



PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

THE GEF TRUST FUND

Submission Date: January 22, 2008

Re-submission Date: April 29, 2010

PART I: PROJECT IDENTIFICATION

GEFSEC PROJECT ID¹: 2885

GEF AGENCY PROJECT ID: P103923

COUNTRY(IES): Belize, Guatemala, Honduras and Mexico

PROJECT TITLE: Meso-American Barrier Reef System II

GEF AGENCY(IES): World Bank

OTHER EXECUTING PARTNER(S): TBD

GEF FOCAL AREA (S): Biodiversity; International Waters

GEF-4 STRATEGIC PROGRAM(S): BD-SP1, SP2, SP4, and SP5; IW-SP1 and SP2.

NAME OF PARENT PROGRAM/UMBRELLA PROJECT:

| INDICATIVE CALENDAR | |
|------------------------------|----------------|
| Milestones | Expected Dates |
| Work Program (for FSP) | June 2010 |
| CEO Endorsement/Approval | Dec 2010 |
| GEF Agency Approval | March 2011 |
| Implementation Start | June 2011 |
| Mid-term Review (if planned) | Dec 2013 |
| Implementation Completion | June 2016 |

A. PROJECT FRAMEWORK (Expand table as necessary)

Project Objective: Consolidate on-going efforts on the part of Belize, Guatemala, Honduras and Mexico to sustainably manage the Mesoamerican Barrier Reef System (MBRS) and expand their scope to cover existing gaps to safeguard the functional integrity of the shared regional ecosystem.

| Project Components | Inv, TA, or STA* | Expected Outcomes | Expected Outputs | Indicative GEF Financing* | | Indicative Co-financing* | | Total (\$) |
|--|------------------|--|--|---------------------------|----|--------------------------|----|------------|
| | | | | (\$) | % | (\$) | % | |
| 1. Legal, policy and institutional strengthening | TA | Specific high-impact policies, norms and guidelines for sustainable use of MBRS habitats and resources adopted and enforced, resulting in measurable reduction of environmental degradation in at least 3 sectors (e.g., fisheries management, tourism, coastal development, agriculture, etc). Technical and financial capacity in place to sustain a coordinated, regional approach to conservation and sustainable use of the MBRS. Ecosystem-based management strengthened at national and regional levels. | At least 40 judges, magistrates and prosecutors drawn from MBRS countries, trained in how to prosecute environmental cases. At least 3 sets of harmonized regional policies and norms developed and adopted at the national level for sustainable resources use, including land-use planning, reduction of water pollution, sustainable agricultural practices, adoption of local Agenda 21 to support integration of sustainable considerations into tourism destination and enterprises and cruise tourism. The Ministers table these policies for discussion and adoption at regional level. Multi-sectoral National or State-level Barrier Reef Committees re-instated and functioning regularly to review policies affecting MBRS. Policy framework for long-term financing for the conservation of the MBRS established and sources of financing identified. | 1,143,600 | 31 | 2,500,000 | 69 | 3,643,600 |
| 2. Implementation of priority demonstration actions of integrated management | Inv | Establishment on the ground of effective and replicable models of participatory and integrated watershed management in at least two transboundary areas. | Development and implementation of protected areas management plans for at least 2 transboundary Special Management Areas (SMAs) covering "X" ha. highlighting land-water connectivity and conservation of flows of ecosystem services across this boundary. Formulation and adoption on the ground of | 2,909,200 | 22 | 10,500,000 | 78 | 13,409,200 |

¹ Project ID number will be assigned initially by GEFSEC.

