

OFFICE MEMORANDUM

DATE: April 2, 2002

TO: Mr. Ken King, Assistant CEO, GEF Secretariat
Att: GEF PROGRAM COORDINATION

FROM: Lars Vidaeus, GEF Executive Coordinator



EXTENSION: 3-4188

SUBJECT: **Country Name: Philippines Project Name: Asian Conservation Foundation (ACF)
Work Program Inclusion - Resubmission**

Please find enclosed the electronic attachment of the above mentioned project brief for work program inclusion, which addresses the comments received from GEFSEC dated March 21, 2002 on the project brief that was submitted for Work Program Submission on March 11, 2002. The proposal is consistent with the *Criteria for Review of GEF Projects* as presented in the following sections of the project brief:

- Country Drivenness: This innovative public-private partnership has very strong country-drivenness – please see Section C5 (*Implementation Arrangements*), especially paragraph 38.
- Endorsement: Please see Annex 13.
- Program Designation & Conformity: Please see Section B6 (*GEF Operational Strategy/Program Objective Addressed by the Project*) on page 8.
- Project Design: Please see Section C1 (*Project Components*) on page 9.
- Sustainability: This is a key strength of this project – please see Section F1 (*Sustainability*) on page 28.
- Replicability: This is another important strength of this project – please see Section A2 paragraph no. 7.
- Stakeholder Involvement: Please see Section E6 (*Participatory Approach in Project Design*) on page 27, and Annex 10 (*Stakeholder Analysis and Participatory Approaches in Project Design*).
- Monitoring & Evaluation: Please see Section C6 (*Monitoring and Evaluation*) on page 18, and Component 7 in Section C1 (*Project Components*) on page 14.
- Financing Plan: Please see Section C2 (*Project Cost and Co-Financing*) and Annex 7.
- Cost-Effectiveness: Please see Section E1 (*Economic Analysis*) and Annex 8 (*Cost Effectiveness*).
- Core Commitments and Linkages: With regard to WWF's commitment, please see page 16 in Section C5 (*Implementation Arrangements*); with regard to ACC, please see paragraph no. 42 in Section C5; with regard to Next Century Partners, please see Annex 2; with regard to government commitment, please see paragraph no. 40 in

Section C5; and with regard to ACF – Section D6 (*Indications of Grant Recipient Commitment*) on page 24.

- Consultation, Coordination and Collaboration between IAs: Please see Section D5 (*Lessons Learned and Reflected in Proposed Project Design*).

At the March 21st project review meeting with the GEF Secretariat, a number of specific issues were discussed. The specific issues have been addressed as follows:

(1) A figure describing project funding flows with any necessary modifications added by IFC was expected..

As requested, the aforementioned figure has been inserted into the project brief (on page 11).

(2) There is a need to establish adequate checks and balances to ensure appropriate use of GEF funds.

As discussed, the ACF will be designed to incorporate extensive checks and balances, including: (i) a Board of Trustees that involves a broad range of expert stakeholders, including a representative of the DENR; (ii) an Advisory Panel that involves a number of experts from different institutions; (iii) internal procedures that ensure transparency and provide considerable review regarding all expenditures and conservation activities; (iv) a rigorous monitoring and evaluation program that will be conducted throughout project implementation by third parties.

(3) There is a need to avoid duplication with the Integrated Coastal Resource Management (ICRM) project that the ADB is currently preparing.

IFC will remain in close contact with ADB to ensure that the ACF and ICRM projects do not overlap, but rather complement each other. It is clear that the two projects can be designed and executed in a manner that yields considerable synergies:

The ACF project has been developed to include multi-stakeholder conservation management, enforcement, sustainable livelihood development, institutional and financial sustainability mechanisms, and research, monitoring and evaluation. Over 20 years of conservation experience in the region has shown that these components are most effective at achieving conservation outcomes. They are key components of any effective marine conservation program. The fact that ADB envisions incorporating these elements in the ICRM project does not reflect duplication, but simply demonstrates that the ICRM project also seeks to incorporate lessons from conservation experience in the region. The similarity between the two projects in this regard will not entail duplication because the ACF project will focus on six specific sites whereas the ICRM initiative will be a broad national program. The ACF will not be a stand alone set of activities but will be closely coordinated and fully consistent with the national policy framework for CRM. This is why the DENR (which will execute the ICRM project) has fully endorsed the ACF project. A number of mechanisms will be in place to ensure the complementarity of the ACF project with the ICRM project and the overall national CRM framework which it supports (for example, the ACF will include a multi-stakeholder Advisory Panel and a DENR representative will participate on the ACF Board of Trustees). In sum, the similarity in several components of the ACF and ICRM projects will not lead to duplication but will actually foster complementarity and better enable the projects to work collaboratively.

Finally, it should be noted that the private sector/conservation foundation partnership which is present in the ACF project but not in the ADB proposal is the most innovative element of the initiative. This component builds on the proven approaches embodied in the other components to help ensure that the successes achieved through these approaches are sustained in the long-term. The ACF approach to sustainability is one of the most promising of any under development today. It will directly benefit the ICRM project by generating significant lessons and replicable models for catalyzing long-term conservation finance from private sector sources.

In addition, the project brief has been developed to reflect comments made by the GEF Secretariat at the time of pipeline entry:

(A) References to key priorities within the NBSAP and their refinement as highlighted in the IFC/WB response will be included in the project brief.

The NBSAP priorities have been thoroughly considered and are fully reflected in the project design. These priorities are outlined in Section B4 (*Government Strategies and Programs*). The multiple ways in which this project helps to address these priorities are found in Section C3 (*Key Policy and Institutional Reforms Supported by the Project*) and elsewhere in the document.

(B) In accordance with the Operational Strategy, extractive activities of biological resources should be very closely monitored, especially on species selection, information on current density, other demographic parameters such as yield studies and regeneration surveys; estimating actual impacts of harvesting, so that harvesting levels and methods can be adjusted as needed to sustain natural populations within their normal ecological parameters.

The project has been designed to fully reflect this suggestion, as indicated in Component 7 of Section C1 (Project Components).

(C) In relation to the sustainable baseline, considering the importance of the natural resource base for the for-profit operations, the sustainable baseline should not only include mitigation against business impact but investment on biodiversity conservation to sustain use over the long-term. The incrementality of proposed activities should be clearly justified. The Secretariat will pay particular attention to the proposed sustainable baseline proposed for investment activities.

Both of the ACC investments to be done in conjunction with this GEF project (i.e., El Nido Resorts and Stellar Fisheries) are exemplary private sector operators in terms of mitigating their own impacts and contributing actively to local conservation efforts. In the baseline scenario, the ACC will work with these companies to further mitigate their impacts and to contribute even greater resources to conservation. However, in the baseline scenario, the amount of biodiversity benefits that these two companies could achieve on their own is minimal compared to what they could achieve in the long-term if the GEF provides parallel funding to the ACF (note that the GEF is not being asked to provide funding to the ACC nor to its investee companies). The GEF Alternative will allow important incremental conservation activities to be initiated which will be sustained long-term in part by the ACC investee companies.

(D) A matrix indicating threats, root causes and proposed activities per site should be included in the brief.

This has been included as requested. In fact, we have described the threats, root causes and activities per site in an extremely detailed fashion. Please see Table 1 and Annex 6 for a

description of the threats and root causes per site. Please see Annexes 1A and 1B for a logical framework for each site, and Annexes 9A and 9B for an incremental cost analysis per site.

(E) The resulting brief will identify which barriers are being eliminated (or reduced). This would justify the GEF investment requested. For example, if information and awareness is a barrier to aggressive private investments that lead to conserving biodiversity and/or promoting sustainable uses, then it would be eligible for GEF support.

As requested, the document clearly identifies the barriers to long-term conservation and how they will be reduced. In each of the six ACC/ACF 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. The ACF has designed this initiative 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 ACF has developed seven mutually supporting project components. These components are designed to overcome the persistent barriers to effective conservation implementation and, through the ACC and ACF approach, to establish sustainable mechanisms to fully protect the biodiversity of each project site.

(F) Proposed investments should be carefully considered so these are environmentally, socially and financially sound.

WWF and ACC have conducted thorough environmental, social and financial due diligence regarding ACC's first two investments (El Nido Resorts and Stellar Fisheries) and are committed to doing the same with all future ACC investments. Rigorous procedures are in place for carrying out this due diligence. IFC has also assessed the ACC's initial investments, as well as its internal procedures for conducting due diligence, and is satisfied in this regard. The project implementation team has impressive environmental, social and financial due diligence capacities. IFC's Environmental and Social Development Department will also be actively engaged to ensure compliance with all safeguard policies.

(G) The role of WWF, IFC and ADB should be clearly outlined.

The role of WWF has been described in Section C5 (*Implementation Arrangements*). The role of IFC has been described in Section D2 (*Value Added of IFC Involvement*). ADB has decided not to jointly oversee the project with IFC, but may invest in the ACC.

(H) Due diligence on environmental (especially biodiversity) and social matters from key actors such as IFC, ADB and WWF is expected.

As noted in (F) above, rigorous due diligence procedures have been developed.

(I) Project preparation should clearly consider the various financial options analyzed and justify the one selected. GEF funding may be offered as debt/equity investments or reconstituted as direct loans (at subsidized interest rates) under some Fund. IFC will explore non-grant funding as a priority strategy for the project. However, the initial expectation is that grant resources would be needed.

IFC explored non-grant mechanisms (particularly the possibility of contingent financing and/or concessional loans) to fund the conservation activities at the six project sites. It was thought that perhaps the ACC could pay back the GEF funds through the proceeds of its investments. However, it was determined that this would destroy the entire sustainable financing model. This is because if the ACC investee companies must pay back the GEF funds, then they will not be able to establish an adequate endowment. In that case, there would not be enough financing to cover the recurring costs of the conservation activities after the end of the GEF project. For more information, see paragraph 40 in Section C5 (*Implementation Arrangements*) and Annex 5 (*Description of Conservation Financing Mechanism*).

(J) The brief will present fully developed options for sustainability. Given possibilities of high profitability and the sustainable baseline highlighted above, the private sector should commit substantive resources for its long-term sustainability.

The project design is fully consistent with this point. Please see paragraph 40 in Section C5 (*Implementation Arrangements*) and Annex 5 (*Description of Conservation Financing Mechanism*).

(K) As this will be a demonstration project, the brief will define how the project will demonstrate approaches, methodologies, outcomes and lessons learned.

Component 7 of Section C1 (*Project Components*) describes how the monitoring and evaluation program will be linked to intensive efforts to share results and lessons learned.

(L) While we want to encourage private investments, we also do not want to undermine benefits accruing to deserving poor communities. It may be helpful to receive some assurance as to benefit sharing. More importantly, we do not want to be viewed or perceived as financing projects where we "dilute" the opportunities that may otherwise go to the poor. For example, under the fisheries component, while there is merit in ensuring sustainable harvesting of the fishery, we also want to make sure that such support will not compete with artisanal fishing communities.

The project has been designed to share considerable benefits with poor communities. In the case of artisanal fishermen, such as the blue crab fishermen in Negros or municipal fishermen in the other project sites, it should be noted that they are one of the primary beneficiaries of the project. The project will increase the capacity of the artisanal fishermen to provide for the basic needs of their families by promoting sustainable harvesting of the fishery. In addition, the enforcement program, which will be supported by the project, will reduce the competition for resource use of commercial fishermen and the artisanal fishermen in the municipal waters. This will provide a more secure livelihood base for the artisanal fishermen. Average net change in income among artisanal fishermen is likely to be positive. The apprehension of and prosecution of cases against commercial fishermen who intrude in the municipal waters are lauded by municipal fishermen.

(M) The roles of the various stakeholders should be clearly outlined.

The role of the various stakeholders are defined in Section C1 (*Project Components*), Section C5 (*Implementation Arrangements*), Annex 2 (*ACC Management and Shareholders*), and Annexes 1A and 1B (*Logical Frameworks for El Nido and Stellar Fisheries, respectively*).

(N) Project proponents should consider alternatives to GEF grant resources, such as concessional financing. GEF contribution should be no larger than US\$4m and should not be larger than the contribution from the IFC and ADB. Non-grant resources would be explored as a priority. IFC agreed to consider a range in project costs from US\$4-6m, based on the incremental costs analysis. The GEF will consider a range in funding from US\$ 4-6m, and the expected project size will remain in the range of US\$30-40m.

IFC has considered alternatives to grant resources, as described in (I) above. IFC is not prepared to invest in the ACC at this time, though it will consider specific ACC investee companies on a case by case basis. Please see Section D2 (*Value Added of IFC Involvement*). ADB is currently considering investment in ACC and/or its investee companies. The GEF request for this project is US\$4.5 million.

(O) Investments from IFC and the Asian Development Bank expected in the resulting project brief. This issue will be considered during project preparation. However, IFC argued that even if the IFC does not invest, it would bring substantive co-financing and leverage of GEF resources. In addition, if the IFC does not invest, it means that private sector investment is strong and proposed activities commercially viable and hence IFC funding is not needed.

After thorough consideration within various departments, IFC has concluded that it is not prepared to invest in the ACC at the present time. The reasons for this decision are explained in paragraph 49. Both IFC and ADB will consider investing on a deal by deal basis.

Please let me know if you require any additional information to complete your review prior to inclusion in the work program. Many thanks.

cc: Messrs./Mmes. Boorstin, Younger, Vorhies, Keller (CETEM); Broadfield (EASES); Castro, MacKinnon, Khanna, Wedderburn, Aryal (ENV); ENVGC ISC, Relevant Regional Files

PROJECT BRIEF

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

2. SUMMARY:

This project will conserve significant coastal and marine biodiversity through a unique partnership between a private equity investment company (Asian Conservation Company, or ACC) and a conservation foundation (Asian Conservation Foundation, or ACF). The ACC and ACF partnership will integrate biodiversity conservation and private equity investment to encourage local firms and ventures to go beyond environmental mitigation to actively support conservation efforts in six biodiversity rich areas. This proposal seeks a total of US\$4.5 million in GEF grant funds for the ACF. In the initial years of the project, the ACF will channel GEF grant funds and other donor funds to local entities (e.g., NGOs, Local Government Units) to carry out conservation activities. These entities will involve and foster ownership among multiple stakeholders, including governmental agencies, local communities, private sector operators, and 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. During the initial years of the project, ACC investee companies will channel some of their revenues into an endowment to be managed by the ACF. After the GEF grant funds are fully utilized, the ACF 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/ACF model is highly innovative because it engages a private equity company to leverage long-term biodiversity support and conservation finance from investee companies. By combining the investment skills of professional fund managers with the biodiversity-related expertise of experienced conservation practitioners, the ACC/ACF proposal presents a promising and highly replicable approach for achieving sustained conservation gains affecting globally significant biodiversity.

