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MR. VIPUL BHAGAT
Country Manager
International Finance Corporation
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Makati City

Subject: GEF PDF-B "Marine Aquarium Market Transformation Initiative (MAMTI)

Dear Mr. Bhagat:

The Philippine Government supports the proposed project of the Marine Aquarium Council "Marine Aquarium Market Transformation Initiative" (MAMTI), and is endorsing the same for GEF PDF – B assistance.

We acknowledge that the MAMTI will be able to transform the aquarium fishing industry into a business that is based on conservation and at the same time provide sustainable livelihood that will generally contribute to poverty alleviation and food security in the Philippines and in Indonesia. Further, we recognize that the project can help ease out the country's problem in cyanide fishing.

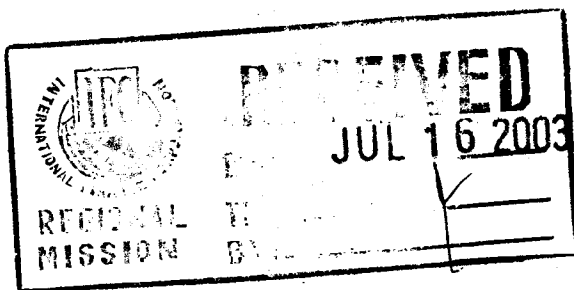
We look forward to your favorable action.

Best regards.

Very truly yours,

RAFAEL E. CAMAT, JR.

Assistant Secretary & GEF Operational Focal Point



Grow a Tree for Legacy

**GLOBAL ENVIRONMENT FACILITY
REQUEST FOR PROJECT DEVELOPMENT FUNDS (PDF B)**

Country: Philippines, Indonesia
GEF Focal Area: Biodiversity
Project Title: Marine Aquarium Market Transformation Initiative (MAMTI)
Requesting Agency: IFC (World Bank)
Estimated Project Cost: \$10-12 million
Financing Plan (tentative): \$4-6 GEF. The balance to be raised by partnering institutions, including (potentially) the following:

- Gordon and Betty Moore Foundation
- John D. and Catherine T. MacArthur Foundation
- David and Lucile Packard Foundation
- Private Investors
- Private Philanthropists
- Multi-National Corporations

Project Duration: 5 Years
Preparation Costs: \$663,000
PDF Block B Funds Requested: \$295,000
PDF Co-Funding:
\$156,000 Marine Aquarium Council
\$102,000 Conservation and Community Investment Forum
\$110,000 Reef Check

Project Objective

The objective of the Marine Aquarium Market Transformation Initiative (MAMTI) is to convert the marine aquarium industry into a trade based on marine conservation, sustainable use, and sustainable livelihoods that contributes to poverty alleviation and food security. This proposal directly supports the GEF's emerging strategic priorities by mainstreaming biodiversity conservation in the marine aquarium industry.

Global Benefits

MAMTI will provide the following global benefits:

- (a) Transform a major portion of a previously destructive industry by implementing industry and market-driven certification that codifies, requires and rewards responsible fishing and best practice.
- (b) Convert a significant portion of the marine ornamentals industry into a vehicle that provides incentives for reef conservation, sustainable livelihoods and poverty alleviation in developing countries.
- (c) Create one of the world's largest networks of coral reef management areas, including fisheries sanctuaries/"no take" zones (i.e. Marine Protected Areas) among the coral reefs of Indonesia and the Philippines, which support the highest global diversity.
- (d) Link many local rural fishermen's cooperatives in the Philippines and Indonesia to the international marketplace in the interest of conservation and sustainable use.
- (e) Catalyze sufficient market forces so that additional industry players will be compelled to adopt, sustain, and replicate ecologically and socially responsible practices beyond the life of the project.
- (f) Establish a market transformation model that can be replicated in conjunction with other fishing-related industries (such as the live food fish trade or the artisanal tuna fisheries) to make them as compatible as possible with sustainable development.
- (g) Significantly improve the health and safety of collectors who are currently routinely exposed to cyanide and engaged in highly unsafe diving practices.

Expected Outcomes

MAMTI will aim to achieve the following outcomes:

- By the end of this project, at least 30% of the marine aquarium trade will consist of fish harvested in a sustainable manner that conserves biodiversity.¹
- The project will establish dozens of Marine Management Areas (areas that will include Reef Enhancement Zones). These zones will be managed by the local community and fishermen's groups to their own benefit, approved and regulated by the local and national governments, and providing an ecologically sound and economically sustainable solution to the present coral reef crisis.
- The project will greatly increase consumer awareness about the benefits of marine ornamentals that are harvested in a sustainable manner which conserves biodiversity (as opposed to the current

¹ At present, less than 1% of industry supply is harvested in a sustainable manner that conserves biodiversity.

practices). As a result of the project, a significant percentage of consumers will prefer – and even be willing to pay a premium for – marine ornamentals that are harvested via non-destructive methods from sustainably managed reefs.

Background

Global Significance

Southeast Asia is the global center of marine diversity. It contains more than one third of all the world's coral reefs, and houses over 600 of the 800 reef-building coral species in the world. A greater variety of species exist on a single island in this region than on all the coral reefs in the Caribbean. Indonesia and the Philippines together hold 77% of the region's coral reefs, including the majority of South East Asia's best-preserved reefs. These reefs of the Wallacea Bio-Region have been identified by the major conservation NGOs (TNC, WWF, WRI and CI) as a global priority conservation area.