| | | | | | | | | |
|---|----|---|--|-----------|----|------------|----|------------|
| of watersheds and coastal-marine areas | | Local stakeholders mainstream environmental conservation in their economic activities. Awareness and appreciation by local communities of MBRS functions and its economic value enhanced. | harmonized fishery management plans for species critical for the health of the MBRS and implementation of critical activities. Demonstration of environmental conservation /restoration measures in production activities, for example „demonstration s of eco-friendly agriculture coastal forestry (e.g., mangrove protection and restoration as carbon sinks as well as for coastal defense and maintaining coastal water quality), sustainable fisheries and tourism (e.g., eco-certification of product and operations) at local level. At least x% of the production landscape in two SMAs under biodiversity-friendly management regime –in watersheds and coastal areas. Percentage of communities participating in the effective management of protected areas. Valuation of key MBRS ecosystem services undertaken and disseminated. Focus group and other surveys undertaken to assess changes in perception by local communities of importance of MBRS. | | | | | |
| 3.Biophysical and socio-economic monitoring for decision-making | TA | Strategic planning policy and management decision-making related to use of MBRS resources supported by a comprehensive and effective monitoring system. Accountability by decision-makers enhanced by regular reporting through the monitoring system. Ridge-to-reef approach demonstrated and better understood by MBRS stakeholders and policy-makers. | Updating of protocols for biophysical and socio-economic monitoring in the MBRS that includes watershed themes Design and implementation of regional monitoring system of priority areas and key biophysical and socio-economic parameters. Use of Satellite tracking (e.g., NASA, NOAA Coral Reef Watch) and other remote sensing tools to monitor status and trends in key habitats/resources/biophysical conditions in the MBRS, and regular reporting through web-based platforms , e.g., MBRS Regional Environmental Information System, Google Earth and Google Ocean. Training of technical staff from participating institutions and organizations in monitoring programs. System of sustainability indicators in the tourism sector established. | 1,671,400 | 36 | 3,000,000 | 64 | 4,671,400 |
| 4. Project management | | | | 615,800 | 29 | 1,500,000 | 71 | 2,115,800 |
| Total project costs | | | | 6,340,000 | 27 | 17,500,000 | 73 | 23,840,000 |

* List the \$ by project components. The percentage is the share of GEF and Co-financing respectively to the total amount for the component.

** TA = Technical Assistance; STA = Scientific & technical analysis.

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

| | Project Preparation* | Project | Agency Fee | Total |
|--------------|----------------------|------------|------------|-------------|
| GEF | | 6,340,000 | 634,000 | 6,974 ,000 |
| Co-financing | | 17,500,000 | | 17,500,000 |
| Total | | 23,840,000 | 634,000 | 24, 474,000 |

* Please include the previously approved PDFs and planned request for new PPG, if any. Indicate the amount already approved as footnote here and if the GEF funding is from GEF-3.

C. INDICATIVE CO-FINANCING FOR THE PROJECT (including project preparation amount) BY SOURCE and BY NAME (in parenthesis) if available, (\$)

| Sources of Co-financing | Type of Co-financing | Amount |
|---------------------------------|----------------------|-------------------|
| Project Government Contribution | Cash and in kind | 3,000,000 |
| Bilateral Aid Agency(ies) | Cash and in kind | 2,200,000 |
| NGO | Cash and in kind | 12,300,000 |
| Total co-financing | | 17,500,000 |

D. GEF RESOURCES REQUESTED BY FOCAL AREA(S), AGENCY (IES) SHARE AND COUNTRY(IES)*

| GEF Agency | Focal Area | Country Name/ Global | (in \$) | | | |
|----------------------------|----------------------|-------------------------|---------------------|------------------|----------------|------------------|
| | | | Project Preparation | Project | Agency Fee | Total |
| World Bank | Biodiversity | Guatemala | | 798,190 | 79,819 | 878,009 |
| World Bank | Biodiversity | Honduras | | 1,778,190 | 177,819 | 1,956,009 |
| World Bank | Biodiversity | Mexico | | 1,778,190 | 177,819 | 1,956,009 |
| World Bank | International Waters | Regional** | | 1,985,430 | 198,543 | 2,183,973 |
| Total GEF Resources | | | | 6,340,000 | 634,000 | 6,974,000 |

* No need to provide information for this table if it is a single focal area, single country and single GEF Agency project.

** All four participating countries – Belize, Guatemala, Honduras and Mexico -- will participate in these activities

PART II: PROJECT JUSTIFICATION

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

1. The Mesoamerican Barrier Reef System (MBRS) stretches from the coast of Yucatan Peninsula in Southeastern Mexico southward to Belize, Guatemala and Honduras. It is the longest barrier reef system in the Atlantic Ocean and is classified as one of the world's marine hotspots with an abundance of globally (and locally) significant biodiversity: it consists of six World Heritage sites and is home to a variety of endemic species, many of them threatened and endangered. Locally, the MBRS provides livelihoods for communities and contributes to the national economies of the four countries through growing tourism revenues.