The project will be implemented in two tranches. The first tranche will establish the ACF and initiate conservation activities at El Nido, where the ACC's first investment will be 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 raising 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 raised the remaining funds to reach its targeted capitalization of US\$19.5 million.

3. Costs and Financing (Million US):		Co-Financing:	
	GEF:	ACC Investment:	WWF/Bilateral Donors:
Tranche 1:	US\$1.6	US\$14.5M	US\$300,000
Tranche 2:	US\$2.9M	US\$5M	US\$1.2M
Total:	US\$4.5M	US\$19.5M	US\$1.5M
Total Project Cost:	US\$25.5M		

4. ASSOCIATED FINANCING :

Conservation financing generated from ACC investments during the project is expected to be US\$1.6M.

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

TABLE OF CONTENTS

A. BACKGROUND AND GLOBAL OBJECTIVES

1	Background	1
2	Global Objectives	1

B. CURRENT SITUATION AND STRATEGIC CONTEXT

1	Biodiversity	2
2	Threats to Biodiversity	3
3	Underlying Causes of Threats to Biodiversity	5
4	Government Strategy and Programs	6
5	Sector-related Country Assistance Strategy Goal (CAS) Supported by the Project	8
6	GEF Operational Strategy/Program Objective Addressed by the Project	8

C. PROJECT DESCRIPTION SUMMARY

1	Project Components	9
2	Project Cost and Co-financing	14
3	Key Policy and Institutional Reforms Supported by the Project	15
4	Benefits and Target Populations	16
5	Implementation Arrangements	17
6	Monitoring and Evaluation	19
7.	Key Performance Indicators	20

D PROJECT RATIONALE

1	Importance of GEF Support	20
2	Value Added of IFC Involvement	21
3	Project Alternatives Considered and Reasons for Rejection	22
4	Major Related Projects Financed by the World Bank Group and/or Other Development Agencies	23
5	Lessons Learned and Reflected in Proposed Project Design	23
6	Indications of Grant Recipient Commitment	24

E ISSUES REQUIRING SPECIAL ATTENTION

1	Economic	25
2	Financial	25
3	Institutional	26
4	Social	26
5	Environmental Assessment	27
6	Participatory Approach in Project Design	27

F SUSTAINABILITY AND RISKS

1	Sustainability	28
2	Critical Risks	29

ANNEXES

Annex 1: Project Design Summary for Total ACC/ACF Project	32
Annex 1A: Logical Framework for El Nido	36
Annex 1B: Logical Framework for Stellar Fisheries	40
Annex 2: ACC Management and Shareholders	45
Annex 3: ACC Investment Criteria & Process	48
Annex 4: Description of ACC Investments	49
Annex 5: ACC/ACF Conservation Financing Mechanism	53
Annex 6: Biodiversity Assessment of ACC/ACF Sites	55
Annex 7: Project Cost and Co-Financing	59
Annex 8: Cost Effectiveness Analysis	61
Annex 9: Incremental Cost Analysis	63
Annex 9A: Incremental Cost Analysis for El Nido	75
Annex 9B: Incremental Cost Analysis for Stellar Fisheries	80
Annex 10: Stakeholder Analysis and Participatory Approaches in Project Design	84
Annex 11: STAP Roster Technical Review	88
Annex 12: Response to STAP Review	96
Annex 13: Endorsement Letter	98
Annex 14: List of Acronyms	99
Annex 15: Map of ACC/ACF Sites	101

List of Tables

1	Summary of Biodiversity Significance and Threats to Each ACC/ACF Conservation Site	4
2	Summary of ACC Investee Companies and Associated ACF Conservation Sites	10
3	ACC-ACF Diagram	11
4	Project Cost and Financing	15
5	Key Benefits Expected by Target Populations for Each of the Proposed Project Component	16
6	Summary of Incremental Costs	25
7	Evaluation of Project Risks and Risk Mitigation Measures	29
8	Next Century Partner Funds	46
9	Financial Summary for Ten Knots Development Corporation and Ten Knots Philippines	49
10	Projections of Conservation Financing from ACC Investments	54

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 parallel foundation (which its portfolio companies will fund in the longterm) 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 a conservation foundation (i.e., Asian Conservation Foundation, or ACF). 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/ACF 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/ACF 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/ACF 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/ACF model even though it has not been implemented yet.
- (iii) The ACC/ACF 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/ACF Conservation Site

ACC/ACF 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.; illegal 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 pollution; encroachment of illegal fishers.
Estancia and Concepcion, Northern Iloilo	Mangrove forests, coral reef, and sandy muddy substrate. Population of seahorses in seagrass. Pelagic fish species (scombrids, striped mackerel, nemipterids, mullets, jacks, snapper, anchovies, herring). Reef associated fishes and invertebrates abundant. Green turtles, dugong or sea cow, dolphins, sharks, rays and skates.	Degradation of habitats caused by unsustainable fishing practices (trawling and hulbot hulbot; siltation due to massive deforestation); uncontrolled use of dynamite and cyanide fishing; encroachment of fishers from other areas.
Bantayan Island,	Wilderness area, mangrove swamp forest reserves.	Destructive fishing practices

ACC/ACF Site	Global Biodiversity Significance	Threats
Cebu	Coral reef systems. Large bird populations: Pygmy swiftlet, Brahminy kite, Rufus night heron, Dyal Thrush, Chinese egret, Reef heron, Slaty-breasted rail, Little Ringed plover and Brown shrike. Dugong, dolphins, sharks and sea turtles.	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/ACF 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/ACF 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 six sites are presented in Annex 6.) By involving the private sector as a key partner in execution of conservation activities, this CEF 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 six ACC/ACF 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. The ACF has designed this initiative 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 ACF has developed seven mutually supporting project components. These components are designed to overcome the persistent barriers to effective conservation implementation and, through the ACC and ACF 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 within the ACF right from the start. Thus, a vehicle for gathering and sharing lessons among the six project sites will be institutionalized within the ACF. Conservation activities at all six 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 the ACC will make its first planned investment in the El Nido Resorts of Ten Knots Corporation. This initial tranche will allow the innovative ACC/ACF 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 five 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 Company (ACC) and a Conservation Foundation (ACF).** The Asian Conservation Company (ACC) is a

private equity investment company that has currently achieved capitalization of US\$12.5 million towards its targeted level of US\$19.5 million.¹ 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 revenues to support conservation activities in the sites where they operate. These funds will be generated by 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 nor to any of its investee companies.*

Table 2. Summary of ACC's First Two Investee Companies and Associated ACF Conservation Sites

ACC Investment*	Target US\$ Amount of Investment	Associated Conservation Site
Ten Knots - El Nido Resorts	US\$14.5M**	El Nido – Bacuit Bay, Palawan
Stellar Fisheries – Blue Crab Industry*	US\$5 M	Sagay, Negros Occidental; Asid Gulf, Masbate; North Guimaras Strait; Bantayan Island, Cebu; Estancia and Concepcion, Northern Iloilo

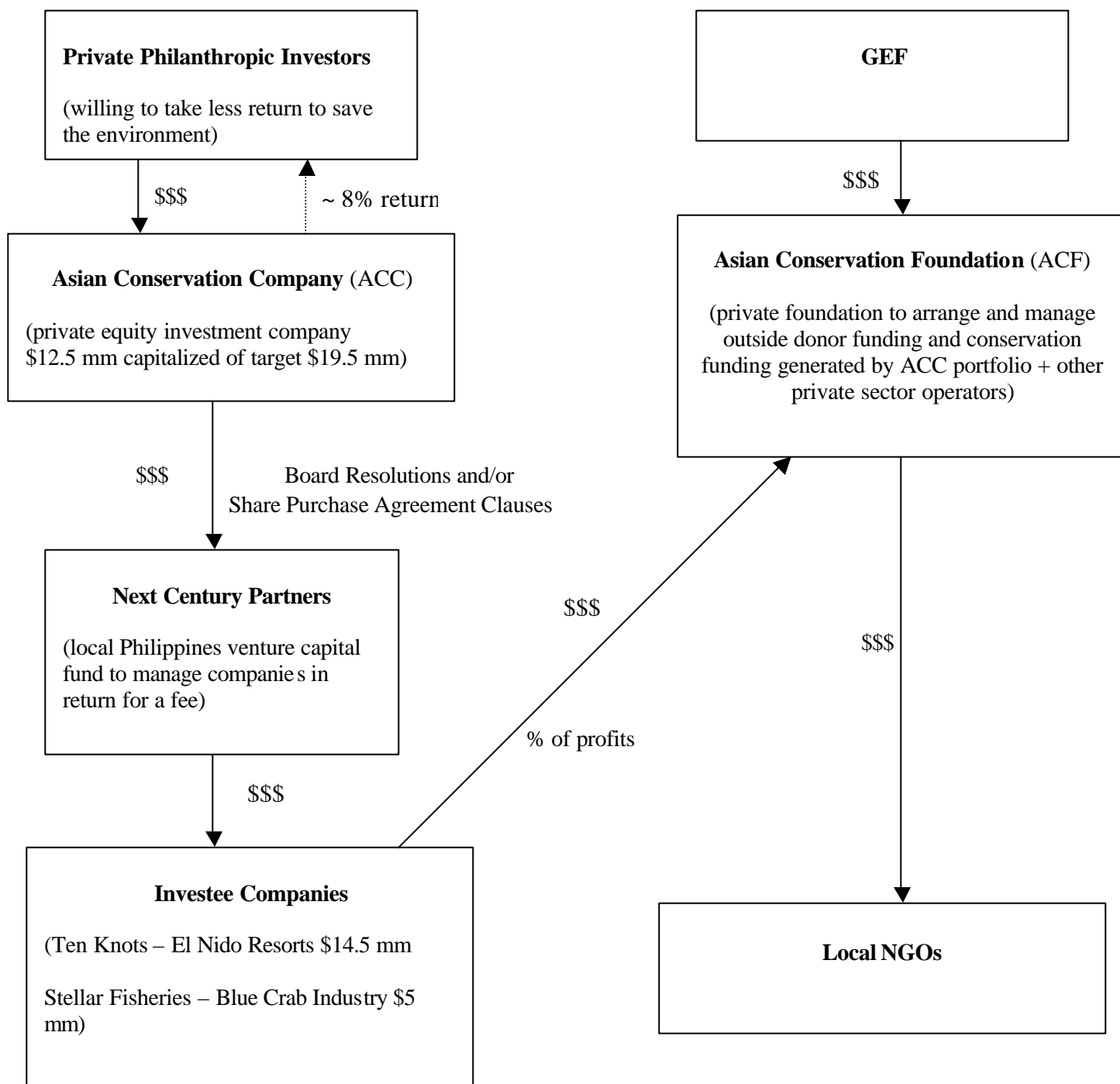
*Full descriptions of these two companies can be found in Annex 4.

**Although US\$14.5M is the total expected ACC investment in Ten Knots, US\$12.5M is sufficient to obtain a controlling interest in the company.

22. The Asian Conservation Foundation (ACF) is a private foundation that will attract and manage outside donor funding as well as conservation funding generated by ACC portfolio companies and other private sector operators. ACF will be the recipient of all GEF funds. ACF will allocate these funds (including the GEF funds) to local NGOs and oversee their conservation activities at each site. If a qualified local NGO does not exist, then the ACF would administer funds to a qualified and acceptable Local Government Unit (LGU) or People's Organization (PO). To ensure that the ACF has sufficient technical and fiscal capabilities, WWF-Philippines (one of the most experienced conservation organizations in the region) will provide significant support to the ACF in its initial years.

¹ US\$19.5 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 the Philippines.

Table 3. ACC-ACF Diagram



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). At each site, the ACF will identify and contract a primary executing partner (NGO, LGU, or PO) to lead the conservation activities. In some cases, the primary executing partner will already have long-term presence in the specific local area. However, if there is no local partner with sufficient capacity to act as the primary executing entity, then the ACF may contract a capable NGO that has experience elsewhere in the Philippines but is new to the specific site. In either case, the executing NGO at each site will form a Conservation Management Team 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. The executing partner will also form a Conservation Advisory Committee 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/ACF 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, 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/ACF 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/ACF project will create a learning network across its six sites. Learning and sharing of lessons at the level of communities, LGUs, government and executing NGO 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 ACF will work through local NGOs to 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 ACF will identify partner NGOs/Foundations and 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 ACF 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 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 the ACF, which in turn will manage these funds, establish endowments, and grant funds as appropriate to execution partners at each site.²

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. In addition, the ACF 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 the ACF 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 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/ACF 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.

² 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.

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 (ACF Management)	21.29	83%	1.3	29%	19.9	94.8%
2. Conservation Management	.63	2%	.47	10%	.16	0.8%
3. Conservation Enforcement	1.14	4%	.84	19%	.3	1.4%
4. Information, Education, and Communication	.97	4%	.74	16%	.23	1.1%
5. Sustainable Livelihood Strategies	.42	2%	.32	7%	.11	0.5%
6. Institutional and Financial Sustainability	.42	2%	.32	7%	.11	0.5%
7. Biodiversity Research and Monitoring	.63	2%	.47	10%	.16	0.8%
TOTAL	25.5	100%	4.5	100%	21	100%

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

31. The main portion of ACC's co-financing, US\$19.5M, 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/ACF 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 the ACF by WWF and other bilateral donors. This provides an overall co-financing ratio of 1:4.7.

