network.	<ul style="list-style-type: none"> <li>• Multi-stakeholder management bodies meeting regularly, and actively managing the conservation on-site.</li> <li>• ACC portfolio companies have each established financial sustainability programs to support conservation of each network site and are regularly providing funding directly to the local NGO to be used in conservation</li> <li>• LGUs' level appropriations for resource management.</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes from multi-stakeholder institutional meetings.</li> <li>• Assessments of feasibility of various financial sustainability mechanisms</li> <li>• Progress reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders are interested in and willing to participate in multi-stakeholder institutions that will take over project management from the local NGO over time.</li> <li>• Sustainable financing mechanisms can generate enough funding to pay for a significant portion of the recurring costs of conservation.</li> <li>• Decision and law -makers are interested in improving the overall biodiversity and natural resource base of the ACC network areas recognizing the benefits to their constituents.</li> </ul>
7. An effective multi-stakeholder biological and socioeconomic monitoring program that enables the ACC to understand relevant changes over time at each priority site within its network.	<ul style="list-style-type: none"> <li>• Regular monitoring activities are taking place and are precise enough to identify changes both in biological parameters and socioeconomic elements critical to the success of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Reports on biological and socio-economic monitoring which include participation processes with local stakeholders</li> <li>• Project progress reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Local stakeholders have interest and time to participate in monitoring.</li> <li>• Local stakeholders are open and provide accurate information on socio-economic issues and resource use.</li> </ul>

## Annex 1A: Logical Framework for El Nido

Goals and Objectives	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
<p><b>Goal:</b> Globally significant coastal and marine biodiversity and resources in El Nido, Palawan protected and conserved.</p>	<ul style="list-style-type: none"> <li>• Improvement in habitat quality (yes/no) in four mangrove sites: Danat, Manlag, Aberawan, Lio</li> <li>• Improvement in habitat quality of sea grass beds (yes/no)</li> <li>• 4 coral reef sites at least in good condition for specific dive sites: Twin Rocks and South Miniloc; mixed dive/fishing site: Dilumacad, fishing only sites: Bahura de Gracia.</li> <li>• Absence/presence of keystone species</li> <li>• Coral Reef Restoration project in Tres Marias</li> </ul>	<ul style="list-style-type: none"> <li>• Species presence/absence surveys</li> <li>• Mangrove monitoring surveys</li> <li>• Seagrass monitoring surveys</li> <li>• Coral reefs monitoring surveys</li> <li>• Management Plan for Tres Marias</li> </ul>	<ul style="list-style-type: none"> <li>• Government and communities remain committed/ accountable to conservation and management</li> <li>• Species and habitat populations are able to recover from past pressures (e.g. exploitation) and the project provide for minimum species/habitat survival needs</li> <li>• The project does not have an effect on the existing baseline of conservation effort</li> </ul>
<p><b>Purpose:</b> Effective management of El Nido’s marine areas and zoned for multiple uses, backstopped by an enabling Interim Comprehensive Land and Water Use Plan (CLWUP) – Environmental Management Plan (EMP) (“CLWUP/EMP”)</p>	<ul style="list-style-type: none"> <li>○ Evidence of CLWUP/EMP under various stages of implementation and updating</li> <li>○ Evidence of application of zoning guidelines/ ordinances</li> <li>○ Conservation management systems operational appropriate to CLWUP</li> <li>○ Community-based enforcement teams operational</li> <li>○ Full-range stakeholder sectoral participation maintained/enhanced and actively involved in planning, decision-making, enforcement, education, and other project activities</li> <li>○ % of households benefiting from non-extractive sustainable livelihood (2003 baseline)</li> <li>○ Private sector / local-based multi-sectoral group sustainable financing maintained and enhanced, during and after project term</li> <li>○ Critical coastal and marine biodiversity research supporting and enhancing CLWUP implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Project Reports</li> <li>• M &amp; E Reports</li> <li>• Research and monitoring reports</li> <li>• PAO/Project Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Communities are willing to adapt their land and water use practices in order to facilitate biodiversity conservation</li> <li>• Natural phenomena brought about by global climate change do not adversely affect project impacts.</li> <li>• Baseline programs of government continue to be relevant and effective.</li> <li>• Sufficient and high-quality human resources can be mobilized in order to implement the project</li> <li>• CLWUP remains in existence/ valid and harmonized with other plans including the General Management Plan for the Park and Northern Palawan development plans</li> <li>• Financing of start-ups available from other sources, i.e. core ENF, private sector</li> </ul>

Outcome/Results	Objectively Verifiable Indicators	Means of verification	Risks & Assumptions
<p>1. <b>Conservation Management.</b> El Nido's CLWUP/EMP updated and, harmonized with other plans and implementation of four components of CLWUP namely fisheries management, shoreline management, habitat management and protection of endangered species supported</p>	<ol style="list-style-type: none"> <li>1. CLWUP/EMP management descriptions in the coastal marine areas completed and approved by PAMB &amp; LGU by 1Q 2005</li> <li>2. Public consultation process completed by 4Q 2004 for coastal marine areas</li> <li>3. Quarterly PAMB meetings.</li> <li>4. PAMB and LGU resolutions consistent with CLWUP/EMP implementation</li> <li>5. TA for 4 subprojects under the ff CLWUP/EMP components: Fisheries Management, Shoreline Management, Habitat Management, Protection of Endangered Species</li> <li>6. PAMB Manual</li> </ol>	<ul style="list-style-type: none"> <li>• Copy of the CLWUP including the zoning plan and management Minutes / PAMB Resolutions</li> <li>• Maps</li> <li>• Copy of MOUs, agreements for each sub-project</li> <li>• Minutes of Meeting</li> <li>• Copy of TA Reports</li> <li>• PAMB Manual</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in political leadership will not drastically affect the project</li> <li>• PAMB, PAO, LGU, and other stakeholders have adequate skills to assess CLWUP</li> <li>• Disagreements/conflicts in management are resolved</li> <li>• Legal and institutional framework is acceptable to stakeholders</li> <li>• JBIC-SEMP intervention in the EMP preparation and approval</li> <li>• PAO has adequate resources</li> </ul>
<p>2. <b>Marine Enforcement .</b> Ordinances, regulations and other laws promoting marine biodiversity conservation and protection are developed and effectively enforced</p>	<ol style="list-style-type: none"> <li>1. Updated and functioning broad-based Marine Enforcement Plan developed</li> <li>2. At least 60 deputized fish wardens with representation of the 7 coastal barangays are active in patrol/ enforcement activities</li> <li>3. Ordinances strengthening marine enforcement passed</li> <li>4. Evidences showing decreasing number of violations (eg. active presence of commercial fishing vessel in the municipal waters in relation to actual marine patrols)</li> <li>5. A Bantay Dagat outpost in Guntao</li> <li>6. BFARMCs organized in 7 Barangays</li> </ol>	<ul style="list-style-type: none"> <li>• Copy of the marine enforcement plan</li> <li>• List of Fish Wardens</li> <li>• Patrol logs</li> <li>• Copy of ordinances</li> <li>• Police/PAO report/records</li> <li>• Community feedback</li> <li>• Physical structure of outpost</li> </ul>	<ul style="list-style-type: none"> <li>• Local stakeholders have adequate resources and skills and remain committed to marine law enforcement</li> <li>• Stakeholders increase influence in enforcement-related policy-making and activities</li> <li>• MSET is activated and has adequate resources</li> </ul>

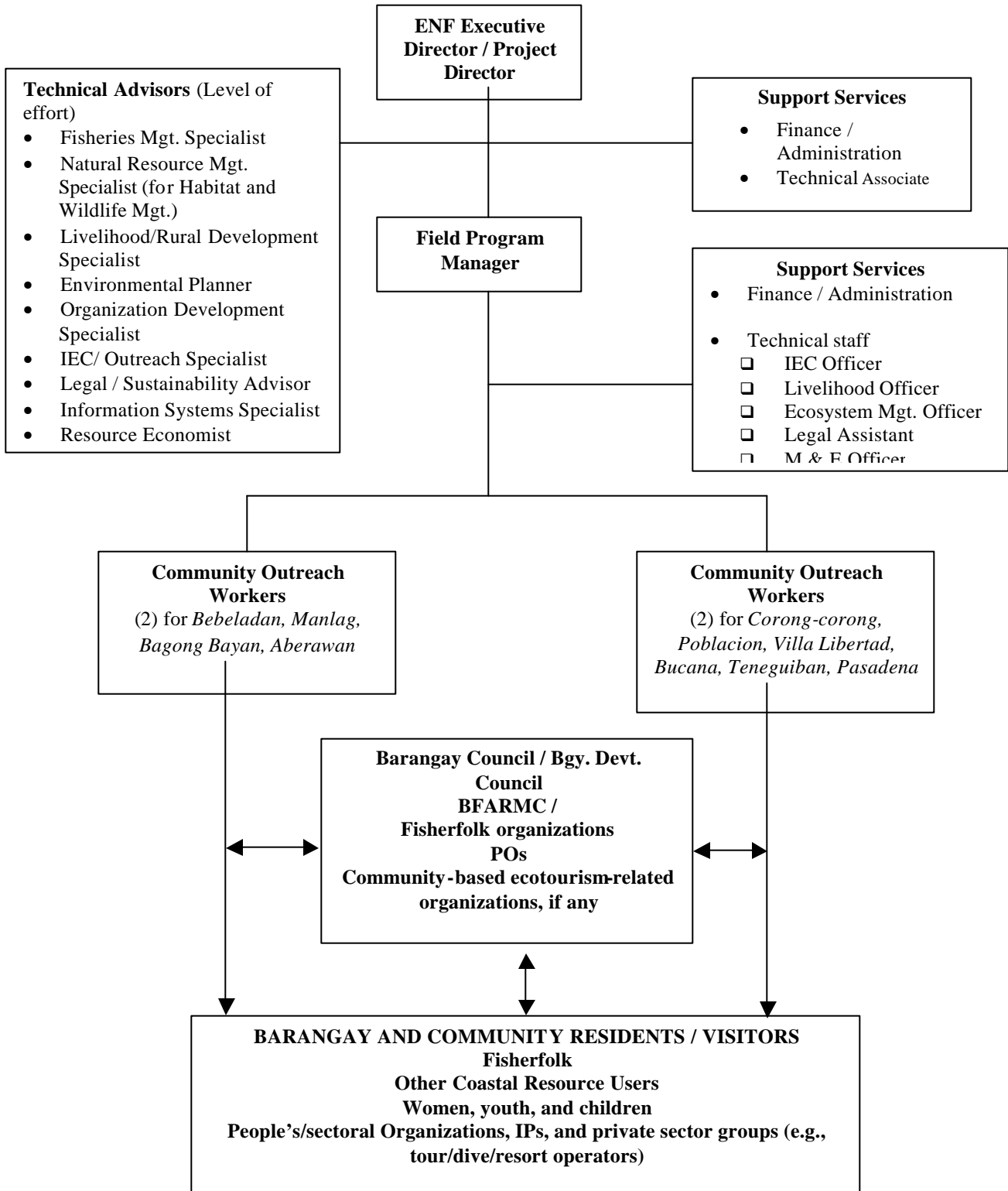
Outcome/Results	Objectively Verifiable Indicators	Means of verification	Risks & Assumptions
<p>3. <b>IEC.</b> Conservation values imparted to local communities, government, private sector, and tourists through a well-targeted information-education-communication program and that they participate in conservation efforts</p>	<ol style="list-style-type: none"> <li>1. 10 barangays with Learning Centers</li> <li>2. Conservation issues are discussed or intergrated in community forums and tri-media IEC targeted at all stakeholders, including vis itors.</li> <li>3. Non-formal IEC integrating biodiversity conservation and access by 18 schools in El Nido</li> <li>4. IEC on Coral Reef Restoration in Tres Marias</li> </ol>	<ul style="list-style-type: none"> <li>• 10 Learning Centers</li> <li>• Copies of IEC material</li> <li>• FGD/Community feedback</li> <li>• Number of hours of free radio program dedicated to conservation education</li> <li>• Visit reports, school curricula</li> <li>• Project Reports for Tres Marias</li> </ul>	<ol style="list-style-type: none"> <li>1. Communities are willing to protect conservation values for future generations</li> <li>2. Formal education system is sufficiently flexible to enable conservation education</li> <li>3. IEC is tightly linked with project’s biodiversity conservation goals</li> <li>4. Carrying capacity of the park on visitor arrivals is not exceeded</li> </ol>
<p>4. <b>Sustainable Livelihood.</b> Conservation-enabling livelihoods are supported and the sustainability of use of natural resources is assured</p>	<ol style="list-style-type: none"> <li>1. All project-endorsed environmentally-friendly economic enterprise development (EED) analyzed for profitability/feasibility</li> <li>2. 7 types of EED skills training conducted</li> <li>3. Increase in number of households benefiting from EED activity (baseline: 2002 data)</li> <li>4. At least 40 % of trainees placed in industry or self employed</li> <li>5. At least one (1) EED Pilot</li> </ol>	<ul style="list-style-type: none"> <li>• Feasibility study/proposal endorsed by Project – prepared by project consultant as necessary</li> <li>• Training reports</li> <li>• Project component livelihood monitoring survey</li> <li>• Project component M &amp; E</li> <li>• ENF core report</li> </ul>	<ol style="list-style-type: none"> <li>1. Economic stability; peace and order situation</li> <li>2. Stable population growth rate</li> <li>3. Supplemental financing for start-up sourced from external / private sector</li> </ol>
<p>5. <b>Institutional/Financial Sustainability.</b> Financing mechanisms contributing towards meeting the recurrent costs of conservation, protection and management activities established</p>	<ol style="list-style-type: none"> <li>1. Congressional Act/ PA bill passed with financial appropriation</li> <li>2. Barangay-based user fee system established in at least 5 barangays</li> <li>3. At least 75% collection of committed funds from the private and public sector (i.e., from user fees and leveraged from/allocated by Bgy. Council/LGU)</li> </ol>	<ul style="list-style-type: none"> <li>• Copy of bill</li> <li>• Project Reports/Barangay and Municipal Records</li> <li>• Project component M &amp; E</li> <li>• Budget review</li> </ul>	<ul style="list-style-type: none"> <li>• Congressional Natural Resource Committee and DENR remain committed to support PA mgt.</li> <li>• Cost-sharing arrangement involving the PCSD, LGUs, private sector can be negotiated</li> <li>• Institutional and financial sustainability measures are effective.</li> </ul>

Outcome/Results	Objectively Verifiable Indicators	Means of verification	Risks & Assumptions
<p><b>6. Biodiversity Research and Monitoring</b></p> <p>Critical coastal and marine biodiversity research supporting and enhancing CLWUP/EMP implementation and monitoring</p>	<ol style="list-style-type: none"> <li>1. Planned conduct of BMS realized</li> <li>2. Researches for critical gaps, namely: fishery management, habitat management, shoreline management, and protection of endangered species, are identified and are undertaken</li> <li>3. Database with biodiversity information updated</li> <li>4. Research results communicated to policy-making bodies (LGU, PAMB, Barangay) and integrated in other project components</li> <li>5. At least 2 papers presented or published of research results/lessons learned from the Project</li> </ol>	<ul style="list-style-type: none"> <li>• BMS Report</li> <li>• Copy of research reports</li> <li>• Annual review of the database</li> <li>• Copy of ordinances/ Minutes</li> <li>• Copy of scientific paper</li> </ul>	<ul style="list-style-type: none"> <li>• Local communities share information regarding resource use practices</li> <li>• Environmental advocacy in the barangays is able to link research results to policies/ordinances.</li> <li>• PAMB closely considers the results of monitoring and researches in passing resolution and endorsing ordinances to the LGU.</li> </ul>
<b>ACTIVITIES</b>			
<ol style="list-style-type: none"> <li>1.1 Support TA, consultants, meeting expenses, travel expenses (if necessary) for the updating and finalization of the Interim CLWUP/EMP</li> <li>1.2 Provide support to the conduct of PAMB meetings</li> <li>1.3 Train government staff and communities in participatory mapping, management and impact monitoring</li> <li>1.4 Generate relevant land and water use maps</li> <li>1.5 Negotiate partnership arrangements for joint management of some project sub-components particularly fisheries management, shoreline management, habitat management, and protection of endangered species</li> <li>1.6 Provide for technical assistance on fisheries management, shoreline management, habitat management and protection of endangered species</li> <li>1.7 Preparation of PAMB Manual</li> </ol>			
<ol style="list-style-type: none"> <li>2.1 Undertake planning workshop</li> <li>2.2 Update Community-Based Marine Enforcement Plan</li> <li>2.3 Organize composite teams</li> <li>2.4 Equip composite teams and provide support to logistics</li> <li>2.5 Conduct paralegal / deputation trainings</li> <li>2.6 Conduct actual patrols</li> <li>2.7 Establish/ equipping of outpost in Guntao</li> <li>2.8 Establish BFARMCs in barangays</li> <li>2.9 Establish multi-sectoral enforcement network</li> </ol>			

Outcome/Results	Objectively Verifiable Indicators	Means of verification	Risks & Assumptions
3.1 Develop an overall IEC framework for the Project 3.2 Establish and equip learning centers 3.3 Create an inter-barangay exchange network to enable communities to share experiences and lessons as regards to resource use and biodiversity management 3.4 Develop or adopt training materials for educators and support the integration of conservation education 3.5 Link to other existing non-formal education programs in and outside El Nido. 3.6 Develop conservation oriented literacy materials for use in on-going literacy programs 3.7 Organize an intensive media campaign to raise awareness on conservation issues – both local and outside 3.8 Arrange for project staff to make presentations to community forums on conservation issues 3.9 Develop subproject-specific IEC strategy (eg. Coral reef restoration program in Tres Marias)			
4.1 Identify and prioritize training programs aimed at improving conservation-enabling livelihoods 4.2 Identify options and opportunities with government and non-government- supported livelihood projects either in terms of financing, training or technical assistance 4.3 Actual conduct of trainings 4.4 Monitor post-training activities/placement of trainees and provide additional TA, if necessary 4.5 Identification and prioritization of potential EED projects and/or improvements to existing livelihoods 4.6 Prepare feasibility studies for prioritized EED 4.7 Implementation of pilot EED project/s			
5.1 Review and lobby for the signing of the PA Bill for El Nido-Taytay Managed Resource Protected Area 5.2 Undertake studies on mechanisms to financially sustain conservation efforts in El Nido such as user fees 5.3 Prepare a business plan for ENTMRPA 5.4 Formulate policies promoting financial sustainability, at the barangay, municipal, and ENTMRPA level 5.5 Negotiate partnership agreements with local communities/ LGUs/private sector 5.6 Support review of the management and operationalization of the Integrated Protected Area Fund			
6.1 Organize regular conduct of the BMS 6.2 Compile existing biodiversity information and identify gaps 6.3 Organize conduct of biodiversity conservation related research 6.4 Improve biodiversity information database 6.5 Make information available (print, CD-ROM, maps, website) 6.6 Make presentation of research results to community meetings, PAMB meetings and other relevant forums 6.7 Advocate for integration of research results into local policies and/or ordinances			

**Annex 1A1: Project Management and Organization for El Nido**

**(Implementing NGO level)**



**Annex 1A2: Project - Stakeholder Collaboration Table  
(MPA / Municipal Level)**

Project Component/ Key Result Area	Collaborating Agency / Organization / PAMB Committee			
	Main Responsible Person in Project	PAMB	PAO/PAMB Secretariat	LGU/GO
	Assisted by			
IEC	IEC Officer	<ul style="list-style-type: none"> <li>IEC Committee</li> </ul>	PASU PA Rangers PCSDS	SB (Environment, Education, Tourism, Agriculture, Health, ABC, etc) Local School Board, DepEd Municipal Tourism Office (MTO) MSWDO, MHO
	Legal Assistant			
Institutional and Financial Sustainability concerns (LGU, private sector)	IEC Officer	<ul style="list-style-type: none"> <li>Resource Mobilization Committee</li> </ul>	PCSDS PASU	MDC SB (Environment, Agriculture, ABC) MPDO
	Legal Assistant			
Sustainable Livelihood Devt	Livelihood Officer	<ul style="list-style-type: none"> <li><i>Resource Mgt. Committee</i></li> <li><i>Socio-economic Committee</i></li> <li><i>Ecotourism Committee</i></li> </ul>	PCSDS PA Rangers	SB (Agriculture, Tourism, Women, Infrastructure, ABC, etc) MAO, MTO, MFARMC, MEO, MSWDO, MHO
	Ecosystem Mgt. Officer			
Enforcement	Program Manager KKP Project Manager	<ul style="list-style-type: none"> <li>Law Enforcement Committee</li> </ul>	PASU PA Rangers	SB (Environment, Peace and Order, ABC) MAO, PNP, MFARMC, PCG, TFM, MTO
	Legal Assistant			
Biodiversity Research, Monitoring and Evaluation	Ecosystems Mgt. Officer M & E Officer	<ul style="list-style-type: none"> <li><i>Resource Mgt. Comm.</i></li> <li>Project Evaluation Committee</li> <li>Performance &amp; Audit Committee</li> </ul>	PCSDS PASU PAO staff Secretariat	SB (Environment, Agriculture, Tourism, ABC, etc) MPDO, MAO, MFARMC, MTO concerned agency/s PCAMRD
	IEC Officer Livelihood Officer Legal Assistant			
Over-all Conservation Management	Project Director	<ul style="list-style-type: none"> <li>Executive Committee</li> <li>Rules and Regulations Committee</li> </ul> <i>Resource Mgt. Committee</i>	PCSDS PASU Secretariat	MDC SB MPDO, MAO, <i>MENRO</i> MFARMC MTO
	Program Manager Technical Support staff Community Outreach Workers			

Notes:

- **Annex IA1:** illustrates the project management/organization recommended by the proposed implementing NGO (ENF), based on deliverables in the revised Logframe of the Project. These personnel will be the members of the Conservation Management Team described in the Project Brief. Specifically, staffing is as follows:
  - 1 Project Director (100% for Years 1-3, 75% for Years 4-6)
  - 1 Program Manager (full-time)
  - 6 Technical Support staff (full-time)
  - 4 Community Outreach Workers (full-time)
  - 4 Finance/Administrative staff (3 full-time, 1 level-of-effort)

Budget for the Technical Advisors shall be sourced from the “*Contractual services/grants*” line item.

- **Annex IA2** above shows the points of collaboration of the Project Management Team/Organization (**Annex IA1**) with agencies that are mandated (last 3 columns) to implement conservation-related programs in the PA/municipal level. This ensures that the Project will adhere to the conservation and development framework (through the Interim CLWUP-EMP, on which the Project’s conservation plan is based) adopted by the stakeholders of the PA/municipality. The Project staffing and implementation arrangements are such to ensure that incremental costs of the Project serve their purpose --- as capability-building activities for local agencies (PAMB, LGU) that play important roles in ensuring the Project’s institutional sustainability.
- PAMB committees in *itals* in **Annex IA2** above are still to be resolved/formed at the PAMB en banc. The concept of adding these working committees was approved in principle during the Dec 2002 PAMB meeting. Committees were not filled at that time because the newly elected Barangay Captains in attendance were yet to be confirmed as PAMB members. The same is true with the MENRO position, which is still to be created under the Municipal Government (but was already mentioned in the Interim CLWUP-EMP).
- Note that private sector organizations (e.g., other NGOs like KKP, TKDC, CRRAEN, POs, etc) are not enumerated in **Annex IA2**. They are, however, members of the different PAMB committees listed.
- In **Annex IA1**, the Community Outreach Workers, assisted by the Technical Support Staff, would implement all components of the Project at the barangay level.

