



PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project
THE GEF TRUST FUND

Submission Date: March 3, 2009

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PART I: PROJECT IDENTIFICATION

GEFSEC PROJECT ID¹:3906 PROJECT DURATION:72 months

GEF AGENCY PROJECT ID: 3967

COUNTRY(IES): Malaysia

PROJECT TITLE: Enhancing effectiveness and financial sustainability of Protected Areas in Malaysia.

GEF AGENCY(IES): UNDP

OTHER EXECUTING PARTNERS: Economic Planning Unit, Prime Minister's Department; Wildlife Department, Ministry of Natural Resources and Environment (MNRE)

GEF FOCAL AREA (S): Biodiversity

GEF-4 STRATEGIC PROGRAM(S): BD1-SP1-PA Financing, BD-SP3-PA Networks

NAME OF PARENT PROGRAM/UMBRELLA PROJECT:

INDICATIVE CALENDAR	
Milestones	Expected Dates
Work Program (for FSP)	March 2010
CEO Endorsement/Approval	Dec 2011
GEF Agency Approval	Jan 2012
Implementation Start	March 2012
Mid-term Review (if planned)	March 2015
Implementation Completion	Feb 2018

A. PROJECT FRAMEWORK (EXPAND TABLE AS NECESSARY)

Project Objective: To establish a performance-based financing structure to support effective Protected Area systems management in Malaysia.

Project Components	Type	Expected Outcomes *	Expected Outputs	Indicative GEF Financing*		Indicative Co-financing*		Total (\$)
				(\$)	%	(\$)	%	
1. Systemic & Institutional Capacities to manage and financially support a national PA System	TA	<p>1.1 Federal Government financial transfers to PAs increases by at least 25% in the next 5-year Plan, against current baseline of approximately 65 million Malaysian Ringgit.</p> <p>1.2 Performance-linked financial incentive system results in the financial effectiveness of the PA system being supported (totaling not less than 1,000,000 ha) increasing at least 20% by end-project, measured using the <i>Inputs</i> element of the METT.</p> <p>1.3 Availability of additional financial resources results in the expansion or upgrading of PA sites within at least two sub-national PA networks, resulting in at least 10,000 ha coming under improved protection.</p>	<p>1.1.1 A set of national PA categories established based on IUCN criteria, and classifications agreed for all PAs within sub-national networks.</p> <p>1.1.2 National criteria and standards established for (i) PA management performance and (ii) conservation effectiveness (based on the PA Systems Scorecard).</p> <p>1.1.3 Indices developed to measure performance of (i) individual PAs and (ii) overall PA networks and to quantify corresponding amounts and types of financial support to be provided.</p> <p>1.1.4 Legal, policy and budgetary framework created for additional Federal Government financial support for PAs, to be allocated on the basis of performance indices.</p> <p>1.1.5 Structures and processes created for MNRE to provide performance-based operational and capital grants to PAs (regardless of jurisdictional authority) on the basis of performance against national indices.</p> <p>1.1.6 Mechanism established for periodic independent review and refinement of performance indices and grant allocation calculations, to ensure that allocations maximize conservation value per dollar.</p>	1,800,000	46	2,100,000	54	3,900,000
2. Technical and institutional capacities to manage sub-national PA networks, including capacities for effective financial	TA	<p>2.1 Financing gap in targeted sub-national PA networks decreases by at least 25% in each network, against baselines established during PPG phase.</p> <p>2.2 All major PA networks in Peninsular Malaysia (total area of more than 120,000ha) have sufficient technical and managerial capacity to meet</p>	<p>2.1.1 Policies and guidelines for PA revenue generation and retention instituted in States covering at least 75% of PAs in Peninsular Malaysia.</p> <p>2.1.2 All major sub-national PA networks (more than 120,000ha) have financial management and revenue maximisation models to optimize financial management across sites.</p> <p>2.1.3 Management structures of targeted sub-national PA networks have sufficient spatial development, economic and financial planning</p>	1,300,000	25	3,900,000	75	5,200,000

¹ Project ID number will be assigned initially by GEFSEC.