32. Importantly, the co-financing calculation does not include the US\$1.6M that Ten Knots and Stellar Fisheries are expected to generate for the ACF *during* the GEF project, nor the roughly US\$2M that they are expected to contribute to the ACF 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. ACC/ACF Partnership	<ul style="list-style-type: none"> • Creation of an innovative and replicable model based on sustained private sector financing • Resolution of the persistent challenge in conservation • Creation of a learning network and knowledge on how to create and sustain conservation measures 	ACC, ACF, other private sector entities, other conservation sites
2. Conservation Management	<ul style="list-style-type: none"> • Training in project management and strategic planning • Creation of multi-stakeholder institutional partnerships for long-term conservation implementation 	Local communities, LGUs, local NGOs, NGAs, local businesses, ACC, and ACF
3. Conservation Enforcement	<ul style="list-style-type: none"> • Near complete elimination of destructive activities at each project site. • Close to full protection of biological diversity and natural resources • Improvements in fish biomass, ecosystem indicators such as community structure, live coral cover. • Increased fish catch in surrounding areas • Enhanced motivation by local people for • Greatly increased capacity of multi-stakeholder enforcement teams 	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"> • Adoption of necessary statutory and regulatory systems to support the project approach • Enhanced understanding of the ACC/ACF approach and possible adoption of the approach by other industries and conservation partners 	Decision makers; key conservation actors or participants in each stakeholder group; law makers and regulatory agencies; private sector
5. Sustainable Livelihood Strategies	<ul style="list-style-type: none"> • Legal non-destructive income generating activities as alternatives • Enhances local community support and engenders sense of stewardship 	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"> • Ensures institutional capacity for long-term conservation • Provides training and capacity strengthening for institutional management • Provides a consistent flow of funding for conservation initiatives. 	Multi-stakeholder partnerships for conservation intervention; ACC portfolio companies; ACC / ACF; other private sector entities operating in the sites
7. Monitoring and Evaluation	<ul style="list-style-type: none"> • Facilitates adaptive management and continual improvement of project implementation • Enables adequate reporting and lesson learning for the benefit of Philippine decision makers and the larger conservation community 	All stakeholder groups involved in project; broader conservation community that will learn from project lesson gathering

5. Implementation Arrangements

34. The ACF project will be implemented in two tranches. The first tranche will establish the ACF and initiate conservation activities at El Nido, where the ACC's first investment will be 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 raising US\$12.5 million to purchase a majority ownership of Ten Knots Corporation.³ 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 raised the remaining US\$7 million to reach its targeted capitalization of US\$19.5 million.

35. **ACF Staffing.** The ACF is the entity to coordinate and oversee the GEF-funded conservation activities. Although newly organized, it is anticipated that the ACF will become fully capable in a relatively short amount of time by hiring top notch staff and acquiring technical assistance from WWF-Philippines. For the first two years of the GEF grant while the ACF is building its own capabilities, WWF-Philippines has agreed to:

- second one-half senior personnel with conservation finance experience;
- second one-half program officer with marine conservation program experience;
- directly manage the administrative affairs of ACF;
- provide regular detailed technical assistance; and
- train ACF staff in the proper administration for a GEF grant.

36. The ACF staff which will consist of a conservation finance expert and a minimum of two program officers, will have experience in: 1) design of conservation programs; 2) compliance with multi-lateral donor requirements; and 3) administration of grants. The staff will oversee the design, assessment, and evaluation of conservation activities. An administrator will be hired to oversee financial management, project contracting, financial reporting, and other relevant aspects of administration of project funds.

37. If at the end of two years, the ACF Board believes it beneficial to continue the secondment of personnel, WWF-Philippines is committed to doing so. Although the ACF will hire experienced staff, the partnership with WWF-Philippines is essential to a successful startup of the ACF. This relationship will provide direct access to the experience and approaches of the country's largest and most successful marine conservation NGO and also provide the ACF with access to WWF's international network of conservation expertise.

38. In addition to WWF, the ACF will also receive program and administrative guidance from an experienced Advisory Committee. The Advisory Committee will consist of three to five experienced conservation professionals who will assist in the process of developing a strategic plan for the ACF, evaluating the progress of conservation efforts at each site, and guiding overall project execution and administration. The members of the Advisory Committee will be approved by the ACF Board and will serve for two-year terms. However, WWF-Philippines, as an experienced GEF project executing entity, will remain on the ACF Advisory Committee for the life of the GEF grant to ensure effective management of the conservation activities and administration of the GEF funds.

³ It is expected that ACC will raise an additional US\$2 million over the course of Tranche 1 implementation in order to further increase its majority ownership of Ten Knots Corporation. The additional US\$2 million will be used to construct a third resort in El Nido and will bring ACC's total investment in Ten Knots Corporation to \$14.5 million.

39. Implementation of Site-Based Conservation Activities. Selected execution partners (NGO or other approved entity) will coordinate and manage the conservation activities at each site under a formal contractual relationship with the ACF. The partners and their Conservation Management Team will prepare bi-annual proposals presenting project objectives, outputs, activities, and indicators. The ACF will provide project funds based on a mutually agreed course of project execution. Generally, funding commitments will cover a two-year period and will be extended for two or three, two-year phases; however, the ACF will maintain the right not to fund a subsequent phase due to poor performance on the part of the executing partners. If for any reason the partnership with an execution partners has to be severed, the ACF will identify new partners to ensure that conservation initiatives can continue effectively. 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. The ACF will encourage each local NGO to form an agreement with the appropriate entity within the DENR. The DENR will have one (1) seat in the ACF Board to be appointed by the Secretary. The initial nominee/ appointee of the DENR shall seat for fixed term of five (5) years from date of appointment. The ACF will also provide logistical support for the DENR and its appointee in areas of training and travel for exchange, and will invite the DENR and its appointee to participate in monitoring and evaluation of each conservation project. The rationale of having the DENR on the ACF Board is to strengthen the private public partnership and provide extensive regulatory and policy interventions especially on biodiversity conservation. Further, the DENR will ensure the policy consistency of the ACC/ACF partnership and associated conservation activities in all current and future programs or projects of the DENR.

41. Process for Developing Conservation Plans. The process for developing the detailed conservation plans will include:

- (i) ACF will work with the local execution partner (NGO, LGU, or PO) to carry out consultations with stakeholders.
- (ii) The ACF will oversee the establishment of a Conservation Management Team and Conservation Advisory Committee (if one is not already established) comprised of representatives of local stakeholders as well as DENR, the ACC portfolio company, ACF, and WWF-Philippines.
- (iii) The Conservation Advisory Committee will give its inputs to the detailed conservation plan.
- (iv) The comments and suggestions will be considered prior to the plan being given to the ACF Advisory Committee.
- (v) The ACF Advisory Committee will provide additional comments and suggestions on the technical merits of the plan.
- (vi) The plan will be presented to the ACF Board for approval.
- (vii) Once the plan is approved, ACF will work with the local execution partner to prepare for project implementation and conduct project inception workshops.
- (viii) A contract with the local execution partner (NGO, LGU, or PO) and ACF will be signed and 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 initial eight years 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 ACF will manage and administer an endowment that is created from the conservation funds generated from the portfolio company products (guest fee, etc.) 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 will be about US\$100,000. In the beginning years, annual conservation costs may be as much as US\$200,000 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\$500,000 by year six of the project. After termination of the GEF funding, interest on the endowment amounts, in combination with ongoing annual fees, 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. However, at times, ACC conservation financing from one site may be used in another site, particularly if some sites cannot generate sufficient conservation finance through the ACC portfolio company commercial activity. During the life of the GEF project, it is estimated that approximately US\$1.1 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\$2 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. Detailed monitoring 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 local executants, ACF 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 ACF with the technical support of its Advisory Committee and WWF-Philippines.
- Annual monitoring to review the strengths and weaknesses of the project and to assess the programmatic and financial performance will be conducted by local executants with participation of ACF, 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.

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 and ACF;
- (iii) Marine and coastal areas – measured in hectares of habitats and length of coastline in kilometers - coming under improved management;
- (iv) Alignment of the management or action plan for each ACC/ACF 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/ACF sites, as well as the ACC/ACF model;
- (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/ACF initiative for two reasons: (i) Without GEF support, the ACF 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/ACF partnership 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/ACF partnership 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/ACF 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/ACF 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/ACF model.

2. Value Added of IFC Involvement

50. IFC involvement in the ACC/ACF 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/ACF 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/ACF project on behalf of IFC as GEF Executing Agency) will continue to leverage the full range of IFC capacities throughout the ACC/ACF 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. Three project alternatives were considered – all of which involved a private equity investment 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. ACF) to be responsible for overseeing and funding conservation initiatives. This option was selected because it allows the ACC staff to remain focused on the business elements of the initiative and provides a non-profit vehicle for management of conservation financing, housing of conservation expertise, and administration of NGO grants.

- 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, ACF, and execution partners. The options considered included:

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

54. The last option was chosen because it keeps all conservation related administration within the ACF. This allows the ACC and its investee companies to focus on their business mission while enabling the ACF to focus on conservation initiatives at each site. Also, it is an efficient option because it creates only one administrative structure for managing funds raised through conservation finance mechanisms.

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/ACF 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 ACF'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.
- (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 ACF 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/ACF site.

6. Indications of Grant Recipient Commitment

57. Although the ACF is a 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 ACF 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/ACF partnership. WWF-US and its global conservation network remain fully supportive of the ACC/ACF partnership and will continue to provide advisory services to the ACC and ACF 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/ACF Initiative

Cost of the GEF alternative: US\$ 27.58 over 8 years.	GEF will provide US\$4.5 M.
Cost of the baseline: US\$ 2.08 M.	WWF/Bilaterals will provide US\$1.5 M.
Incremental cost: US\$ 25.5M.	ACC will provide US\$19.5 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 ACF 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 ACF (see Annex 5).

3. Institutional

61. A partnership between a private equity investment company and a conservation foundation in the developing world has never been attempted before as far as IFC can determine. This project will establish an entirely new model. To accomplish this, the ACC and ACF will call upon highly capable organizations to play major roles in equipping these new organizations. The institutional risk associated with the lack of operational history is largely overcome by these in-depth partnerships with experienced entities. The project will aim to successfully manage its key institutional relationships in the following ways:

- (i) The relationship between the ACC and the ACF will be formalized through a legal agreement;
- (ii) The relationship between ACC and Next Century Partners (its fund manager) will be formalized through a management contract;
- (iii) The relationship between ACF and WWF-Philippines will be formalized through an MOU;
- (iv) The relationship between the ACF and execution partners will be formalized through legal contracts;
- (v) Multi-stakeholder management arrangements will be established largely through MOUs and sub-contracts; and
- (vi) GEF's interests will be secured through legal agreements between IFC and ADB with ACF.

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 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.

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/ACF 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.

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. 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. This GEF-funded activities carried out through the ACF 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 and ACF 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/ACF Site:** The ACC/ACF 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/ACF 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.

- **Designing the ACC/ACF Initiative:** In order to design the ACF-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/ACF sites to the design of the ACC/ACF 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/ACF initiative is therefore necessary and timely.

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

70. ACF Consultation Guidelines for Design of Conservation Projects at Each ACC/ACF Site: Experience in conservation throughout the world has demonstrated that participation of local stakeholders is critical to long-term success. Therefore, the ACC/ACF has developed its own set of consultation policies to ensure that local stakeholders have an opportunity to participate in project design and implementation. Any NGO, LGU or grassroots organization it supports must follow these 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 ACF support. The majority of project sites has already been through considerable consultation and therefore already meets these guidelines. ACF staff will periodically evaluate the executing organization. To make sure they are meeting these guidelines, the ACC/ACF Consultation Policies 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/ACF 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 developed⁴;
- 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 ACF's contracted NGOs 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 ACF 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/ACF projects will do more than raise sustainable finance. The ACC/ACF 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

Risk	Rating	Risk Mitigation Measure
Political instability adversely affect the ACC investments.	High	<ul style="list-style-type: none"> • ACC/ACF will remain non-political and will draw out the commitment and interest of the majority of the stakeholders in furthering conservation. • 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.

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

Risk	Rating	Risk Mitigation Measure
		<ul style="list-style-type: none"> ACC has greatly increased security at El Nido and will follow suit at other tourism related sites.
The ACC is not able to attract additional investors thus limiting ACC investment in additional companies and subsequent conservation interventions.	Modest	<ul style="list-style-type: none"> ACC is actively seeking investors and already has strong indications that it will receive additional investments. the local NGOs with the support of the ACF will work with other private sector operators to encourage them to provide sustainable finance.
Tourism arrivals at key ACC/ACF 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"> Targeted marketing to tourism markets that have demonstrated resilience and continued arrivals. Work with other companies in the area on conservation financing. Development of alternative livelihood strategies that do not depend on tourism.
An ACC portfolio company goes bankrupt or is sold	Low	<ul style="list-style-type: none"> The ACC portfolio companies have been chosen based on thorough due diligence of their current and project financial stability. The local NGOs, with the support of the ACF, will work with other private sector operators to encourage them to contribute to sustainable financing. 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.
The ACC is not able to identify viable investments and as a result fewer ACC/ACF sites are conserved.	Low	<ul style="list-style-type: none"> The ACC has already identified several potential investments. The ACC is highly likely to invest in a dive boat subsidiary called ACC Marine in 2003 in addition to El Nido and Stellar Fisheries in 2002.
Profitability of ACC portfolio companies does not meet expectations therefore limiting success of conservation finance strategies.	Modest	<ul style="list-style-type: none"> Diversification of the ACC portfolio to help ensure that more profitable companies compensate for less profitable ones. Professional investment manager to ensure that stringent financial criteria is met and maintained. Pursuing outside financing to build endowments at key ACC/ACF sites to help buffer against volatility in the market.
Absence of operating history limits capacity and performance of ACC and ACF. Both the ACC and the ACF are newly organized entities and do not have an operating history. This may create challenges to the capacity and success of each entity.	Modest	<ul style="list-style-type: none"> ACC investments are managed directly by Next Century Partners, an experienced and successful venture capital company in the Philippines. The ACF's administration will be managed for two years by WWF, one of the Philippines' most experienced conservation organizations. In addition, technical programmatic support and administrative and technical capacity-building will be provided by WWF-Philippines for two years. After two years, WWF will remain an engaged advisor.
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.	High	<ul style="list-style-type: none"> Investing in companies showing evidence of profitability. 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. ACC Marine will operate in a number of diverse tourism destinations across the country).

Risk	Rating	Risk Mitigation Measure
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.		
Support from and participation of critical stakeholders is not adequate for the conservation interventions to succeed:	Low	<ul style="list-style-type: none"> • Development of targeted outreach and communication programs that inspires and elicits participation from all stakeholder levels. • Development of incentives to encourage long-term participation (including possible compensation on a site by site basis).
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"> • Nurture partnerships with more equipped enforcement agencies to ensure their availability in situations that exceed the capacity of local enforcement. • 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.
Non-anthropomorphic threats (e.g. El Nino event) overwhelm anthropomorphic conservation interventions.	Modest	<ul style="list-style-type: none"> • Networks ACC/ACF sites will help to create a buffer for the system overall. This will help to prevent large-scale destructive events from degrading all ACC/ACF sites. • A few of the sites have been chosen with consideration of their demonstrated resistance and resilience to bleaching to help create a network with some inherent ability to withstand bleaching events. For example, in the 1997/98 El Nino event both Apo Reef and Mabini and Tingloy in Batangas demonstrated quick recovery.
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"> • Experience has demonstrated that conflict can be avoided in most cases through awareness raising and diplomacy between project staff and destructive fishers. • 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.