### Annex 1A3: Participatory Monitoring Plan for El Nido

Objectives	Evaluation Questions	Indicators	Means of Verification	Baseline Data Needed	Frequency	Who is involved
1. Conservation Management. El Nido's CLWUP-EMP updated and, harmonized with other plans and implementation of four components of CLWUP namely fisheries management, shoreline management, habitat management and protection of endangered species supported	Is the CLWUP/EMP updated and harmonized with other plans and implementation of four specific components of the CLWUP/EMP supported?	1. Marine management plans (with map and zoning plans) developed, written and submitted for approval by 1Q 2005	Transmittal letter and copy of CLWUP/EMP submitted Maps/ zoning maps	Initial/ incomplete version of the CLWUP/EMP document	By March 2005	Project. LGU. PCSDStaff. PAO.
		2. Public consultation process completed by 4Q 2004	Attendance sheets and report of the consultation meetings Interviews	Existing consultation meetings (i.e. number and agreements)	By Jan 2005; after each of the meeting After each of the meeting	Project. LGU. PCSDStaff, PAO
		3. Quarterly PAMB meetings.	Minutes of the Meeting Attend meetings	Existing Minutes of the Meeting	Quarterly	Project. PAMB
		4. PAMB and LGU resolutions consistent with CLWUP/EMP implementation	Copy of new/ amended resolutions / ordinances	Existing resolutions related to CLWUP/EMP	Quarterly	Project. PAMB. LGU
		5. Number and types of support extended to the 4 subprojects under the CLWUP/EMP	Copy of MOUs/ MOAs/ contracts Copy of TA reports	Existing initiatives on CLWUP-EMP	By October 2005	Project. LGU. PCSDStaff. PAO.
		6. PAMB Manual	Detailed PAMB Manual	Concept Paper for PAMB Manual		Project. PAMB. LGU. PCSDStaff. PAO.
2. Marine Enforcement. Ordinances, regulations and other laws promoting marine biodiversity conservation and protection developed and effectively enforced	Do the ordinances, regulations and other laws exist and are they effectively enforced?	1. Broad-based Marine Enforcement Plan	Marine Enforcement Plan	Existing initiatives and draft version of plan on marine enforcement	Annually	KKP. LGU. PNP. Project. MSET
		2. At least 60 deputized fish wardens with representation of the 7 coastal barangays are active in patrol/ enforcement activities	Updated of Fish Wardens	Current list of fish warden	Quarterly	KKP. LGU. PNP. Project. MSET.
			Patrol logs	Existing patrol logs bearing names of people involved in patrols	Monthly	KKP. LGU. PNP. Project. MSET.

Objectives	Evaluation Questions	Indicators	Means of Verification	Baseline Data Needed	Frequency	Who is involved
			Community feedback/ interviews	Existing reports on community feedback on enforcement	Quarterly	KKP. LGU. PNP. Project. MSET
		3. Ordinances strengthening marine enforcement passed	Copy of ordinances	Existing ordinance	Quarterly	KKP. LGU. PNP. Project. MSET.
		4. Evidences showing decreasing number of violations (eg. active presence of commercial fishing vessel in the municipal waters in relation to actual marine patrols	Reports on the number of apprehensions vis-à-vis cases filed and the status of the cases  Patrol logs Police reports Cases filed and updates on the case	Existing reports on apprehension/ cases	Monthly	KKP. LGU. PNP. Project. MSET.
		5. A Bantay Dagat outpost in Guntao	Physical structure of outpost	Community and LGU feedback for an outpost in Guntao	April 2005  Quarterly	KKP. LGU. PNP. Project. MSET.
		6. BFARMCs organized in 7 barangays	Resolution from Barangay Councils	Assessment Report		Project. LGU. MAO.
3. IEC. Conservation values imparted to local communities, government, private sector, and tourists through a well-targeted information-education-communication program and that they participate in conservation efforts	Is the IEC imparting conservation values to various stakeholders and encouraging them to participate in conservation efforts?	1. 10 barangays with Learning Centers  2. Conservation issues are discussed or integrated in community forums and tri-media IEC and targeted at all stakeholders, including visitors  3. Non-formal IEC integrating biodiversity conservation and	Presence of operational 10 Learning Centers  Copies of IEC material-FGD/Community feedback  Number of hours of radio program dedicated to conservation  Visit reports.  Training or EE Modules.	Existing IEC materials and physical structures  Existing IEC materials.  Current program schedule  Assessment report of existing EE.	Quarterly  Quarterly  Quarterly  Quarterly	Project. LGU. DENR-PAO. Barangay Councils.  Project. LGU. PAMB. MTC. MTO. CRRAN. EI Nido Resorts.  Project. Community Radio.  Project. PAMB-IEC committee. Local School Boards.

Objectives	Evaluation Questions	Indicators	Means of Verification	Baseline Data Needed	Frequency	Who is involved
		access by 18 schools in El Nido  4 IEC on Coral Reef Restoration in Tres Marias	Project Report for Tres Marias	Assessment report for Coral Reef restoration	Quarterly	Project. Seacology. TA. ACC. El Nido Resorts. ENDA. Local Schools. Youth Organizations.
4. Sustainable Livelihood. Conservation-enabling livelihoods are supported and the sustainability of use of biodiversity and resources is assured	Are conservation-linked livelihoods supported and use of biodiversity and resources for the livelihood projects assured?	1.All project endorsed environmentally-friendly economic enterprise development (EED) analyzed for profitability/feasibility  2. 7 types of EED skills training conducted  3.Increase in % of households benefiting from EED activity (baseline: 2003 data)  4. % of trainees placed in industry or self employed  5. At least one (1) EED Pilot Project.	Feasibility study/proposal endorsed by Project – prepared by project consultant as necessary.  Training reports  Project component livelihood monitoring survey  Project component report  Sub-project EED Report.	Assessment report on existing livelihood projects by various groups  Assessment report on skills needed  2003 data	Quarterly  After each major training  Mid-term and End of Project  Semi-annual  Semi-annual	Project. LGU.  Project. LGU. TA. Trainers, trainees  Project. LGU-MPDO.  Project. LGU. Private Sector.  Project. LGU. TA.
5. Financial Sustainability. Financing mechanisms contributing towards meeting the recurrent costs of conservation, protection and management activities established	Are the financial mechanisms installed contributing to meeting the recurrent cost of conservation, protection, and management of El Nido's marine biodiversity?	1.Congressional Act/ PA bill passed with financial appropriation  2. Barangay-based user fee system established in 10 barangays  3.At least 75% collection of committed funds from the private and public sector (i.e., from user fees and leveraged from/allocated by Bgy. Council/LGU)	Copy of PA Bill endorsed to Congress  Barangay and Municipal Records- Budget review  Project Report Budget review	Initial versions of the PA Bill  Existing barangay and Municipal records  Project Document	Quarterly  Annual  Semi-Annual	PAMB. LGU. Project. PCSD- Council and Staff.  PAMB. LGU- municipal and barangay levels. Project  Project. PAMB. Private Sector. TKDC. ITI.

6. Biodiversity Research and Monitoring. Critical coastal and marine biodiversity research supporting and enhancing CLWUP implementation and monitoring	Are critical biodiversity research supporting and enhancing CLWUP implementation and monitoring?	1.Planned conduct of BMS realized	BMS Report and Analysis	Existing BMS data/ report	Quarterly	Project. DENR-PAO. LGU. PSCDS. PAMB.
		2. Researches for critical gaps identified and are undertaken	Conduct of actual surveys/ photographs or video footages	Trip report/	Quarterly	Project. DENR-PAO. LGU. PSCDS. PAMB.
			Attend surveys	Trip report	Quarterly	Project. DENR-PAO. LGU. PSCDS.
		3.Database with biodiversity information updated	Research framework and agenda	Current inventory of biodiversity researches	Quarterly	Project. DENR-PAO, LGU. PSCDS. TA.
			Number and type of biodiversity researches undertaken/ supported framework/ agenda			
4. Research results communicated to policy-making bodies (LGU, PAMB, Barangay) and integrated in other project components	Updated database	Current database	Quarterly	Project. DENR-PAO. PAMB. LGU. PSCDS.		
5. At least 2 papers presented or published of research results/lessons learned from the Project	IEC on research results	Existing IEC	Quarterly	Project. KKP. DENR-PAO. PAMB. LGU. PSCDS.		
	Copy of paper/ acknowledgment of recipient of paper by conference organizers/ publisher	Existing scientific papers presented in conferences or published in journals	Yearly	Project. KKP. DENR-PAO. PAMB. ACC. LGU.		

## Annex 1B: Logical Framework for Stellar Fisheries

Goals and Objectives	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
<p>Goal:</p> <p>Globally significant coastal and marine biodiversity and resources key areas in the Visayan Sea conserved.</p>	<ul style="list-style-type: none"> <li>• Trends in the rate of habitat destruction or conversion in protected area and coastal habitats (hectares/ year in year 8)</li> <li>• Trends in the frequency of observations of indicator species selected</li> <li>• Maximum sustainable catch for fishery resource.</li> <li>• Mangrove area: annual rate of depletion.</li> <li>• Seagrass beds area: number of species and status.</li> <li>• Coral reefs: status or condition.</li> <li>• Area of marine sanctuary/ marine reserve.</li> <li>• Oil spills: number and magnitude.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual report of the DENR.</li> <li>• Annual report of the LGU.</li> <li>• Annual report of the DA-BFAR.</li> <li>• Annual project report.</li> </ul>	<ul style="list-style-type: none"> <li>• Government and LGUs remain committed to marine biodiversity conservation.</li> <li>• There are adequate resources, skills, and commitment at the local/site level.</li> <li>• Adaptive management adequately address issues and concerns affecting the management of the coastal and marine resources.</li> </ul>
<p>Objective:</p> <p>Biodiversity conservation efforts are effectively and sustainably implemented, monitored and enforced in at least six areas in the Visayan Sea and provide for sustainable livelihoods for its residents.</p>	<ul style="list-style-type: none"> <li>• Number of resource-based sustainable livelihoods established/ number of beneficiaries.</li> <li>• Fish biomass.</li> <li>• Species abundances including grouper, wrasse, snapper and other important food fish as well as top predators such as sharks and species of special concern such as dugong and marine turtles.</li> <li>• Fish catches in areas adjacent to the marine protected area.</li> <li>• Number/ area of marine sanctuaries with multi-sectoral conservation planning and management based on 2002 figures.</li> </ul>	<ul style="list-style-type: none"> <li>• Reports of the PAMB/PAO.</li> <li>• Minutes of meetings.</li> <li>• Research and monitoring reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate source and skills required in addressing the threats and conflicts to the management.</li> <li>• Multi-stakeholder conservation efforts are sufficient to combat against future threats coming from within and outside the protected area.</li> <li>• Natural phenomena brought about the global climate change do not adversely affect the impacts of the project.</li> <li>• Baseline programs continue to be relevant and effective.</li> </ul>

Outcomes/Results	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
<p><b>Component 1. Conservation Management</b></p> <p>Multi-stakeholder participation and collaboration are effective and supporting the implementation of Conservation Management Plans.</p>	<ul style="list-style-type: none"> <li>• Scope of collaboration of multi-stakeholders</li> <li>• Multi-stakeholder formal agreements.</li> <li>• Contract of ACF with local project executant.</li> <li>• Number of PAMB/FARMC meetings per year.</li> <li>• Composition of multi-stakeholder body established in each site</li> <li>• PAMB/FARMC resolutions/ agreements.</li> <li>• Number of staff/ activities of PAO.</li> <li>• Number/ type of trainings/ seminars for PAMB.</li> <li>• Number/ type of collaborating organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes of Meetings of PAMB/ FARMCs and committees</li> <li>• Project Report.</li> <li>• Copy of PAMB/FARMC</li> <li>• Manual</li> <li>• Copy of PAMB resolutions</li> <li>• Training reports</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders have adequate skills, and resources and committed to conservation plan implementation.</li> <li>• Disagreements/ conflicts in management does not cause major delay in activities and processes.</li> <li>• Political and administrative support from municipal government.</li> <li>• Interagency cooperation continue to the level and extent necessary.</li> </ul>
<p><b>Component 2. Marine Enforcement</b></p> <p>Establishment of a community-based marine enforcement program that is fully operational and supported by local stakeholders.</p>	<ul style="list-style-type: none"> <li>• National Policy agenda on ICM.</li> <li>• Number of deputized fish wardens.</li> <li>• Composition of enforcement teams.</li> <li>• Enforcement plan and delivery of outputs.</li> <li>• Enforcement infrastructure and equipment.</li> <li>• Number of patrols made in a year.</li> <li>• Number/ type of regulations or ordinances.</li> <li>• Number of sightings of violators/ number of apprehensions.</li> <li>• Auditory and visible evidence of destructive fishing (dynamite and blast).</li> </ul>	<ul style="list-style-type: none"> <li>• Patrol reports</li> <li>• Barangay records</li> <li>• Police records</li> <li>• Community meetings</li> <li>• Municipal ordinances/resolutions</li> <li>• Municipal development and infrastructure plans</li> <li>• Enforcement Monitoring reports</li> </ul>	<ul style="list-style-type: none"> <li>• Local stakeholders have adequate resources and skills and remain committed to marine law enforcement.</li> <li>• Political support from municipal government.</li> <li>• Stakeholders increase influence on policy-making.</li> <li>• Interagency cooperation continue to the level and extent necessary.</li> </ul>
<p><b>Component 3. Information-Education-Communication</b></p> <p>Stakeholders are aware, supportive and participating in conservation.</p>	<ul style="list-style-type: none"> <li>• Number/ type of IEC materials produced.</li> <li>• Number/composition of stakeholders participating in policy dialogues and stakeholders' consultation process.</li> <li>• Number of participants in beach cleanups/year.</li> <li>• Local practices on effective waste management and percentage of household compliance.</li> <li>• ICEC materials for tourists/divers, resorts and cottage operators.</li> </ul>	<ul style="list-style-type: none"> <li>• Copy of the ICEC materials.</li> <li>• Report of the PAMB/ FARMC/ LGU</li> <li>• Feedback from tourists</li> </ul>	<ul style="list-style-type: none"> <li>• Carrying capacity of the park on visitor arrivals is not exceeded.</li> <li>• Local stakeholders appreciate the global biodiversity significance of the area and comprehend the threats.</li> <li>• Target groups (tourists/divers, resort operators, LGU) respond to IEC strategy.</li> </ul>
<p><b>Component 4. Sustainable</b></p>	<ul style="list-style-type: none"> <li>• Number of livelihood project/ beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Report of the</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable livelihoods contribute</li> </ul>

Outcomes/Results	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
<p><b>Livelihoods</b> Capacity of communities to engaged in conservation-linked sustainable livelihood enhanced</p>	<p>participating in trainings and cross visits.</p> <ul style="list-style-type: none"> <li>• Number/ program of cross visits/ trainings.</li> <li>• ICEC materials and outputs.</li> <li>• Percentage change over time of income from livelihoods.</li> <li>• Number of participants to trainings and outreach program by sectors.</li> <li>• Number/scope of collaborative linkages of stakeholders' with NGOs involved in development, financing, and establishment of livelihood projects.</li> <li>• No. of income-generating projects managed by individuals or groups per year.</li> </ul>	<p>PAMB/PAO.</p> <ul style="list-style-type: none"> <li>• Report of NGOs.</li> <li>• Copy of the ICEC materials.</li> <li>• Training report.</li> <li>• Livelihood scanning report.</li> <li>• Minutes of coop meetings, Capital build-up of cooperative.</li> <li>• Financial reports, project reports.</li> </ul>	<p>to conservation.</p> <ul style="list-style-type: none"> <li>• Capable leaders/managers within cooperative.</li> <li>• Favorable markets for products and services.</li> <li>• Dive industry is supportive to the principle of “beneficiaries pay.”</li> <li>• Local government units are committed to pass on ordinances operationalizing the collection of user fees.</li> </ul>
<p><b>Component 5. Institutional and Financial Sustainability</b> Mechanisms for long-term financing is in place to ensure the financial sustainability of the conservation initiatives in area.</p>	<ul style="list-style-type: none"> <li>• User Fee System.</li> <li>• Total value of collection from users.</li> <li>• Capacity of conservation managers enhanced.</li> <li>• Regular meetings by ICM councils.</li> <li>• ICM council resolutions.</li> <li>• Seed money, donations to trust fund obtained.</li> <li>• Public-private partnerships forged.</li> <li>• Regulation on conservation fees and other benefit sharing schemes.</li> </ul>	<ul style="list-style-type: none"> <li>• Users fee pay system developed but has yet to be implemented.</li> <li>• Minutes of meetings.</li> <li>• Progress report.</li> <li>• Bank statements, Treasurer reports.</li> <li>• MOAs, project documents.</li> </ul>	<ul style="list-style-type: none"> <li>• Local government leaders &amp; Agency heads are committed.</li> <li>• Legal Framework for fee collection established.</li> <li>• Management body functional.</li> <li>• Diver fee approximates willingness-to-pay levels.</li> <li>• Private-sector interest generated.</li> </ul>
<p><b>Component 6. Biodiversity Research and Monitoring for Management</b> Monitoring and research programs that support the management process and priorities are established and managed effectively.</p>	<ul style="list-style-type: none"> <li>• Quarterly BMS</li> <li>• A Research and Monitoring Plan.</li> <li>• Frequency/ and results of monitoring of marine ecological conditions.</li> <li>• Trends in socio-economic conditions.</li> <li>• Adjusted users' fee.</li> <li>• PAMB resolutions passed.</li> <li>• Changes in the conditions of marine habitats.</li> <li>• Evidences of adaptive management.</li> <li>• Change in populations of key species.</li> <li>• Local community perception of changes in fish catch.</li> </ul>	<ul style="list-style-type: none"> <li>• BMS report</li> <li>• Copy of the Research and Monitoring Plan.</li> <li>• Research reports</li> <li>• Copy of resolutions/ ordinances.</li> <li>• Annual biological monitoring program.</li> <li>• Post dive short surveys.</li> <li>• Report on fish landings.</li> </ul>	<ul style="list-style-type: none"> <li>• Management bodies closely considers the results of the monitoring and researches in passing resolutions and endorsing ordinances to the LGUs.</li> <li>• Off-site pollution.</li> </ul>

Activities:	Inputs:	Risks and Assumptions
<p><b>1. Conservation Management</b></p> <p>1.1 Undertake participatory process in obtaining stakeholder participation to project.</p> <p>1.2 Convene regular PAMB meetings, or local management board of MPAs or the FARMCs.</p> <p>1.3 Continue operations of the PAO, local MPA management board and FARMCs.</p> <p>1.4 Prepare PAMB/ MPA management body/ FARMC Manual and hold trainings/ seminars for PAMB/ local MPA management body/ FARMCs.</p> <p>1.5 Prepare work and financial plans.</p> <p>1.6 Organize trainings on CRM including study tours.</p>	<p>Total: US\$ 375,744 Co-financing: US\$ 57,729 GEF: US\$ 318,014</p> <p><i>Who are responsible:</i> FARMCs, LGUs, PAO-DENR, PAWB-PAMB, DENR Regional, Provincial and CENRO; DA -BFAR, WWF-Philippines and other NGOs; ACC and ACF</p>	<ul style="list-style-type: none"> <li>• PAMB remain committed to its roles and functions.</li> <li>• PAMB/ PAO has adequate resources and skills to perform their roles and functions.</li> </ul>
<p><b>2. Marine Enforcement</b></p> <p>2.1 Identify hotspots of illegal activities.</p> <p>2.2 Undertake year round patrols.</p> <p>2.3 File cases for violators.</p> <p>2.4 Deputize members of Bantay Dagat</p> <p>2.5 Set up 24-hour response unit.</p> <p>2.6 Provide legal support especially to enforcement.</p> <p>2.7 Distribute IEC materials on regulations/ ordinance.</p> <p>2.8 Organize Bantay Dagat.</p>	<p>Total: US\$ 626,239 Co-financing: US\$ 96,215 GEF: US\$ 530,024</p> <p><i>Who are responsible:</i> FARMCs, Bantay Dagat, PCG, PNP, Legal Groups, LGUs, PAO-DENR, PAWB-PAMB, DENR Regional, Provincial and CENRO; DA -BFAR, WWF-Philippines and other NGOs; ACC and other private companies, ACF.</p>	<ul style="list-style-type: none"> <li>• Adequate skills, manpower, equipment and other resources to implement law enforcement activities.</li> </ul>
<p><b>3. Information-Education-Communication</b></p> <p>3.1 Produce ICEC materials for various stakeholder groups including tourists/divers, resorts and cottage operators.</p> <p>3.2 Dive site and outdoor recreation management.</p> <p>3.3 Maintain existing marine and island trails.</p> <p>3.4 Train guides.</p> <p>3.5 Undertake cross visit/ learning exchanges/ study tours.</p>	<p>Total: US\$ 626,239 Co-financing: US\$ 96,215 GEF: US\$ 530,024</p> <p><i>Who are responsible:</i> FARMCs, LGUs, Silliman University, UP Visayas, PAO-DENR, PAWB-PAMB, DENR Regional, Provincial and CENRO; DA -BFAR, WWF-Philippines and other NGOs; ACC and other private companies, ACF.</p>	<ul style="list-style-type: none"> <li>• Local communities and the visitors participate in and contribute to the conservation activities in the park.</li> <li>• There is adequate resources, skills, and facilities to manage visitors.</li> </ul>

Activities:	Inputs:	Risks and Assumptions
<p><b>4. Sustainable Livelihoods</b></p> <p>4.1 Organize cross visits.  4.2 Conduct trainings and workshops.  4.3 Provide/ deliver education and outreach with communities on livelihoods.  4.4 Link project stakeholders to activities of NGOs involved in livelihood.</p>	<p>Total: US\$ 250,496  Co-financing: US\$ 38,486  GEF: US\$ 212,010</p> <p><i>Who are responsible:</i>  FARMCs, LGUs, Silliman University, UP Visayas, PAO-DENR, PAWB-PAMB, DTI, DENR Regional, Provincial and CENRO; DA -BFAR, WWF-Philippines and other NGOs; ACC and other private companies, ACF</p>	<ul style="list-style-type: none"> <li>• ICEC and outreach activities are effective.</li> <li>• Economic returns from the livelihoods remain high hence communities can reduce resource extractions.</li> </ul>
<p><b>5. Institutional and Financial Sustainability</b></p> <p>5.1 Conduct networking sessions with local stakeholders (LGU officials, academia) and the league of local governments.  5.2 Prepare financial plan.  5.3 Establish and implement system for collecting user fees.  5.4 Set/collect entrance fees, resource users fees.  5.5 Prepare and publish annual account.  5.6 Approach companies and funding agencies for resource and funding support.</p>	<p>Total: US\$ 250,496  Co-financing: US\$ 38,486  GEF: US\$ 212,010</p> <p><i>Who are responsible:</i>  FARMCs, LGUs, PAO-DENR, PAMB, DENR Regional, Provincial and CENRO; DA -BFAR, WWF-Philippines and other NGOs; ACC and other private companies, ACF.</p>	<ul style="list-style-type: none"> <li>• Protected areas will received government appropriations annually.</li> <li>• Stakeholders to include visitors and resource users agree on and comply with the users' fee collection guidelines.</li> </ul>
<p><b>6. Research and Monitoring for Management</b></p> <p>6.1 Undertake participatory coastal resources assessment.  6.2 Undertake and support the monitoring of the coral reefs and other habitats.  6.3 Conduct GIS Mapping of marine habitats.  6.4 Undertake monitoring of marine water quality monitoring.  6.5 Conduct monitoring studies of stakeholder perceptions regarding the state of resources and biodiversity, their satisfaction with conservation implementation, and other factors as relevant.  6.6 Monitor socio-economic situations.  6.7 Integrate information in the MCD or MPA database.</p>	<p>Total: US\$ 375,744  Co-financing: US\$ 57,729  GEF: US\$ 318,014</p> <p><i>Who are responsible:</i>  FARMCs, LGUs, DTI, Silliman University, UP Visayas, PCAMRD, PAO-DENR, PAWB-PAMB, DENR Regional, Provincial and CENRO; DA -BFAR, WWF-Philippines and other NGOs; ACC and other private companies, ACF</p>	<ul style="list-style-type: none"> <li>• There is adequate resources, skills, equipment to conduct research and monitoring.</li> <li>• Outputs of the research and monitoring are communicated to PAMB/FARMCs and other stakeholders.</li> </ul>

## **Annex 2: ACC Management and Shareholders**

### **1. ACC Directors**

ACC has five Directors comprised of: (i) President/Chairman of ACC; (ii) Representative of Investment Manager; and (iii) 3 Nominees from the majority shareholder group. The current Directors are:

- ***Leigh Talmage-Pérez*** (39). (American) Ms. Talmage-Pérez is Chairman and President of ACC. Leigh has ten years of experience in international banking, primarily in Emerging Markets, with ING Bank, Mellon Bank, and First Interstate Capital Markets Ltd. She spent numerous years consulting for small businesses and start-ups.
- ***Eduardo Martinez Miranda*** (41). (Filipino) Mr. Miranda has over 18 years experience in Corporate Finance. Before joining NCPA in 1999, he was head of Corporate Finance in Merrill Lynch Securities Philippines Inc (ML) where he managed corporate and government relationships and provided debt and fixed income coverage for ML in the Philippines. Prior to this, Eduardo was the Managing Director and COO of PCI Capital Corporation, the investment and securities brokerage arm of PCIBank.