management		national performance criteria, demonstrated by successfully accessing additional Federal funding through the performance grant mechanism.	capacities to develop and implement effective management strategies. 2.1.4 Institutional capacities for PA network management are sufficient for all target PA networks to meet national management criteria and assess performance-based financial transfers from the Federal system. 2.1.5 Improvements in planning capacities and better coordination with State- and district-level land use planning results in no further fragmentation of existing PA networks, and documented improvements in connectivity within at least two PA networks or across one transboundary landscape.					
3. Effective site-level PA management	TA	3.1 Institutional and technical capacity improvements in target PAs totaling at least 500,000 ha result in METT scores increasing by at least 20% against start-of-project levels. 3.2 At least 50% of target PAs meet national performance criteria required to access additional Federal funding equivalent to at least 20% more than current allocations. 3.3 Gross PA revenue collection in target PAs increases by an average of 15% against levels at project start. 3.4 Increased financial resources and technical capacities result in quantifiable reductions in poaching from within PAs, as well as no net loss of land to encroachment or illegal conversion	3.1.1 All individual PAs of more than 20,000ha within target PA networks have gazetted management plans under implementation. 3.1.2 All individual PAs of more than 20,000 ha within target PA networks have PA Business Plans, clearly identifying revenue generation and revenue recovery strategies to increase gross revenues by an average of 20% against revenues at project start. 3.1.3 Revenue generation activities (e.g. concessions, gate receipts, filming permits) developed in each target PA in accordance with the Business Plans. 3.1.4 Functional capacities of all PAs >20,000ha within target networks sufficient for effective management, meeting minimum performance criteria under the agreed national standards. 3.1.5 Technical skills of PA managers and field staff in place for effective implementation of the management and business plans.	2,000,000	40	3,000,000	60	5,000,000
4. Project management				500,000	38	800,000	62	1,300,000
Total project costs				5,600,000	36	9,800,000	64	15,400,000

* Baseline values to be set during PPG.

B. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME (IN PARENTHESIS) IF AVAILABLE, (\$)

Sources of Co-financing	Type of Co-financing	Amount
Project Government Contribution	Unknown at this stage	9,600,000
GEF Agency(ies)	Grant	50,000
NGO	In-kind	150,000
Others	(select)	
Total co-financing		9,800,000

C. INDICATIVE FINANCING PLAN SUMMARY FOR THE PROJECT (\$)

	Previous Project Preparation Amount	Project	Total	Agency Fee
GEF		5,600,000	5,600,000	560,000
Co-financing		9,800,000	9,800,000	
Total		15,400,000	15,400,000	

D. GEF RESOURCES REQUESTED BY FOCAL AREA(S), AGENCY (IES) SHARE AND COUNTRY(IES)* : NOT REQUIRED

PART II: PROJECT JUSTIFICATION

A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:

1. Malaysia is a Federation, consisting of thirteen States and three Federal Territories. Eleven States and two Federal Territories are located in Peninsular (or West) Malaysia, a narrow peninsula extending south from the Asian landmass in the centre of South-East Asia, while the two States and one Territory of East Malaysia are part of the island of Borneo.
2. The nation is one of seventeen megadiverse countries in the world, with a wealth of biological diversity in its forests and marine zones. The flora of Malaysia is exceedingly rich and is conservatively estimated to contain about 12,500 species of flowering plants, and more than 1,100 species of ferns and fern allies. Many of these are found nowhere else in the world. In Peninsular Malaysia, for example, well over 26% of the tree species are endemic. The lowland dipterocarp forest is particularly rich in species diversity. For example, 814 species of woody plants of 1 cm diameter and larger were found in a 50 hectare area in such a forest type. Higher endemism is expected in the herbaceous flora with some of the larger genera estimated to be endemic in more than 80% of their species. Many endemic plants are localised in their distribution, being found only in a few valleys or mountain tops.
3. Diversity is also high among the fauna. In the vertebrates, there are about 300 species of wild mammals, more than 700 species of birds, 350 species of reptiles, 165 species of amphibians and more than 300 species of freshwater fish. While there are about 1,200 species of butterflies and 12,000 species of moths in Malaysia, little is known of other groups. A conservative estimate is that there are more than 100,000 species of invertebrates.
4. Forest cover in Malaysia is estimated to be 19.52 million ha, of which approximately 14.19 million ha are under Permanent Forest Estates managed for sustainable production. Lowland rainforests are dominated by towering dipterocarps. Mangrove forests are found along many shorelines, replaced inland by large peat swamp forests, particularly in the eastern Peninsular state of Pahang and in the Bornean state of Sarawak.
5. This globally significant biodiversity faces a number of threats. These include:
 - a) Land-use change, resulting in fragmentation and isolation. Most surviving areas of relatively undisturbed natural habitats are effectively islands in a landscape characterized by transformed and/or degraded ecosystems. For example, extensive tree-crop monocultures (predominantly of rubber and oil palm) or agricultural land surround many surviving high-quality lowland forest areas. In other cases production forest that is not managed for conservation compromises the integrity of adjacent protection forest (e.g. through the creation of access roads and logging trails that facilitate encroachment and poaching). This fragmentation results in genetic isolation of populations of endangered species and reduced habitat value due to edge effects. These threats are exacerbated by the fact that State, District and local development plans do not adequately account for areas of natural habitat designated as protected areas in determining adjacent land-uses.
 - b) Encroachment, poaching and illegal logging. Large-scale illegal logging is not a major threat at present, but it is considered to be a growing risk, particularly for more remote forest areas such as the Lojing Highlands and the Belum Valley in the northern part of the Peninsular. Encroachment (land clearance), poaching and the illegal collection of NTFPs such as agarwood (gaharu) are growing pressures. Evidence of widespread poaching exists, particularly from the seizures of smuggled wildlife at border crossings and regional markets. Given the dearth of large-scale habitat outside of existing PAs, this wildlife almost certainly originates from PAs such as Belum, Taman Negara or Endau-Rompin. However the scale of poaching is difficult to estimate, as there is currently limited monitoring or systematic estimation of remaining populations for species such as tigers and elephants.
6. Malaysia's long-term strategy to address these threats to biodiversity is to have an effective, well-resourced national PA system, supporting ecologically-comprehensive, well-managed networks of PA sites in Peninsular Malaysia, Sabah and Sarawak that are integrated into broader land-use and development-planning systems. Although protected areas are not immune from the threats outlined above, they remain the most effective mechanism available to conserve comprehensive assemblages of the country's globally-important biodiversity. Other forms of protection such as Forest Reserves are only designed to manage timber stocks, with limited focus on floral diversity and no mandate to protect fauna.

7. The country has had a long history of protected area (PA) management, with the first PA in Malaya being gazetted in 1903 in Perak State. A total of 90 PAs are currently listed, of which 63 are Marine Parks and State or National Parks equivalent to IUCN Category II. 23 sites are Wildlife Reserves or Sanctuaries equivalent to Category IV or V, while the remainder are small nature reserves or national historic monuments.

8. In total, 5.36 million ha are under some form of protection,² of which approximately 1,027,000 ha are in State and National Parks. These sites are managed by a range of institutions, each of which is responsible for individual networks of varying size, managed with varying degrees of effectiveness. In Peninsular Malaysia alone there are separate networks managed by institutions include the Federal Department of Wildlife and National Parks (DWNP), Federal Marine Parks Department, State Forestry Departments and State-level park authorities in Perlis, Johor, Kelantan and Perak. In East Malaysia, Sabah State alone has at least five agencies and institutions involved in various aspects of PA management. As a consequence of the Federal-State division of powers agreed at the creation of Malaysia in 1963, these numerous agencies each operate under different legal and institutional management structures, with limited formal coordination or collaboration.

9. A number of barriers currently compromise the effectiveness of a national system of protected areas in conserving globally significant biodiversity. Barriers exist at three levels; at individual sites, within sub-national PA networks, and at the national systems level:

a) At the national systems level, barriers include:

- i. *Mismatch in the costs and benefits of establishing PAs, between national and sub-national government authorities.* Protected Areas provide a variety of direct and indirect benefits to a country, including direct and indirect revenues from tourism and other livelihood activities, environmental services such as watershed protection, conservation of genetic resources and governance benefits including the ability to fulfill international treaty commitments (e.g. to the CBD). In the Malaysian context, most of these benefits (including tax revenues) accrue to the Federal Government.