Annex 1: PROJECT DESIGN SUMMARY FOR TOTAL ACC/ACF PROJECT

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

Hierarchy of Objectives	Key Performance Indicators	Source of Verification	Risks and Assumptions
Components/ Outputs 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.	<ul style="list-style-type: none"> • Two (2) profitable ACC portfolio companies consistently supporting a significant portion of the recurring costs of biodiversity conservation. • Expansion (in number or geographic area) of ACC portfolio companies and ACF supported sites. 	<ul style="list-style-type: none"> • Project Reports • Records of ACF collections from each portfolio company and payments to conservation management projects (via local NGOs) at each site. • Reports of ACC portfolio company profitability both for each company and overall. 	<ul style="list-style-type: none"> • ACC portfolio companies on average succeed in their goal of being financially successful and as a result the ACC/ACF overall is able to provide recurring sustainable financing to conservation projects at its network sites.
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.	<ul style="list-style-type: none"> • Management bodies are meeting milestones, adhering to workplans, and operating with increasingly fewer programmatic and administrative difficulties in each subsequent year. • Marine and coastal areas – measured in hectares of habitats and length of coastline in kilometers - coming under improved management. • 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). 	<ul style="list-style-type: none"> • Completion of a conservation action plan for each ACC/ACF site. • Semi-annual project reports, and external evaluations every two years indicate effective project management of conservation efforts at each site. • Reporting performance as well as fiscal management will be monitored by the timeliness and quality of reports submitted. 	<ul style="list-style-type: none"> • 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.

Hierarchy of Objectives	Key Performance Indicators	Source of Verification	Risks and Assumptions
3. Multi-stakeholder enforcement programs are established and ensuring that legal and regulatory regimes are fully supportive of this model.	<ul style="list-style-type: none"> • 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.. • Significant decrease and eventually elimination (by end of project) of destructive activities in each site. • Trends in the frequency of observations of indicator species selected for each site. • Laws and regulations link to conservation of ACC sites as well as the ACC/ACF model in place as necessary. 	<ul style="list-style-type: none"> • Project patrol and surveillance reports from each project site indicate decreasing numbers of violations and destructive activities in project areas. • Annual biological monitoring reports as well as annual reports from annual surveys of fishermen. • 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. 	<ul style="list-style-type: none"> • 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/ACF conservation activities are ineffective. • Decision and law -makers are interested in improving the overall biodiversity and natural resource base of the ACC/ACF network areas recognizing the benefits to their constituents. • Government support to social participation for biodiversity conservation and sustainable use is maintained and enhanced.
4. Stakeholders at each site in the network are aware, supportive of and participating in conservation efforts.	<ul style="list-style-type: none"> • Stakeholders increasingly aware of the need to conserve biodiversity and natural resources and increasingly participating in-field protection efforts. 	<ul style="list-style-type: none"> • Minutes of community and multi-stakeholder management board meetings. • Semi-annual progress reports from each project site and from the ACF overall. 	<ul style="list-style-type: none"> • Stakeholders respond positively to awareness messages and have time and interest to participate conservation and participatory processes.
5. A suite of functional sustainable livelihood initiatives that help local communities find	<ul style="list-style-type: none"> • Local communities applying improved or additional practices and measures such as coastal resources management which promotes biodiversity 	<ul style="list-style-type: none"> • Report of capacity-building initiatives like cross visits, IEC and trainings. • Semi-annual progress reports. 	<ul style="list-style-type: none"> • Sustainable productive practices generate equal or greater economic value in comparison with unsustainable practices. • There are no major subsidies for practices not compatible with conservation.

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"> Types of livelihood schemes providing improved income to families. 		
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"> Multi-stakeholder management bodies meeting regularly, and actively managing the conservation on-site. ACC portfolio companies have each established financial sustainability programs to support conservation of each network site and are regularly providing funding directly to the ACF to be used in conservation LGUs' level appropriations for resource management. 	<ul style="list-style-type: none"> Minutes from multi-stakeholder institutional meetings. Assessments of feasibility of various financial sustainability mechanisms Progress reports. 	<ul style="list-style-type: none"> Stakeholders are interested in and willing to participate in multi-stakeholder institutions that will take over project management from the local NGO over time. Sustainable financing mechanisms can generate enough funding to pay for a significant portion of the recurring costs of conservation.
7. An effective multi-stakeholder biological and socioeconomic monitoring program that enables the ACC/ACF to understand relevant changes over time at each priority site within its network.	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Reports on biological and socio-economic monitoring which include participation processes with local stakeholders Project progress reports. 	<ul style="list-style-type: none"> Local stakeholders have interest and time to participate in monitoring. Local stakeholders are open and provide accurate information on socio-economic issues and resource use.

Annex 1A: LOGICAL FRAMEWORK FOR EL NIDO

Logical Framework for El Nido

Goals and Objectives	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
<p>Goal:</p> <p>Globally significant coastal and marine biodiversity and resources conserved.</p>	<ul style="list-style-type: none"> • Trends in the rate of habitat destruction or conversion in protected area and coastal habitats (hectares/ year in year 8). • Trends in the frequency of observations of indicator species selected. • Mangrove area: annual rate of depletion. • Seagrass beds: number of species and status. • Coral reefs: status or condition. • Area of marine sanctuary/ marine reserve. • Oil spills: number and magnitude. 	<ul style="list-style-type: none"> • DENR Annual Report • LGU Annual Report • PAMB/ PAO Annual Report • Project Annual Report 	<ul style="list-style-type: none"> • Government remain committed to the conservation of biodiversity. • Adequate resources/ skills at the local level to implement the GMP. • Adaptive management addresses emerging issues and concerns.
<p>Purpose</p> <p>Long-term conservation of El Nido's biodiversity is achieved through effective management, strong enforcement, multi-stakeholder participation, sustainable livelihoods, and appropriate financing mechanism.</p>	<ul style="list-style-type: none"> • Number of beneficiaries/ resource-based sustainable livelihoods supported. • Management structures. • Fish biomass and abundance of key species grouper, snapper and important food fish; top predators such as sharks; dugong, turtles. • Number/ area of marine sanctuaries with multi-sectoral conservation management. • Generation of sustainable financing • Sharing of the model with other parties. 	<ul style="list-style-type: none"> • Reports of the PAMB/PAO. • Minutes of meetings. • Research and monitoring reports • Financial reports • Staff satisfaction with relationship 	<ul style="list-style-type: none"> • Adequate resource and skills. • Natural phenomena brought about the global climate change do not adversely affect project impacts. • Baseline programs continue to be relevant and effective. • El Nido Resorts is able to provide sustainable financing to ACF. • ACF provides to execution partner.

Outcome/Results	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
Component 1. Conservation Management Multi-stakeholder management regimes are effective in implementing conservation plan (e.g. GMP).	<ul style="list-style-type: none"> • Number of regular PAMB meetings. • PAMB resolutions/ agreements. • Number of staff and activities of the PAO. • Number/ type of trainings/ seminars. • Partnership agreements/ contracts. • Number/ type of collaborating organizations. 	<ul style="list-style-type: none"> • Meetings of PAMB • Report of PAO/PAMB • PAMB resolutions • PAMB Manual • Training reports 	<ul style="list-style-type: none"> • PAMB and PAO have adequate skills and are committed in GMP. • Disagreements/ conflicts in management are resolved. • Legal and institutional framework is acceptable to stakeholders.
Component 2. Marine Enforcement Protected area regulations are effectively enforced and trends show 50 percent reduction in violations by year three of implementation and 90 per cent by year 5.	<ul style="list-style-type: none"> • Number of fish wardens. • Number of patrols made per month. • Number/ type of regulations or ordinances. • Number of violator sightings/apprehensions. • Evidences of destructive fishing. • Change in biodiversity and ecosystem indicators, populations of key species. 	<ul style="list-style-type: none"> • Patrol reports. • Barangay records. • Police records. • Community meetings • Biological/socio-economic monitoring reports 	<ul style="list-style-type: none"> • Local stakeholders have adequate resources and skills and remain committed to marine law enforcement. • Local constituency increase influence in conservation policy making and enforcement.
Component 3. Information-Education-Communication Stakeholders are environmentally aware, supportive and participating in conservation efforts.	<ul style="list-style-type: none"> • Perception and observations of stakeholders toward the impact of conservation. • IEC materials for set of stakeholders. • Management of dive sites/ municipal waters. • Number of stakeholders/type of participation. • Types of facilities and activities for visitors. 	<ul style="list-style-type: none"> • Copy of ICEC materials. • Report of PAO/PAMB/ resorts operators • Logbook at the visitors' center 	<ul style="list-style-type: none"> • Carrying capacity of the park on visitor arrivals is not exceeded. • Visitors and the local stakeholders appreciate the global significance, of and comprehend the threats to the protected area.
Component 4. Sustainable Livelihoods Capacity of communities to engaged in conservation-linked sustainable livelihood enhanced	<ul style="list-style-type: none"> • Number/ program of cross visits • Change of income over time from livelihoods • Number/ type of trainings and attendance. • Perception/ satisfaction of beneficiaries. • Scope of linkages with developmental NGOs. 	<ul style="list-style-type: none"> • Report of PAMB/PAO. • Report of ENF, NGOs • IEC materials. • Training report. 	<ul style="list-style-type: none"> • A number of financial institutions are willing to provide creative/easy credit line.
Component 5. Institutional and Financial Sustainability PA is self-supporting financially through congressional allocation and other innovative financing mechanisms.	<ul style="list-style-type: none"> • Congressional Act/ PA Bill. • User Fee System. • Total value of collection from users. • PAO staffing, structures and facilities. 	<ul style="list-style-type: none"> • Copy of the PA Bill approved by Congress • Users fee pay system developed but has yet to be implemented 	<ul style="list-style-type: none"> • Institutional and financial sustainability measures are effective.
Component 6. Biodiversity Research and Monitoring for Management Management process and priorities of the protected area are managed effectively with inputs from the results of biodiversity research and monitoring	<ul style="list-style-type: none"> • Quarterly updates on BMS. • Trends in socio-economic conditions. • PAMB resolutions passed. • Changes in the conditions of key marine habitats as a result of project interventions. • Evidences of Adaptive Management 	<ul style="list-style-type: none"> • BMS report • Research/ Monitoring Plan • Research reports, Maps • Copy of the PAMB resolutions and local 	<ul style="list-style-type: none"> • PAMB closely considers the results of the monitoring and researches in passing resolutions and endorsing ordinances to the LGUs.

Activities	Inputs	Risks and Assumptions
	Overall Total Cost: US\$ 1,707,042 Co-financing: US\$ 672,550 GEF: US\$ 1,034,492 PRIMARY RESPONSIBILITY IN BOLD	
1. Conservation Management 1.1 Prepare/implement project workplans. 1.2 Convene regular PAMB execom. 1.3 Hire/ detail additional staff to manage El Nido Reserve. 1.4 Prepare PAMB Manual. 1.5 Hold trainings/ seminars for PAMB. 1.6 Form the Conservation Advisory Committee.	Total: US\$ 256,056 Co-financing: US\$ 100,883 GEF: US\$ 155,174 <i>Who are responsible: El Nido Foundation, PAO-DENR, PAWB-PAMB</i> , (i.e. Office of the Municipal Government; barangay officials, DENR Regional, Provincial and CENRO; PCSD; WWF-Philippines, and PRRM; Ten Knots-El Nido Resorts, cottage and restaurant operators); ACC and ACF.	<ul style="list-style-type: none"> • PAMB remain committed to its roles and functions. • PAMB/ PAO has adequate resources and skills to perform their roles and functions.
2. Marine Enforcement 2.1 Identify hotspots of illegal activities. 2.2 Undertake year round patrols. 2.3 File cases for violators. 2.4 Deputize Bantay Dagats. 2.5 Set up 24-hour response unit. 2.6 Provide legal support to enforcement. 2.7 Distribute information materials on regulations/ ordinance. 2.8 Organize for enforcement composite team.	Total: US\$ 512,112 Co-financing: US\$ 201,765 GEF: US\$ 310,347 <i>Who are responsible: PAO-DENR, PAWB-PAMB</i> (i.e. Office of the Municipal Government; barangay officials, DENR Regional, Provincial and CENRO; PCSD; NGOs-El Nido Foundation, WWF-Philippines, and PRRM; Ten Knots-El Nido Resorts, cottage and restaurant operators); Philippine Coast Guard and Coast Guard Auxillary, Philippine National Police; ACC and ACF.	<ul style="list-style-type: none"> • Adequate skills, manpower, equipment and other resources to implement law enforcement activities.
3. Information-Education-Communication 3.1 Produce ICEC materials on protected area and on ACC/ACF model. 3.2 Dive site management. 3.3 Maintain existing marine and island trails. 3.4 Train guides. 3.5 Sponsor conservation involvement program for local stakeholders. 3.6 Undertake study tours for conservation management and ACC/ACF Model.	Total: US\$ 341,408 Co-financing: US\$ 134,510 GEF: US\$ 206,898 <i>Who is/are responsible: NGOs-El Nido Foundation, PAO-DENR, PAWB-PAMB</i> (i.e. Office of the Municipal Government; barangay officials, DENR Regional, Provincial and CENRO; PCSD; WWF-Philippines, and PRRM; Ten Knots-El Nido Resorts, cottage and restaurant operators); ACC and ACF; Research institutions, Visitors and Guests; local communities.	<ul style="list-style-type: none"> • Visitors participate in and contribute to the conservation activities in the park. • There is adequate resources, skills, and facilities to manage visitors.