The majority shareholder will be entitled to nominate the three remaining Board positions that are being held by nominees from NCP, as the incorporating Directors.

### **2. ACC Investors**

The majority shareholder of ACC is the Asian Conservation Corporation Limited (ACCL), a Guernsey corporation, registered with the Guernsey Financial Services Commission, whose shareholders include:

- ***SCS Partners L.P.*** - a limited partnership with Edward P. Bass from Fort Worth, Texas as principal shareholder.
- ***The Summit Foundation*** - a 501(c)3 non-profit organization based in Washington DC. Focuses on protecting biodiversity and population issues.
- ***Shari Sant Plummer and Daniel Lee Plummer*** - Trustees of the Summit Foundation investing in a personal capacity.
- ***Wolcott Henry and The Henry Foundation*** - The Washington DC Foundation focuses on coral reef restoration and marine conservation.
- ***Mango Global Limited*** - a limited partnership with Carlos Soriano (formerly of A. Soriano Corporation and Ten Knots Group) as principal shareholder.

### **3. Investment Manager**

Next Century Partners (NCP) has been appointed for an initial term of seven years under the terms set forth in an Investment Management Agreement. In addition, the Investment Manger has contracted NCP Advisors Philippines, Inc. (NCPA) to assist as an Investment Advisor with separate terms set forth in an Investment Advisory Agreement.

The Investment Manager, with the assistance of the Investment Advisor, is responsible for seeking and evaluating suitable investment opportunities for ACC and for formulating, negotiating, structuring, monitoring, and realizing each investment. In connection with each proposed investment, the Investment Manager prepares a recommendation to the Investment Committee for its approval. The Investment Manager also monitors ACC's investments, including any matters likely to impact on the value of such investments.

In addition, the Investment Manager is responsible for handling all financial functions of ACC such as: disbursing funds; monitoring and divesting investments; representing ACC on the board and the respective board committees of the ACC's portfolio companies; maintaining an active working relationship with ACC's portfolio companies and providing guidance in strategy formulation, finance, and human resources.

#### 4. Track Record of Next Century Partners

NCP invests in businesses with solid revenue models, strong management, and potential for industry leadership. In particular, with reference to the New Economy, NCP looks for promising ventures in enabling technologies, Asia-centric infrastructure enabling and wireless. NCP ensures that existing management of each portfolio company has substantial relevant expertise and has a track record of transparency, or will co-invest with local or foreign companies with relevant know-how. NCP also ensures that regular financial information is provided to its clients.

NCP intends to achieve long-term capital appreciation for its partners principally by making direct equity investments in companies in Southeast Asia. Typically, such investments are in unlisted companies, operational or start-up, but on occasion also in listed but undervalued companies, or in initial public offerings of companies seeking a listing. Equity related investments are made via unlisted convertible debt securities or by way of a combination of equity and debt.

**Table 8: Next Century Partner Funds**

Funds	Description
Cambridge Pacific Limited	A US\$50M Cayman-registered regional investment fund launched in March 2001.
Philippine Discovery Investment Company, Ltd. (PDICL)	<p>A US\$ 43M Guernsey-registered fund launched in January 1997 primarily for Philippine private equity companies. It has been listed in the London Stock Exchange. PDICL, through the successful IPO's of Del Monte Pacific Limited, Fastech Synergy Ltd. and buy-out of Smart Telecommunications Inc. by PLDT, was involved in 3 out of the 4 major private equity exits in the Philippines in 1999.</p> <ul style="list-style-type: none"> <li>• <u>Fastech Synergy Ltd.</u> Provides electronic services for semiconductor manufacturers in Europe, the United States and Asia. Fastech was successfully listed on the Stock Exchange of Singapore on 29 September 1999.</li> <li>• <u>Macondray &amp; Co. / Del Monte Pacific Ltd.</u> Del Monte Pacific Limited produces, markets and distributes premium-branded food and beverage products. On 2 August 1999, DMPL became the first Filipino firm listed on the Singapore Stock Exchange.</li> <li>• <u>Smart Communications, Inc./PLDT</u> The PLDT-Smart Communications consortium dominates all aspects of the Philippine telecoms market, accounting for 65% of the international gateway market, 90% of the long-distance market, and 60% of the cellular market.</li> <li>• <u>MTI/Broadband Philippines.</u> Broadband Philippines is the Philippines' premier broadband service provider with a franchise covering virtually the entire country.</li> <li>• <u>Chikka.</u> Chikka is in the business of developing content and applications primarily for wireless service providers. Its main product is the Chikka Text Messenger which is a wireless instant messaging version of popular</li> </ul>

Funds	Description
	<p>messaging platforms such as ICQ, AOL Instant Messenger and Yahoo!Messenger.</p> <ul style="list-style-type: none"> <li>• <u>SIP(L), Ltd.</u> - an US\$8M co-investment with Soros Private Equity Partners and PDICL in Macondray Co., Inc.</li> <li>• <u>Fidelity Capital Far East</u> - an US\$ 8M co-investment with PDICL in Macondray Co., Inc.</li> </ul>
Philippine Income Fund (PIF)	A US\$ 20M Cayman-registered fund intended primarily for Philippine dollar and peso denominated debt launched in 1993. NCP took over PIF management in 1997. The company was liquidated in 1999. For the entire life of the fund, it registered an IRR of 4.75%.

## **Annex 3: ACC Investment Criteria & Process**

### **1. ACC Investment Process**

As an investment holding company, ACC is viable only if its underlying investments are profitable and viable. The Investment Manager will guide the investment process as follows:

1. Deal Sourcing
2. Preliminary Due Diligence – preliminary investment analysis and environmental comments
3. Investment Proposal – will include sensitivity analysis, environmental analysis
4. Investment Committee – 2/3 of the three member committee needed for recommendation
5. Board Approval – majority of the Board must approve the investment decision
6. Due Diligence – legal, accounting, financial, environmental
7. Documentation
8. Funding

### **2. ACC Investment Criteria**

The following criteria must be met before any investment will be considered for presentation to the Investment Committee:

1. Investments should have clear path to profitability;
2. Investments should demonstrate management and financial viability;
3. Investments will address conservation or improve efforts in preserving biodiversity;
4. Investments initially will focus on marine, fisheries, or coastal-related projects; and
5. Investments should have the potential for industry leadership in promoting conservation efforts among other private enterprises within its industry.

### **3. ACC Environmental Management and Biodiversity Conservation Principles**

Any investment proposal should comply with the following biodiversity conservation principles:

1. Investments should mitigate their environmental impacts;
2. Investments should proactively develop means by which their activities enhance the conservation of biodiversity and become an integral part of every business and operational decision;
3. Investments will encourage and support social programs and opportunities for local communities that result in the conservation of biodiversity;
4. Investments will seek the best available technical advice on environmental management and biodiversity conservation considerations; and
5. Investments will employ measurable indicators of conservation success, such as certification .

### **4. ACC Investment Committee**

The ACC Investment Committee recommends any new investments to the ACC Board. The committee is initially comprised of three individuals: one of whom is the Chairman or President of ACC. A favorable recommendation of an investment decision shall require the vote of at least two of the three members of the Investment Committee. The Investment Committee reviews the making and disposal of each investment and any significant restructuring of an existing investment. The Investment Committee meets as and when required and members of the Investment Committee are kept fully informed of the status of the ACC's investments from time to time.

## **Annex 4: Description of ACC Investments**

### **1. Ten Knots Group – El Nido Resorts**

ACC has acquired 53% of the shares of Ten Knots Group, which owns the sustainable tourism destination of El Nido Resorts (ENR). The shares were previously owned by Nissin Sugar Manufacturing Co., Ltd (Nissin). The companies comprising the Ten Knots Group are Ten Knots Philippines, Inc. (TKP) and Ten Knots Development Corporation (TKDC).

**Ten Knots Philippines.** TKP was incorporated in 1979 as the corporate vehicle to package and conduct diving tours and later to operate a land-based dive camp. Today the company serves as the holding company of the Group's various properties in Palawan. TKP's main revenue source is the rental income from the lease of these properties to TKDC. TKP has been purchasing or leasing other parcels of land in the Bacuit Bay area with a vision of developing a unique and environmentally sustainable tourism destination. At present, TKP holds around 565 hectares of land in the municipality of El Nido.

**Ten Knots Development Corporation.** TKDC was incorporated in 1992 and is engaged in the development, operation and marketing of Miniloc Island Resort and Lagen Island Resort, collectively known as The El Nido Resorts®. El Nido Resorts has won countless awards and citations for its role as an environmentally positive company. For example, El Nido was cited in the 1999 Asia-Pacific Economic Cooperation publication "*Community-Based Tourism in the Asia-Pacific*" as one of the excellent models for community-based tourism—one where tourism activities are developed and operated, for the most part, by local community members and characterized by respect and concern for local culture, tradition, and natural heritage.

TKDC's sales and marketing strategy is to focus on the destination and the marine environment experience, in contrast to merely selling resort facilities. El Nido's rich marine and terrestrial environments present a wide variety of land and marine-based activities for tourists. The activities currently organized by the resorts are geared towards increasing guests' appreciation of El Nido's unique features.

**Existing Resorts.** Miniloc operates 31 rooms classified "A" (2-star) by the Department of Tourism (DOT). The package price per person per night depending on the type of the room ranges from US\$135 to US\$200. Lagen Resort with 50 rooms is rated "AAA" (4-star) by DOT. Package price ranges from US\$190 to US\$270 per person per night. All package prices include all meals and most activities. The Miniloc Resort employs 60 personnel while Lagen has 100, maintaining an efficient 2:1 staff-to-guest ratio. The current management is very experienced and knowledgeable on marine resort management having run the El Nido Resorts for almost 18 years.

**Table 9. Financial summary (in Php'000) for TNDC and Ten Knots Philippines.****TKDC**

	1998	1999	2000	2001	2002
Revenues	129,743	175,523	180,204	177,818	161,343
Annual Growth Rate %	37.14%	35.28%	2.67%	(1.32%)	(9.27%)
Gross Operating Income <sup>1</sup>	87,095	124,573	129,788	125,827	105,182
Gross Operating Income %	67.13%	70.97%	72.02%	70.76%	65.19%
Gross Operating Profit <sup>2</sup>	17,919	54,270	52,218	40,588	17,317
Gross Operating Profit %	13.81%	30.92%	28.98%	22.83%	10.73%
EBIT	(16,397)	4,636	13,111	4,137	(2,418)
EBIT %	-12.64%	2.67%	7.29%	2.33%	-1.50%
EBITDA	14,765	34,711	49,413	36,071	27,752
EBITDA %	11.38%	19.99%	27.42%	20.29%	17.20%
After Tax Income (Loss)	(16,546)	3,736	14,656	8,749	4,999
After Tax Income (Loss) %	-12.76%	2.15%	8.15%	4.92%	3.10%
Total Assets	439,364	418,919	433,934	374,490	383,952
Total Liabilities	102,981	78,800	79,159	52,686	57,148
Total Shareholders' Equity	336,383	340,119	354,775	321,804	326,804

**TKP**

	1998	1999	2000	2001	2002
Revenues	3,886	5,205	8,713	5,368	4,830
Annual Growth Rate %	288%	33.94%	67.40%	-38.39%	-10.02%
Operating Income	2,713	(1,020)	6,642	2,990	2,051
After Tax Income (Loss)	(914)	(11,618)	(23,659)	67	(1,356)
After Tax Income (Loss) %	-23.52%	-223%	-272%	1.27%	-28.07%

<sup>1</sup> Gross Operating Income is arrived at by deducting direct departmental expenses from the gross revenue. Direct expenses include food and beverage costs, minor operating depts. costs, room amenities and direct payroll.

<sup>2</sup>Gross Operating Profit is computed by deducting from the gross operating income the undistributed costs except fixed costs. These expenses are the admin costs, sales and marketing expense, energy and repair costs.

The year 2002 started badly as the Chinese New Year season (February) disappointed tourism establishments throughout the country. The security concerns that began in 2001 continued into 2002 as tourists throughout the region and the world hesitated to travel. After a steep decline in occupancy during the first half of the year, business began to improve as the year came to a close. The Christmas season was looking very successful until the US planned its invasion on Iraq and foreign visitors disappeared, once again. Many countries maintained their Travel Advisories to the Philippines and countries such as Japan were no longer allowed to sell packages to resorts in the Philippines. Korea (and its booming honeymoon industry) provided the majority of arrivals for TKDC,

Despite the challenges, TKDC/TKP continue to be financially stable and have taken measures to improve operating expenses. The drop in revenues for 2002 by 9.27% to PhP161Mn reflected the discounted package rates to keep paid occupancy at 36.48% (38.8% in 2001). Gross Operating Income (GOI) dropped 16% to PhP105Mn while GOP took a 57% cut from last year to PhP17.3Mn. EBITDA and Net Income continued to decline to PhP 27.8Mn and PhP5Mn respectively. TKDC was cash positive from its operating activities by about PhP16.0Mn in 2002. TKDC made an investment of PhP 7.7Mn in Kingfisher Capital Resources Corporation (a company that owns a second Dornier to service the resorts thereby eliminating the need to charter, resulting in near elimination of losses attributed to aviation operations). The additional PhP14Mn spent for Capex, resulted in an overall decrease in cash by about P5.8M. to an ending balance of PhP105,5Mn (US\$2Mn).

The first quarter of 2003 is improving, in spite of the SARS (Severe Acute Respiratory Syndrome) virus that has drastically affected travel in the region. Domestic arrivals have continued to increase and revenues for 1Q 2003 have grown 25% from the same period in 2002. Paid occupancy is slightly below 2002 (35.91% v 36.58%), reflecting the Holy Week period in April (not March) for the year 2003.

## **2. Stellar Fisheries Inc.**

Within the first half of 2004, ACC expects to complete an investment in Stellar Fisheries, Inc. ("Stellar"). Stellar is the second largest producer of pasteurized blue crabmeat in the Philippines. Founded in 1993, Stellar purchases live blue crabs (*Portunus pelagicus*) in whole from economically depressed fishing villages in northern Negros and southeastern Iloilo. In December 2001, Stellar inaugurated a mini-plant in Milagros, Masbate. During 2002, operations were expanded (not yet producing at full capacity) in Palawan and Mindinao. Stellar's operations center around the Visayan Sea, the most productive source of blue crabs in the Philippines.

The crabs are brought to the main plant in Manapla, Negros Occidental where they are steam cooked, picked, packed in hermetically sealed cans, and pasteurized. Stellar's main products include Jumbo Lump, Backfin, Special, and Claw meat. Stellar's main processing plant was built to U.S. and EEC standards, with a total floor area of 1,200 m<sup>2</sup>. Rated capacity of the plant is 2,400 pounds of finished products daily. Approximately 95% of the output is exported to the United States through a third party distributor based in Maryland under private label where it is distributed along the Eastern Seaboard as well as the Midwestern States.

**Prudent Resource Management.** Stellar addresses both responsible coastal resource management and rural development goals by providing employment opportunities for subsistence fisherfolk and rural women as well as promoting sustainable fishery and aquaculture practices. As a company policy, Stellar buys blue crabs that are of a certain minimum size, for yield (picked meat weight ratio to whole crab weight) reasons which are economics driven. This practice drives blue crab catchers to harvest only mature crabs and not juveniles. In addition, Stellar only buys crabs that are caught using gill nets or crab pot methods and not those caught from trawls that indiscriminately catch everything in their paths. Stellar discourages the buying of gravid females for conservation reasons to allow replenishment of future generations.

Stellar's processing activities are environmentally benign. Water effluent emanating from the plant is minimal. Stellar was one of the first to comply with the local environmental regulatory agency's requirement for a wastewater treatment system. Management is constantly researching ways to improve waste water and waste disposal methods.

**Social Impact.** The operation of Stellar brings about a large multiplier effect with thousands of fishermen and their families in Negros and Iloilo. Stellar provides hundreds of crab fishermen a sure market for their catch, thus ensuring them a stable and equitable source of income. Stellar has positively impacted the communities where it operates. With Stellar's continuing education and encouragement, some communities have adopted the policy of penalizing fishermen if they bring ashore gravid female crabs. In a few villages, Stellar has initiated a crab sanctuary where gravid females can be returned to the sea for reproduction. Other towns have banned the setting of nets 150 to 500 meters from the shore, believing that the crabs spawn near the shore and the crablets stay in this area for grow out. Other areas have prohibited the use of push nets that use fine mesh nets to gather *Acetes* (small shrimps), since the net can also harvest very young crabs.

### **3. Potential ACC Investments**

ACC is considering a few target industries that have great significance to biodiversity conservation. The GEF is not being asked to provide funds for conservation activities in conjunction with these potential investments.

#### ***ACC Marine***

- Within the next 2 – 3 years, ACC will set up a new subsidiary (“ACC Marine”) that will be a holding company for smaller scale, grassroots level investments in marine and dive related facilities. The target portfolio of ACC Marine would be five to seven investments.
- ACC Marine will make small size (less than US\$500,000) investments in eco-tourism related companies operating in rich biodiversity areas. Potential investments may include tourist facilities such as a resort, dive boat, tour operator.
- The rationale behind ACC Marine is that by investing directly into smaller businesses where the preservation of the marine biodiversity is directly tied to the success of the business, ACC Marine can be a leader in conservation. Education will be a large component in the success of the ACC Marine investments, as well as a main focus for the conservation related activities.

#### ***Aquaculture Company***

- ACC has identified a company whose main business is aquaculture based on technology that ensures environmental sustainability. The initial discussions have targeted a potential investment that includes the operation of 300 hectares of fishponds and 20,000 cubic meters of marine sea cages for nursery and grow-out of marine species in Southern Mindanao. In addition, the investment would include a processing facility that provides employment to hundreds of rural, poor women. A hatchery project that would assure sustainability would enhance the potential investment.
- Conservation efforts may be financed through a charge per unit sold.
- Possible locations for ACC involvement would be in the Sarangani Bay area and Subic Bay.

#### ***Marine Ornamentals Industry***

- ACC has identified an opportunity to create a MAC certified “template” in the marine ornamentals industry in the Philippines. The business is purported to be high margin and may provide better than average returns: ACC may consider doing a start up in this industry in which it controls the entire chain (from fishing to exporting).
- Conservation efforts may be financed through a charge per unit (fish) sold.
- Possible locations for ACC involvement are in the El Nido area or the Cebu region, where dynamite and cyanide fishing are rampant.

#### ***Coastal Waste Management with Recycling Component***

- ACC has identified a tremendous potential and need for coastal waste management projects located in areas of high priority biodiversity conservation. The initial discussions have targeted a single island to create a landfill that would be designed in an environmentally sound manner.

Along with the landfill operations would be a recycling and a composting components. Waste would be collected from the surrounding islands and coastal communities and brought to the central operations for consolidation. ACC may consider doing a start up in this industry if a financially and environmental sound team is organized.

- Conservation efforts may be financed through a charge per unit of waste collected.
- Possible locations for ACC involvement are centered in the Sibuyan Sea area.

#### ***Commercial carrageenan Production***

- ACC has identified that commercial production of carrageenan has the potential to be a very profitable business and if done properly will provide alternative income sources to coastal areas. The high potential for sustainable profitability will filter down to provide sustainable conservation funding to a local NGO partner.
- Conservation efforts can be financed through the collection of an incremental charge per sales.
- Possible locations for ACC involvement are centered in the Cebu region.

## **Annex 5: ACC Conservation Financing Mechanism**

The table below illustrates how the provision of conservation financing from ACC investee companies will work. It was based on the following assumptions:

### **1. General Assumptions:**

- For tourism-related businesses, the conservation fee will be on a passenger/guest basis. For food products, the conservation fee will be on a per unit sold basis.
- The risks that have not been reflected are those of political, natural, and climatic events. Any of those risks will have the greatest and most detrimental effect on the occupancy rates and thereby lower the available conservation fees or on the supply of the food, i.e. blue crab product.

### **2. El Nido – Specific Assumptions:**

- After in-depth analysis, the most efficient method of collecting a conservation fee is on a landed passenger basis. Each passenger that arrives in the El Nido (Lio) airport will be charged a Terminal Fee of PhP100. This fee will be charged on guests, community, and the business passengers. The fee will be collected by the aircraft operator, Island Transvoyager, Inc. and will be passed to El Nido Foundation as a donation at the end of each year. There will be a constant monitoring of this fee in relation to the affect on ability to attract guests to the resorts. Adjustments may be made throughout the life of the GEF project.
- El Nido vacation packages are quoted as an all-in rate, but the airfare is generally paid separately. Vacation packages with the stated airfare are budgeted, priced, and promoted months in advance, so adjustments may be made in the terminal fees collected (\$2 appx.), depending on the occupancy rates and management recommendation.
- By using a landing fee, instead of a room night tax, the effect of an additional resort will not adversely affect the ability to collect the fee. In fact, any additional developments will only contribute to higher collection of fees as more passengers land at the El Nido airport.