However the direct and indirect costs of establishing and maintaining an individual protected area or PA network fall largely on sub-national actors, particularly State Governments. Under the Malaysian Constitution, jurisdiction over natural resources and land issues is vested with the States, and the PAs can only be created under State Government enactments, or by the State ceding land to the Federal Government. However lands and their productive uses are one of the primary sources of revenue for State Governments. State Governments levy annual land and property assessments, premiums for conversion of lands to different uses (e.g. from agricultural use to commercial or residential development) and receive royalties from the exploitation of timber and mineral resources. The establishment of a National Park requires the States to forego significant revenues in perpetuity, while also taking on the financial burden of managing the Park. Meanwhile the financial and economic benefits (such as they are) accrue to the Federal Government in the form of tax receipts from tourism, reduced expenditure on watershed management, etc.

This disconnect between costs and benefits at the national level versus costs and benefits at the sub-national level is the primary systemic barrier hindering the establishment of an effective national PA system.

- ii. *Lack of consistency, comparability and complementarities amongst different sub-national PA networks and individual sites, which hinders the creation of an effective, representative and well-managed national system.* Each sub-national PA network in Malaysia is currently developed and managed according to its own system, with different criteria and process for creating and managing sites. This incoherence hinders the establishment of a comprehensive national system of PAs that protects a viable, representative sample of the country's ecological resources.

b) At the sub-national PA network level, barriers include:

- i. *Fragmented planning and management structures, with unclear and overlapping jurisdictions.* Management approaches, planning and decision-making systems, fiscal and budgetary structures and capacity development programmes all vary from network to network. In certain instances these systems overlap, for instance with sites that are gazetted as both forest reserves and wildlife reserves. The resulting jurisdictional conflicts hinder effective management of the sites and hinder coordination between complementary institutions.

The multiple sub-national PA networks also result in cost inefficiencies, redundancies and duplication. For example, there have been multiple, duplicative initiatives in recent years to develop capacities and

² Min. of Natural Resources and the Environment, 2006: *Management Effectiveness Assessment of National and State Parks in Malaysia*, p.2-3.

demonstrate management planning models for different sub-national networks; these include a Ramsar-supported management planning initiative for the Tasik Bera Ramsar Site, implementation of the 5-S model for PAs in Sarawak state with Danida funding, a Conservation Master Plan in Sabah State with WWF support and a UNDP-GEF supported management planning demonstration for the South-East Pahang Peat Swamp Forest in Peninsular Malaysia's Pahang State. Each of these initiatives designed and supported management planning and capacity-development projects for the particular sub-national network being supported, but thus far there has been no successful model for management planning or system-wide development that all sub-national networks have subscribed to.

- ii. *Absence of clear mechanisms for trans-boundary planning and cooperation, or management of trans-boundary PAs.* Since most sub-national PA networks are State-based, there has been little opportunity or incentive to develop trans-boundary PAs at a broader landscape level. Such examples that exist are ad-hoc, for example, an agreement between Pahang and Johor for management of the Endau-Rompin State Park, which actually consists of two separate state parks that share a common boundary.
- iii. *Lack of integration between PAs and broader landscape-level land-use and national development planning.* Individual PA networks are established and managed by individual State-level bodies or Federal technical agencies. These network managers lack the technical capacity or institutional mandate to integrate PA networks into either the national land-use planning system (framed within the National Spatial Plan) or within national development planning processes such as the Five-Year Development Plans.
- iv. *Fragmented and inconsistent financial planning and budgetary allocation systems.* All existing Governmental support for Protected Areas is sourced from the national budget, within the national Five-Year Development Plan framework. However the resources for each sub-national system is channeled through one or more different process. Funding for PAs managed by the Federal Department of Wildlife and National Parks or the Federal Marine Parks Department is channeled through the Ministry of Natural Resources and the Environment, while funding for the various State-level PA networks forms part of the individual State budget allocations. Separate funding is also provided via the budget of the Tourism Ministry (mainly for tourism-related infrastructure) and some research funding is channeled through the Forest Research Institute, which comes under the Forestry Department of the Ministry of Primary Industries.