Activities	Inputs	Risks and Assumptions
4. Sustainable Livelihoods 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 livelihoods.	Total: US\$ 170,704 Co-financing: 67,225 GEF: 103,449 <i>Who are responsible:</i> PAO-DENR, PAWB-PAMB (i.e. Office of the Municipal Government; barangay officials, DENR Regional, Provincial and CENRO; PCSD; NGOs-El Nido Foundation, WWF-Philippines, and PRRM; Ten Knots-El Nido Resorts, cottage and restaurant operators); ACC and ACF; Research institutions, other government agencies (e.g. Department of Trade and Industry, Department of Tourism) and NGO organizations; local communities, other private businesses.	<ul style="list-style-type: none"> • ICEC and outreach activities are effective. • Economic returns from the livelihoods remain high hence communities can reduce resource extractions.
5. Institutional and Financial Sustainability 5.1 Assess skills building needs of PAMB and other stakeholders. 5.2 Provide training/skills building to PAMB and local stakeholders as needed. 5.3 Lobby for appropriations for ENTMRPA. 5.4 Prepare sustainability plan. 5.5 Support PAMB/ PAO to collect park fees. 5.6 Prepare and publish annual account. 5.7 Support EL Nido in financing plan and approach companies and funding agencies.	Total: US\$ 170,704 Co-financing: US\$ 67,255 GEF: US\$ 103,449 <i>Who are responsible:</i> ACC and ACF, NGOs-El Nido Foundation, PAO-DENR, PAWB-PAMB (i.e. Office of the Municipal Government; barangay officials, DENR Regional, Provincial and CENRO; PCSD; WWF-Philippines, and PRRM; Ten Knots-El Nido Resorts, cottage and restaurant operators);	<ul style="list-style-type: none"> • PA Bill will be enacted. • Stakeholders to include visitors and resource users agree on and comply with the users' fee collection guidelines.
6. Research and Monitoring for Management 6.1 Support monitoring of habitats/ species. 6.2 Conduct GIS Mapping of marine habitats. 6.3 Undertake monitoring of water quality 6.4 Monitor stakeholder perceptions on state of resources and biodiversity. 6.5 Monitor socio-economic situations. 6.6 Prepare annual state of the ENTMRPA. 6.7 Integrate data and information in the MCD or MPA database.	Total: US\$ 256,056 Co-financing: 100,883 GEF: 155,174 <i>Who are responsible:</i> NGOs-El Nido Foundation, PAO-DENR, PAWB-PAMB, (i.e. Office of the Municipal Government; barangay officials, DENR Regional, Provincial and CENRO; PCSD; WWF-Philippines, and PRRM; Ten Knots-El Nido Resorts, cottage and restaurant operators); ACC and ACF; Academic and Research institutions, Visitors and Guests; local communities.	<ul style="list-style-type: none"> • There is adequate resources, skills, equipment to conduct research and monitoring. • Outputs of the research and monitoring are communicated to PAMB and other stakeholders.

Annex 1B: LOGICAL FRAMEWORK FOR STELLAR FISHERIES

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"> • Trends in the rate of habitat destruction or conversion in protected area and coastal habitats (hectares/ year in year 8) • Trends in the frequency of observations of indicator species selected • Maximum sustainable catch for fishery resource. • Mangrove area: annual rate of depletion. • Seagrass beds area: number of species and status. • Coral reefs: status or condition. • Area of marine sanctuary/ marine reserve. • Oil spills: number and magnitude. 	<ul style="list-style-type: none"> • Annual report of the DENR. • Annual report of the LGU. • Annual report of the DA-BFAR. • Annual project report. 	<ul style="list-style-type: none"> • Government and LGUs remain committed to marine biodiversity conservation. • There are adequate resources, skills, and commitment at the local/site level. • Adaptive management adequately address issues and concerns affecting the management of the coastal and marine resources.
<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"> • Number of resource-based sustainable livelihoods established/ number of beneficiaries. • Fish biomass. • 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. • Fish catches in areas adjacent to the marine protected area. • Number/ area of marine sanctuaries with multi-sectoral conservation planning and management based on 2002 figures. 	<ul style="list-style-type: none"> • Reports of the PAMB/PAO. • Minutes of meetings. • Research and monitoring reports. 	<ul style="list-style-type: none"> • Adequate source and skills required in addressing the threats and conflicts to the management. • Multi-stakeholder conservation efforts are sufficient to combat against future threats coming from within and outside the protected area. • Natural phenomena brought about the global climate change do not adversely affect the impacts of the project. • Baseline programs continue to be relevant and effective.

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

Outcomes/Results	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
Component 4. Sustainable Livelihoods Capacity of communities to engaged in conservation-linked sustainable livelihood enhanced	<ul style="list-style-type: none"> • Number of livelihood project/ beneficiaries participating in trainings and cross visits. • Number/ program of cross visits/ trainings. • ICEC materials and outputs. • Percentage change over time of income from livelihoods. • Number of participants to trainings and outreach program by sectors. • Number/scope of collaborative linkages of stakeholders' with NGOs involved in development, financing, and establishment of livelihood projects. • No. of income-generating projects managed by individuals or groups per year. 	<ul style="list-style-type: none"> • Report of the PAMB/PAO. • Report of NGOs. • Copy of the ICEC materials. • Training report. • Livelihood scanning report. • Minutes of coop meetings, Capital build-up of cooperative. • Financial reports, project reports. 	<ul style="list-style-type: none"> • Sustainable livelihoods contribute to conservation. • Capable leaders/managers within cooperative. • Favorable markets for products and services. • Dive industry is supportive to the principle of "beneficiaries pay." • Local government units are committed to pass on ordinances operationalizing the collection of user fees.
Component 5. Institutional and Financial Sustainability Mechanisms for long-term financing is in place to ensure the financial sustainability of the conservation initiatives in area.	<ul style="list-style-type: none"> • User Fee System. • Total value of collection from users. • Capacity of conservation managers enhanced. • Regular meetings by ICM councils. • ICM council resolutions. • Seed money, donations to trust fund obtained. • Public-private partnerships forged. • Regulation on conservation fees and other benefit sharing schemes. 	<ul style="list-style-type: none"> • Users fee pay system developed but has yet to be implemented. • Minutes of meetings. • Progress report. • Bank statements, Treasurer reports. • MOAs, project documents. 	<ul style="list-style-type: none"> • Local government leaders & Agency heads are committed. • Legal Framework for fee collection established. • Management body functional. • Diver fee approximates willingness-to-pay levels. • Private-sector interest generated.
Component 6. Biodiversity Research and Monitoring for Management Monitoring and research programs that support the management process and priorities are established and managed effectively.	<ul style="list-style-type: none"> • Quarterly BMS • A Research and Monitoring Plan. • Frequency/ and results of monitoring of marine ecological conditions. • Trends in socio-economic conditions. • Adjusted users' fee. • PAMB resolutions passed. • Changes in the conditions of marine habitats. • Evidences of adaptive management. • Change in populations of key species. • Local community perception of changes in fish catch. 	<ul style="list-style-type: none"> • BMS report • Copy of the Research and Monitoring Plan. • Research reports • Copy of resolutions/ ordinances. • Annual biological monitoring program. • Post dive short surveys. • Report on fish landings. 	<ul style="list-style-type: none"> • Management bodies closely considers the results of the monitoring and researches in passing resolutions and endorsing ordinances to the LGUs. • Off-site pollution.

Outcomes/Results	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
Activities	Inputs:		Risks and Assumptions
	Total: US\$ 2,504,958 Co-financing: 384,861 GEF: 2,120,097 PRIMARY RESPONSIBILITY IN BOLD		
1. Conservation Management 1.1 Undertake participatory process in obtaining stakeholder participation to project. 1.2 Convene regular PAMB meetings, or local management board of MPAs or the FARMCs. 1.3 Continue operations of the PAO, local MPA management board and FARMCs. 1.4 Prepare PAMB/ MPA management body/ FARMC Manual and hold trainings/ seminars for PAMB/ local MPA management body/ FARMCs. 1.5 Prepare work and financial plans. 1.6 Organize trainings on CRM including study tours.	Total: US\$ 375,744 Co-financing: US\$ 57,729 GEF: US\$ 318,014 <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		<ul style="list-style-type: none"> • PAMB remain committed to its roles and functions. • PAMB/ PAO has adequate resources and skills to perform their roles and functions.
2. Marine Enforcement 2.1 Identify hotspots of illegal activities. 2.2 Undertake year round patrols. 2.3 File cases for violators. 2.4 Deputize members of Bantay Dagat 2.5 Set up 24-hour response unit. 2.6 Provide legal support especially to enforcement. 2.7 Distribute IEC materials on regulations/ ordinance. 2.8 Organize Bantay Dagat.	Total: US\$ 626,239 Co-financing: US\$ 96,215 GEF: US\$ 530,024 <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.		<ul style="list-style-type: none"> • Adequate skills, manpower, equipment and other resources to implement law enforcement activities.
3. Information-Education-Communication 3.1 Produce ICEC materials for various stakeholder groups including tourists/divers, resorts and cottage operators. 3.2 Dive site and outdoor recreation management. 3.3 Maintain existing marine and island trails. 3.4 Train guides. 3.5 Undertake cross visit/ learning exchanges/ study tours.	Total: US\$ 626,239 Co-financing: US\$ 96,215 GEF: US\$ 530,024 <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.		<ul style="list-style-type: none"> • Local communities and the visitors participate in and contribute to the conservation activities in the park. • There is adequate resources, skills, and facilities to manage visitors.

Outcomes/Results	Objectively Verifiable Indicators	Means of Verification	Risks and Assumptions
4. Sustainable Livelihoods 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.	Total: US\$ 250,496 Co-financing: US\$ 38,486 GEF: US\$ 212,010 <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		<ul style="list-style-type: none"> • ICEC and outreach activities are effective. • Economic returns from the livelihoods remain high hence communities can reduce resource extractions.
5. Institutional and Financial Sustainability 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.	Total: US\$ 250,496 Co-financing: US\$ 38,486 GEF: US\$ 212,010 <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.		<ul style="list-style-type: none"> • Protected areas will received government appropriations annually. • Stakeholders to include visitors and resource users agree on and comply with the users' fee collection guidelines.
6. Research and Monitoring for Management 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.	Total: US\$ 375,744 Co-financing: US\$ 57,729 GEF: US\$ 318,014 <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		<ul style="list-style-type: none"> • There is adequate resources, skills, equipment to conduct research and monitoring. • Outputs of the research and monitoring are communicated to PAMB/FARMCs and other stakeholders.

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, 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 Manager 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\$40M 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"> • <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. • <u>Macondray & 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. • <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. • <u>MTI/Broadband Philippines.</u> Broadband Philippines is the Philippines' premier broadband service provider with a franchise covering virtually the entire country. • <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 messaging platforms such as ICQ, AOL Instant Messenger and

Funds	Description
	<p>Yahoo!Messenger.</p> <ul style="list-style-type: none"> • <u>SIP(L), Ltd.</u> - an US\$8M co-investment with Soros Private Equity Partners and PDICL in Macondray Co., Inc. • <u>Fidelity Capital Far East</u> - an US\$ 8M co-investment with PDICL in Macondray Co., Inc.
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 (Marine Stewardship Council, Marine Aquarium Council, International Standard Organization).

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 is in the process of acquiring 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. 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. The current management contract will expire in March 2003. ACC is fully confident that the President and General Manager will remain with TKDC beyond the year 2003 and will negotiate an appropriate contract.

Table 9. Financial summary (in Php'000) for Ten Knots Development Corporation and Ten Knots Philippines.

TKDC

	1998	1999	2000	2001*
Revenues	129,743	175,523	180,204	177,818
Annual Growth Rate %	37.14%	35.28%	2.67%	(1.32%)
Gross Operating Income ¹	87,095	124,573	129,788	125,827
Gross Operating Income %	67.13%	70.97%	72.02%	70.76%
Gross Operating Profit ²	17,919	54,270	52,218	42,038

Gross Operating Profit %	13.81%	30.92%	28.98%	23.64%
EBIT	(16,397)	4,636	13,111	2,515
EBIT %	-12.64%	2.67%	7.29%	1.41%
EBITDA	14,765	34,711	49,413	37,537
EBITDA %	11.38%	19.99%	27.42%	21.11%
After Tax Income (Loss)	(16,546)	3,736	14,656	7,604
After Tax Income (Loss) %	-12.76%	2.15%	8.15%	4.28%
Total Assets	439,364	418,919	433,934	414,720
Total Liabilities	102,981	78,800	79,159	52,340
Total Shareholders' Equity	336,383	340,119	354,775	362,380

TKP

	1998	1999	2000	2001*
Revenues	3,886	5,205	8,713	5,368
Annual Growth Rate %	288%	33.94%	67.40%	(38.39%)
Operating Income	2,713	(1,020)	6,642	2,992
After Tax Income (Loss)	(914)	(11,618)	(23,659)	68
After Tax Income (Loss) %	-23.52%	-223%	-272%	1.27%

¹ 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.

² 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.

* 2001 figures are unaudited

The year 2001 saw many challenges for Ten Knots. Global terror attacks and several high profile kidnapping incidents rocked the Philippine tourism industry. Palawan, in particular, was hard hit after the Abu Sayyaf struck Dos Palmas Resort abducting more than 20 people. From what was a record first half for TKDC, occupancy rate for the second half plummeted to all time lows.

Despite the difficulty, TKDC/TKP are still healthy and have fared much better than their competitors. Revenues for 2001 fell just 1% from 2000 to PhP177Mn despite the 9.6% drop in paid occupancy rate (38.8% for 2001). Gross Operating Income (GOI) dropped 3% to 126Mn while GOP took a 19% cut from last year to about PhP42Mn. Net Income was half of 2000 at PhP7.6Mn. EBITDA and GOP margins maintained decent levels at 21% and 24%, respectively. GOI margin dropped slightly from the previous year to 71%. Although the Net Margin fell to a low 4%, TKDC still has a very healthy net cash position that should tide it over the worst 2002. With an EDITDA of PhP37.5Mn, TKDC ended the year with a robust net cash position of PhP107Mn (US\$2Mn).

2. Stellar Fisheries Inc.

Within the first half of 2002, ACC expects to complete an investment in Stellar Fisheries, Inc. ("Stellar"). Stellar is one of the largest producers 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. 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, processed, packed in hermetically sealed, semi-rigid polypropylene containers or 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 m². 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 ACF.
- 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/ACF CONSERVATION FINANCING MECHANISM

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

1. General Assumptions:

- For tourism-related businesses, the conservation fee will be on a room night 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:

- The conservation fee will range from \$3 - \$10. The fee will be eased in as the GEF project progresses and guests are educated on the conservation bed tax. Guest stays average 2.5 nights, so the average fee per guest ranges from \$7.50 to \$25. There will be a constant monitoring of the conservation fee in relation to the affect on probability of the resorts. Adjustments may be made throughout the life of the GEF project.
- El Nido vacation packages are quoted as an all-in rate, so the conservation fee (bed tax) must be included in the quoted price. Vacation packages are budgeted, priced, and promoted months in advance, so adjustments may be made in the conservation fees collected (\$3 - \$10), depending on the occupancy rates.
- An additional resort will be added when occupancy rates reach a threshold level. When the additional facility begins operations, there is a natural cannibalism of the existing market; thereby, dropping the occupancy rates of the older resorts. The model reflects a corresponding drop in the conservation tax that will allow the resorts to build up occupancy again.