### **3. Stellar Fisheries – Specific Assumptions:**

- The conservation fees will be based on a per cup sold basis. The fees will be set at \$0.05 per unit and will be monitored annual for effect on the profitability of the company and the fee-sharing arrangement with the buyers, i.e. Stellar will try not to bear the burden of this fee solely, but will attempt to pass through, at least partially, to the buyer.
- Current market conditions create large fluctuations in price and demand for crab meat, so there is a limit on the number of containers demanded by the current buyers.
- Each production plant has a maximum capacity for production. In the model there is a maximum limit that will be reached at each plant and then a steady production amount. Generally, a new plant site will be identified and a plant built before the previous existing plant reaches capacity.
- In addition, for the conservation of the crab supply and to employ environmentally correct practices, Stellar Fisheries does not push each plant to its maximum production limitation. Lessons from the past have shown that when production is pushed to the limitation, much of the raw material is spoiled because it cannot be picked in time; thereby, creating unnecessary pressure on the crab supply.

**Table 10. Projections of Conservation Financing from ACC Investments**

Investment Site	GEF Program Years								201	
	1 2003	2 2004	3 2005	4 2006	5 2007	6 2008	7 2009	8 2010		
<b>Ten Knots and Island Transvoyager Inc.</b>	(six months)									
<b>ITI Terminal/Cons Fee</b>										
Passengers landing in Lio/El Nido	7,367	13,218	13,540	13,774	16,967	17,306	17,652	18,006	18,36	
Fee charged (PhP)	100	100	100	100	100	100	100	100	10	
<b>Donation passed from ITI</b>	736,692	1,321,800	1,354,000	1,377,400	1,696,700	1,730,634	1,765,247	1,800,552	1,836,56	
<b>TKDC Annual Donation</b>	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,00	
Payable from previous years (not incl in ann.contrib)	2,000,000									
<b>TOTAL DONATION from TKDC/ITI (PhP)</b>	3,736,692	2,321,800	2,354,000	2,377,400	2,696,700	2,730,634	2,765,247	2,800,552	2,836,56	
	Total US\$									
(assume PhP52:US\$1)	\$71,859	\$44,650	\$45,269	\$45,719	\$51,860	\$52,512	\$53,178	\$53,857	\$54,54	
<b>Endowment to El Nido Foundation</b>										
i.e. Earning 3% p.a.	<b>\$71,859</b>	<b>\$118,665</b>	<b>\$167,494</b>	<b>\$218,238</b>	<b>\$276,645</b>	<b>\$337,457</b>	<b>\$400,758</b>	<b>\$466,638</b>	<b>\$535,18</b>	
Interest Only		\$2,156	\$3,560	\$5,025	\$6,547	\$8,299	\$10,124	\$12,023	\$13,99	
<b>Stellar Fisheries</b>	<b>(assume investment in 2004)</b>									
	#Containers (24,024 lb/cont)	22	26	30	34	38	40	42	4	
	\$0.05 Fee per cup/lb sold									
	Total US\$	\$0	\$26,426	\$31,231	\$36,036	\$40,841	\$45,646	\$48,048	\$50,450	\$52,85
<b>Endowment to KKP for Visayan Sea</b>										
i.e. Earning 3% p.a.	<b>\$0</b>	<b>\$26,426</b>	<b>\$58,450</b>	<b>\$96,240</b>	<b>\$139,968</b>	<b>\$189,813</b>	<b>\$243,555</b>	<b>\$301,312</b>	<b>\$363,20</b>	
Interest Only		\$0	\$793	\$1,754	\$2,887	\$4,199	\$5,694	\$7,307	\$9,03	
<b>Total Private Sector Annual Contribution</b>	\$33,398	\$71,076	\$76,500	\$81,755	\$92,700	\$98,158	\$101,226	\$104,307	\$107,40	
<b>TOTAL Private Sector Cumulative Contribution</b>	\$71,859	\$145,092	\$225,945	\$314,478	\$416,613	\$527,269	\$644,313	\$767,950	<b>\$898,39</b>	

## Annex 6: Biodiversity Assessment of ACC Sites

Investment	Site	Biodiversity Significance	Threats and Root Causes
EL NIDO	El Nido	<ul style="list-style-type: none"> <li>Showcases 9 habitat types: beach forest, forest over limestone, semi-deciduous forest, lowland evergreen rainforest, freshwater, mangroves, seagrass beds, seaweeds beds, and coral reefs.</li> <li>High variety of hard corals with 45 genera.</li> <li>Over 197 species of fishes and 4 of the 7 known species of marine turtles: Hawksbill, Green, Olive Ridley, and Leatherback.</li> <li>Marine mammals: Bottlenose dolphin, Spinner dolphin, Bryde's whale, and Humpback whale, dugong or sea cow.</li> <li>At least 6 species of large terrestrial mammals such as Palawan mouse deer, Palawan stink badger, Calamian deer, Palawan bearcat, and the Malayan pangolin.</li> <li>At least 16 bird species endemic to Palawan including the threatened Palawan peacock pheasant, Palawan hornbill, Palawan scops owl, and Tabon bird.</li> </ul>	<ul style="list-style-type: none"> <li>Illegal fishing and unsustainable levels of extraction of forest resources.</li> <li>Increasing number of fish pens.</li> </ul> <p><b>Root Causes:</b></p> <ul style="list-style-type: none"> <li>Lack of conservation-linked livelihood options.</li> <li>Insufficient capacity of the Protected Area Office to implement the Protected Area Management Plan and sustain conservation actions in the area.</li> <li>Lack of sustainable conservation financing to support GMP implementation.</li> <li>PAMB and community conflicts on management.</li> <li>CRM planning has not been responsive to the needs of the communities.</li> </ul>
STELLAR FISHERIES	Northern Guimaras	<ul style="list-style-type: none"> <li>Characterized by shallow with gently rolling sandy substrate.</li> <li>Conditions optimal for life habits of <i>Portunus pelagicus</i>, e.g. wildlife intertidal areas and seagrass meadows for juvenile and post larval instar stages.</li> <li>Reefs especially abundant on the southwestern portion of the Visayan Sea are natural habitats for the brown crab, <i>Charybdis natator</i> (Ingles, 1996).</li> <li>Most productive fishing grounds in the Philippines, between 1992 and 1995, the Visayan Sea ranked 3<sup>rd</sup> among the major fishing grounds for commercial fisheries and 1<sup>st</sup> for municipal fisheries.</li> <li>Blue crab fishery is one of the major fisheries in the area significantly contributing to the national and local economy.</li> </ul>	<ul style="list-style-type: none"> <li>Over-fishing resulting to fish catch decline</li> <li>Destruction of critical habitats (i.e. coral reefs, mangroves, sea grasses) due to destructive fishing practices, as well as siltation and pollution.</li> <li>Proliferation of illegal fishing practices.</li> <li>Pollution due to domestic wastes.</li> <li>Encroachment of illegal fishers from adjoining provinces.</li> <li>Insufficient data on the species' biology and ecology, as well as, minimal to no assessments done on the fishery and its habitat that can guide management planning and policy decision-making.</li> </ul> <p><b>Root Causes:</b></p> <ul style="list-style-type: none"> <li>Weak regulatory regimes and weak enforcement.</li> <li>Lack of institutional and management capacity among local stakeholders on</li> </ul>

Investment	Site	Biodiversity Significance	Threats and Root Causes
			<p>biodiversity conservation.</p> <ul style="list-style-type: none"> <li>Increasing pressure from human population from adjacent areas.</li> </ul>
	<b>Northern Iloilo</b>	<ul style="list-style-type: none"> <li>Shorelines lined by patches of secondary growth mangrove forests (at least 8 mangroves species) and the chain of islands have coralline (7 dominant species of corals) and sandy muddy substrate.</li> <li>Dominant species of corals are <i>Millepora</i> sp. <i>Pocillopora</i> sp. <i>Pachyseries</i> sp. <i>Fungia</i> sp, <i>Oxypora</i> sp. <i>Goniopora</i> and <i>Pectinia lactuca</i>.</li> <li>3 species of seaweeds and 5 species of seagrass.</li> <li>Blue crabs depend on the mangroves and seagrasses for spawning, growth and development.</li> <li>Population of rabbit fishes and seahorses that are associated with seagrass ecosystems.</li> <li>Commercially important major pelagic fish species (i.e. scombrids, striped mackerel, nemopterids, mullets, jacks, snapper, anchovies and herring).</li> <li>Reef associated fishes and invertebrates are abundant</li> <li>Other marine species include green turtles, dugong or sea cow, dolphins, sharks, rays and skates.</li> </ul>	<ul style="list-style-type: none"> <li>Degradation of habitats caused by unsustainable fishing practices like trawling and hulbot hulbot; siltation due to massive deforestation; uncontrolled use of dynamite and cyanide fishing.</li> <li>Encroachment of commercial fishers from nearby provinces.</li> </ul> <p><b>Root Causes:</b></p> <ul style="list-style-type: none"> <li>Weak institutional capacity- lack of capacity to adequately address threats; overlapping jurisdictions of BFAR, DENR, and DILG in coastal management.</li> <li>Weak law enforcement- lack capacity of and support to the Bantay Dagats, and FARMCs.</li> <li>Untapped tourism potential.</li> <li>Lack of conservation-linked livelihood options.</li> </ul>
	<b>Bantayan Island</b>	<ul style="list-style-type: none"> <li>Known for wilderness areas and mangrove swamp forest reserves. Patchy seagrass beds comprised of <i>Thalassia lempurchii</i>, <i>Halophiloa spp.</i> <i>Halodule spp.</i> and <i>Cymododea spp.</i></li> <li>Coral reef systems concentrated west of Bantayan Island and the northern shores of Negros Island. 26 genera occurring in the Island (Sotto et. al, 1996).</li> <li>Reef-associated fishes: Pomacentridae dominated the assemblages followed by the Labridae. Aside from the blue crab <i>Portunus pelagicus</i> which was harvested at a commercial scale, there is a developing fishery, <i>Paphia textiles</i>, a bivalve locally known as the nailon clam.</li> <li>Birds include the Pygmy swiftlet, Brahminy kite, Rufus night heron, Dyal Thrush, Chinese egret, Reef heron, Slaty-breasted rail, Little Ringed pover and Brown shrike.</li> <li>Marine species such as dugong, dolphins, sharks and sea turtles are also sighted in island.</li> </ul>	<ul style="list-style-type: none"> <li>Destructive fishing practices such as dynamite and cyanide fishing and use of compressors.</li> <li>Commercial fishing techniques that destroy coral reefs like trawl and the “hulbot-hulbot” and Zipper.</li> <li>High risk of pollution due to rampant and irresponsible disposal of poultry waste and public market garbage.</li> <li>Non-observance of minimum size limits in the purchase of crabs and other marine products.</li> </ul> <p><b>Root Causes:</b></p> <ul style="list-style-type: none"> <li>The 15-kilometer municipal water boundary has created conflict among adjacent municipalities and/or provinces on</li> </ul>

Investment	Site	Biodiversity Significance	Threats and Root Causes
			<p>commonly shared waters Stiff competition for the products especially for blue crabs, makes buyers already buy even small size crabs.</p> <ul style="list-style-type: none"> <li>Weak law enforcement- lack capacity of and support to the Bantay Dagats, and FARMCs to adequately address threats.</li> <li>Lack of conservation-linked livelihood options.</li> </ul>
	<b>Asid Gulf</b>	<ul style="list-style-type: none"> <li>Rich in fishery resources due to the presence of marine fishery areas</li> <li>Extensive mangroves covering 12,177 hectares or 3% of the provincial land area. Dominant species are bakawan (<i>Rhizophora spp.</i>) api-api (<i>Avicennia officinalis</i>) bankal, daluru, tabigue (<i>Xylocarpus granatum</i>), alipata, pagatpat (<i>Sonneratia alba</i>), pedada (<i>S. caseolaris</i>) and nipa (<i>Nypa fruticans</i>).</li> <li>Home to the rarest species of Sonneratia, the <i>Sonneratia ovata</i> locally known as kalong-kalong, which is endemic to the Philippines and can be found only in Masbate.</li> <li>Seagrasses and <i>Sargassum spp</i> (Agasen et al. 1999) dominates Asid Gulf.</li> <li>Surrounded by fringing coral reefs and reef islands, habitats of wide variety of marine life including fish, hard and soft corals, sponges and other invertebrates.</li> <li>Dominant invertebrates include the blue swimmer crab, <i>Portunus pelagicus</i>, penaeid shrimps, <i>P. semisulcatus</i> and <i>Metapenaeus ensis</i> and abalone, <i>Haliotis asinine</i>.</li> <li>Other marine species include Hawksbill, Green, and Olive Ridley turtles. Ticao Pass also known to be part of the migratory routes of whales, dolphins, and whale sharks.</li> <li>Home to large bird populations of Philippine bulbul (<i>Hypsipetes philippinus</i>) and Olive-backed sunbird (<i>Nectarina jugularis</i>, Philippine mallard (<i>Anas luzonica</i>) and Black-naped oriole (<i>Oriolus chinensis</i>).</li> <li>Home to one of the rarest hornbills, <i>Penelopides panini ticaensis</i>, an endemic species.</li> </ul>	<ul style="list-style-type: none"> <li>Decline in fish catch attributed to degradation/destruction of coral reefs. This is due to massive deforestation, extensive mangrove clearing for fishponds etc.</li> <li>Proliferation of illegal fishing practices like use of destructive gears like baby trawl, “palupad”, “hulbot-hulbot” and dynamite fishing.</li> <li>Encroachment of illegal fishers from adjoining provinces.</li> <li>Pollution due to domestic wastes and from aquaculture ponds.</li> </ul> <p><b>Root Causes:</b></p> <ul style="list-style-type: none"> <li>Lack of management body (e.g. FARMCs) overseeing the conservation of the coastal resources and biodiversity.</li> <li>Lack of capital for compliance with environment standards for fishpond operation.</li> <li>Encroachment of illegal fishers from adjoining provinces.</li> <li>Pollution due to domestic wastes and from aquaculture ponds.</li> <li>Increasing pressure from human population from adjacent areas.</li> <li>Lack of conservation-linked livelihood options.</li> </ul>
	<b>Sagay Marine Reserve</b>	<ul style="list-style-type: none"> <li>Marine ecosystems include algal beds, coral reefs, mangrove forests, mudflats, sand cays, seagrass meadows, shoal, small islands and soft</li> </ul>	<ul style="list-style-type: none"> <li>Unsustainable collection of marine resources.</li> </ul>

Investment	Site	Biodiversity Significance	Threats and Root Causes
		<p>bottoms.</p> <ul style="list-style-type: none"> <li>• Four reefs of Macahulom, Carbin, Panal and Molocaboc has total of 49 genera of <i>Scleractinian</i>, 2 genera of non-scleractinian and 5 genera soft corals (Luchavez 1996). 9 seagrass species and 25 mangrove species in over 500 hectares of mangroves. (CENRO/SMRO 2001).</li> <li>• 107 fish species belonging to 24 families in the reserve (Luchavez 1996).</li> <li>• Important economic species such as the giant clams <i>Tridacna squamosa</i>, <i>T. crocea</i> and <i>Hippopus hippopus</i>, <i>Lambis</i> or “sa-ang”, abalone shells (<i>Haliotis asinine</i>) and the peanut worm <i>Sipunculida</i>.</li> <li>• 137 species of macro-invertebrates, mostly mollusks.</li> <li>• Sightings of dolphins, sharks, dugongs and sea turtles.</li> <li>• Abundance of <i>Portunus pelagicus</i> or blue crab, locally known as “kasag.”</li> </ul>	<ul style="list-style-type: none"> <li>• Destruction of habitats.</li> <li>• Destructive fishing methods.</li> <li>• Unabated encroachment of commercial fishing boats in the marine reserve.</li> <li>• Increased collection and exploitation of invertebrates to supplement incomes of the communities threatens the balance and viability of the marine food webs.</li> <li>• Pollution: Lack of proper sewage and sanitation systems, domestic, agricultural and industrial wastes are dumped into the Visayan Sea and its tributary rivers.</li> </ul> <p><b>Root Causes:</b></p> <ul style="list-style-type: none"> <li>• Inadequate capacity to manage the protected area as a result little progress has been made with regard to the implementation of the protected area management plan.</li> <li>• Pressures from human population in adjacent areas.</li> </ul>

## Annex 7. Project Cost and Co-Financing

	Total Costs	Components						
		Conservation Partnership	Conservation Management	Enforcement	Information-Education-Communication	Sustainable Livelihoods	Institutional & Financial Sustainability	Research Monitoring
<b>OPERATING COSTS</b>								
Salaries and Benefits								
Senior Management	23,100	0	6,930	2,310	3,465	4,620	2,310	3,465
Middle Management	18,567	0	4,657	2,770	3,394	3,105	1,857	2,785
Junior Management	46,746	0	7,012	11,687	11,687	4,675	4,675	7,012
Technical Support Staff	37,440		11,232	3,744	5,616	7,488	3,744	5,616
Community Outreach Workers	16,800		5,040	1,680	2,520	3,360	1,680	2,520
Administration Services	18,536	0	4,465	2,949	3,511	2,977	1,854	2,780
Sub-Total	161,189	0	39,336	25,139	30,192	26,224	16,119	24,178
Travel	105,019	0	18,979	23,028	24,104	12,653	10,502	15,753
Equipment	25,614	0	5,584	4,661	5,242	3,723	2,561	3,842
Supplies (include fuel)	29,894	0	5,024	6,934	7,114	3,349	2,989	4,484
Contractual services/grants	153,562	0	35,441	25,984	30,119	23,628	15,356	23,034
Communications	17,282	0	3,267	3,646	3,871	2,178	1,728	2,592
Fees, Insurance, & Charges	12,613	0	2,042	3,003	3,053	1,361	1,261	1,892
Occupancy	25,460	0	4,899	5,285	5,645	3,266	2,546	3,819
Meetings/ Comm Consultations	23,338	0	4,701	4,635	5,035	3,134	2,334	3,501
Training and Workshops	6,035	0	1,445	969	1,149	964	604	905
Total Annual Operational	560,006	0	120,719	103,283	115,522	80,480	56,001	84,001
Miscellaneous	69,161	0	13,656	14,009	15,103	9,104	6,916	10,374
<b>Total Annual Cost (Tr 1 &amp; 2)</b>	<b>629,167</b>	<b>0</b>	<b>134,375</b>	<b>117,292</b>	<b>130,625</b>	<b>89,583</b>	<b>62,917</b>	<b>94,375</b>
Annual Cost Tranche 1 – El Nido	266,667		480,000	160,000	240,000	320,000	160,000	240,000
No of years	6							
Annual Cost Tranche 2 - Stellar	362,500		435,000	725,000	725,000	290,000	290,000	435,000
No of years	8							
<b>Total GEF Cost</b>	<b>4,500,000</b>	<b>0</b>	<b>915,000</b>	<b>885,000</b>	<b>965,000</b>	<b>610,000</b>	<b>450,000</b>	<b>675,000</b>
Add: Investment Capital	16,000,000	16,000,000						
Add: Co-Financing (Bilaterals)	1,500,000		270,000	330,000	345,000	180,000	150,000	225,000
Add: Co-Financing (Private Sector)								
<b>GRAND TOTAL</b>	<b>22,000,000</b>	<b>16,000,000</b>	<b>1,185,000</b>	<b>1,215,000</b>	<b>1,310,000</b>	<b>790,000</b>	<b>600,000</b>	<b>900,000</b>

## Summary of Project Cost According to Investment

	Total Cost	Conservation Support by Investment	
		El Nido	Stellar Fisheries
<b>Salaries and Benefits</b>			
Senior Management	23,100	23,100	-
Middle Management	18,567	12,480	6,087
Junior Management	46,746	-	46,746
Technical Support Staff	37,440	37,440	
Community Outreach Workers	16,800	16,800	
Administration Services	18,536	11,232	7,304
<b>Sub-Total</b>	<b>161,189</b>	<b>101,052</b>	<b>60,137</b>
		-	
Travel	105,019	21,510	83,509
Equipment	25,614	11,615	13,999
Supplies (include fuel)	29,894	3,600	26,294
Contractual services/grants	153,562	82,713	70,849
Communications	17,282	4,500	12,782
Fees, Insurance, & Charges	12,613	1,000	11,613
Occupancy	25,460	7,200	18,260
Meetings	23,338	8,000	15,338
Training and Workshops (staff)	6,035	3,600	2,435
		-	
<b>Total Annual Operational</b>	<b>560,006</b>	<b>244,790</b>	<b>315,216</b>
Miscellaneous	69,161	21,877	47,284
<b>Total Annual Project Cost</b>	<b>629,167</b>	<b>266,667</b>	<b>362,500</b>
Number of years		6	8
<b>Total GEF Cost</b>	<b>4,500,000</b>	<b>1,600,000</b>	<b>2,900,000</b>
Investment Capital	16,000,000	15,000,000	1,000,000
<b>Total GEF plus Private Investment</b>	<b>20,500,000</b>	<b>16,600,000</b>	<b>3,900,000</b>
<b>Co-financing</b>	<b>1,500,000</b>	<b>300,000</b>	<b>1,200,000</b>
<b>GRAND TOTAL</b>	<b>22,000,000</b>	<b>16,900,000</b>	<b>5,100,000</b>

## **Annex 8: Cost Effectiveness Analysis**

### **1. Typical Costs of Conservation Projects**

Protected area projects in the Philippines and Southeast Asia have relatively typical and predictable costs based on the project's complexity and size. Complexity refers to the remoteness of an area, the number of people living in and around an area, and the number of resource violators that operate in the area. Complex projects tend to have higher costs. Likewise, costs are positively correlated with the amount of area to be protected (i.e., size). This analysis is restricted to projects that are 1,000 hectares or greater in extent (because projects that involve less than 1,000 are less likely to result in significant biodiversity or ecosystem management outcomes). This analysis uses the following scale: Small: 1,000 to 5,000 hectares; Medium: 5,000 to 10,000 hectares; and Large: 10,000 hectares or greater

The typical range of costs for conservation projects in the Philippines is US\$50,000 for a small area that is relatively uncomplicated, to over US\$300,000 a year for a large complex area. Very large, complicated projects in other Southeast Asia countries, such as Komodo National Park in Indonesia, cost approximately US\$2.3 million annually.

The ACC project costs range from the most expensive (approximately US\$266,000 per year for El Nido) to the least expensive (a total of approximately US\$220,000 per year for the five sites associated with Stellar Fisheries – an average of US\$45,000 per site). El Nido is large, while the areas under the Stellar Fisheries investment are medium. All project sites are considered of medium to high difficulty, based on the numbers of people living in the area, the remoteness, or the number of violators that are common to the area. For example, El Nido is a very remote area, although it has relatively low population density. The sites associated with Stellar Fisheries are not remote; however, they have a large human population with numerous resource violators. While the range of cost for the ACC sites is broad, the proposed conservation projects are far less expensive than the typical conservation projects. For example, the El Nido project is much less expensive than the GEF-funded Tubbataha project.

### **2. Cost-Effective Design Features of the ACC Proposal**

The conservation projects in the ACC proposal are less costly than other comparable projects in the Philippines because of a few basic design features:

***Leveraging of Multiple Stakeholder Participation.*** The participation of numerous stakeholders helps this project to implement conservation activities at a lower cost to outside donors than traditional projects. In many traditional projects, salaried staff are the primary delivery agents for conservation. In this initiative, however, voluntary bantay dagats (coastal sea watch) will provide the majority of enforcement and patrol services. Likewise, the majority of strategic guidance and oversight will eventually be provided by Multi-Stakeholder Advisory Boards.