2. The MBRS is greatly threatened by a combination of causes including: a) rapid coastal development fueled by explosive growth in tourism; b) in-migration from surrounding poorer communities; c) over-fishing; d) intensification of agriculture in the watersheds draining into the MBRS; and e) the lack of an integrated approach to coastal areas management (ICM). Furthermore, non-point source pollution (including pesticides, nutrients and sediment) from commercial agriculture and changes in land cover, nutrient enrichment from municipal waste, and heavy metals and persistent organic pollutants (POPs) from industry and marine transport, are degrading water quality, leading to degradation of coral reefs and associated ecosystems.

3. To address these threats, Mexico, Belize, Guatemala and Honduras approved a 15-year Action Plan in 1999 to promote protection and sustainable development of the MBRS. The Action Plan's main objective is to safeguard the integrity and productivity of the MBRS by outlining a set of regional and national activities. Regional activities focus on four thematic areas: a) research and monitoring; b) legislation; c) capacity building; and d) regional coordination. Similarly, four thematic areas for the national level include: a) monitoring and research; b) sustainable use; c) capacity building of national institutions; and (4) inter-sectoral coordination. They are designed to be tailored to member country circumstances while still remaining consistent with the overall framework.

4. To implement the Action Plan, the national governments requested technical and financial assistance from the World Bank and the GEF resulting in the design and successful implementation a first MBRS project: Conservation and Sustainable Use of the Mesoamerican Barrier Reef System (MBRS). It was highly successful in catalyzing international cooperation among the four countries through brokering agreements on key policies affecting the MBRS. For example, it facilitated a process whereby the heads of state reaffirmed their commitment to joint management and protection of the MBRS in July 2006, and lead to an updated regional Action Plan endorsed by each country's Minister of Environment in April 2007. The project is widely regarded as a model for regional coordination and joint management of transboundary resources. It, *inter alia*: a) catalyzed the adoption of a common policy framework for sustainable management of resources in the areas of fisheries, tourism, and Marine Protected Areas (MPAs); b) fostered new mechanisms for

coordination and multistakeholder representation within the countries themselves via the National Barrier Reef Committees (NBRCs); c) established a standardized regional Synoptic Monitoring Program, including information on reef health, sea grass, and mangrove status, water quality, and water contamination to track changes in MBRS ecosystem health; d) strengthened management capacity in 16 MPAs; and e) formulated a Draft MBRS Cruise Ship Policy.

5. Building on the many successes achieved by the first six years of the MBRS program, the proposed second phase will comprehensively address the recommendations of the Terminal Evaluation of MBRS I, fully embracing the “ridge to reef” approach. As a result, it will broaden the multi-sectoral focus of the Project with the participation of the Tourism and Agriculture sectors. In addition, it internalizes a key lesson from the MBRS I project ensuring that there is flexibility in administrative processes and institutional arrangements to provide for adaptive management. A comprehensive institutional analysis will be carried out under PPG to feed into project design and implementation arrangements. Moreover, the design of component 2 internalizes MBRS I lessons particularly regarding alternative livelihood activities and private sector roles to ensure adoption of biodiversity friendly activities; these will include alternative livelihoods market analysis, training in alternatives and marketing, provision of micro-credits for alternative start-up investments, training in agriculture, fisheries, forestry, wetlands restoration and tourism best practices.

6. More recently, a Mesoamerican Reef Fund (MAR Fund) was established with conservation trust funds² from the four countries as well as NGOs, operating as a private entity in Guatemala City, Guatemala. The goals of the MAR Fund are: a) to provide long-term financial sustainability for natural resources management and conservation initiatives in the Mesoamerican Barrier Reef eco-region (not adequately addressed in the first phase); (2) to strengthen the alliance among the four participating conservation funds; and (3) to consolidate and allocate donor contributions to common and strategic objectives in the eco-region. The MAR Fund has an eleven-member Board of Directors representing national conservation funds of the four countries (the members), four experts from the regional countries, two representatives from international donor communities and one representative from the Central American Commission on Environment and Development (CCAD). Resources for the MAR Fund is provided by foundations, NGOs and bilateral donors.