Total funding available for PA management in Malaysia is therefore difficult to estimate, and impossible to coordinate. The annual operating budget allocated to the Department of Wildlife and National Parks (approximately RM 9.7 million or USD 3.0 million) is only a small percentage of the total being disbursed. In the most recently-implemented Five-Year Plan a total of about RM53.6 million (USD16.7 million) was allocated for infrastructure development and maintenance for National Parks, however this excluded infrastructure funding channeled through the various State government budgets or through other Federal Ministries.

c) At the site level, barriers include:

- i. *Inadequate technical and professional management capacities.* There is at present no national system to train or manage technical and field PA staff. Each PA network, park or other institution develops and manages its own cadre, while the small core team of DWNP staff focus on the management of designated National Parks only. For example, the Johor Parks Corporation, which manages the second-largest PA estate in Peninsular Malaysia, has only one permanent staff position, with the rest of the Corporation's staff being on short-term contracts. As a result, technical and professional management capacities are grossly inadequate. Basic patrolling and facilities management systems are generally in place, but intensive PA management, habitat and species monitoring, financial and revenue management or economic assessment and planning capacities are absent, both at the individual site level and largely at the State and National levels also. A capacity assessment and capacity-building master-plan was developed in 1996³, however few of its recommendations have been implemented.
- ii. *Lack of systems, policies and mechanisms for PA revenue generation or effective revenue recovery.* None of the PA networks in Malaysia (or individual sites within them) have effective cost or revenue management systems. Visitor entrance fees and other charges have been instituted on a largely ad-hoc basis, and are not systematically refined or adjusted to account for operational costs,

³ Department of Wildlife and National Parks (1996); *Capacity Building & Strengthening of the Protected Areas System in Peninsular Malaysia: A Master Plan.*

willingness to pay or other planning metrics. For example, the visitor entrance fee for Taman Negara, the country's flagship National Park, were set at 31 Malaysian Ringgit (less than USD10) per person a number of years ago, and has not been revised. Other charges such as a five Ringgit camera fee are similarly arbitrary. Tour operators and hotel owners who receive substantial revenue from tourism to Taman Negara do not contribute significantly to the upkeep of the park, with even business tax revenues accruing to the central government Treasury rather than to the Park itself.

10. In order to overcome these barriers, the project proposes to create a national structure to support and financially sustain a Protected Area system in Malaysia. In order to ensure cost-effectiveness, and to promote improvements in management and conservation status, the system will link the provision of financial support to the quality of management and conservation value of each site. By linking Federal government support to the achievement of specific conservation indices rather than the jurisdictional authority to designate and manage PAs, this approach will allow the Federal Government to meet its global responsibilities for PA systems management and conservation, without infringing on State Governments' constitutional authority over natural resources.
11. The system will be piloted in terrestrial wildlife PAs in Peninsular Malaysia, encompassing an area of at least 500,000ha. However the system will be designed to be extensible to Marine PAs, forest reserves, community-managed lands (including private reserves or easements), and all other forms of protected area in the country.
12. The ultimate aim of the project would be to ensure that Protected Areas in Malaysia are underpinned by adequate financial and technical resources, within an overall system that ensures representativeness and nationwide coherence. To help move towards this goal, the project's objective will be to establish a performance-based financing structure to support effective PA systems management. Interventions to achieve this objective are structured into three Outcome components, designed to address barriers at the national system, sub-national network and site PA levels respectively:
13. Outcome component 1 will address barriers at the national systems level. This component will assist the DWNP and MNRE to agree a standardized set of national PA categories based on IUCN or other global criteria. For each category of PA, a specific set of management performance and biodiversity conservation criteria will be established, to ensure that management of these sites meets global standards. A package of financial support will be designed for each PA category, to allow well-managed PAs meeting the highest conservation criteria to receive maximum support, while also encouraging the effective management of other mixed-use PA types.
14. The financial support package will employ a range of criteria for setting support levels, including baseline annual management costs, performance-based increments against targets or benchmarks for management effectiveness, matching grants for revenue-generation, etc. Financial support will be provided for a variety of purposes, including capital expenditure and operating budget support for specific sites, as well as grants for policy, advocacy and planning activities at State-wide and national levels.
15. By linking the availability of financial support to the achievement of specific performance benchmarks, this model will ensure that the overall effectiveness of the national PA system increases over time, while maximizing the conservation benefit achieved for the resources available.
16. Outcome component 2 will address barriers within sub-national PA networks. This component will support existing networks, particularly the State-level networks, to ensure that these networks are planned and managed effectively. A particular focus of this component will be to enhance economic and financial planning capacities, e.g. by ensuring that environmental economics approaches and capacities are more fully integrated into planning and management. This component will also strengthen the integration of the PA networks into broader landscape- and economic development planning processes at the State and national levels, while also improving trans-boundary PA planning and management coordination.
17. Interventions will enhance the cost-effectiveness of the PA networks by strengthening management capacities, reducing overlaps and redundancies, and achieving economies of scale in training, technical support and infrastructure. In addition, spatial and development planning capacities and policy engagement processes will be enhanced to ensure that the case for PA system expansion and the establishment of connectivity corridors is strengthened, while minimising the risk of conversion or degazettement.
18. By strengthening the institutional capacities of the sub-national PA networks (particularly in the area of financial management and revenue generation) this component will position the PA networks to maximize potential revenue streams from their existing PAs, and to better leverage the performance-based financial support being provided at the national systems level under component 1.
19. Outcome component 3 focuses on the removal of capacity barriers at the site level. Under this outcome, the proposed project will identify and remove major capacity barriers hindering the cost-effective management of individual Protected Areas. Interventions will be designed to improve basic PA management capacities where