***Executing Conservation Activities at Several Sites through a Cross-Cutting Team Approach.*** This project is cost effective because it has clustered its conservation sites in such a way that allows a central team to serve multiple sites. For example, in the case of Stellar Fisheries, one central team

will be able to serve all five sites. Project representatives may be based at each site, but administration and technical expertise will be provided by the central team.

***Leveraging Financing from Other Companies in Project Areas:*** The ACC will work with other companies that operate in and around ACC sites to encourage them to provide financing to conservation efforts. The example provided by the ACC will help encourage other private companies to also contribute.

***Logistical Support and Sustainable Financing from ACC Portfolio Companies:*** ACC investee companies will provide logistical support for conservation activities at ACC sites as well as sustainable financing to conservation projects. Logistical support will include transport, use of facilities, and outreach to other companies to encourage them to follow environmentally responsible operational approaches. The sustainable financing will help to ensure that conservation activities can continue into perpetuity, thus maximizing the “conservation return” on the initial GEF investment.

## **Annex 9: Incremental Cost Analysis**

### **Context and Broad Development Goals:**

Enhancing the relationship between the private sector and the conservation community is a goal of the Philippine Government under their National Biodiversity Strategic Action Plan. In the marine realm, this plan includes an emphasis on the conservation of an ecological representative complement of the priority biological areas of the Philippines. Unfortunately, the relationship between the private sector and the conservation community remains minimally developed at present. Corporate philanthropy is presently a fraction of its potential, with large scale companies comprising the majority of corporate givers. Likewise, corporate participation in conservation efforts is also relatively limited. More than any other industry, the tourism sector (especially dive operators) is participating in conservation efforts. This includes policing and amending their practices to help improve environmental responsibility; providing in-kind support such as the use of vessels, equipment, and staff time to conservation initiatives; and participating in sustainable financing mechanisms that tax divers to generate conservation fees. While this support is important, there is vast potential to greatly expand it and include a much larger cross section of the tourism industry. Other sectors such as fisheries, shipping, oil, power generation, and several others could provide increased support to conservation efforts, but for the most part this has remained limited.

Despite its stated desire to extend conservation to a more representative complement of the important biological areas of the Philippines, the Philippine Government does not have sufficient financial or human resources to fully develop a network of protected areas that is sufficient in scope to meet the goal of biological representation. Across the Philippines, areas that are priorities for conservation but which do not yet have formal protection, face continued open access and ongoing destructive activities by resource poor fishers who are trying to meet their livelihood requirements. In a few areas, local communities, government, and/or NGOs have come together in an effort to limit destructive activities. In a number of cases, these efforts have been successful in decreasing destructive activities. Most of these successful cases have received support from outside donors and have benefited from the organizational support of experienced NGOs. Generally, however, areas that could contribute to a biologically representative network of sites but are not yet protected are under significant stress from continued destructive activities and/or over-exploitation.

While the Philippines has a very large number of marine protected areas, the majority are municipal protected areas and thus were not chosen with biological criteria as a major factor. Typically, they are not sufficiently large or appropriately located to contribute optimally to representative conservation. As a result, a more biologically appropriate network of MPAs is needed. Fortunately, national level marine protected areas have typically been designated with more consideration of biological criteria. A number of the Philippines most biologically important marine sites are under formal protection. These include Tubbataha Reefs National Marine Park, Apo Reef Natural Park, Turtle Islands Heritage Protected Area, El Nido Taytay Managed Resource Reserve, and several others.

Unfortunately, across most marine protected areas (at all levels of designation), there is typically insufficient enforcement capacity to ensure the adequate protection of the biodiversity of these areas. At a typical marine protected area in the Philippines, there may be anywhere from no guards or enforcement agents to approximately 20 guards. Appropriations for management range from zero to a maximum of 50,000 USD per annum. In nearly all cases, the amount of funding and the human resources available to protect MPAs in the country are insufficient. In some cases, local communities, local NGOs, the local Government, and/or local businesses have initiated protection

efforts with the assistance of outside donor support. In some formally protected areas, destructive activities have been greatly reduced through these conservation initiatives. For example, a GEF supported project by WWF and other partners has resulted in a near complete elimination of destructive activities at Tubbataha, while efforts at Turtle Islands and other protected areas have also greatly reduced destructive activities. However, in total there are only a handful of marine protected areas that are fully protected and have an effective strategy to ensure sustainability. In most if not all of these cases, outside donor support has been instrumental to the conservation success.

Development goals for the Government of the Philippines and for a large number of NGOs operating in the Philippines are focused on overcoming the current factors limiting conservation in the country. Fortunately, a progressive natural resource management legislative regime in the Philippines has enabled municipal level protection efforts as well as multi-stakeholder conservation partnerships. Both fisheries and conservation management have been decentralized so that municipalities and barangays have a great deal of authority in the management of natural resources in their areas. Likewise, in the case of national level protected areas, management laws mandate the formation of multi-stakeholder management boards. These approaches have provided the legal mechanisms for conservation to be much more widespread than would be the case under centralized government approaches.

Also, the Philippines has a progressive set of marine conservation laws and regulations that have made most destructive activities illegal. These include fishing with explosives and cyanide, muro-ami fishing, and other destructive techniques. As a result, if resource laws are enforced an area need not be a formal marine protected area to be afforded considerable protection. Enforcement of these regulations does not provide full protection as some destructive fishing techniques remain legal (such as use of compressors that leads to over harvesting in many areas). However it is relatively easy to add a set of new regulations to an area to bring it into full protection if these regulations can be adequately enforced.

While the legal regimes in the Philippines are extremely progressive, they are not adequately implemented. For example, decentralization of resource management as well as multi-stakeholder management are under-funded and as a result cannot be fully implemented. Given more financial and human resources there remains vast potential to expand local management and multi-sector partnerships to leverage much greater conservation benefits. Creative partnerships with the private sector is one mechanism that can help to infuse funding, institutional support, expertise, and other benefits to greatly expand the reach and impact of local and multi-stakeholder management approaches. The ACC partnership is the most highly developed example in the Philippines of a partnership between the private sector and the conservation community that is designed to enhance and sustain biodiversity conservation over a network that contributes to representative conservation.

### **Baseline Scenario:**

The general situation described above very much holds true for the ACC sites. (see Annex 6 for a full description of ACC sites). In those that are not legally protected areas, there is little to no conservation management underway. In those that are formal protected areas, a very limited enforcement and conservation management structure is in place. Destructive activities are continuing to degrade the globally significant biological diversity of these areas.

Without the GEF project, it is extremely likely that destructive activities will continue at all sites. The inevitable infrequency of patrols and lack of adequate equipment will make protection of these areas extremely limited.

The baseline scenario is well illustrated by reviewing the history of protection at Tubbataha Reefs National Marine Park. Tubbataha will not be an ACC site; however, it demonstrates that even one of the highest priority MPAs in the Philippines was not sufficiently protected under its basecase scenario. A few years ago there were sufficient resources to deploy only between 5 and 8 staff at the reef and their patrol vessel was regularly in disrepair. During a large portion of the year, there was no staff on patrol due to logistical difficulties. Likewise, the park guard station nearly collapsed prior to its replacement. This replacement was only made possible through a combination of multi-stakeholder effort including facilitation by WWF, in-kind support, and external donor funds (including GEF). Fortunately, the infusion of outside donor support and subsequent conservation partnerships facilitated by the project staff hired with this donor support has resulted in strong protection of Tubbataha. Indicators of improving biodiversity are all positive, including increasing coral cover, statistically significant increase in fish biomass, and return of mid and top level predators to the reef ecosystem. The GEF and other outside donor support were essential to the transformation of Tubbataha and will likewise be essential to achieving conservation success at ACC sites.

Fortunately, while the baseline scenario normally entails an extreme lack of human and financial resources, it also often includes great human potential with stakeholders who are very enthusiastic to participate in protection efforts. The key to harnessing this potential is having sufficient financing and technical expertise to adequately organize and leverage the contribution of multiple stakeholders. The GEF grant will provide the resources necessary to facilitate the development of conservation partnerships for all ACC project sites.

The overall baseline scenario for the six ACC sites is described below under the seven components of the proposed project.

**1. Conservation (ACC) Partnership:** The size and scope of the ACC partnership would be greatly reduced. While the ACC would continue to invest in companies operating at biologically important sites, the pace of getting them to go beyond environmental mitigation to foster biodiversity conservation would be severely limited. The amount of funding raised from the investee companies for the ACC's local NGO partner would be reduced. (This is because despite ACC's commitment to making its investee companies donate some of their revenues, the reality is that GEF involvement allows IFC to leverage much greater contributions from them). The reduced funding would impact the capacity of the local NGO, placing significant limitations on the number of skilled staff that could be hired. In fact, the viability of the ACC partnerships would be in question because without the scale afforded by the GEF project, other funders may not find this an attractive initiative. It is estimated that conservation initiatives could be established at one or two sites at most, and activities at these would progress more slowly than if the GEF project was put in place.

Although the ACC project would only be able to operate at one or two sites, the Government, communities, and NGOs would continue to contribute to conservation at some of the sites that would have been developed under the GEF project. However, the same financial, human resource, and facilitation challenges that currently limit conservation success at these sites would most likely continue. Details under each category below illustrate the full impact of not having the GEF project.

**Baseline Costs:** The baseline costs for establishing the ACC Partnership at one to two sites is US\$120,000. This does not include funds for implementation of conservation activities at these sites (which are included in the baseline calculations for each subsequent component below).

**2. Conservation Management: Institutional Management Mechanisms and Conservation Action Plans to Ensure Efficacy of Conservation Activities at each ACC site:** It is estimated that a maximum of only two sites would be developed and these would receive significantly reduced

support. The same emphasis would be placed on multi-stakeholder conservation and cooperative management; however, the funding for building the capacity of the management teams would be much less. As a result, management efficacy may suffer over time. The pace of work to develop conservation plans would be significantly slower than if the GEF project moves ahead because fewer project staff would be hired and the demands on their time would be greater. It is also likely that the scope of the conservation plans would have to be reduced by more than half as the amount of implementation funding at these two sites would likely be less than half of what would be available under the GEF.

**Baseline Cost:** Approximately US\$440,000.

**3. Conservation Enforcement:** Because the ACC and local NGOs would only be able to operate at one or two project sites, the enforcement regime would be accordingly reduced. Enforcement activities at these two sites would be reduced as well. It is likely that enforcement activities could be carried out only 50% of the time. The amount of infrastructure, equipment, and staff that could be secured for these two sites would be greatly diminished. Likewise, the other sites that would have been pursued by the ACC project will remain unprotected or minimally protected. At present, enforcement at these sites ranges from a complete absence to a low level of activity (at sites in the Visayan Sea) to a moderate but very insufficient level of activity (at El Nido). Destructive activities would continue to deplete and degrade important species, habitats, and ecosystem characteristics and functions. Some sites would end up in worse condition than others, since some sites have formal protection and existing levels of conservation activity that would continue; while other sites have neither formal protection nor any conservation activity. Some sites are also more severely threatened than others. Nevertheless, over time it is expected that the biodiversity at all six of the sites – especially four sites that are part of the alternative but not part of the baseline - would be severely impacted from continued destructive activities and overexploitation.

**Baseline Cost:** Approximately US\$425,696.

**4. Information, Education, and Communication:** Outreach and environmental education activities would be pursued at the two sites to be developed and at the national level in order to encourage support for the ACC model and for conservation in general. The ACC and local NGOs would not be able to develop a complete outreach campaign to target different levels of society to support conservation but instead would focus on key players who may be of assistance in developing the initiative at the two sites or at the national level. The overall impact of the outreach and education component would be reduced significantly.

**Baseline Costs:** Approximately US\$518,400.

**5. Sustainable Livelihood Strategies:** Sustainable livelihood strategies would be similarly reduced with the ACC and local NGOs only being able to assist communities at a maximum of two sites. At these two sites, a range of alternative livelihood strategies would be considered, but funds for consultants, feasibility studies, and program development would be limited. At sites not included in the base case, local NGOs may work with communities (as is already going on in some cases) to help them develop sustainability strategies. For example, WWF is working with communities in the Visayan Sea area associated with Stellar Fisheries to help them review and consider a range of alternative livelihood options. However, the scale of this NGO assistance is extremely limited and is unlikely without the GEF to be able to provide a significant portion of the population with alternatives to overexploitation. As a result, the conservation benefit of these initiatives is likely to be very low under the base case.

*Baseline Costs:* Approximately US\$160,104.

**6. Institutional and Financial Mechanisms to Ensure Conservation Sustainability:** Institutional mechanisms and sustainable financing would be developed at two sites. Institutional mechanisms at these sites would be developed to a similar degree as under the GEF alternative since the development of these mechanisms is primarily achieved through the relatively low cost process of facilitating meetings and dialogue. If, however, a negotiation for the development of institutional mechanisms meets any delays, the effort necessary to carry out protracted facilitation and negotiation is likely to stretch the capacity of the ACC and local NGOS under the base case. Financial sustainability mechanisms may be limited in their effectiveness if the conservation initiatives at the two sites require the use of any of these funds prior to the establishment of a sufficient endowment. In other words, because there will be less funding available under the base case, conservation initiatives may have to dip into funds raised by sustainable financing mechanisms that under the GEF alternative would accrue to an endowment. Thus the institutional and financial sustainability of conservation initiatives would be much less certain without GEF support.

*Baseline Costs:* Approximately US\$182,000.

**7. Biodiversity Research and Monitoring:** Biological and socioeconomic monitoring would be limited to the two sites developed under the baseline scenario. There would be much less training of community members and other stakeholders in the techniques of monitoring. Basic elements of adaptive management and monitoring would be pursued; however, dissemination to the conservation community at large would be reduced to once every two years at most as staff would be stretched to the limit. The periodicity of external evaluations would be reduced to once every three years.

*Baseline Costs:* Approximately US\$236,800.

**Domestic and Global Benefits.** For sites where the ACC would develop conservation initiatives in the baseline scenario, there would be a noticeable improvement in domestically important biological resources (e.g. crab stocks) and in globally important biological diversity as a result of increased protection, management, and alternative livelihood development. These sites would therefore reap both domestic benefits (from a more secure resource base) and global benefits (from enhanced biodiversity features). However, these benefits would be limited when compared to the GEF alternative. For sites where the ACC Partnership would not be able to develop programs, the baseline scenario represents a range of non-existent to moderate protection and management of biological resources and non-existent to low-level investment in community development (through local NGOs). Domestic benefits would therefore be limited, as households living in and around the undeveloped ACC sites would see no significant increase in average incomes. Global benefits in these sites are likely to be extremely limited as improvement in biodiversity features is dependent on thorough (near complete) protection of the ecosystem, which will not occur under the base case. Under the base case, the domestic benefit is likely to exceed the global benefit as alternative livelihood programs are likely to be more fully developed than would enforcement programs. Likewise, these alternative livelihoods may yield domestic benefits for a number of households but without the GEF are unlikely to be of sufficient scale to have any meaningful positive impact on biodiversity (i.e. to reduce pressure by creating meaningful economic alternatives).

*The baseline scenario would leave the critical conservation-related needs of the majority (at least 80 to 90%) of ACC sites unmet and would fail to counter the major threats to the biodiversity of these areas.*

## **Global Environmental Objectives**

The global environmental objective of the GEF Alternative is to conserve and sustainably use the globally significant biodiversity of a network of ACC sites while establishing a private sector/conservation community partnership and model to sustain this conservation in the long-term. To do this, the GEF is urgently required to bolster the extremely limited baseline capacity of the stakeholders to conserve these sites and to provide the necessary conservation support to enable the full development of long-term institutional and financial mechanisms for sustainability.

### **GEF Alternative**

**Scope and Costs:** Under the GEF alternative, stakeholders would be able to take on a much more effective program of activities to ensure the conservation and sustainable management of the biodiversity of a network of six ACC sites. These funds will also allow for the establishment of sustainable institutional and financial mechanisms to ensure the long-term conservation of these sites. Likewise, these sites would contribute to a much larger network of conservation sites that will be developed over time by a number of groups in cooperation with WWF. WWF recently facilitated a workshop of experts to identify priority areas for conservation for the Sulu-Sulawesi Seas. As a result, a long-term effort to develop a network of marine protection across the Sulu-Sulawesi sea will move forward over the next several years. This network will help to conserve a representative complement of the outstanding biodiversity and ecosystem processes of the Sulu-Sulawesi Seas. While some ACC sites may fall outside the Sulu-Sulawesi Seas, many of these sites will fall within these seas and therefore help contribute to the network of biologically representative conservation areas.

**1. Private Equity Investment Holding Company and Local NGO Partnerships:** Under the GEF Alternative, the ACC-Local NGO partnerships will be able to protect a network of six globally important biodiversity sites. The GEF will provide the necessary funding to expand conservation efforts at these sites and set up long-term sustainability programs. Also, the GEF will enable the creation of an important new model that strengthens private sector participation in biodiversity conservation. The local NGO partner will be able to hire the staff it needs to adequately manage conservation funding across the project sites and ensure a high level of quality in project implementation. The local NGO partner will also leverage fund raising opportunities and have their own network of donors. Also, the GEF will help to attract additional donors, as the majority of funders are interested in matching funds with other donors rather than solely funding initiatives. Likewise, the establishment of full conservation efforts at each site will provide the necessary facilitation and management to secure support (both in-kind and financial) from other stakeholders, thus enhancing the magnitude of the overall effort even further.

**Costs of the GEF alternative to establish the ACC-Local NGO Partnerships are approximately US\$16,120,000 for a total of nine years. This does not include funds for implementation of conservation activities at these sites, which are described below.**

**2. Conservation Management:** Management and field implementation mechanisms would be put in place for the network of six sites. Funding to build the capacity of management boards at each site will be sufficient, thus enabling the eventual full take over of all management duties by the local management mechanism (generally multi-stakeholder boards with a corresponding field management unit). In all cases, field management units will carry out the directives of the management board. These units will generally be comprised of a combination of representatives from multiple stakeholder groups such as the local government, the national government, the local community, local

business and others. Some individuals will be hired as permanent staff, while others will work as part time staff or volunteers. In some cases, the staff of existing initiatives will simply be resourced to enhance their conservation efforts. In other cases, new field management units will have to be created to carry out the management directives of the management board. All staff costs associated with the field site implementation will be included in this component. Conservation action plans will be developed for each of the network sites. Plans will be more robust as there will be sufficient funding to fully implement them at each site.

**The cost of the GEF alternative is approximately US\$1,625,000.**

**3. Effective Enforcement and Regulatory Regime:** The ACC will be able to provide funding and institutional support to effectively enforce conservation regulations at six sites. Thorough enforcement programs will be developed and implemented that build on experience of WWF, TNC, and other conservation organizations who have implemented effective enforcement programs in the region. The development of these programs will include formulation of a site-specific enforcement strategy, establishment of partnerships among stakeholders, training of enforcement agents, purchasing and maintaining of enforcement equipment, and continual review of enforcement operations to improve efficacy. In addition, an analysis of the need to adjust or amend laws and regulations will be carried out at each site. If the analysis reveals that regulatory changes are advisable to properly avoid illegal fishing and harvesting activities, then the ACC and local partners will work with relevant government bodies to achieve these changes. The expected result is a near complete elimination of destructive activities at these sites. This protection is expected to result in an eventual restoration of the natural communities, biodiversity, and ecosystem processes found at the sites.

**The cost of the GEF alternative is approximately US\$1,640,696.**

**4. Information, Education, Communication:** The ACC will develop a full outreach and environmental education campaign. This campaign will be able to work with relevant stakeholders at all six sites and at the national level in order to raise awareness and support for the ACC approach. Regular quarterly publications, periodic video presentations, community meetings, reports to government, white papers, and other education programs will be included. A full outreach and education strategy will be developed for each ACC site. Periodic evaluation of stakeholder response to outreach and education programs at each site will be conducted to help refine the strategies and ensure the most effective campaigns.

**The cost of the GEF alternative is approximately US\$1,828,400.**

**5. Sustainable Livelihood Strategies:** Under the GEF Alternative, the ACC and its execution partner NGOs will work with local communities at all ACC sites to help them develop alternative livelihood strategies. These strategies will focus on development of simple yet profitable enterprises. For example, preliminary assessments have shown that high value seaweed farming can be pursued by villagers in some of the ACC sites with relatively little technical training and can result in high returns compared to their normal incomes. Likewise, it is clear that provision of small-scale tourism services can also be profitable for local communities. In El Nido, for instance, communities are already providing some of these services and are generating relatively good revenues compared to traditional incomes.

The project will provide both technical experts and training to help additional communities to develop such enterprises. As communities develop alternatives, they will not be as dependent on resources that the project is trying to protect. As a result, they will be able to forgo these resources long enough for protection to start to restore the resource base. As this resource base is restored, local communities will start to benefit from increased catch in areas adjacent to protected areas. This improved catch will also improve livelihoods and is very likely to increase community support for conservation efforts.

**The cost of the GEF alternative is approximately US\$950,104.**

**6. Institutional and Financial Mechanisms to Ensure Conservation Sustainability:**

Experience in the international conservation community has demonstrated that project progress and success can easily be eroded or completely undone within a matter of months or years if interventions and activities are not maintained. The highest priority objective of this initiative is to conserve biodiversity in the long-term by creating mechanisms that ensure sustainability through private sector participation in conservation. Development of sustainability mechanisms will require detailed attention and concerted effort. The GEF will provide the necessary support to enable the relevant NGOs to work with ACC portfolio companies and local conservation execution partners to develop institutional and financial sustainability mechanisms at all ACC sites. Under the GEF alternative, sufficient resources, staff, and technical expertise will be marshaled to establish sustainability mechanisms. This will enable sustainable financing to start to build up early in the project cycle, thus enhancing the probability that project conservation interventions will be less dependent on outside donor financing.

**The cost of the GEF alternative is approximately US\$782,000.**

**7. Biodiversity Research and Monitoring:** Biological and socioeconomic monitoring will be comprehensive at all six ACC sites. Biological and socioeconomic baselines will be established early in the project to provide a basis for comparison and monitoring of change over time. Local stakeholders will be trained in how to monitor key factors such as coral cover, fish biomass, fish diversity, basic community structure, resource use, community and stakeholder attitudes, income from natural resources, involvement of stakeholders in conservation activities and other relevant factors. Over time, it is expected that these stakeholders will have both the skills and the resources needed to regularly monitor these and other relevant factors. A monitoring schedule will be developed that is regular and sensitive enough to enable effective adaptive management of the conservation initiatives at each ACC site. As the management of the conservation initiative is passed to the appropriate management unit (development of which is discussed in Component 2), this unit will also come to oversee both the biological and socioeconomic monitoring. Monitoring results will provide regular feedback to management units to enable them to adjust their initiatives. Data generated from this component will also be organized and managed in the Municipal Coastal Database and MPA database of the Philippines. Finally, the results of biological monitoring will be disseminated to local and national decision makers, private sector operators, and the public at large.