The 24,000+ islands in Indonesia and the Philippines make up the world's largest archipelago, home to about 17% of the total number of species in the world, including 25% of the world's fish species. These countries contain over 100,000 square km of coral reefs or about 25% of the world's total. Indonesia has nearly 81,000 km of coastline and its vast oceans extend over nearly 6 million square kilometers. All of the world's 15 families of reef-building corals are represented here, with a total of 80 genera and 452 species. These high diversity reefs serve as a reproductive reservoir for seeding other areas throughout the region due to circulating and seasonally changing currents. Because of upwelling of relatively cool waters from the south, the area is also somewhat protected from bleaching events, which have damaged so many reefs around the world.

Baseline Threats - Destructive Fishing and Overfishing

The coastal areas of the Philippines and Indonesia are some of the most heavily populated in the world. With rapid population growth rates, the pressure on coastal resources is exceedingly high, with every member of each family often involved in resource extraction of some type. The pressures have now reached unsustainable levels.

The principal threats to the region's coral reefs are destructive fishing and overfishing. The recent Reef Check report, "The Global Coral Reef Crisis", documents how destructive fishing and over fishing have led to ecological destabilization and are even pushing some high-value reef organisms to the brink of extinction.

The most destructive techniques include:

- **Blast fishing** – the use of primitive bombs for food fishing, largely for subsistence consumption and domestic markets
- **Poison fishing** – the use of sodium cyanide to capture marine ornamental (aquarium) fish as well as live food fish (primarily for Chinese restaurants)

The results of destructive coastal fishing have been devastating. Almost 90 percent of the coral reefs in the Philippines and Indonesia (as well as Cambodia, Singapore, Taiwan, Vietnam, Malaysia and China) are degraded or threatened. Fish larger than a few centimeters in length have become rare on most reefs. Indonesia and the Philippines together hold nearly 80 percent of all the threatened reefs in the region.

When coral reefs are protected, the recovery of reef fish and shellfish populations can be dramatic and rapid. But when the living coral reef itself has been destroyed, siltation often becomes a problem,

preventing the settlement and growth of young corals. In this case, the recovery of reefs is a decades-long process at best.

Barriers to Aquarium Fishing Industry Reform

The aquarium fishing industry currently is at best a neutral, and at worst a destructive force, in relation to the coral reefs of Indonesia and the Philippines. As a highly valued employer and income provider for coastal communities, *a responsible industry could provide a powerful incentive to conserve coral reefs so that they could continue to serve as a sustainable source of community livelihoods in perpetuity. Indeed, if the marine aquarium industry could be shifted to reward responsible behavior, then fishermen would seek to protect reefs from all threats (e.g., blast fishing, etc).* However, a series of barriers have prevented this.

- (1) **“Open access” fisheries do not provide incentives for conservation.** The “open access” fisheries of the Philippines and Indonesia have made it profitable for “roaming” aquarium fishing crews to collect on reefs outside their own communities. For these collectors, often far from home, using cyanide to stun fish is an efficient method to collect the most highly priced species, regardless of the deadly consequences for nearby corals, fish, and other reef organisms. With “their” coral reefs thus under siege, the local collectors perceive little value in doing anything else but to follow suit.
- (2) **Decentralized industry structure inhibits efforts to produce sustainably.** The structure of the marine ornamental industry is highly decentralized – with the major importers and customers located in the US, Europe and Japan. While awareness among customers and the industry about the potential destructive impacts of the fishery has been growing, most feel they have little influence on how the fish are collected. Although importers, retailers and consumers are unified in their opposition to the use of cyanide (mortality of poison-caught fish is high, fish quality is often very low), most importers simply do not have the financial resources or overseas capacity and experience to build the fully integrated operations they would need to ensure that the fish are collected using non-destructive methods.²
- (3) **There are limited opportunities and capacities for collectors to become certified.** The thousands of village-based collectors in Indonesia and the Philippines are at the interface between the marine aquarium industry and coral reefs. Their actions determine the difference between sustainable reef resource use and coral reef degradation. Unfortunately, there are no comprehensive programs to inform and train fishers in environmentally sound collection practices that can be certified, creating the need for capacity building for collectors. After 20 years of reef conservation demonstration projects, replication has not happened at the scale needed to reverse the downward trend in coral reef degradation. The status quo will be continued decline.
- (4) **There is little community-level stakeholder capacity and experience to develop certified ecosystem management for collection areas.** Developing and implementing scientifically based ecosystem management plans for marine ornamental collection areas is a requirement for certification and is a key part of achieving the desired conservation benefits. Not many examples of ecosystem management for coral reef fisheries exist and government resources for this are limited in Indonesia and the Philippines. There is a need to develop options for ecosystem management of aquarium fishery areas and the capacity to implement the management plans through partnerships of NGOs,

² Blacklisting Indonesian and Philippine fish is an option being considered by some groups in the United States and European Community; however, collectively, these two countries provide the great majority of the world’s reef fish, and a great many species of interest to the market do not exist anywhere else. Most importantly, banning the trade would eliminate its potential to create sustainable livelihoods based on responsible fisheries and contribute to poverty alleviation in the rural coastal villages of these countries. If exports are formally banned, all control of the ensuing underground economy would be lost, and a chance to use this industry as a stimulus for reef conservation and rehabilitation will have been lost along with it.