3. Stellar Fisheries – Specific Assumptions:

- The conservation fees will be based on a per cup sold basis. The fees will range from \$0.01 to \$0.05. The model allows two years for a plant to become operational before the full \$0.05 fee will be charged. This allows for production to stabilize and any quality control issues to be worked out. During the initial two years of a newly operational plant, there is a higher risk of production loss (and accompanying financial loss) due to quality issues or operational problems.
- 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	1	2	3	4	5	6	7	8	9
Ten Knots - El Nido										
Miniloc Island Resort		3990	4560	5130	5130	3990	3990	3990	4560	3990
Lagen Island Resort		6300	7200	8100	8100	6300	6300	6300	7200	6300
Pangalusian Resort						1800	4500	6300	7200	6300
Mainland Resort										1500
	US\$									
	3	10290				1800				1500
	5		11760			10290	14790			16590
	7			13230	13230			16590	18960	
	10									16590
Tot US\$		\$30,870	\$58,800	\$92,610	\$132,300	\$81,030	\$103,530	\$165,900	\$189,600	\$123,630
Endowment of Ten Knots if established separately		\$30,870								
i.e. Earning 5% p.a.		\$30,870	\$91,214	\$188,384	\$330,103	\$427,639	\$552,550	\$746,078	\$972,982	\$1,145,261
Interest Only			\$1,544	\$4,561	\$9,419	\$16,505	\$21,382	\$27,628	\$37,304	\$48,643
Stellar Fisheries/										
Manapla, Negros	#Containers	11	13	15	16	18	18	18	18	18
	#Cups (24,024/container)	264,264	312,312	360,360	384,384	432,432	432,432	432,432	432,432	432,432
Milagros, Masbate	#Containers	6	10	12	12	12	12	12	12	12
	#Cups (24,024/container)	144,144	240,240	288,288	288,288	288,288	288,288	288,288	288,288	288,288
Bohol/Leyte			2	6	10	10	10	10	10	10
			48,048	144,144	240,240	240,240	240,240	240,240	240,240	240,240
Malampaya, Palawan					6	10	10	10	10	10
					144,144	240,240	240,240	240,240	240,240	240,240
	Conservation charge/cup	0.01	144,144	48,048						
		0.03	264,264	552,552	432,432	240,240				
		0.05			360,360	672,672	960,960	1,201,200	1,201,200	1,201,200
Total US\$		\$9,369	\$17,057	\$30,991	\$42,282	\$55,255	\$60,060	\$60,060	\$60,060	\$60,060
CONSERVATION from TEN KNOTS and STELLAR		\$40,239	\$75,857	\$123,601	\$174,582	\$136,285	\$163,590	\$225,960	\$249,660	\$183,690
Going into Endowment Fund while GEF Funds being used										
i.e. Earning 5% p.a.		\$40,239	\$118,108	\$247,615	\$434,578	\$592,592	\$785,811	\$1,051,062	\$1,353,275	\$1,604,629
Interest Only			\$2,012	\$5,905	\$12,381	\$21,729	\$29,630	\$39,291	\$52,553	\$67,664

Annex 6: BIODIVERSITY ASSESSMENT OF ACC/ACF SITES

Investment	Site	Biodiversity Significance	Threats and Root Causes
EL NIDO	El Nido	<ul style="list-style-type: none"> • Showcases 9 habitat types: beach forest, forest over limestone, semi-deciduous forest, lowland evergreen rainforest, freshwater, mangroves, seagrass beds, seaweeds beds, and coral reefs. • High variety of hard corals with 45 genera. • Over 197 species of fishes and 4 of the 7 known species of marine turtles: Hawksbill, Green, Olive Ridley, and Leatherback. • Marine mammals: Bottlenose dolphin, Spinner dolphin, Bryde's whale, and Humpback whale, dugong or sea cow. • At least 6 species of large terrestrial mammals such as Palawan mouse deer, Palawan stink badger, Calamian deer, Palawan bearcat, and the Malayan pangolin. • At least 16 bird species endemic to Palawan including the threatened Palawan peacock pheasant, Palawan hornbill, Palawan scops owl, and Tabon bird. 	<ul style="list-style-type: none"> • Illegal fishing and unsustainable levels of extraction of forest resources . • Increasing number of fish pens. <p>Root Causes:</p> <ul style="list-style-type: none"> • Lack of conservation-linked livelihood options. • Insufficient capacity of the Protected Area Office to implement the Protected Area Management Plan and sustain conservation actions in the area. • Lack of sustainable conservation financing to support GMP implementation. • PAMB and community conflicts on management. • CRM planning has not been responsive to the needs of the communities.
STELLAR FISHERIES	Northern Guimaras	<ul style="list-style-type: none"> • Characterized by shallow with gently rolling sandy substrate. • 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. • Reefs especially abundant on the southwestern portion of the Visayan Sea are natural habitats for the brown crab, <i>Charybdis natator</i> (Ingles, 1996). • Most productive fishing grounds in the Philippines, between 1992 and 1995, the Visayan Sea ranked 3rd among the major fishing grounds for commercial fisheries and 1st for municipal fisheries. • Blue crab fishery is one of the major fisheries in the area significantly contributing to the national and local economy. 	<ul style="list-style-type: none"> • Over-fishing resulting to fish catch decline • Destruction of critical habitats (i.e. coral reefs, mangroves, sea grasses) due to destructive fishing practices, as well as siltation and pollution. • Proliferation of illegal fishing practices. • Pollution due to domestic wastes. • Encroachment of illegal fishers from adjoining provinces. • 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. <p>Root Causes:</p> <ul style="list-style-type: none"> • Weak regulatory regimes and weak

Investment	Site	Biodiversity Significance	Threats and Root Causes
			<p>enforcement.</p> <ul style="list-style-type: none"> Lack of institutional and management capacity among local stakeholders on biodiversity conservation. Increasing pressure from human population from adjacent areas.
	Northern Iloilo	<ul style="list-style-type: none"> 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. 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>. 3 species of seaweeds and 5 species of seagrass. Blue crabs depend on the mangroves and seagrasses for spawning, growth and development. Population of rabbit fishes and seahorses that are associated with seagrass ecosystems. Commercially important major pelagic fish species (i.e. scombrids, striped mackerel, nemipterids, mullets, jacks, snapper, anchovies and herring). Reef associated fishes and invertebrates are abundant Other marine species include green turtles, dugong or sea cow, dolphins, sharks, rays and skates. 	<ul style="list-style-type: none"> 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. Encroachment of commercial fishers from nearby provinces. <p>Root Causes:</p> <ul style="list-style-type: none"> Weak institutional capacity- lack of capacity to adequately address threats; overlapping jurisdictions of BFAR, DENR, and DILG in coastal management. Weak law enforcement- lack capacity of and support to the Bantay Dagats, and FARMCs. Untapped tourism potential. Lack of conservation-linked livelihood options.
	Bantayan Island	<ul style="list-style-type: none"> Known for wilderness areas and mangrove swamp forest reserves. Patchy seagrass beds comprised of <i>Thalassia lempurchii</i>, <i>Halophiloa</i> spp. <i>Halodule</i> spp. and <i>Cymododea</i> spp. 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). 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. Birds include the Pygmy swiftlet, Brahminy kite, Rufus night heron, 	<ul style="list-style-type: none"> 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. High risk of pollution due to rampant and irresponsible disposal of poultry waste and public market garbage. Non-observance of minimum size limits in the purchase of crabs and other marine

Investment	Site	Biodiversity Significance	Threats and Root Causes
		<p>Dyal Thrush, Chinese egret, Reef heron, Slaty-breasted rail, Little Ringed plover and Brown shrike.</p> <ul style="list-style-type: none"> Marine species such as dugong, dolphins, sharks and sea turtles are also sighted in island. 	<p>products.</p> <p>Root Causes:</p> <ul style="list-style-type: none"> The 15-kilometer municipal water boundary has created conflict among adjacent municipalities and/or provinces on commonly shared waters. Stiff competition for the products especially for blue crabs, makes buyers already buy even small size crabs. Weak law enforcement- lack capacity of and support to the Bantay Dagats, and FARMCs to adequately address threats. Lack of conservation-linked livelihood options.
	Asid Gulf	<ul style="list-style-type: none"> Rich in fishery resources due to the presence of marine fishery areas 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>). 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. Seagrasses and <i>Sargassum spp</i> (Agasen et al. 1999) dominates Asid Gulf. 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. 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 asinina</i>. 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. Home to large bird populations of Philippine bulbul (<i>Hypsipetes</i> 	<ul style="list-style-type: none"> Decline in fish catch attributed to degradation/destruction of coral reefs. This is due to massive deforestation, extensive mangrove clearing for fishponds etc. Proliferation of illegal fishing practices like use of destructive gears like baby trawl, “palupad”, “hulbot-hulbot” and dynamite fishing. Encroachment of illegal fishers from adjoining provinces. Pollution due to domestic wastes and from aquaculture ponds. <p>Root Causes:</p> <ul style="list-style-type: none"> Lack of management body (e.g. FARMCs) overseeing the conservation of the coastal resources and biodiversity. Lack of capital for compliance with environment standards for fishpond operation. Encroachment of illegal fishers from

Investment	Site	Biodiversity Significance	Threats and Root Causes
		<p><i>philippinus</i>) and Olive-backed sunbird (<i>Nectarina jugularis</i>, Philippine mallard (<i>Anas luzonica</i>) and Black-naped oriole (<i>Oriolus chinensis</i>).</p> <ul style="list-style-type: none"> • Home to one of the rarest hornbills, <i>Penelopides panini ticaensis</i>, an endemic species. 	<p>adjoining provinces.</p> <ul style="list-style-type: none"> • Pollution due to domestic wastes and from aquaculture ponds. • Increasing pressure from human population from adjacent areas. • Lack of conservation-linked livelihood options.
	Sagay Marine Reserve	<ul style="list-style-type: none"> • Marine ecosystems include algal beds, coral reefs, mangrove forests, mudflats, sand cays, seagrass meadows, shoal, small islands and soft bottoms. • 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). • 107 fish species belonging to 24 families in the reserve (Luchavez 1996). • 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>. • 137 species of macro-invertebrates, mostly mollusks. • Sightings of dolphins, sharks, dugongs and sea turtles. • Abundance of <i>Portunus pelagicus</i> or blue crab, locally known as “kasag.” 	<ul style="list-style-type: none"> • Unsustainable collection of marine resources. • Destruction of habitats. • Destructive fishing methods. • Unabated encroachment of commercial fishing boats in the marine reserve. • Increased collection and exploitation of invertebrates to supplement incomes of the communities threatens the balance and viability of the marine food webs. • Pollution: Lack of proper sewage and sanitation systems, domestic, agricultural and industrial wastes are dumped into the Visayan Sea and its tributary rivers. <p>Root Causes:</p> <ul style="list-style-type: none"> • 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. • Pressures from human population in adjacent areas.

Annex 7. PROJECT COST AND CO-FINANCING

Summary of Cost per Project Component

	Total Costs	Conservation Partnership	Sub-total Support to Site-based conservation	Conservation Management	Enforcement	Information-Education-Communication	Institutional & Financial Sustainability	Sustainable Livelihoods	Research Monitoring
Component Allocations									
OPERATING COSTS									
Salaries and Benefits									
Senior Management	36,600	30,000	6,600	990	1,980	1,320	660	660	990
Middle Management	36,680	19,200	17,480	2,622	4,994	3,746	1,748	1,748	2,622
Junior Management	77,280	26,400	50,880	7,632	13,344	12,096	5,088	5,088	7,632
Administration Services	25,488	12,000	13,488	2,023	3,746	2,998	1,349	1,349	2,023
Sub-Total	176,048	87,600	88,448	13,267	24,064	20,160	8,845	8,845	13,267
Travel	78,778	20,440	58,338	8,751	15,495	13,675	5,834	5,834	8,751
Equipment	20,588	3,488	17,100	2,565	4,555	3,995	1,710	1,710	2,565
Supplies (include fuel)	32,400	3,600	28,800	4,320	7,560	6,840	2,880	2,880	4,320
Contractual services/grants	216,000	36,000	180,000	27,000	49,000	41,000	18,000	18,000	27,000
Communications	32,100	15,600	16,500	2,475	4,425	3,825	1,650	1,650	2,475
Fees, Insurance, & Charges	15,261	4,221	11,040	1,656	2,835	2,685	1,104	1,104	1,656
Occupancy	37,800	14,400	23,400	3,510	6,270	5,430	2,340	2,340	3,510
Meetings/ Comm Consultations	34,600	6,000	28,600	4,290	7,950	6,350	2,860	2,860	4,290
Training and Workshops	8,600	3,000	5,600	840	1,580	1,220	560	560	840
Total Annual Operational	652,175	194,349	457,826	68,674	123,734	105,179	45,783	45,783	68,674
Miscellaneous (7.5%)	48,913	14,576	34,337	5,151	9,280	7,888	3,434	3,434	5,151
Management (7.5%)	48,913	14,576	34,337	5,151	9,280	7,888	3,434	3,434	5,151
Total Annual Cost	750,001	223,501	526,500	78,975	142,294	120,956	52,650	52,650	78,975
No of years									
Total Cost -8 yrs	6,000,000	1,788,006	4,211,999	631,800	1,138,352	967,648	421,200	421,200	631,800
Add: Investment Capital	19,500,000	19,500,000	0	0	0	0	0	0	0
Grand Total	25,500,000	21,288,006	4,211,999	631,800	1,138,352	967,648	421,200	421,200	631,800
Breakdown:									
Co-financing (ACC/ACF, WWF)	21,000,000	19,942,590	1,057,411	158,612	297,980	230,725	105,741	105,741	158,612
TOTAL GEF	4,500,000	1,345,416	3,154,588	473,188	840,372	736,922	315,459	315,459	473,188
GEF - Tranche 1	1,600,000	565,508	1,034,492	155,174	310,347	206,898	103,449	103,449	155,174
GEF - Tranche 2	2,900,000	779,903	2,120,097	318,014	530,024	530,024	212,010	212,010	318,014

Summary of Project Cost According to Investment

	Total Cost	ACC - ACF Partnership	ACF Conservation Support in ACC Investment Areas		
			El Nido	Stellar Fisheries	TOTAL
Salaries and Benefits					
Senior Management	36,600	30,000	6,600	-	6,600
Middle Management	36,680	19,200	12,480	5,000	17,480
Junior Management	77,280	26,400	12,480	38,400	50,880
Administration Services	25,488	12,000	7,488	6,000	13,488
Sub-Total	176,048	87,600	39,048	49,400	88,448
Travel	78,778	20,440	18,200	40,138	58,338
Equipment	20,588	3,488	5,600	11,500	17,100
Supplies (include fuel)	32,400	3,600	7,200	21,600	28,800
Contractual services/grants	216,000	36,000	80,000	100,000	180,000
Communications	32,100	15,600	6,000	10,500	16,500
Fees, Insurance, & Charges	15,261	4,221	1,500	9,540	11,040
Occupancy	37,800	14,400	8,400	15,000	23,400
Meetings	34,600	6,000	16,000	12,600	28,600
Training and Workshops (staff)	8,600	3,000	3,600	2,000	5,600
			-		
Total Annual Operational	652,175	194,349	185,548	272,278	457,826
Miscellaneous (7.5%)	48,913	14,576.14	13,916	20,421	34,337
Management (7.5%)	48,913	14,576.14	13,916	20,421	34,337
Total Annual Project Cost	750,001	223,501	213,380	313,120	526,500
Number of years		8	8	8	
Total Cost -times # of years	6,000,000	1,788,006	1,707,042	2,504,958	4,211,999
Investment Capital	19,500,000	19,500,000	0	0	0
Grand Total	25,500,000	21,288,006	1,707,042	2,504,958	4,211,999
Breakdown:					
Co-financing	21,000,000	19,942,590	672,550	384,861	1,057,411
GEF	4,500,000	1,345,416	1,034,492	2,120,097	3,154,588
GEF - Tranche 1	1,600,000	565,508	1,034,492		
GEF - Tranche 2	2,900,000	779,903		2,120,097	

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/ACF project costs range from the most expensive (approximately US\$170,000 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/ACF 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/ACF Proposal

The conservation projects in the ACC/ACF 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 ACF 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/ACF will work with other companies that operate in and around ACC/ACF sites to encourage them to provide financing to

conservation efforts. The example provided by the ACC/ACF 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/ACF 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 great 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/ACF 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/ACF sites. (see Annex 6 for a full description of ACC/ACF 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/ACF 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 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 was essential to the transformation of Tubbataha and will likewise be essential to achieving conservation success at ACC/ACF 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/ACF project sites.