**The cost of the GEF alternative is approximately US\$1,136,800.**

**Benefits.** Implementation of the GEF Alternative will secure effective long-term protection of globally significant marine biodiversity at six sites in the world's center of marine biodiversity. This will have both domestic and global benefits.

Domestic benefits generated by the project will include:

- institutional strengthening of local biodiversity and resource management authority at the community, local government unit, and provincial levels;
- improved management of protected areas and priority conservation areas by local multi-stakeholder groups;
- enhanced private sector involvement in conservation and environmentally responsible business operations
- sustainable financial development in and around focal areas;
- empowerment of local communities to enable them to participate in, and benefit from, conservation and resource management.

Global benefits of the GEF Alternative would include:

- sustained and intensified conservation of globally outstanding but severely threatened species and ecosystems;
- generation of an innovative and replicable model for collaboration between the private sector and the conservation community to achieve the conservation of globally important biological diversity; and
- attitudinal shifts among stakeholders at all levels regarding the value of biodiversity and their responsibility to conserve and sustainably use the natural resources of the region.

### Incremental Cost Matrix for Total ACC Project

Component	Cost Category	Cost US\$	Domestic Benefit	Global Benefit
<b>1. Private Equity Investment Holding Company/ Local NGO Partnership</b>	Baseline	120,000	Without GEF support the ACC and its local NGO partner would be severely constrained. At best they would be able to carry conservation projects at one or two sites and with much fewer resources. Local communities would benefit from these efforts, although it is unlikely that activities could lead to meaningful changes in natural resources in the areas	Under this situation of limited capacity and scope, global biodiversity benefits would also be significantly limited. The ACC would not be able to support a network of sites and as a result would not contribute significantly to efforts to build a network of biologically representative sites.
	GEF Alternative	Total: 16,120,000	Effective mechanism for collaboration between private sector business and local conservation efforts thus helping to support enhanced efforts by local and national government and provide greater food security for local communities.	Replicable model to provide a high probability of ensuring long-term conservation of globally significant biodiversity. Significant contribution to a biologically representative network of high biodiversity sites.
	Increment:	16,000,000		
<b>2. Conservation Management</b>	Baseline	440,000	Minimal level of conservation management at each ACC site. Some sites will have no management at all while others may have up to 20 % of needs addressed.	Limited protection of globally important biological diversity but functioning ecosystem will not be maintained and numerous key habitats and species will be lost from sites.
	GEF Alternative	1,625,000	Major improvements in park management including development and implementation of strategic action plans for each site; Expanded capacity of multi-stakeholder management units to enable them to take over conservation management	Sustained and intensified protection and management of globally important species, habitats, and ecosystems in all ACC sites; Restoration of critical ecosystem elements
	Increment	1,185,000		

<b>Component</b>	<b>Cost Category</b>	<b>Cost US\$</b>	<b>Domestic Benefit</b>	<b>Global Benefit</b>
<b>3. Conservation Enforcement</b>	Baseline	425,696	Limited and sporadic enforcement by national agents, local government, and local community. Protection is extremely limited. Local communities benefit from limited resource protection	Some limited protection of globally significant species, habitats, and ecosystems; however, this is insufficient to ensure effective protection of biodiversity and ecosystems processes that maintain it.
	GEF Alternative	1,640,696	Development of a well-equipped and coordinated enforcement network, covering both marine and terrestrial regulations.	Elimination or near elimination of destructive and illegal activities. Near full protection of globally important biodiversity elements including species, habitats, and ecosystems processes of each ACC site.
	Increment	1,215,000		
<b>4. Information, Education, and Communication</b>	Baseline	518,400	Existing conservation activities result in a limited awareness of needs and opportunities to enhance conservation and resource management	Some biological diversity elements will benefit from limited action associated with existing levels of awareness.
	GEF Alternative	1,828,400	Greatly enhanced knowledge and ability to enhance conservation and resource management to benefit those dependent on natural resources for survival	Greatly enhanced conservation action results from increased awareness of needs and opportunities. Greatly enhanced conservation of globally significant biological diversity including species, habitats, and ecosystems
	Increment	1,310,000		
<b>5. Sustainable Livelihoods</b>	Baseline	160,104	Existing conservation and development efforts provide some additional income sources for some households.	Some degree of success in countering destructive and illegal practices resulting in limited conservation of globally important biological diversity.

Component	Cost Category	Cost US\$	Domestic Benefit	Global Benefit
	GEF Alternative	950,104	Introduction of legal and sustainable sources of income. Further development of alternative income sources; Empowerment of local communities; Demonstration of potential economic benefits of biodiversity-sensitive enterprises.	Reduction in destructive and illegal practices; Protection of previously-exploited biodiversity resources; Attitudinal shift among local communities and local governments regarding the value of biodiversity.
	Increment	790,000		
<b>6. Sustainable Financing</b>	Baseline	182,000	Limited conservation finance generated by ACC portfolio companies but insufficient to adequately fund conservation and resource management activities at ACC sites	Some limited conservation activity at ACC sites as result of limited conservation finance. Activities are insufficient to adequately protect globally significant biological diversity.
	GEF Alternative	782,000	Sustainable finance from ACC companies accrues to endowment and builds to help fund recurring costs of conservation management.	Sustainable finance greatly increases ability to fund conservation activities in the long-term thus resulting in sustained protection of globally important biological diversity.
	Increment	600,000		
<b>7. Monitoring and Evaluation</b>	Baseline	236,800	Minimal level of resource monitoring and no evaluation.	No discernible global benefit
	GEF Alternative	1,136,800	Comprehensive monitoring of resources, socioeconomic parameters and levels and impacts of resource use; Strengthened accountability of relevant stakeholder agencies such as DENR and PAMBs of protected areas etc. Improved information management	Greatly enhanced adaptive management of conservation activities to help ensure efficient and effective conservation management; Greatly enhanced protection of park resources as a result of adaptive management.
	Increment	900,000		

<b>Component</b>	<b>Cost Category</b>	<b>Cost US\$</b>	<b>Domestic Benefit</b>	<b>Global Benefit</b>
<b>Total</b>	Baseline	2,083,000		
	GEF Alternative	24,083,000		
	Increment	22,000,000		

## Annex 9A: Incremental Cost Analysis for El Nido

Cost/ Benefits	Baseline (B) (business as usual - limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
Domestic Benefits/ Costs	<ul style="list-style-type: none"> <li>• Continued degradation of the marine ecosystem resulting in decline in fish catch and fewer sightings of marine predators (e.g. whales, dolphin, turtles, whale sharks).</li> <li>• Unsustainable resource use leading to resource scarcity and depletion.</li> <li>• Few to no opportunities for capacity-building and training on sustainable resource management.</li> <li>• Local stakeholders (e.g. communities, PAMB) lack capacity to manage resources resulting in continued degradation.</li> <li>• Illegal fishing (cyanide and dynamite) destroying reef ecosystem.</li> <li>• Encroachment of commercial fishermen in municipal waters.</li> <li>• Increasing numbers of fish pens constructed inside the protected area.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of the marine ecosystem, resources, and protection of marine species diversity.</li> <li>• Resource security for local communities maintained through sustainable utilization of resources.</li> <li>• Increased capacity through targeted trainings of resource users in sustainable natural resources management.</li> <li>• Development of a wider range of sustainable resource management and feasible alternative economic opportunities that are less extractive in nature.</li> <li>• Resolution of conflicts on resource use and management among stakeholders are facilitated.</li> </ul>	<ul style="list-style-type: none"> <li>• Marine ecosystem, resources, and species conserved.</li> <li>• Resource scarcity and long-term depletion avoided.</li> <li>• Sustainable resource use enable communities to conserve resources while meeting economic needs.</li> <li>• A much larger set of local people and resource managers become capable of independent resource management and sustainable economic development.</li> <li>• Foundation for long-term resource conservation through capacity-building, institutional and financial sustainability, alternative livelihoods and IEC.</li> </ul>
Global Environment Benefits	<ul style="list-style-type: none"> <li>• Unsustainable resource harvesting threatening fish, marine turtles, birds, other species.</li> <li>• Larvae critical to repopulating reefs and fish stocks of the Sulu Sea threatened.</li> <li>• Little to no conservation awareness raising efforts are maintained targeting visitors, local communities, other stakeholders.</li> <li>• Insufficient management capacity to conserve the global biodiversity values.</li> <li>• Insufficient opportunities for resource management and alternative livelihood development limiting sustainability.</li> <li>• Uncertainty of funding weakens management activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Effective management and enforcement system put in place halting destructive fishing practices, encroachment, and construction of fish pens.</li> <li>• Biodiversity monitoring and research feed into the management and policy processes.</li> <li>• Conservation awareness and education activities benefits a broad range of stakeholders to include local communities, LGUs, government, PAO, private sector, and visitors of the protected area.</li> <li>• Significant investment in capacity building, training, and infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Effective multi-stakeholders collaboration in protected area management and policy processes .</li> <li>• Significant reduction, if not elimination of incidences of destructive fishing.</li> <li>• Improved ecosystem condition and maintenance of biodiversity.</li> <li>• Increased conservation awareness leading to reduced threat to biodiversity</li> <li>• Stakeholders have built sufficient management capacity</li> </ul>

Cost/ Benefits	Baseline (B) (business as usual - limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
		<ul style="list-style-type: none"> <li>development.</li> <li>Capacity in sustainable natural resources utilization and livelihoods enhanced through trainings, education, and outreach.</li> <li>Institutional and financial sustainability of conservation actions and CLWUP-EMP implementation is in place.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable resource use and alternative livelihood strategies are enhanced through capacity-building, education and outreach.</li> <li>Significant increase in the probability that the biodiversity of El Nido will be conserved over the long-term.</li> </ul>
<b>Outcome</b>			
1. Conservation Management	<ul style="list-style-type: none"> <li>Two (2) PAO staff.</li> <li>Local stakeholders, especially the LGU, have no ownership of the GMP document generated under the NIPAP program</li> <li>Sporadic and weak participation of an estimated half of the PAMB membership.</li> <li>PAMB constituted but no clear role definition in CLWUP-EMP implementation.</li> <li>Incomplete zonation of coastal marine areas.</li> <li>No specific office within the municipal government in-charge of environmental management concerns.</li> <li>PAMB/LGU resolutions and policies are not tightly linked with existing ecosystem data and/or CLWUP-EMP plans.</li> </ul> <p>Total: US\$ 40,000</p>	<ul style="list-style-type: none"> <li>Roles of PAMB and its committees are clarified and all perform their mandated duties and responsibilities.</li> <li>PAO and LGU staffing is increased to implement the CLWUP-EMP.</li> <li>Marine and coastal zonation is completed and accepted by stakeholders.</li> <li>Multi-stakeholder collaboration, with PAMB and LGU as main actors, in the implementation of the CLWUP-EMP.</li> <li>Implementation of CLWUP-EMP's 4 components: Fisheries Mgmt., Shoreline Mgmt., Habitat Mgmt., Protection of Endangered Species</li> <li>CLWUP-EMP is revisited by the stakeholders and the process builds stakeholder ownership of the conservation areas.</li> </ul> <p>US\$610,000</p>	<p>Co-financing: US\$ 90,000  GEF: US\$ 480,000  Total: US\$ 570,000</p>
2. Law Enforcement	<ul style="list-style-type: none"> <li>Two (2) boats but both require repair.</li> <li>Current patrols are done while fishermen are engaged in fishing.</li> <li>Only 1 park ranger hired by PAO.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in deputized wardens</li> <li>Increase in participation of private companies in enforcement (i.e. having their employees deputized and associated with the Philippine Coast Guard</li> </ul>	

Cost/ Benefits	Baseline (B) (business as usual - limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
	<ul style="list-style-type: none"> <li>• Response from the PNP and other deputized fish wardens using hired outrigger boat only when there are reported sightings of illegal activities.</li> <li>• 80 deputized fish wardens but only few are active.</li> <li>• Marine enforcement plan prepared but resources are inadequate resources to implement the plan.</li> <li>• No clear local policy/ordinance in support of enforcement activities</li> <li>• US\$ 9,979 (in year 2002 from DENR-PAWB) PAO allocation for deputation trainings, workshops on development of patrol plan, and staff time of PAO, and attendance to relevant meetings.</li> <li>• US\$ 1,688 (in year 2002 from the LGU particularly the MAO and MPDO) for expenses on meetings and workshops, travel and per diem, one patrol boat and fuel, share in radio repeater station, and staff time of LGU personnel.</li> </ul> <p>US\$ 125,696</p>	<p>Auxillary) and local communities in enforcement.</p> <ul style="list-style-type: none"> <li>• At least 3 times a week marine patrols and surveillance.</li> <li>• Trained Bantay Dagat in enforcement techniques, marine ecology, safety etc.</li> <li>• 50 more local Bantay Dagat members will be deputized to include 12 park rangers to be hired by PAO.</li> <li>• Local ordinances strengthening marine enforcement are enacted, violators penalized.</li> <li>• Feedback mechanism re enforcement activities to communities, LGU, and PAMB are in place.</li> <li>• By year 3, 50 per cent reduction in violations and 90 per cent by year 6.</li> <li>• Communities, through the BFARMCs, support enforcement activities.</li> <li>• Four (4) patrol boats running and properly maintained (i.e. 2 new boats).</li> <li>• All enforcement equipment, boats, and support facilities are functional.</li> </ul> <p>US\$ 315,696</p>	<p>Co-financing: US\$ 30,000  GEF: US\$ 160,000  Total: US\$ 190,000</p>
3. Information-Education-Communication	<ul style="list-style-type: none"> <li>• Limited resources of the PAO and the LGU to conduct education and outreach activities.</li> <li>• Local communities, PAMB, LGUs, visitors have benefited from previous IEC activities but very limited follow-up IEC activities have been initiated since July 2001.</li> <li>• Understanding of stakeholders on biodiversity conservation and sustainable resource use and how these are linked with the socio-economic condition in the area is</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in awareness of the local stakeholders on the CLWUP-EMP implementation, benefits derived from the management of the natural resources, and the importance of environment stewardship in relation to their current and future socioeconomic requirements.</li> <li>• Visitors, government, resort and cottage owners, LGUs, and other stakeholders are targeted for IEC.</li> <li>• Conservation values are imparted to stakeholders, including visitors thus</li> </ul>	



Cost/ Benefits	Baseline (B) (business as usual - limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
	<p>but non-release of budget by the national government is expected to hinder participation of PAO rangers in future BMS activities..</p> <ul style="list-style-type: none"> <li>• Draft field guide to BMS implementation prepared but has yet to be piloted/ adopted.</li> <li>• Very limited research and other monitoring activities carried out due to unavailability of funding and PAO staffing constraints.</li> <li>• Data gathering and the management of information on the status of the marine ecosystems and species are not yet systematically done; often based on sightings and observations of the local stakeholders.</li> <li>• Data gathering, if any, is based on short-term needs for project planning or project assessment.</li> </ul> <p>US\$ 76,800</p>	<p>stakeholders. This will improve the decision-making process of the PAMB and of the LGU, as well as enhance CLWUP-EMP implementation.. The PAMB, LGU, private sector, NGOs and other stakeholders can better plan their conservation and development activities.</p> <ul style="list-style-type: none"> <li>• Implementation of the BMS by the PAO and LGU, together with the stakeholders, will be reliable and effective; and the BMS will serve as a tool for updating the CLWUP-EMP.</li> </ul> <p>US\$ 361,800</p>	<p>Co-financing: US\$ 45,000  GEF: US\$ 240,000  Total: US\$ 285,000</p>
<b>Total</b>	US\$ 315,696	US\$ 2,215,696	<p>Co-financing: US\$ 300,000  GEF: US\$ 1,600,000  Total: US\$ 1,900,000</p>

**Projected Increment Cost for El Nido (in US\$)**

	Total Costs	Components					
		Conservation Management	Enforcement	Information-Education-Communication	Sustainable Livelihoods	Institutional & Financial Sustainability	Research Monitoring
<b>Component Allocations</b>		0.3	0.1	0.15	0.2	0.1	0.15
<b>OPERATING COSTS</b>							
<b>Salaries and Benefits</b>							
Senior Management	23,100	6,930	2,310	3,465	4,620	2,310	3,465
Middle Management	12,480	3,744	1,248	1,872	2,496	1,248	1,872
Technical Support Staff	37,440	11,232	3,744	5,616	7,488	3,744	5,616
Community Outreach Workers	16,800	5,040	1,680	2,520	3,360	1,680	2,520
Administration Services	11,232	3,370	1,123	1,685	2,246	1,123	1,685
Sub-Total	101,052	30,316	10,105	15,158	20,210	10,105	15,158
<b>Travel</b>	21,510	6,453	2,151	3,227	4,302	2,151	3,227
<b>Equipment</b>	11,615	3,485	1,162	1,742	2,323	1,162	1,742
<b>Supplies (include fuel)</b>	3,600	1,080	360	540	720	360	540
<b>Contractual services/grants</b>	82,713	24,814	8,271	12,407	16,543	8,271	12,407
<b>Communications</b>	4,500	1,350	450	675	900	450	675
<b>Fees, Insurance, &amp; Charges</b>	1,000	300	100	150	200	100	150
<b>Occupancy</b>	7,200	2,160	720	1,080	1,440	720	1,080
<b>Meetings/ Comm Consultations</b>	8,000	2,400	800	1,200	1,600	800	1,200
<b>Training and Workshops</b>	3,600	1,080	360	540	720	360	540
<b>Total Annual Operational</b>	244,790	73,437	24,479	36,719	48,958	24,479	36,719
Miscellaneous (9.0% appx.)	21,877	6,563	2,188	3,281	4,375	2,188	3,281
<b>Total Annual Cost</b>	<b>266,667</b>	<b>80,000</b>	<b>26,667</b>	<b>40,000</b>	<b>53,333</b>	<b>26,667</b>	<b>40,000</b>
<b>Total Cost -6 yrs</b>	<b>1,600,000</b>	<b>480,000</b>	<b>160,000</b>	<b>240,000</b>	<b>320,000</b>	<b>160,000</b>	<b>240,000</b>
<b>Breakdown:</b>							
Co-financing (TKDC, WWF)	300,000	90,000	30,000	45,000	60,000	30,000	45,000
GEF	1,600,000	480,000	160,000	240,000	320,000	160,000	240,000

## Annex 9B: Incremental Cost Analysis for Stellar Fisheries

### Incremental Cost Matrix for Stellar Fisheries

Cost/ Benefits	Baseline (B) (business as usual- limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
Domestic Benefits/ Costs	<ul style="list-style-type: none"> <li>Continued degradation of the marine ecosystem resulting to damage to corals, decrease in fish abundance and fewer sightings of primary marine predators (e.g. whales and dolphins, turtles, whale sharks).</li> <li>Unsustainable resource use leading to resource scarcity and long-term depletion.</li> <li>Few to no opportunities for ICEC on sustainable resource management or sustainable livelihoods.</li> <li>Local stakeholders (and resource agencies lack capacity to effectively implement conservation plans and manage resources.</li> </ul>	<ul style="list-style-type: none"> <li>Maintenance of the marine ecosystem, resources, and protection of important marine species.</li> <li>Resource security for local communities maintained through sustainable utilization of resources.</li> <li>Increased capacity through targeted trainings of resource users in sustainable natural resources management.</li> <li>Development of a wider range of sustainable resource management and alternative economic opportunities that are linked to conservation.</li> </ul>	<ul style="list-style-type: none"> <li>Marine ecosystem, resources, and species conserved.</li> <li>Resource scarcity and long-term depletion avoided.</li> <li>A much larger set of local people and resource managers become capable of independent resource management and sustainable economic development.</li> <li>Foundation for long-term resource conservation is set.</li> </ul>
Global Environment Benefits	<ul style="list-style-type: none"> <li>Unsustainable resource harvesting threatening fish, marine turtles and other primary predators, birds, and other species.</li> <li>Little to no conservation awareness raising efforts are maintained.</li> <li>Insufficient management capacity and infrastructure to conserve the global biodiversity values.</li> <li>Insufficient opportunities for resource management and alternative livelihood development limiting communities' ability to pursue sustainability of conservation efforts.</li> <li>Uncertainty of consistent funding weakens management activities.</li> </ul>	<ul style="list-style-type: none"> <li>Effective management and enforcement system put in place halting destructive fishing practices.</li> <li>Biodiversity monitoring and research feed into management and policy processes.</li> <li>Conservation awareness and education activities benefits a broad range of stakeholders</li> <li>Significant investment in capacity building, training, and infrastructure development.</li> <li>Capacity in sustainable natural resources utilization and livelihoods enhanced. through trainings, education, and outreach.</li> <li>Institutional and financial sustainability of conservation actions.</li> </ul>	<ul style="list-style-type: none"> <li>Effective multi-stakeholders collaboration in protected area management and policy processes.</li> <li>Significant reduction, if not elimination of destructive fishing.</li> <li>Improved ecosystem condition.</li> <li>Increased conservation awareness leading to reduced threat to marine biodiversity.</li> </ul> <p>Stakeholders have sufficient capacity to participate effectively.</p>
<b>Outcome</b>			
1. Conservation Management	<ul style="list-style-type: none"> <li>FARMCs constituted but lack the capacity to perform its functions; a number of the FARMCs are inactive.</li> </ul>	<ul style="list-style-type: none"> <li>FARMCs are established and active in performing its functions.</li> <li>Multi-stakeholder collaboration in the</li> </ul>	

Cost/ Benefits	Baseline (B) (business as usual- limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
	<ul style="list-style-type: none"> <li>Continued assistance in revitalizing or strengthening the FARMCs is a felt need.</li> <li>Local multi-stakeholders has not been constituted to develop coastal resources management plan.</li> </ul> <p>Total: US\$ 400,000</p>	<ul style="list-style-type: none"> <li>implementation of conservation enhanced.</li> <li>High level commitment and participation of the members is maintained.</li> <li>Work and financial plans prepared on an annual basis.</li> </ul> <p>US\$ 1,015,000</p>	<p>Co-financing: US\$ 180,000 GEF: US\$ 435,000 Total: US\$ 615,000</p>
2. Marine enforcement	<ul style="list-style-type: none"> <li>Number of fish wardens who are deputized are still small to ensure year round enforcement.</li> <li>Marine patrols have been limiting due to lack of fuel or lack of patrol boats.</li> <li>Insufficient enforcement infrastructure and equipment.</li> <li>Enforcement activities are not well organized.</li> <li>Inter-agency cooperation and coordination in the marine enforcement activities remain weak.</li> </ul> <p>US\$ 300,000</p>	<ul style="list-style-type: none"> <li>Increase in the number of patrols and deputized wardens.</li> <li>At least 3 times a week patrols.</li> <li>Sufficient fuel are available.</li> <li>Trained Bantay Dagat in enforcement techniques, marine ecology, safety etc.</li> <li>Community and LGU meetings held to update the community on progress.</li> <li>At least one boat per site used in marine enforcement activities.</li> <li>Radar and all enforcement equipment and boats are in good running condition.</li> <li>A Marine Enforcement Manual.</li> <li>Improved inter-agency cooperation in marine enforcement.</li> </ul> <p>US\$ 1,325,000</p>	<p>Co-financing: US\$ 300,000 GEF: US\$ 725,000 Total: US\$ 1,025,000</p>
3. Information-education-communication	<ul style="list-style-type: none"> <li>Limited resources and capacity of the local stakeholders to conduct education and outreach.</li> <li>Understanding on conservation of stakeholders is generally low.</li> <li>There is a need to improve visitors management.</li> </ul> <p>Total: US\$ 480,000</p>	<ul style="list-style-type: none"> <li>Increase in awareness of the local stakeholders the importance of environment stewardship.</li> <li>IEC to promote responsible tourism.</li> <li>Local stakeholders have the capacity to develop and implement IEC activities.</li> </ul> <p>US\$ 1,505,000</p>	<p>Co-financing: US\$ 300,000 GEF: US\$ 725,000 Total: US\$ 1,025,000</p>
4. Sustainable livelihoods	<ul style="list-style-type: none"> <li>Local communities have limited access to livelihood assistance.</li> <li>Limited assistance from the MAO/ MPDO and other LGU offices for technical</li> </ul>	<ul style="list-style-type: none"> <li>Increased capacity for the identification, planning and establishment of sustainable and conservation-compatible livelihoods to include ecotourism support mechanisms.</li> </ul>	