7. To build upon the success of the MBRS I project and to implement additional activities envisioned in the 15-year Action Plan, which are critical for the conservation of this globally significant ecosystem and its unique biological diversity, Mexico, Belize, Guatemala and Honduras request continued assistance from the World Bank and the GEF. The objective of the proposed project is to consolidate on-going efforts on the part of Belize, Guatemala, Honduras and Mexico to sustainably manage the Mesoamerican Barrier Reef System (MBRS) by increasing their capacity to address existing gaps in order to safeguard the functional integrity of the shared regional ecosystem.

8. The project objective will be achieved through the components and activities described below:

9. ***Component 1 – Legal, Policy, and Institutional Strengthening (Total costs \$3.6 million of which \$1.14 million is from GEF (approximately \$0.7 million from BD and \$0.44 million from IW)):*** The objective of this component is to strengthen the legal and institutional frameworks of the four countries so that they may foster conservation and sustainable use of natural resources and environmental services provided by the MBRS, particularly the fishery, tourism, water resources, agriculture and forestry sectors. It will be achieved through capacity building and training activities; consultant services for the formulation of supporting tools; documentation of experiences and harmonization of public policies; feasibility and economic valuation studies; workshops and exchange visits; and events to promote inter-sectorial, inter-institutional and multi-government level dialogues.

10. The component includes two sub-components: 1A – institutional strengthening to support implementation of existing policies and regulations; and 1B – formulation of policies and regulations harmonized at the regional level to address transboundary concerns.

11. Expected key results for sub-component 1A are: (a) the development of training manuals and implementation guidelines for judges, magistrates and prosecutors on the preparation of evidence and processing of environmental crimes, and carrying out the necessary training events; (b) the implementation of capacity building programs, including those targeted to strengthen the capacity of the MBRS National Committees; (c) the finalization of regional Cruise Ship Policy and its implementation; and (d) significant progress on incorporation of regional, agreed-upon policies and regulations into the legal framework of each country.

² The four conservation funds area: The Protected Areas Conservation Trust (Belize); *Fundación para la Conservación de los Recursos Naturales y Ambiente* (Guatemala); *Fundación Biosfera* (Honduras); and *Fondo Mexicano para la Conservación de la Naturaleza* (México). More details on MAR Fund could be found at <http://www.marfund.org/>.

12. Expected key results for sub-component 1B are: (a) development of economic and social instruments of environmental policy; and (b) a feasibility study for a mechanism to ensure the continuity and sustainability of the MBRS and an agreed-upon proposal to implement it. As part of the project preparation, an institutional analysis will be carried out to support the design of this sub-component and to strengthen the commitment to regional coordination resulting from the MBRS I project.

13. ***Component 2 – Implementation of priority and demonstration actions of integrated management of watersheds and coastal-marine areas (Total costs \$13.4million of which \$ 2.909 million is from GEF (approximately \$1.77 million from BD and \$1.13 million from IW)):*** The objective of this component is to support the implementation of priority and demonstration activities that promote integrated management of watersheds and coastal-marine areas in at least two MBRS Transboundary Special Management Areas (SMA) of global significance³, while addressing the needs of the local communities. The priority and demonstration activities can be structural and non-structural to be defined through participatory processes. The objective will be achieved through the following activities: (a) advisory services for planning studies, investigations focused on specific problems, and design of special measures, among others; and (b) small grants for the acquisition and installation of equipment and goods, technical assistance, and implementation of demonstration practices, among others.

14. This component includes two sub-components: 2A – integrated watershed management; and 2B – integrated coastal-marine zone management.

15. The expected results of sub-component 2A are: (a) establishment of basic management and regional cooperation instruments in priority watersheds identified in earlier studies; (b) establishment of demonstration practices to promote integrated watershed management that could be replicated in other parts of the MBRS; and (c) implementation of integrated watershed management activities including restoration of mangroves and other wetlands.