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

1. Conservation (ACC/ACF) Partnership: The size and scope of the ACF 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 ACF 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 ACF, placing significant limitations on the number of skilled staff that could be hired. In fact, the viability of the ACF 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/ACF 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/ACF 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/ACF 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 ACF 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/ACF 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/ACF model and for conservation in general. The ACC/ACF 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 ACF 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 ACF 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 ACF 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 ACF 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/ACF 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/ACF 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/ACF 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/ACF 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/ACF 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 Investment Equity Company and Conservation Foundation (ACC/ACF) Partnership:

Under the GEF Alternative, the ACC and ACF partnership 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 ACF 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. 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/ACF Partnership are approximately US\$21,408,006 for a total of eight 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 (staff of the ACF itself is included in Component 1). As a result, Component 2 will comprise the largest single budgetary outlay of the project. 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\$1,071,800.

3. Effective Enforcement and Regulatory Regime: The ACC/ACF 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, ACF, 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\$1,564,048.

4. Information, Education, Communication: The ACC/ACF 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/ACF 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/ACF 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\$1,486,048.

5. Sustainable Livelihood Strategies: Under the GEF Alternative, the ACF and its execution partner NGOs will work with local communities at all ACC/ACF 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/ACF 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\$581,304.

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 both the ACC and relevant NGOs to work with ACC portfolio companies and local conservation execution partners to develop institutional and financial sustainability mechanisms at all ACC/ACF 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 earlier an ACC/ACF site can become self-sustaining, the better, as this enables scarce conservation funds to be directed to ACC/ACF sites that may require enhanced technical assistance or may need longer to build financial sustainability. Given the anticipated portfolio of the ACC/ACF, it is likely that some ACC/ACF sites will be able to build financial sustainability mechanisms within three to five years while others may require six to eight years.

The cost of the GEF alternative is approximately US\$603,200.

7. Biodiversity Research and Monitoring: Biological and socioeconomic monitoring will be comprehensive at all six ACC/ACF 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/ACF site. As the management of the conservation initiative is passed to the appropriate management unit (development of which is discussed in Component 1), 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\$868,600.

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; and

- achievement of self-financing conservation operations at six sites.

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/ACF Project

Component	Cost Category	Cost US\$	Domestic Benefit	Global Benefit
1. Private Investment Equity Company/ Conservation Foundation Partnership	Baseline	120,000	Without GEF support the ACC and ACF 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 ACF 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: 21,408,006	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:	21,288,006		
2. Conservation Management	Baseline	440,000	Minimal level of conservation management at each ACC/ACF site. Some sites will have no management at all while others may have up to 20 % of needs addressed.	Limited protected 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	1,071,800	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/ACF sites; Restoration of critical ecosystem elements
	Increment	631,800		

Component	Cost Category	Cost US\$	Domestic Benefit	Global Benefit
3. Conservation Enforcement	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	1,564,048	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/ACF site.
	Increment	1,138,352		
4. Information, Education, and Communication	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	1,486,048	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	967,648		
5. Sustainable Livelihoods	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	581,304	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	421,200		
6. Sustainable Financing	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/ACF sites as result of limited conservation finance. Activities are insufficient to adequately protect globally significant biological diversity.
	GEF Alternative	603,200	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	421,200		
7. Monitoring and Evaluation	Baseline	236,800	Minimal level of resource monitoring and no evaluation.	No discernible global benefit
	GEF Alternative	868,600	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	631,800		
Total	Baseline	2,083,000		
	GEF Alternative	27,583,000		
	Increment	25,500,000		

Annex 9A: INCREMENTAL COST ANALYSIS FOR EL NIDO

Incremental Cost Matrix 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"> 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). Unsustainable resource use leading to resource scarcity and depletion. Few to no opportunities for capacity-building and training on sustainable resource management. Local stakeholders (e.g. communities, PAMB) lack capacity to manage resources resulting in continued degradation. Illegal fishing (cyanide and dynamite) destroying reef ecosystem. Encroachment of commercial fishermen in municipal waters. Increasing numbers of fish pens constructed inside the protected area. 	<ul style="list-style-type: none"> Maintenance of the marine ecosystem, resources, and protection of marine species diversity. Resource security for local communities maintained through sustainable utilization of resources. Increased capacity through targeted trainings of resource users in sustainable natural resources management. Development of a wider range of sustainable resource management and alternative economic opportunities that are linked to conservation. The on-going park and community conflicts will be resolved and the differences in opinion about management between the local municipality and PAMB will be resolved. 	<ul style="list-style-type: none"> Marine ecosystem, resources, and species conserved. Resource scarcity and long-term depletion avoided. Sustainable resource use enable communities to conserve resources while meeting economic needs. A much larger set of local people and resource managers become capable of independent resource management and sustainable economic development. Foundation for long-term resource conservation through capacity-building, institutional and financial sustainability, alternative livelihoods and IEC.
Global Environment Benefits	<ul style="list-style-type: none"> Unsustainable resource harvesting threatening fish, marine turtles, birds, other species. Larvae critical to repopulating reefs and fish stocks of the Sulu Sea threatened. Little to no conservation awareness raising efforts are maintained targeting visitors, local communities, other stakeholders. Insufficient management capacity to conserve the global biodiversity values. Insufficient opportunities for resource management and alternative livelihood development limiting sustainability. Uncertainty of consistent funding weakens 	<ul style="list-style-type: none"> Effective management and enforcement system put in place halting destructive fishing practices, encroachment, and construction of fish pens. Biodiversity monitoring and research feed into the management and policy processes. Conservation awareness and education activities benefits a broad range of stakeholders to include local communities, LGUs, government, PAO office, private sector, and visitors of the protected area. Significant investment in capacity 	<ul style="list-style-type: none"> Effective multi-stakeholders collaboration in protected area management and policy processes. Significant reduction, if not elimination of incidences of destructive fishing. Improved ecosystem condition and maintenance of biodiversity. Increased conservation awareness leading to reduced threat to biodiversity Stakeholders have built

Cost/ Benefits	Baseline (B) (business as usual - limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
	management activities.	building, training, and infrastructure development. <ul style="list-style-type: none"> Capacity in sustainable natural resources utilization and livelihoods enhanced through trainings, education, and outreach. Institutional and financial sustainability of conservation actions and GMP implementation is in place. 	sufficient management capacity <ul style="list-style-type: none"> Sustainable resource use and alternative livelihood strategies are enhanced through capacity-building, education and outreach and that communities Significant increase in the probability that the biodiversity of El Nido will be conserved over the long-term.
Outcome			
1. Conservation Management	<ul style="list-style-type: none"> Three (3) PAO staff. Sporadic and weak participation of the PAMB. PAMB constituted but no clear role definition. Only one meeting held in yr 2001. Total: US\$ 40,000	<ul style="list-style-type: none"> Regular quarterly meetings of PAMB. Cross visit and trainings are organized. PAO staffing is increased to implement the GMP. Multi-stakeholder collaboration in the implementation of the GMP. CRM panning process is revisited by the stakeholders and the process builds ownership of the conservation areas. US\$ 296,056	Co-financing: US\$ 100,883 GEF: US\$ 155,174 Total: US\$ 256,056
2. Law Enforcement	<ul style="list-style-type: none"> Two (2) boats but both require repair. Current patrols are done while fishermen are engaged in fishing. No park rangers hired by PAO. Response from the PNP and other deputized fish wardens using hired outrigger boat only when there are reported sightings of illegal fishermen. 80 deputized fish wardens but only few are active. Patrol plan prepared but no adequate resources to implement the plan. US\$ 13,080 (in year 2000 from PAO office) for deputation trainings, workshops on development of patrol plan, and staff 	<ul style="list-style-type: none"> Increase in deputized warden.s Increase in participation of private companies in enforcement (i.e. having their employees deputized and associated with the Philippine Coast Guard Auxillary). At least 3 times a week marine patrols and surveillance. Trained Bantay Dagat in enforcement techniques, marine ecology, safety etc. 50 more local Bantay Dagat members will be deputized to include 12 park rangers to be hired by PAO. IEC materials on local ordinances and marine protection activities in the area 	

Cost/ Benefits	Baseline (B) (business as usual - limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
	<p>time of PAO, and attendance to relevant meetings.</p> <ul style="list-style-type: none"> US\$ 2,632 (in year 2000 from the LGU particularly the MAO and MPDO) for expenses on meetings and workshops, travel and per diem, one patrol boat and fuel, and staff time of LGU personnel. <p>US\$ 125,696</p>	<p>and quarterly community and LGU meetings to update the community on progress.</p> <ul style="list-style-type: none"> By year 3, 50 per cent reduction in violations and 90 per cent by year 6. Four (4) patrol boats running and properly maintained (i.e. 2 new boats). Radar and all enforcement equipment and boats are in good running condition. <p>US\$ 637,808</p>	<p>Co-financing: US\$ 201,765 GEF: US\$ 310,347 Total: US\$ 512,112</p>
3. Information-Education-Communication	<ul style="list-style-type: none"> Limited resources of the PAO office to conduct education and outreach activities. Local communities, PAMB, LGUs, visitors have benefited from previous IEC activities but no follow-up ICE activities have been initiated since July 2001. Understanding of stakeholders on biodiversity conservation and sustainable resource use is generally low. <p>Total: US\$ 38,400</p>	<ul style="list-style-type: none"> Increase in awareness of the local stakeholders on the GMP implementation, benefits derived from the management of the park, and the importance of environment stewardship. Visitors, government, resort and cottage owners, LGUs, and other stakeholders are targeted for IEC. <p>US\$ 379,808</p>	<p>Co-financing: US\$ 134,510 GEF: US\$ 206,898 Total: US\$ 341,408</p>
4. Sustainable Livelihoods	<ul style="list-style-type: none"> MAO/MPDO and other LGU offices provide limited technical assistance and extension service to local communities in enhancing livelihoods. Lack of technical and management capacities for sustainable livelihoods. PAMB not technically equipped to make effective reviews/ assessment of livelihoods <p>US\$ 2,800</p>	<ul style="list-style-type: none"> Increase in capacity of stakeholders in the identification, planning and establishment of sustainable and conservation-compatible livelihoods Increased capacity of PAMB and PAO to assess impacts of livelihoods on biodiversity conservation and ensure compliance of livelihood projects to park rules and regulations. <p>US\$ 173,504</p>	<p>Co-financing: US\$ 67,255 GEF: US\$ 103,449 Total: US\$ 170,704</p>
5. Institutional and financial sustainability	<ul style="list-style-type: none"> Collection of users' fees not yet being implement, no source of funding to support the implementation of the GMP (i.e. existing funding from PRRM program will 	<ul style="list-style-type: none"> Users fees are collected and effectively managed. Enactment of the PA Bill for ENTMRPA which also provides government 	

Cost/ Benefits	Baseline (B) (business as usual - limited conservation action)	Alternative A (additional biodiversity conservation measures)	Increment (A-B)
	<p>end in 2002).</p> <ul style="list-style-type: none"> PA Bill for the ENTMRPA not passed by Congress. <p>US\$ 32,000</p>	<p>appropriations for the park.</p> <ul style="list-style-type: none"> Guidelines in the use of the IPAF fund implemented effectively. <p>US\$ 202,704</p>	<p>Co-financing: US\$ 67,255 GEF: US\$ 103,449 Total: US\$ 170,704</p>
6. Biodiversity Research and Monitoring for Management	<ul style="list-style-type: none"> Baseline information on the marine habitats and species were completed by EU-funded NIPAP but very limited monitoring activities followed afterwards. PRRM/WWF-Philippines is now facilitating the BMS. Draft field guide to BMS implementation prepared but has yet to be piloted/ adopted. Very limited research and other monitoring activities carried out due to unavailability of funding and PAO staff. 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. Data gathering, if any, is based on short-term needs for project planning. <p>US\$ 76,800</p>	<ul style="list-style-type: none"> Management of monitoring and research data on critical biodiversity indicators in the marine areas will be maintained by the PAO with the support of the LGUs, local NGOs, and other stakeholders. This will improve the decision-making process of the PAMB and of the LGUs. The PAMB, LGU, resorts, NGO and other stakeholders can better plan their conservation and environment projects and activities. Implementation of the BMS by the PAO will be reliable and effective; and that the BMS will serve as a tool for updating the GMP. <p>US\$ 332,856</p>	<p>Co-financing: US\$ 100,883 GEF: US\$ 155,174 Total: US\$ 256,056</p>
Total	US\$ 315,696	US\$ 2,022,738	<p>Co-financing: US\$ 672,550 GEF: US\$ 1,034,492 Total: US\$ 1,707,042</p>