Cost/ Benefits	Baseline (B) (business as usual- limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
	<p>assistance and extension service to local communities</p> <ul style="list-style-type: none"> <li>Lack of development know-how and management capacities for sustainable livelihoods.</li> <li>LGUs lack the capacity to make effective reviews/ assessment of livelihoods and its impact to biodiversity.</li> </ul> <p>US\$ 157,304</p>	<ul style="list-style-type: none"> <li>Increased capacity of LGUs, and other stakeholder groups to assess impacts of livelihoods on biodiversity conservation and ensure compliance of livelihood projects to park rules and regulations.</li> </ul> <p>US\$ 567,304</p>	<p>Co-financing: US\$ 120,000 GEF:US\$ 290,000 Total: US\$ 410,000</p>
5. Institutional and financial sustainability	<ul style="list-style-type: none"> <li>Sustainable financing mechanisms have not been established and hence the current conservation interventions are short term.</li> </ul> <p>US\$ 150,000</p>	<ul style="list-style-type: none"> <li>Users fees are collected and effectively managed to support biodiversity conservation.</li> <li>Government budget allocation is secured and the guidelines for the effective use of the funds are enforced.</li> </ul> <p>US\$ 560,000</p>	<p>Co-financing: US\$ 120,000 GEF: US\$ 290,000 Total: US\$ 410,000</p>
6. Biodiversity Research and Monitoring	<ul style="list-style-type: none"> <li>Baseline data on the marine habitats and species collected but very limited monitoring activities.</li> <li>Very limited research and other monitoring activities carried out due lack of resources and capacity of local stakeholders.</li> <li>Data gathering and the management of information on the status of the marine ecosystems and species are not yet systematically done; often based on sightings and observations of the local stakeholders.</li> <li>Data gathering, if any, is based on short-term needs for project planning.</li> </ul> <p>US\$ 160,000</p>	<ul style="list-style-type: none"> <li>Management of monitoring and research data on critical biodiversity indicators will be maintained and managed by local stakeholders.</li> <li>Decision-making process and capacity of the LGUs in carrying out the devolved ENR functions is increased. The LGU, DENR, resorts, NGO and other stakeholders can better plan their conservation and environment projects and activities.</li> <li>Implementation of research and monitoring activities will be reliable and effective; and that results will be used in management, planning, monitoring and evaluation.</li> </ul> <p>US\$ 775,000</p>	<p>Co-financing: US\$180,000 GEF: US\$435,000 Total: US\$ 615,000</p>
Total	US\$1,647,304	US\$ 5,747,304	US\$ 4,100,000

**Project Incremental Cost for Stellar Fisheries (in US\$)**

	Total Costs	Components					
		Conservation Management	Enforcement	Information-Education-Communication	Institutional & Financial Sustainability	Sustainable Livelihoods	Research Monitoring
<b>Component Allocations</b>		0.15	0.25	0.25	0.1	0.1	0.15
<b>OPERATING COSTS</b>							
<b>Salaries and Benefits</b>							
Senior Management	0	0	0	0	0	0	0
Middle Management	6,087	913	1,522	1,522	609	609	913
Junior Management	46,746	7,012	11,687	11,687	4,675	4,675	7,012
Administration Services	7,304	1,096	1,826	1,826	730	730	1,096
Sub-Total	60,137	9,021	15,034	15,034	6,014	6,014	9,021
<b>Travel</b>	83,509	12,526	20,877	20,877	8,351	8,351	12,526
<b>Equipment</b>	13,999	2,100	3,500	3,500	1,400	1,400	2,100
<b>Supplies (include fuel)</b>	26,294	3,944	6,574	6,574	2,629	2,629	3,944
<b>Contractual services/grants</b>	70,849	10,627	17,712	17,712	7,085	7,085	10,627
<b>Communications</b>	12,782	1,917	3,196	3,196	1,278	1,278	1,917
<b>Fees, Insurance, &amp; Charges</b>	11,613	1,742	2,903	2,903	1,161	1,161	1,742
<b>Occupancy</b>	18,260	2,739	4,565	4,565	1,826	1,826	2,739
<b>Meetings/ Comm Consultations</b>	15,338	2,301	3,835	3,835	1,534	1,534	2,301
<b>Training and Workshops</b>	2,435	365	609	609	244	244	365
<b>Total Annual Operational</b>	315,216	47,282	78,804	78,804	31,522	31,522	47,282
Mgmt and Misc. (13%)	47,284	7,093	11,821	11,821	4,728	4,728	7,093
<b>Total Annual Cost</b>	<b>362,500</b>	<b>54,375</b>	<b>90,625</b>	<b>90,625</b>	<b>36,250</b>	<b>36,250</b>	<b>54,375</b>
<b>No of years</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Total Cost -8 yrs</b>	<b>2,900,000</b>	<b>435,000</b>	<b>725,000</b>	<b>725,000</b>	<b>290,000</b>	<b>290,000</b>	<b>435,000</b>
<b>Breakdown:</b>							
Co-financing (Bilaterals, WWF)	1,200,000	180,000	300,000	300,000	120,000	120,000	180,000
GEF	2,900,000	255,000	425,000	425,000	170,000	170,000	255,000

## Annex 10. Stakeholder Analysis and Participatory Approaches in Project Design

### Participatory Activities and Stakeholder Involvement in Identifying Conservation Priorities at El Nido

Participatory Activity	Stakeholders Involved	Dates	Outputs
Consultation process initiated by the NIPAP in preparing the General Management Plan (GMP) for El Nido-Taytay Managed Resource Protected Area	<ul style="list-style-type: none"> <li>Local government units (e.g. Office of the Mayor, Office of the Vice-Mayor)</li> <li>Local communities in El Nido</li> <li>Protected Area Management Board</li> <li>DENR (e. Region IV office, Central office, Protected Area Office, CENRO, ENRAP, and PAWB)</li> <li>PCSD</li> <li>Non-government organizations (e.g. WWF-Philippines, PRRM, El Nido Foundation)</li> </ul>	1999-2000	<ul style="list-style-type: none"> <li>Advance draft of ENTMRPA GMP over a period 2000-2004. The GMP presents the management prescriptions given the present technical knowledge, the NIPAS inspired participation processes that have taken place.</li> <li>Stakeholders' expressed need to address the threats to conservation - illegal fishing, land conversion, and illegal logging.</li> <li>Eight interventions are identified in the GMP to include: 1) ecosystems management, 2) law enforcement, 3) sustainable livelihoods, 4) visitor management, 5) research and monitoring for management, 6) regional integration, 7) institutional management, and 8) sustainable financing mechanism.</li> </ul>
Workshop on the Phase Out Plan of the EU-funded National Protected Areas System Program	<ul style="list-style-type: none"> <li>Local government units (i.e. municipal and barangay levels).</li> <li>Resort and restaurant operators.</li> <li>Boat operators.</li> <li>Private sector- TKDC- El Nido Resorts.</li> <li>Non-government organizations- El Nido Foundation, PRRM, WWF-Philippines.</li> <li>Government agencies- DENR, PCSD</li> </ul>	2000	<ul style="list-style-type: none"> <li>Identified gaps in financing vis -a-vis conservation actions as contained in the protected area management plan</li> <li>Identified the financing requirements to continue operations and activities of the Protected Area Office and GMP implementation</li> <li>Identified the conservation gaps of past and completed projects/ activities in the protected area</li> <li>Secured commitment of resources (i.e. in-kind or financial contribution) of stakeholder groups; however, the commitment is significantly less than what is required to effectively protect the area.</li> </ul>
Participation in various trainings and workshops (e.g. planning,	<ul style="list-style-type: none"> <li>Local government units- barangay and municipal officials.</li> <li>Resort and restaurant operators.</li> <li>Boat operators.</li> <li>Private sector- TKDC- El Nido</li> </ul>	2000 and 2001	<ul style="list-style-type: none"> <li>Increased understanding of objectives of the protected area.</li> <li>Continuous dialog among stakeholders.</li> <li>Integration of local stakeholders' concerns and interests in GMP.</li> <li>Strengthened/ maintained at high levels LGU commitment on coastal and marine conservation.</li> </ul>

Participatory Activity	Stakeholders Involved	Dates	Outputs
reviews) of the protected area management board and other stakeholder groups	Resorts. <ul style="list-style-type: none"> <li>• Non-government organizations- (e.g. El Nido Foundation, PRRM, WWF-Philippines)</li> <li>• Government agencies (e.g. DENR, PNP, PCSD)</li> </ul>		<ul style="list-style-type: none"> <li>• Identification/ monitoring of accomplishments, issues and concerns, recommended actions in protected area management.</li> </ul>
Team building, technical training and cross visits/ study tour to other protected areas	<ul style="list-style-type: none"> <li>• PAMB of ENTMRPA particularly representatives of the barangay and municipal government, boat operators, association of resort and restaurant businesses, government agencies (e.g. PCSD), non-government organizations (i.e. ENF, PRRM, and WWF-Philippines), and the DENR- PAO)</li> </ul>	June 2000	<ul style="list-style-type: none"> <li>• Increased knowledge and skills in protected area management.</li> <li>• Discussion of similarities and challenges facing the protected areas (e.g. conservation financing, ecotourism, conservation management, alternative livelihoods).</li> </ul>
Marine Enforcement Planning Workshop	<ul style="list-style-type: none"> <li>• LGUs (e.g. Office of the Mayor, Office of the Vice-Mayor, Office of the ABC)</li> <li>• MAO; MTO/MTC; MFARMC; MPDO; PCSDS; DENR-PAO; PNP; PCG</li> <li>• NGOs (e.g. El Nido Foundation, Inc., WWF-Philippines, PRRM)</li> <li>• Private Sector (e.g. Ten Knots Development Corporation)</li> </ul>	April 19-20, 2001	<ul style="list-style-type: none"> <li>• Local communities/ LGUs expressed the strong need to immediately address the rampant use of destructive fishing methods.</li> <li>• Mobilized key conservation players to undertake regular marine patrols and draft patrol plan.</li> <li>• Current enforcement efforts assessed. Results of the assessment revealed the need for deputation trainings, clarification of roles of the fish wardens and the other enforcement bodies and provision for support/ incentives for the deputized fish wardens.</li> <li>• A draft Patrolling Plan.</li> <li>• Identified the resource needs in patrols (i.e. communication equipment, patrol boat, fuel and maintenance, flashlights, GPS, radar unit, food, siren/ blinkers, first aid kits, photo/video film video cassette tapes, camera, telescope, video camera, cell phone, and cyanide detection kit.</li> </ul>

## Participatory Activities and Stakeholder Involvement in Identifying Conservation Activities in Conjunction with Stellar Fisheries

Participatory Activity	Stakeholders Involved	Dates	Outputs
Briefing of local government units (e.g. city, municipal, and barangay levels) on blue crab fishery management and coastal resources management	<ul style="list-style-type: none"> <li>• Officials of local government units (e.g. mayor, counselors, and barangay captains).</li> <li>• Municipal/provincial agricultural officer.</li> <li>• Municipal/ city development and planning officer.</li> </ul>	July 2001	<ul style="list-style-type: none"> <li>• Identification of gaps in terms of conservation and management and roles of key players.</li> </ul>
Launching and implementation of information-education-communication (i.e. production of primer on blue crab fisheries - <i>Blue Crab: Isa Ka Praymer Parte sa Kasag</i> )	<ul style="list-style-type: none"> <li>• Board Members of the Environment &amp; Natural Resource Committee and Agriculture Committee.</li> <li>• Provincial Bantay Dagat Coordinating Council</li> <li>• Communities of Tomongtong, E.B. Magalona.</li> <li>• Local Fishery and Aquatic Resource Management Councils (FARMCs).</li> <li>• Office of the Provincial Agriculturist, the Provincial Environment Management Office, the Offices of the City/Municipal Agriculturist of District III, and the Municipal Planning and Development Office.</li> <li>• Protected Area Office- Protected Area Management Board.</li> <li>• WWF-Philippines.</li> </ul>	Nov 2001	<ul style="list-style-type: none"> <li>• Multi-stakeholders' collaboration and harnessing support to include NGOs, blue crab fishers, local government and the private sector in uplifting the lives of the coastal communities and enhancing the quality of the environment.</li> <li>• Increased awareness and motivation of and/or community to manage the blue crab resource sustainably into the future and willingness of the people to take charge of their present needs without unduly compromising their future.</li> <li>• Enthusiastic endorsement and commitment by local stakeholders to pursue conservation and natural resource management in this area.</li> </ul>
Trainings and planning workshops on coastal resources management	<ul style="list-style-type: none"> <li>• Fishermen, local government units, agricultural officers, development and planning officers of the municipal, city, and provincial government, NGOs, private sector, Bantay Dagat.</li> <li>• WWF-Philippines.</li> </ul>	2000-onwards	<ul style="list-style-type: none"> <li>• Increased awareness and understanding on CRM.</li> <li>• Multi-stakeholders' participation in drawing actions directed to CRM plan preparation.</li> <li>• Establishment of and collaboration between BFARMCs and MFARMC.</li> </ul>

## Participatory activities and stakeholders involvement in the design of the ACC model

Participatory Activity	Stakeholders Involved	Dates	Outputs in relation to ACC Design
<p><u>El Nido, Palawan</u></p> <p>On site visits and series of meetings on the design of the ACC.</p>	<p>ACC Ten Knots Development Corporation- El Nido Resorts El Nido Foundation WWF-Philippines WWF-US</p>	<p>2001</p>	<ul style="list-style-type: none"> <li>• Identification of conservation gaps and suggested conservation actions to be supported by ACC/ACF. Examples of gaps include resource and capacity building support to the protected area office and protected area management board, marine protection and enforcement, ICEC, biodiversity research and monitoring, and sustainable financing. ACC will find other partners to complement its activities with sustainable livelihoods.</li> <li>• Conservation issues and gaps were identified based on present knowledge and outcomes of past consultation processes.</li> <li>• Key local partner NGO to implement conservation projects in El Nido was identified (i.e. El Nido Foundation). The NGO partner was identified based on historical and current engagement in the area and with ACC, capacity to deliver conservation results, and acceptance/ reputation from the local communities.</li> </ul>
<p><u>Stellar Fisheries, Visayan Sea</u></p> <p>On site visits and series of meetings on the design of the ACC.</p> <p>Briefing from / of local government units (e.g. city, municipal, and barangay levels) on coastal resources management.</p>	<p>ACC Stellar Fisheries Local government units in Silay City, Talisay City, and E.B. Magalona (e.g. Mayor, counselors, and barangay captains), Municipal agriculture officers Bantay Dagat/ local fishermen groups (peoples' organization) WWF-Philippines WWF-US</p>	<p>2001</p>	<ul style="list-style-type: none"> <li>• Validated the conservation gaps identified in past consultation processes and that the local stakeholder groups require immediate support from other sources such as ACC.</li> <li>• Strong interest of the local government units on a public-private partnerships on coastal and marine conservation.</li> <li>• ACC potential partners are the ENRO/MAO offices of the local government units or the peoples' organization such as the CRM PO of E.B. Magalona.</li> </ul>

## **Annex 11: STAP Roster Technical Review**

Reviewer: Mr. Alan White  
Deputy Chief of Party  
Coastal Resource Management Project

Date: March 2, 2002

### **OVERALL PERSPECTIVE**

The concepts and mechanisms proposed through this program for marine conservation in the Philippines are very appealing and seem to have a feel of a new and innovative approach while being based on a foundation of experience. The experience upon which it builds is a whole range of coastal resource management and marine conservation activities that are beginning to add up to a holistic and effective conservation approach. This proposal takes present successes in marine conservation and builds them into a potentially sustainable system that includes long term financing. This is unique and needed for the continued expansion and success of marine protected areas together with the more comprehensive integrated coastal management programs that support them.

In studying the proposal, there are questions that need to be addressed. In addition, there are several slightly misleading statements that creep into the discussion because of some weaknesses in information from the proposal writers about specifics that is only apparent from a more Philippine and field level perspective. This review will first identify some larger issues in the paragraphs that follow and then make more specific comments on factual items in a list that follows the broader issues.

It is also noted that this proposal should not attempt to be very detailed about what will transpire within each of the project sites. The NGOs and stakeholders involved in each of the project areas will need to refine objectives, strategies and work activities in the proper time. And, it is not appropriate to second guess too many details on the field projects now since the essence of participatory coastal resource management and conservation is that many of the detailed decisions are made in the appropriate time, place and with those who will carry out the ultimate activities. Participation in decisions builds ownership.

#### **1. What are the real marine conservation issues in the Philippines?**

The proposal tends to fall into a rut at times on what are the issues that need to be addressed. It is mentioned various times that illegal and destructive fishing are a primary cause of habitat destruction along with the various other culprits of overfishing, coastal development, pollution and human population growth. These are well known but this does not say much about how to address the problem of coastal conservation since the main reason all these things are occurring is because of weak institutional capacity on the part of local governments (municipal, city and provincial) and of key national government agencies such as the Department of Environment and Natural Resources and the Bureau of Fisheries and Aquatic Resources. I think that by refocusing the issue statements a bit more towards the lack of capacity, it will tighten the proposed interventions to address these issues.

If we want to emphasize a biophysical problem, it would be the classic issue of overfishing which is really getting worse in the country. This is because of population growth and the increasing number of fishing vessels, both municipal and commercial scale fishing in Philippine waters. This problem is then connected to a policy framework that limits commercial fishing to areas outside of 15 km of the shoreline and puts all management under the municipal or city government but where there is an

almost total lack of capacity at the national level to assist the local governments in doing their job. And, the local governments lack the basic knowledge and staff to be effective also.

This lack of capacity of both local and national government has much relevance for marine protected areas (MPAs) and their management. It is well known that the Philippines is ahead in establishing “community-based” marine reserves or MPAs. But it is not so commonly understood that most of these are not well managed and have been set up without much planning, training or thought on how to make them effective in conserving marine habitats, biodiversity and productivity. Since most MPAs in the country are ordained under local governments, municipal capacity is crucial to success. Although a few high priority sites such as Tubbataha Reefs, Apo Reef, Mindoro and several others are truly under national government management in partnership with NGOs and private sector, most of the marine areas protected under the National Integrated Protected Areas System (NIPAS) Act also depend on local government capacity because of the decentralized management system of the NIPAS Act that requires a Protected Area Management Board (PAMB) that is mostly comprised of local governments at the municipal/city and barangay levels.

## **2. Aligning key performance indicators with the system currently being adopted in the Philippines.**

The performance indicators of the project seem to address the main objectives of the project and represent some important benchmarks in the process of meeting objectives. Nevertheless the indicators could be more focused on what is currently being adopted in the country as a monitoring and evaluation framework for coastal resource management so that the project is aligned with government priorities and measures of coastal management. The system currently being adopted is described in Courtney *et al.* (2002)(see below). Although the key proposed performance indicators are not far off target, they could be fine-tuned to reflect the process that will have to be accomplished in any given area. Possible changes could include:

- (i) Local government units allocating budget and other resources to management within their jurisdiction that coincides with a management site;
- (ii) The multi-stakeholder management bodies should align with either the Protected Area Management Board (PAMB) required for a NIPAS mandated area or a Fisheries and Aquatic Resources Management Council (FARMC) mandated within local government units or a separate body formed for a given smaller MPA as ordained by the ordinance of the particular MPA.
- (iii) The measures of biophysical change should try to conform to a newly established monitoring and assessment protocol being used in the country for coral reef and related habitat assessment. This will help standardize methods, data analysis and the database that results. The reference for this is Uychiaoco *et al.* (2001) (see below).
- (iv) Areas in hectares of habitats and length of coastline in km coming under improved management are useful and should be used to track progress. This measure is also aligned with the targets of the Medium Term Philippine Development Plan of the national government that for coastal management is expressed in km of coastline (6000 km by 2004) and numbers of coastal municipalities implementing effective programs.
- (v) The management or action plan for each site should be aligned with the plans mandated by either the PAMB of a NIPAS area, a municipal wide coastal resource management plan or a MPA management plan under the local municipality or city government.

- (vi) Tracking law enforcement is important and probably the easiest way to do this is measure the presence and effectiveness of the local patrol, police or “bantay dagat” through number of apprehensions. Surveys also need to be done to determine actual level of illegal fishing in a given area.
- (vii) The other indicators of regular monitoring, communities applying additional coastal management measures, presence of livelihood schemes and how cost is being shared and covered are all good. But the question of how to track the information from these indicators remains unanswered and is discussed below.

### **3. Information management system that is sustainable.**

The tracking of the above indicators is important to determine change over time and is valuable to reinforce the small successes of any field project. But the question always arises about who is responsible for tracking this information and how it provides feedback into the management system. Most projects perform this function while they exist but the function stops with the project and usually the data and institutional memory is lost. The next project may not even have the benefit of the baseline information of the previous project! This is starting to change in the Philippines with the adoption by more and local governments of the Municipal Coastal Database (MCD). This is a simple database that tracks essentially all the indicators proposed for this project but at the local municipal or city and provincial levels. The purpose of this database is so that the local government planning cycle can be informed and can build on past work. The MCD also tracks biophysical data and area of habitats under improved management etc. At the present, the MCD is only operating in selected provinces in the Philippines but it is intended that it will be adopted nationwide in the near future. The newly established Coastal and Marine Management Office (CMMO) of the DENR (signed February 20, 2002) will eventually host this database at the national level so that there is a picture of what is being managed and where in the country.

Complementary to the MCD, is a budding Marine Protected Area database being established for the Philippines through the collaboration of various NGOs and government agencies. This MPA Database will track each MPA in the country, no matter what its legal origin and will rate its level (quality) of management. The rating system, based on Philippine and international experience, provides a convenient way of tracking how far each MPA has come in accomplishing the basic benchmarks of a well-managed MPA and also includes biophysical records for each site if they exist. The MPA Database could be incorporated in the monitoring framework for this project for site level implementation and projects. It can be accessed from the Coastal Conservation and Education Foundation, Inc. in Cebu and WWF Philippine is one of the partners in testing and implementing this MPA database and rating system. It is also linked to the Philreefs Network of the University of the Philippines Marine Science Institute and the Philippine Council for Marine Research and Development (PCAMRD).