required, building upon past national initiatives undertaken in collaboration with WWF, Danida and the Ramsar Convention as well as UNDP and the GEF. The project will also enhance the management and business planning skills of PA Managers, to enable the PA system to maximise revenue-generation and to streamline costs.

20. Specific revenue-generation activities will be introduced as part of the PA Business Plans, as appropriate for each PA. These may include entrance fees and camping or accommodation charges, concessions for tour or accommodation businesses, filming permits and guide fees as well as non-visitor charges such as watershed maintenance payments from downstream users.

21. Capacity-building support will also be provided to ensure that the financial management, performance benchmarking and incentive systems developed by the project can be expanded and replicated at the systems level, to cover other types of PAs such as Marine Reserves, Forest Reserves and community-managed lands.

22. The end-result of this investment will be that Malaysia has a comprehensive, effective and well-resourced system of Protected Areas, rather than just a network of fragmented, stand-alone parks and reserves. Such an integrated system will be better able to conserve the valuable global biodiversity resources found in Malaysia's forests and marine areas, improving overall representativeness by providing incentives for new areas to be put under protection and by ensuring that available financial and technical resources are utilized in the most effective and results-oriented fashion.

23. More specifically, this proposed investment will bring at least one million hectares of Malaysia's globally-significant biodiversity (including habitats of globally-endangered species such as the Malayan Tiger *Panthera tigris malayensis*, Malayan Sun Bear *Helarctos malayanus*, and Sumatran Rhinoceros *Dicerorhinus sumatrensis*) under improved management within a more effective PA system. The systems for improved management and financial support will ultimately benefit the entire national PA system encompassing extensive terrestrial and marine biodiversity reserves across Peninsular Malaysia and Malaysian Borneo.

B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL/ REGIONAL PRIORITIES/PLANS:

24. Malaysia's National Policy on Biological Diversity (1998) defines its Policy Statement to be "To conserve Malaysia's biological diversity and to ensure that its components are utilized in a sustainable manner for the continued progress and socio-economic development of the nation". Among the Objectives is "To ensure preservation of the unique biological heritage of the nation for the benefit of present and future generations."

25. Fifteen strategies are defined, of which several are relevant to the current proposal. Most notably, Strategy 15 is "Establish Funding Mechanisms", for which the two Action Plan elements are:

- a) Review current funding options relating to biological diversity and identify the potential for reallocation of resources for implementation of the strategies of the National Policy on Biological Diversity.
- b) Seek new and additional incentives, funding sources and mechanisms, at both the national and international levels, for the implementation of the strategies.

26. Strategy 4, "Strengthen the Institutional Framework for Biological Diversity Management", includes Action items to identify, reinforce or establish biological diversity programmes and facilities in existing institutions, and to establish or strengthen resource management units at state and local government levels and promote implementation mechanisms between federal, state and local governments.

27. Strategy 6, "Integrate Biological Diversity Considerations into Sectoral Planning Strategies", includes Action items to:

- a) Ensure biological diversity conservation is a factor in planning and impact assessment of sectoral and cross-sectoral development programmes.
- b) Review current sectoral policies, plans and programmes to determine the extent to which use of biological resources reflect conservation needs and recommend appropriate measures therein.
- c) Ensure that biological diversity issues are incorporated in long-term and medium-term development plans (e.g. Five Year Development Plans, Outline Perspective Plans, National Development Plans).