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

	Total Costs	Components					
		Conservation Management	Enforcement	Information-Education-Communication	Institutional & Financial Sustainability	Sustainable Livelihoods	Research Monitoring
Component Allocations		0.15	0.3	0.2	0.1	0.1	0.15
OPERATING COSTS							
Salaries and Benefits							
Senior Management	6,600	990	1,980	1,320	660	660	990
Middle Management	12,480	1,872	3,744	2,496	1,248	1,248	1,872
Junior Management	12,480	1,872	3,744	2,496	1,248	1,248	1,872
Administration Services	7,488	1,123	2,246	1,498	749	749	1,123
Sub-Total	39,048	5,857	11,714	7,810	3,905	3,905	5,857
Travel	18,200	2,730	5,460	3,640	1,820	1,820	2,730
Equipment	5,600	840	1,680	1,120	560	560	840
Supplies (include fuel)	7,200	1,080	2,160	1,440	720	720	1,080
Contractual services/grants	80,000	12,000	24,000	16,000	8,000	8,000	12,000
Communications	6,000	900	1,800	1,200	600	600	900
Fees, Insurance, & Charges	1,500	225	450	300	150	150	225
Occupancy	8,400	1,260	2,520	1,680	840	840	1,260
Meetings/ Comm Consultations	16,000	2,400	4,800	3,200	1,600	1,600	2,400
Training and Workshops	3,600	540	1,080	720	360	360	540
Total Annual Operational	185,548	27,832	55,664	37,110	18,555	18,555	27,832
Miscellaneous (7.5%)	13,916	2,087	4,175	2,783	1,392	1,392	2,087
Management (7.5%)	13,916	2,087	4,175	2,783	1,392	1,392	2,087
Total Annual Cost	213,380	32,007	64,014	42,676	21,338	21,338	32,007
Round-off values		8	8	8	8	8	8
Total Cost -8 yrs	1,707,042	256,056	512,112	341,408	170,704	170,704	256,056
Breakdown:							
Co-financing (TKDC, WWF)	672,550	100,883	201,765	134,510	67,255	67,255	100,883
GEF	1,034,492	155,174	310,347	206,898	103,449	103,449	155,174

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

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"> Continued assistance in revitalizing or strengthening the FARMCs is a felt need. Local multi-stakeholders has not been constituted to develop coastal resources management plan. <p>Total: US\$ 400,000</p>	<p>implementation of conservation enhanced.</p> <ul style="list-style-type: none"> High level commitment and participation of the members is maintained. Work and financial plans prepared on an annual basis. <p>US\$ 775,744</p>	<p>Co-financing: US\$ 57,729 GEF: 3US\$ 18,014 Total: US\$ 375,744</p>
2. Marine enforcement	<ul style="list-style-type: none"> Number of fish wardens who are deputized are still small to ensure year round enforcement. Marine patrols have been limiting due to lack of fuel or lack of patrol boats. Insufficient enforcement infrastructure and equipment. Enforcement activities are not well organized. Inter-agency cooperation and coordination in the marine enforcement activities remain weak. <p>US\$ 300,000</p>	<ul style="list-style-type: none"> Increase in the number of patrols and deputized wardens. At least 3 times a week patrols. Sufficient fuel are available. Trained Bantay Dagat in enforcement techniques, marine ecology, safety etc. Community and LGU meetings held to update the community on progress. At least one boat per site used in marine enforcement activities. Radar and all enforcement equipment and boats are in good running condition. A Marine Enforcement Manual. Improved inter-agency cooperation in marine enforcement. <p>US\$ 926,239</p>	<p>Co-financing: US\$ 96,215 GEF: US\$ 530,024 Total: US\$ 626,239</p>
3. Information-education-communication	<ul style="list-style-type: none"> Limited resources and capacity of the local stakeholders to conduct education and outreach. Understanding on conservation of stakeholders is generally low. There is a need to improve visitors management. <p>Total: US\$ 480,000</p>	<ul style="list-style-type: none"> Increase in awareness of the local stakeholders the importance of environment stewardship. IEC to promote responsible tourism. Local stakeholders have the capacity to develop and implement IEC activities. <p>US\$ 1,106,239</p>	<p>Co-financing: US\$ 96,215 GEF: US\$ 530,024 Total: US\$ 626,239</p>
4. Sustainable livelihoods	<ul style="list-style-type: none"> Local communities have limited access to livelihood assistance. Limited assistance from the MAO/ MPDO and other LGU offices for technical assistance and extension service to local 	<ul style="list-style-type: none"> Increased capacity for the identification, planning and establishment of sustainable and conservation-compatible livelihoods to include ecotourism support mechanisms. 	

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"> • Lack of development know-how and management capacities for sustainable livelihoods. • LGUs lack the capacity to make effective reviews/ assessment of livelihoods and its impact to biodiversity. <p>US\$ 157,304</p>	<ul style="list-style-type: none"> • 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. <p>US\$ 407,800</p>	<p>Co-financing: US\$ 38,486 GEF:US\$ 212,010 Total: US\$ 250,496</p>
5. Institutional and financial sustainability	<ul style="list-style-type: none"> • Sustainable financing mechanisms have not been established and hence the current conservation interventions are short term. <p>US\$ 150,000</p>	<ul style="list-style-type: none"> • Users fees are collected and effectively managed to support biodiversity conservation. • Government budget allocation is secured and the guidelines for the effective use of the funds are enforced. • <p>US\$ 400,496</p>	<p>Co-financing: US\$ 38,486 GEF: US\$ 212,010 Total: US\$ 250,496</p>
6. Biodiversity Research and Monitoring	<ul style="list-style-type: none"> • Baseline data on the marine habitats and species collected but very limited monitoring activities. • Very limited research and other monitoring activities carried out due lack of resources and capacity of local stakeholders. • 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. • Data gathering, if any, is based on short-term needs for project planning. <p>US\$ 160,000</p>	<ul style="list-style-type: none"> • Management of monitoring and research data on critical biodiversity indicators will be maintained and managed by local stakeholders. • 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. • Implementation of research and monitoring activities will be reliable and effective; and that results will be used in management, planning, monitoring and evaluation. <p>US\$ 535,744</p>	<p>Co-financing: 57,729 GEF: 318,014 Total: US\$ 375,744</p>
Total	US\$1,647,304	US\$ 4,152,262	US\$ 2,382,248

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

		Components					
	Total Costs	Conservation Management	Enforcement	Information-Education-Communication	Institutional & Financial Sustainability	Sustainable Livelihoods	Research Monitoring
Component Allocations		0.15	0.25	0.25	0.1	0.1	0.15
OPERATING COSTS							
Salaries and Benefits							
Senior Management	0	0	0	0	0	0	0
Middle Management	5,000	750	1,250	1,250	500	500	750
Junior Management	38,400	5,760	9,600	9,600	3,840	3,840	5,760
Administration Services	6,000	900	1,500	1,500	600	600	900
Sub-Total	49,400	7,410	12,350	12,350	4,940	4,940	7,410
Travel	40,138	6,021	10,035	10,035	4,014	4,014	6,021
Equipment	11,500	1,725	2,875	2,875	1,150	1,150	1,725
Supplies (include fuel)	21,600	3,240	5,400	5,400	2,160	2,160	3,240
Contractual services/grants	100,000	15,000	25,000	25,000	10,000	10,000	15,000
Communications	10,500	1,575	2,625	2,625	1,050	1,050	1,575
Fees, Insurance, & Charges	9,540	1,431	2,385	2,385	954	954	1,431
Occupancy	15,000	2,250	3,750	3,750	1,500	1,500	2,250
Meetings/ Comm Consultations	12,600	1,890	3,150	3,150	1,260	1,260	1,890
Training and Workshops	2,000	300	500	500	200	200	300
Total Annual Operational	272,278	40,842	68,070	68,070	27,228	27,228	40,842
Miscellaneous (7.5%)	20,421	3,063	5,105	5,105	2,042	2,042	3,063
Management (7.5%)	20,421	3,063	5,105	5,105	2,042	2,042	3,063
Total Annual Cost	313,120	46,968	78,280	78,280	31,312	31,312	46,968
No of years	8	8	8	8	8	8	8
Total Cost -8 yrs	2,504,958	375,744	626,239	626,239	250,496	250,496	375,744
Breakdown:							
Co-financing (ACC/ACF, WWF)	384,861	57,729	96,215	96,215	38,486	38,486	57,729
GEF	2,120,097	318,014	530,024	530,024	212,010	212,010	318,014

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"> Local government units (e.g. Office of the Mayor, Office of the Vice-Mayor) Local communities in El Nido Protected Area Management Board DENR (i.e. Region IV office, Central office, Protected Area Office, CENRO, ENRAP, and PAWB) PCSD Non-government organizations (e.g. WWF-Philippines, PRRM, El Nido Foundation) 	1999-2000	<ul style="list-style-type: none"> 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. Stakeholders' expressed need to address the threats to conservation - illegal fishing, land conversion, and illegal logging. 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.
Workshop on the Phase Out Plan of the EU-funded National Protected Areas System Program	<ul style="list-style-type: none"> Local government units (i.e. municipal and barangay levels). Resort and restaurant operators. Boat operators. Private sector- TKDC- El Nido Resorts. Non-government organizations- El Nido Foundation, PRRM, WWF-Philippines. Government agencies- DENR, PCSD 	2000	<ul style="list-style-type: none"> Identified gaps in financing vis-a-vis conservation actions as contained in the protected area management plan Identified the financing requirements to continue operations and activities of the Protected Area Office and GMP implementation Identified the conservation gaps of past and completed projects/ activities in the protected area 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.
Participation in various trainings and workshops (e.g. planning, reviews) of the protected area management board and other	<ul style="list-style-type: none"> Local government units- barangay and municipal officials. Resort and restaurant operators. Boat operators. Private sector- TKDC- El Nido Resorts. Non-government organizations- 	2000 and 2001	<ul style="list-style-type: none"> Increased understanding of objectives of the protected area. Continuous dialog among stakeholders. Integration of local stakeholders' concerns and interests in GMP. Strengthened/ maintained at high levels LGU commitment on coastal and marine conservation. Identification/ monitoring of accomplishments, issues and concerns, recommended actions in protected area management.

Participatory Activity	Stakeholders Involved	Dates	Outputs
stakeholder groups	(e.g. El Nido Foundation, PRRM, WWF-Philippines) • Government agencies (e.g. DENR, PNP, PCSD)		
Team building, technical training and cross visits/ study tour to other protected areas	• 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)	June 2000	<ul style="list-style-type: none"> • Increased knowledge and skills in protected area management. • Discussion of similarities and challenges facing the protected areas (e.g. conservation financing, ecotourism, conservation management, alternative livelihoods).
Marine Enforcement Planning Workshop	<ul style="list-style-type: none"> • LGUs (e.g. Office of the Mayor, Office of the Vice-Mayor, Office of the ABC) • MAO; MTO/MTC; MFARMC; MPDO; PCSDS; DENR-PAO; PNP; PCG • NGOs (e.g. El Nido Foundation, Inc., WWF-Philippines, PRRM) • Private Sector (e.g. Ten Knots Development Corporation) 	April 19-20, 2001	<ul style="list-style-type: none"> • Local communities/ LGUs expressed the strong need to immediately address the rampant use of destructive fishing methods. • Mobilized key conservation players to undertake regular marine patrols and draft patrol plan. • 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. • A draft Patrolling Plan. • 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.

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	• Officials of local government units (e.g. mayor, counselors, and barangay captains).	July 2001	• Identification of gaps in terms of conservation and management and roles of key players.

Participatory Activity	Stakeholders Involved	Dates	Outputs
blue crab fishery management and coastal resources management	<ul style="list-style-type: none"> • Municipal/provincial agricultural officer. • Municipal/ city development and planning officer. 		
<p>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></p>	<ul style="list-style-type: none"> • Board Members of the Environment & Natural Resource Committee and Agriculture Committee. • Provincial Bantay Dagat Coordinating Council • Communities of Tomongtong, E.B. Magalona. • Local Fishery and Aquatic Resource Management Councils (FARMCs). • 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. • Protected Area Office- Protected Area Management Board. • WWF-Philippines. 	Nov 2001	<ul style="list-style-type: none"> • 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. • 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. • Enthusiastic endorsement and commitment by local stakeholders to pursue conservation and natural resource management in this area.
Trainings and planning workshops on coastal resources management	<ul style="list-style-type: none"> • Fishermen, local government units, agricultural officers, development and planning officers of the municipal, city, and provincial government, NGOs, private sector, Bantay Dagat. • WWF-Philippines. 	2000-onwards	<ul style="list-style-type: none"> • Increased awareness and understanding on CRM. • Multi-stakeholders' participation in drawing actions directed to CRM plan preparation. • Establishment of and collaboration between BFARMCs and MFARMC.

Participatory activities and stakeholders involvement in the design of the ACC/ACF model

Participatory Activity	Stakeholders Involved	Dates	Outputs in relation to ACC Design
<u>El Nido, Palawan</u> On site visits and series of meetings on the design of the ACC.	ACC/ACF Ten Knots Development Corporation- El Nido Resorts El Nido Foundation WWF-Philippines WWF-US	2001	<ul style="list-style-type: none"> • 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/ACF will find other partners to complement its activities with sustainable livelihoods. • Conservation issues and gaps were identified based on present knowledge and outcomes of past consultation processes. • 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/ACF, capacity to deliver conservation results, and acceptance/ reputation from the local communities.
<u>Stellar Fisheries, Visayan Sea</u> On site visits and series of meetings on the design of the ACC. Briefing from / of local government units (e.g. city, municipal, and barangay levels) on coastal resources management.	ACC/ACF 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	2001	<ul style="list-style-type: none"> • Validated the conservation gaps identified in past consultation processes and that the local stakeholder groups require immediate support from other sources such as ACC/ACF. • Strong interest of the local government units on a public-private partnerships on coastal and marine conservation. • ACC/ACF 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.

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 identity 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 as 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.



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05 March 2002

MR. ROBERT V. PULLEY

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

Attention :

MR. SERGIO PIMENTA

Country Manager
International Finance Corporation
11th Flr., Tower 1
Ayala Triangle, Makati City

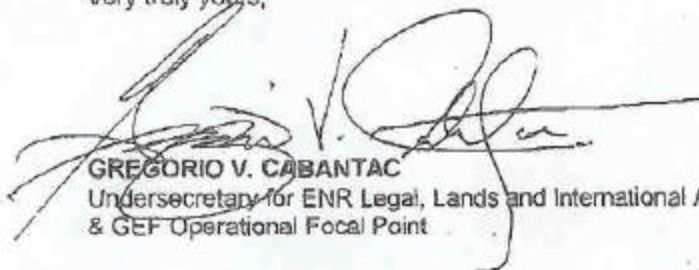
Dear Mr. Pulley :

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
ACF	– Asian Conservation Foundation
ADB	– Asian Development Bank
BAFFMULCO	– Barangay Atop-atop Farmers & Fishermen Multi-Purpose Cooperative
BASECOR	– Bantayan Sea Food Corporation
BBRMC	– 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
DIMPFAFI	– 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
OECE	– 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	– Tamiho 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
WB	– World Bank
WWF-PHILS	– World Wide Fund for Nature – Philippines
WWF-US	– World Wildlife Fund – US
YPA	– Yield Per Area

Annex 15: MAP OF ACC/ACF SITES