### **4. Selection of sites for the project: Issues, rationale and feasibility.**

There is quite a mix of sites selected for management areas under this project seemingly because of a connection to the proposed or actual investments through a private company operating in the area. Most of them make sense in the larger scheme of conservation although one that stands-out as not being so logical, is Apo Island, Negros. This site is small with about 100 ha of coral reef and is well managed already. In fact it probably will not benefit from more attention since the revenue generating mechanism is in place and the local government is working together with the PAMB to manage the island coral reef and its revenues from tourism. Although a trust fund for the site management could assist to maintain island management.

Apo Island also highlights an issue concerning the implementation of a small National Protected Seascape under the NIPAS Act where the role of the community has been diminished. Although the community and the local government still makes some management decisions through the PAMB, because the NIPAS law requires that all revenues accrue to the national government and then are reverted to the local government and/or community, this has by default delayed or eliminated most flow of revenue back to the local level. And, prior to 1994 when this site was made a Protected Seascape, the local community and government had a good system that provided incentives directly to the community to maintain the protection and management of the area. Now, it is less certain because of the Seascape declaration and the national rules about revenue generation have complicated an already efficient model. This particular policy issue should be addressed by this project.

In reviewing the proposed management sites the mix of areas under several legal regimes requires that there is a clear understanding of the legal and institutional framework for each area. This clarity is important because there is some confusion in the Philippines about what happens to local government jurisdiction when a large area is declared under the NIPAS Act. For relatively small and well-defined habitat areas that do not surpass or include all of a municipality, there is not usually a problem. But, in the case of the very large Sagay Marine Reserve, the jurisdiction of the local government may be questioned even though the only real functional government body in the area is the municipal government. This brings us back to the local government capacity issues discussed earlier.

In reviewing the “threats” in Annex 4 for each site selected, some are a bit misleading and should be improved based on better field data although at this stage in the development of the proposal, it does not seem to be the most essential part. The referral to “rampant illegal and destructive fishing” in several of the sites is an exaggeration. Some of these areas have seen substantial declines in illegal fishing in recent years or almost total elimination. Examples of improved management to stop illegal fishing include: Apo Island (no illegal fishing now); Anilao (properly referred to as Mabini and Tingloy Municipalities since “Anilao is only one barangay of Mabini) where illegal fishing has declined significantly in the 1990s; and Puerto Galera where it is less than in the past.

##### **5. The institutional structure of the project and the role and capacity of NGOs.**

The project design apparently lays out the general design whereby one of several private companies will provide revenue to the Asian Conservation Foundation (ACF) that will in turn subcontract more specific project activities and sites to other NGOs that are closer to the field level. Initially in the place of the ACF, WWF Philippines will manage the contracts to the other implementing NGOs. One or more institutional diagrams are needed to show the flow from top to bottom. The capacity of WWF-Philippines to manage these projects in the beginning needs to be considered as it might be over-burdened given its current workload and expanding size. Thus, it is suggested that the ACF be started from the outset as the executor of the program so that it can grow into the role from the beginning and develop its style and policies. I feel that it may be best not to rely too heavily on WWF that will then phase out. In this way, ACF could begin to nurture relationships with some of the NGOs that will be the field implementers of the projects and form a separate identify from WWF Philippines. Otherwise the transition may not be as smooth and the implementation process delayed. ACF needs to be a streamline and professional operation.

In addition, since the capacity of NGOs at the level required to implement project sites is also quite limited in the Philippines, some institutional strengthening for selected NGOs will be needed. It would be useful to begin identifying appropriate NGOs that have proven track records in implementing field level and successful marine conservation projects together with local government units. Many Philippine NGOs have little or no record of working well together with local governments or PAMBs. This should be a prerequisite for being selected as an implementing NGO.

## **6. The difficulty of finding enterprises that are profitable and support conservation at the same time.**

The CRMP of USAID spent several years trying to identify enterprises that are viable financially while contributing meaningfully to marine conservation. A long list of potential candidates was reduced essentially to two that CRMP could assist to generate income for local people and to automatically encourage marine conservation. The primary enterprise that has proven quite successful is marine ecotourism in various forms whereby the operators have built in incentives to protect and enhance the marine environment while generating profit. Although this GEF proposal is aiming for a wider range of enterprises with profit potential, I mention this because it is really not simple to find profitable enterprises in the first place and especially those that are not contradicting the principals of environmental sustainability. I would suggest that the enterprises used to assist in financing the ACF and then the field projects are carefully screened for how they contribute themselves to environmental stewardship. Ecotourism is a strong candidate because it cannot thrive in an area where the environment is being degraded. In contrast, a fisheries company can easily exist in a context of declining fisheries and still survive and even do well for a number of years until the fishery is depleted. This is pretty much the history of most fisheries and there are few examples of those managed in a sustainable manner over time. The incentives to do this are not so direct as in the case of ecotourism. Thus, the fisheries enterprises will need to be carefully scrutinized. Also in the case of live fish trade for aquarium or food, the industry has yet to set up truly sustainable capture mechanism that is cost effective to maintain and be profitable. The Marine Aquarium Council is trying to do this now but the results are not yet known.

### **SPEICIFIC COMMENTS AND NOTES**

- (i) Overall in reading the proposal, the text is long and not well illustrated. Some paragraphs are almost one page in length! If this is read by anyone except an English major, it is going to be hard going! I suggest that shorter paragraphs are used and that some lengthy sections are broken up with tables and figures when possible to make it easier to absorb.
- (ii) Maps of the proposed sites are needed that highlight the area's resources and important landmarks etc. A good map of the Philippines is needed.
- (iii) More than 50% of the animal protein in the Philippine diet comes from marine products.
- (iv) If you want to cite numbers on overfishing, the catch per person per year for municipal fishers using boats less than 3 tons has dropped from about 1600 kilograms in 1987 to about 1000 kilograms in 2000 (about 3 kilos per day). For reef fisheries in nearshore waters, the CPUE is down to about 2 kilos per day per fisher on average.
- (v) When MPAs are introduced in the proposal as a common and effective intervention, one of the limitations to their overall success should be mentioned is the weak capacity of the local governments within which they exist. Also the need for broader CRM programs that address the larger issues of illegal fishing, pollution and others outside of the MPAs needs more emphasis. MPAs as small islands, so to speak, in a sea of illegal activities, cannot be very effective.
- (vi) The "sharing on conservation lessons" mentioned could be specified to be at the levels of community, local government and implementing NGO.
- (vii) In the introductory summary of the project, the mention of the portfolio companies making profits to support conservation immediately raises the question about the real potential for

profit in the area and the sustainability of their enterprise. This is addressed in more detail later on but could be further explained in the introduction.

- (viii) The USAID “Coastal Resource Management Project” will not end until 2003. An offshoot of the CRMP is the “Coastal Conservation and Education Foundation, Inc.” (CCE Foundation) that will carry on with similar programs to the CRMP but through the private, non-profit sector. An initial undertaking of the CCE Foundation is the implementation of a two-year, CRM program for the Province of Siquijor Island (6 municipalities) and in southern Cebu Island (6 municipalities) that contains a key objective of assisting municipal marine sanctuaries to become self-sustaining through revenue generation from tourism. This 2-year project is supported by a grant from the Packard Foundation. In addition, the CCE Foundation will carry on the information functions of the CRMP together with the DENR, the government counterpart of CRMP. The potential for future collaboration with this proposed project is good.
- (ix) Another project that should be listed is the Bohol Marine Triangle Project implemented through the Foundation for the Philippine Environment and funded for 5 years by a GEF grant awarded in mid-2001. This project is also being implemented through NGO intermediaries and is patterned after the local government and community partnership approach used by the CRMP. The design of the BMT Project may also be instructive.
- (x) The various programs listed as examples of ongoing conservation efforts are described as having “successfully protected several sites.” This is not a very appropriate description of these various projects since most to all aim to build capacity of communities, municipal, provincial and national government to improve overall management of coastal resources. There are successful MPAs as a result of these projects but without the much larger efforts to build more integrated CRM programs, the MPAs would not be functioning as well as they are. The message is that without targeting the broader capacity problems, effective MPAs will not necessarily result.
- (xi) Under political and economic forces it is stated that the objectives of biodiversity conservation, in particular MPAs, are often in direct conflict with other government priorities associated with commercial lobbies. I would say this is generally not the case for MPAs. MPAs represent the one marine management intervention that is usually not in conflict with commercial interests. The commercial fishers want to fish in municipal waters, within the 15 km limit from shore, but few threaten to fish within MPAs or no fishing zones perse that are relatively small.
- (xii) The newly formed, “Coastal and Marine Management Office” under the office of the Secretary within the DENR can now be referred to. It has the primary policy making role for coastal management with a lead role in assisting local governments in the implementation of their CRM programs. It also has a direct link to the Protected Area and Wildlife Bureau within its mandate.
- (xiii) A note on memorandums of agreement (MOA) and contracts. It is suggested that a MOA should exist between ACF and executing NGOs. Offhand I would say that contracts would be a better option. MOAs have a weak legal standing and even with contracts, the assurance of implementation according to the agreement is not certain and needs to be closely monitored.
- (xiv) The “Integrated Coastal Resource Management Project” to be supported by the Asian Development Bank is slated to start in mid-2002 and will build on the national policy

framework and lessons generated through the CRMP and several other projects of the 1990s and up to the present.

- (xv) “Anilao” is not the proper reference for the area intended. It should either be Balayan Bay for the large area in western Batangas Province or the Mabini/Tingloy Management Area within Balayan Bay.
- (xvi) A note on “FARMCs”. Generally, these groups are not hands on management councils so much as they are a means for participation in policy making. The direct managers of small MPAs, for example, are often selected separately within a local government (barangay or municipal level) and mandated to manage or run the MPA. Sometimes this focused group is employed as such.
- (xvii) El Nido: The activities proposed seem appropriate for this site with several omissions: The ongoing park and community conflicts need resolution and differences of opinion about management between the local municipalities and the PAMB need resolving. Organization for local communities living in the park is needed so that they have a more meaningful role in park management, monitoring and revenue sharing in some cases. The CRM planning process needs to be revisited for most of the stakeholders in the area to build ownership of the area conservation and to develop more localized CRM plans that are responsive to the community.
- (xviii) Visayan Sea sites associated with Stellar Fisheries. The proposed activities for this area needs substantial revision because in reality the work to date in this area is very limited so that most of the proposed activities are new to the area. There seems to be too much reliance on law enforcement as a way to achieve the targets. Law enforcement will only start to work in this area after more intensive, local barangay level, resource assessments and coastal resource management planning work has been done. The listed references will provide more material on how to start these more basic coastal resource management activities through participatory planning, establishment of CRM best practices, monitoring and evaluation and more tailored to capacitate local governments in CRM. This area also coincides with a new project to be supported by the German Development Agency (GTZ) in the Visayan Sea.
- (xix) Sites associated with ACC Marine. A few notes on each site may assist in thinking about each project area for planning.
  - a. Puerto Galera: This tourism area needs an integrated management plan that focuses on shoreline development, tourism and protection of coral reefs in a manner that includes land use. It requires intensive, on the ground, community organizing, planning, education and conflict resolution that evolves through site-specific actions. This area can be classified as an urban development area and requires an approach that is fully owned by the local stakeholders, who are many.
  - b. Mabini/Tingloy Management Area (Anilao): The history of this area for conservation is quite long and much progress has been made in recent years. A project here has to work closely with the two municipal governments to develop a more integrated management plan that includes a functional and fair user fee system and the establishment of more marine sanctuaries where the coastal communities have some level of ownership. The potential for revenue sharing with the local communities is very good here because of the high level of visitation from Manila. Solid waste management is also a major issue and the overall zoning of the area to insure that no large-scale industries are located in the area. This requires national policy support through the Province of Batangas.

- c. Apo Reef, Mindoro: Being a remote area under the NIPAS Act, a PAMB will be the governing body. The management plan for this area could benefit from the model developed for the Tubbataha Reefs National Marine Park that evolved over about 8 years with much stakeholder input. Apo Reef has similar problems and the context is not very different either from that of Tubbataha. User fees can benefit the park management as long as the NIPAS requirements do not undermine its effective implementation.
- d. Apo Island, Negros Oriental: As suggested above, it is questionable how much this site could benefit from this program given its already successful status and the potential for more outside influence on the site. I would recommend that the main contribution that could be made here would be to shore up the financial management of the area so that the local community and government are not in conflict with the PAMB and requirements of the national law for revenue sharing and management. In addition, another larger site in this region could be added to the program that builds on the same theme as Apo Island. I would suggest that Siquijor Island would be an excellent candidate. The addition of Siquijor would augment the area of reef to be conserved many times since the island has 3 to 4000 hectares of biodiverse reef and seagrass beds that are still in quite good condition. Also, the political will of the Province of Siquijor and the municipal governments is good for supporting and providing collateral support.

#### REFERENCES NOTED THAT WILL ENHANCE THE PROPOSAL

Courtney, C.A., A.T. White and E. Deguit 2002. "Building Philippine Local Government Capacity for Coastal Resource Management." *Coastal Management*, 30: 27-45, Taylor and Francis.

Uychiaoco, A.J., S.J. Green, M.T. dela Cruz, P.A. Gaite, H.O. Arceo, P.M. Alino, and A.T. White. 2001. *Coral Reef Monitoring for Management*. University of the Philippines Marine Science Institute, United Nations Development Programme Global Environment Facility-Small Grants Program, Guiuan Development Foundation, Inc., Voluntary Service Overseas, University of the Philippine Center for Integrative and Development Studies, Coastal Resource Management Project, and Fisheries Resource Management Project. 110 p.

White, A.T., A. Salamanca and C.A. Courtney 2002. "Experience with Marine Protected Area Planning and Management in the Philippines." *Coastal Management*, 30: 1-26, Taylor and Francis.

## **Annex 12: Response to STAP Review**

The Project Brief has been fully updated based on the comments received by the STAP review on March 2, 2002. The proponents agree with the vast majority of STAP Reviewers recommendations and in most cases is intending to pursue the activity that has suggested. Since the time of this review, the IFC has recommended that the GEF request be reduced from 6 million USD to 4.5 million USD. As a result, the project has removed one investment (ACC Marine) its four associated project sites from the GEF request.

The updated proposal addresses misleading statements by providing more detail on the Philippine context. The project builds on lessons learned from effective conservation in the Philippines to design a general framework and specific activities for each site. The proponents recognize that one of the most significant obstacles to effective conservation is limited capacity of local and national governments and other stakeholders. The project will address this issue by strengthening the capacity of multi-stakeholder bodies such as PAMBs, FARMCs, and local MPA bodies with an emphasis on local government units, communities, and NGOs. The project will work directly with PAMBs, FARMCs, other existing management bodies and has based its design on the existing plans of these management bodies.

The project agrees that increased local government involvement in and appropriation for management should be one measure of success. The ACF will also adopt the monitoring of habitats, length of coastline under improved management. A thorough monitoring program that includes baseline of what is currently under management will be established. During the first three months of the program, detailed work plans and associated monitoring and evaluation plans will be developed. Building on the monitoring plans, the ACF projects will participate in both the Municipal Coastal Database (MCD) and the MPA Database.

The project will adapt its approach at each site based on the political and jurisdictional issues found there. The project brief has been adjusted to provide more detail about the state of threats at each site. Several of the areas where conservation management has already been the most effective including Apo Island, Apo Reef, and Anilao have been dropped from the project due to financial constraints. The areas that remain in project, El Nido, and the Visayan Sea site remain highly threatened by destructive and over fishing.

The ACF agrees with need to establish its own identity and relationships from the start of the program and not rely on WWF too heavily. The ACF will be the executor of the program from the beginning. Execution NGOs will be selected based on their understanding of the local area, their track record in conservation and development implementation, their history of working effectively with multi-stakeholder processes such PAMBs or FARMCs, and their current capacity. As part of the work planning process, the execution NGOs will undergo a thorough capacity and skills needs assessment process. The ACC and ACF are very aware of the difficulty of finding profitable environmentally appropriate investments. Fortunately, the first two ACC investments have high profitability potential and are already mitigating against their environmental impacts. The project will extend their involvement in conservation

It is recognized that most illegal activity within MPAs is not perpetrated by commercial operators with government backing but more by small scale operators and individuals. In the Visayan Sea much of the conservation work will be conducted outside MPAs. One target will be the elimination of illegal trawling that destroys benthic habitat. The project proponents will encourage improved protection by starting with intensive, local barangay level, resource assessments and coastal resource management planning.

One hope of the project is to create a conservation model than can replicated in other areas around the Philippines. As a result, the project plans to share lessons at the level of the community, local government, national government, executing NGOs, the private sector, and others. Both MOAs and contracts will be created between the ACF and the executing NGOs to guide project execution. At El Nido, the project was already planning to pursue the activities that have suggested by the reviewer.

Annex 13: Endorsement Letter



**Department of Environment and Natural Resources**

Visayas Avenue, Diliman, Quezon City, 1100  
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05 March 2002

**MR. ROBERT V. PULLEY**

Country Director  
World Bank – Manila  
23 Fl., Taipan Place,  
Ortigas Center, Pasig City

Attention :

**MR. SERGIO PIMENTA**

Country Manager  
International Finance Corporation  
11<sup>th</sup> Fl., Tower 1  
Ayala Triangle, Makati City

Dear Mr. Pulley :

We would like to endorse the project "Conserving a Network of Globally Important Marine Areas Through an Innovative Private Sector/Conservation Partnership" to the World Bank – International Finance Corporation (WB-IFC) for grant assistance from the Global Environment Facility (GEF) in the amount of US \$4.5M., subject to the condition that the Asian Conservation Foundation be registered with the Philippine Securities and Exchange Commission on or before 01 May 2002.

The project intends to conserve the significant coastal and marine biodiversity in the six biodiversity rich areas in the Philippines, namely: El Nido, Palawan; Sagay, Negros Occidental; Asid Gulf, Masbate; North Guimaras Strait; Bantayan Island, Cebu; Estancia and Concepcion, Northern Iloilo, through a partnership between a private investment company (Asian Conservation Company ACC) and a conservation foundation (Asian Conservation Foundation). The project will apply an innovative approach by ensuring that the ACC investee companies (Ten Knots – El Nido Resorts, Stella Fisheries – Blue Crab Industry) operating in the project areas will directly participate in the conservation activities and likewise provide leverage financial support for biodiversity conservation. This type of project will be the first of its kind under the GEF and if successful will be replicated in other areas of the world.

We hope that the project merits your approval.

Very truly yours,

**GREGORIO V. CABANTAC**  
Undersecretary for ENR Legal, Lands and International Affairs  
& GEF Operational Focal Point

*Let's Go Green!*

## Annex 14: List of ACRONYMS

ACC	– Asian Conservation Company
ADB	– Asian Development Bank
BAFFMULCO	– Barangay Atop-atop Farmers & Fishermen Multi-Purpose Cooperative
BASECOR	– Bantayan Sea Food Corporation
BBRMCI	– Banate Bay Resource Management Council, Inc.
BIFRRS	– Bantayan Integrated Fishery Reserve/Refuge and Sanctuaries
BIMP-EAGA	– Brunei, Indonesia, Malaysia and Philippines – East Asian Economic Growth Area
BIMPS	– Bantayan Integrated Marine Park & Sanctuary
BMS	– Biodiversity Monitoring System
CAS	– Country Assistance Strategy
CBD	– Convention on Biological Diversity
CCE	– Coastal Conservation and Education
CENRO	– Community Environment and Natural Resources Office
CEP	– Coastal Environment Program
CLRP	– Coastal Living Resources Project
CMMO	– Coastal and Marine Management Office
CPPAP	– Conservation of Priority Protected Areas Project
CRMP	– Coastal Resource Management Fund
DED	– German Development Service
DENR	– Department of Environment & Natural Resources
DIMPSAFI	– Diocese of Masbate Small Action Foundation
DMPL	– Del Monte Pacific Ltd.
DOT	– Department of Tourism
ENF	– El Nido Foundation
ENRO	– Environment and Natural Resources Officer
ENTMRPA	– El Nido-Taytay Managed Resource Protected Area
FARMCs	– Fisheries Aquatic Resource Management Councils
FOBB	– Friends of Balayan Bay
FasTech	– First Asia Systems Technology, Inc.
FCFE	– Fidelity Capital Far East
FOBB	– Friends of Balayan Bay
FSP	– Fisheries Sector Program
GEF	– Global Environment Facility
GIFM	– Guernsey International Fund Managers Limited
GMP	– General Management Plan
GPS	– Global Positioning System
GTZ	– Deutsche Gesellschaft für Technische Zusammenarbeit
ICDZ	– Integrated Conservation and Development Zone
ICEC	– Information - Communication - Education – Capacity Building
IEC	– Information, Education, Communication Campaigns
IFC	– International Finance Corporation
IMPSMC	– Integrated Marine Park & Sanctuary Management Council
JBIC	– Japan Bank for International Cooperation
JICA	– Japan International Cooperation Agency
LGU	– Local Government Unit
LIR	– Lagen Island Resort
MAB	– Man & Biosphere

MAO	–	Municipal Agriculture Officer
MATINGCAD-C	–	Mabini – Tingloy Coastal Development Council
MCI	–	Macondray and Co., Inc.
MFARMC	–	Municipal Fisheries Aquatic Resource Management Council
MIR	–	Miniloc Island Resort
MOU	–	Memorandum of Understanding
MPAs	–	Marine Protected Areas
MPDO	–	Municipal Planning and Development Officer
MSI	–	Marine Science Institute
MTC	–	Municipal Tourism Council
MTI	–	Multi-Media Telephony, Inc.
MTO	–	Municipal Tourism Office
MTPDP	–	Medium-Term Philippine Development Plan
NCDSI	–	Northern Cebu Development of Cooperative
NCP	–	Next Century Partners
NCSD	–	National Council for Sustainable Development
NGO	–	Non-Government Organization
NIACDEV	–	Northern Ilo-ilo Alliance for Coastal Development, Inc.
NIPAP	–	National Integrated Protected Areas Programme
NIPAS	–	National Integrated Protected Areas System
NZODA	–	New Zealand Official Development Assistance
OECF	–	Overseas Cooperation Fund
OISCA	–	Organization for Industrial, Spiritual and Cultural Advancement
PAD	–	Project Appraisal Document
PAO	–	Protected Area Office
PAMB	–	Protected Area Management Board
PATA	–	Pacific Asia Travel Association
PAWB	–	Protected Areas & Wildlife Bureau
PCG	–	Philippine Coast Guard
PCSD	–	Palawan Council for Sustainable Development.
PCSD	–	Philippine Council for Sustainable Development
PDICL	–	Philippine Discovery Investment Company, Ltd.
PEMO	–	Provincial Environment Management Office
PIF	–	Philippine Income Fund
PLDT	–	Philippine Long Distance Telephone Company
PNP	–	Philippine National Police
PO	–	People's Organization
PRRM	–	Philippine Rural Reconstruction Movement
RAFI	–	Ramon Aboitiz Foundation, Inc.
SEF	–	Sustainable Enterprise Fund
SFA	–	Sillan Fishermen's Association
SFM	–	Soros Fund Management
SMR	–	Sagay Marine Reserve
STPs	–	Sewage Treatment Plants
TAFIA	–	Tamiao Fishermen's Association
TKDC	–	Ten Knots Development Corporation
TKP	–	Ten Knots Philippines, Inc.
UNDP	–	United Nations Development Programme
USAID	–	United States Agency for International Development
WWF-PHILS	–	World Wide Fund for Nature – Philippines
WWF-US	–	World Wildlife Fund – US

# Annex 15: Map of ACC Sites