28. A strengthened national PA system also contributes to the goals of regional conservation initiatives such as the Heart of Borneo, the ASEAN Heritage Parks Program and the Coral Triangle Initiative, as is described below.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS:

29. This project will directly contribute to GEF Strategic Objective 1 – To Catalyze Sustainability of Protected Area Systems. The primary focus will be on Strategic Programme 1: Sustainable Financing of Protected Area Systems at the National Level, but initiatives to improve capacities will also result in improved management of terrestrial PAs (SP3). The project will support national policy and institutional strengthening activities and

demonstrations to ensure that the national PA system has plans and actions for long term financial sustainability. In line with SP1, the project will ensure development of business plans that include diversified funding sources and cost effective use of resources. The project will also strengthen the partnerships between PA authorities and local communities, local government, NGOs and the private sector to achieve the long-term sustainability of PA financing.

30. The Government of Malaysia is developing a formal policy position on its participation in the regional **Coral Triangle Initiative**. The project is structured to complement this position. By strengthening the effectiveness and financial sustainability of the PA system, the project will assist Malaysia in contributing to key elements of the CTI Programme, including:

- a) Element 1: **Strengthening the enabling legal, policy & planning environment for improved water, coastal and marine resources management in the participating countries**: The project will strengthen legislative, policy and planning capacities for (*inter alia*) freshwater, coastal and marine protected areas, and will improve the ability of PA managers in Malaysia to cooperate across site and State boundaries.
- b) Element 2: **Improving the capacity of key government agencies and other participating stakeholders in civil society, academia, the private sector and at the community level**: The project will strengthen the capacity of key agencies including the Federal DWNP, State Government PA management institutions and the Federal Marine Parks Department.
- c) Element 6: **Monitoring and knowledge management**: The national platform for cooperation and exchange amongst PA managers to be established under Outcome 3 will serve as a primary vehicle for CTI lessons and information to be disseminated within Malaysia. This platform will serve as the base from which links will be established with relevant PA networks in the Philippines and Indonesia, e.g. the network being established by a parallel UNDP-GEF initiative in the Philippines.

31. A GEF programme to support the Heart of Borneo is also being proposed. By strengthening financial and technical management capacities for the national PA system, this project is expected to contribute to the broad aims of the HoB programme also.

D. JUSTIFY THE TYPE OF FINANCING SUPPORT PROVIDED WITH THE GEF RESOURCES:

32. GEF support will be provided entirely as grants for technical assistance. Technical assistance support will result in the removal of barriers that are currently preventing the effective and sustainable management of a national PA system in Malaysia. With the removal of these barriers, a sustainable system will be put in place that will more effectively conserve globally-significant biodiversity resources within the national PA estate.

E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

33. The project will build on extensive but fragmented PA strengthening initiatives that have been undertaken in Malaysia in recent years. In addition to building upon the PA management lessons learned in the Loagan Bunut National Park component of the UNDP-GEF *Conservation and Sustainable Management of Tropical Peat Swamp Forests* project, the project will also link with the on-going *Conserving Marine Biodiversity through Enhanced Marine Park Management and Inclusive Sustainable Island Development* project to cross-pollinate ideas and lessons learned between terrestrial and marine PA management. The design of the project takes into account recommendations made by the one-year DANIDA-supported project *Capacity-Building & Strengthening of the Protected Areas System in Peninsular Malaysia*, implemented in 1996. This was the last national systems-level assessment of Protected Areas in Malaysia.

34. In addition to the GEF-supported initiatives above, the project will also link with other elements of the UNDP Country Programme for Malaysia (2008-2012), which identifies “*Enhancing environmental management of biodiversity and natural resources, including water resource management*” as one of its programme outcomes.

35. At a regional level, the project will coordinate with protected area strengthening initiatives under regional umbrellas such as the Heart of Borneo, the Coral Triangle Initiative and the ASEAN Heritage Parks Program. Initial consultations have been undertaken with the resource units of these networks, however specific coordination mechanisms will only be outlined during Project Document preparation.

F. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT, DEMONSTRATED THROUGH INCREMENTAL REASONING :

36. Without the GEF intervention, Protected Areas in Malaysia will continue to function as a fragmented set of sub-national networks, with ineffective coverage, limited capacities, erratic financial support and limited coordination. This will lead to a continued decline in global biodiversity values in existing PAs, increasing pressure to degazette and convert degraded protected areas and increasing barriers to the expansion of PAs to enhance connectivity or incorporate under-represented forest types.

37. By applying the GEF’s strategic focus on PA systems, and particularly its expertise in removing barriers to sustainable financing, this project will help to introduce system-level thinking, planning and management, supported by innovative, cost-effective and sustainable financial support. This will translate into improved management effectiveness in addressing growing threats to biodiversity from poaching and land-use change, firstly within more than 500,000ha of the existing terrestrial PA estate, and eventually across the entire terrestrial and marine PA estate in the country.

G. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED, AND IF POSSIBLE INCLUDING RISK MEASURES THAT WILL BE TAKEN:

Risk	Risk rating	Risk Mitigation strategy
Sustainable financing will be prevented by poor cooperation among government agencies	Low	A common interest amongst agencies on sustainable financing is expected to support better coordination between agencies. Preliminary consultations with key partner agencies, including State-level PA networks, have indicated good support. Critical Federal Government agencies such as the Economic Planning Unit have also been briefed on this initiative, and have encouraged it to proceed.
Conflicts between conservation and development in state planning	Med	The project will explicitly address this risk by piloting innovative financing mechanisms in a number of PAs, demonstrating that conservation is a potential revenue-earning process rather than a drain on scarce resources. The PA network capacity building component of the project will also help to overcome this risk. However it is clear that trade-offs between conservation within PAs and more mainstream development land uses will continue to be a central concern for this project.
Regulatory inertia limits potential for revenue generation	Low	The piloting of alternative financing sources in individual PAs will require the development of new regulations. Part of the problem under the business-as-usual scenario is that a fragmented PA system is unable to mobilize sufficient support to effect such changes; as a result of the project, support should be much stronger. Awareness raising amongst policy makers will also help to overcome this risk.
Climate change (CC) undermines conservation of biodiversity within Malaysia’s PAs	Low	Climate change is likely to affect natural ecosystems over time, but this project actually will strengthen the resilience of PAs in Malaysia to respond to CC impacts by establishing the operational and financial capacities to manage PAs. The focus on supporting any form of PA which is effective and well-managed, rather than committing to an institutionalized set of sites, also provides greater flexibility to respond to evolving climate pressures over time.
Reduced levels of tourism affect revenue generation potential	Low	Both domestic and international tourism have been increasing strongly in Malaysia. This is unlikely to change in the future. Rising income levels and a growing interest in nature-based activities has generated a sustained increase in domestic visitation to parks and nature reserves.

H. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PROJECT:

38. In the business as usual scenario PA management will continue to be fragmented, resulting in opportunities for cost reductions through efficiencies of scale and cooperation across PAs being missed. As a result of this GEF project, such opportunities will be captured, thus resulting in much more cost-effective PA management. In particular, institutional reforms will result in significant efficiencies both vertically, within organizations and horizontally, across the PA system, thus avoiding duplication of effort. The project’s activities to promote capacities and actions to increase resources for effective and sustainable PA management from diversified sources are expected to have significant cost effectiveness. Firstly, it will be more cost effective than the baseline scenario of largely government or ad hoc funding of PAs, as additional streams of resource generation will be explored. The increased effectiveness of management planning will also have a long-term cost-saving impact as high costs for remedial actions to biodiversity loss and degradation will be avoided

I. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY: (NOT REQUIRED)

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (PLEASE ATTACH THE COUNTRY ENDORSEMENT LETTER(S) OR REGIONAL ENDORSEMENT LETTER(S) WITH THIS TEMPLATE).

<i>Dr. Lian Kok Fei</i> <i>Undersecretary & GEF Operational Focal Point, Ministry of</i> <i>Natural Resources and Environment</i>	Date: <i>(March 03 2009)</i>
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B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.	
<i>Y. Glemaux</i> UNDP/GEF Executive Coordinator	Joseph D'Cruz, Regional Technical Advisor Project Contact Person
Date: February 3, 2009	Tel. and Email: +6622882726 joseph.dacruz@undp.org