16. The expected results of sub-component 2B are: (a) based on GEF Tracking Tools, management effectiveness of the MBRS Marine Protected Area Network is strengthened including those coastal/terrestrial protected areas that are crucial for illustrating the ridge-to-reef approach; (b) effective fisheries regulations for the protection and management of species (e.g., key herbivores and major predators) critical for the health of the MBRS; (c) demand driven community-based alternative livelihood activities (building on experience and lessons learned from Phase 1) are introduced and incubated ; (d) promotion of community participation in the management of protected areas; and (e) mainstreaming of environmental conservation measures in production activities at the local level in, for example, agriculture, forestry, fishing and aquaculture, and tourism. Restoring degraded wetlands, protecting keystone coral reef species, and protecting groundwater are examples of investments in ecosystem resilience with co-benefits to communities in climate change adaptation. The implementation of this component will be greatly strengthened by promoting public-private participation including technical/financial partnerships with NGOs and other regional initiatives, e.g., the Nature Conservancy and the Mesoamerican Reef Fund (MAR Fund), whose missions are entirely consistent with the proposed project.

17. ***Component 3 – Biophysical and Socio-economic Monitoring for Decision-making (Total costs \$4.67 million of which \$1.67 million is from GEF (approximately \$1.3 million from BD and \$0.37 million from IW)):*** The existing biophysical protocols and the resulting ecological baseline do not capture the origin of most of the pollutants being observed on the reef. The proper quantification of the linkages between land-based sources of pollution (LBSP) and reef health is necessary to convince policy makers of the need for a truly integrated and multi-sectoral approach to MBRS management. For example, contamination of groundwater and seepage to the reef along the Caribbean coast of the Yucatan Peninsula from agricultural and tourism development is not captured in current monitoring systems. Monitoring the extent of such contamination and estimating the cost of degrading water quality in terms of tourism, fisheries and public health must be part of the cost-benefit analysis of development trade-offs.

18. The objective of this component is to generate the necessary biophysical and socio-economic information to support decision-making processes at the country and regional levels to be consistent with an ecosystem-based management approach of the MBRS.

19. The component will support the following activities: (a) design and implementation of appropriate improvements and additions to existing monitoring systems, likely in partnership with other institutions e.g., the Healthy Reefs for Healthy People initiative; (b) capacity building and public dissemination of information; and (c) implementation of

³ For example: Xcalak-Bacalar Chico (between Mexico and Belize) and the Gulf of Honduras (between Belize, Guatemala and Honduras)

selected priority monitoring and reporting activities, including as mandated by the Tulum Plus 8 Action Plan, endorsed by the heads of state of the MBRS countries.

20. The expected results of this component are: (a) expansion and updating of existing protocols for biophysical and socio-economic monitoring in the MBRS that includes watershed themes; (b) expanded monitoring of priority areas and key parameters; (c) strengthening of local and institutional capacities for long-term monitoring that includes linkages with research centers and universities; (d) strengthening the technical and financial capacity of staff of participating institutions and organizations; (e) acquisition of field equipment necessary for the implementation of this component; and (f) expansion and updating of regional monitoring system to support decision making and planning of public policy, which will be inter-changeable with the Mesoamerican Environmental Information System (SIAM).

21. Treating the impacts observed on the coast and the reef without due attention to their origin is synonymous to treating the symptoms as opposed to treating the illness. Furthermore, the success of the activities proposed in components 1 and 2 above depends on the availability, accessibility and demonstration of a measurable set of integrated parameters that are representative of the processes and linkages between land and sea, but also of the relationship between people and natural resources. This requires that existing protocols be updated to incorporate socio-economic parameters and indicators for watershed management, and possibly groundwater in the coastal zone, and that the necessary data collection be systematically conducted, analyzed and interpreted to provide a steady flow of quantitative information required for decision making by regional policy makers. Close synergies will be sought with the Healthy Waterways initiative being conducted in Australia to properly manage watersheds and their impact on the Great Barrier Reef.

22. ***Component 4 – Project management (Total costs \$2.1 million of which \$0.6 million is from GEF (approximately \$0.4 million from BD and \$0.2 million from IW)):*** The objective of this component is to successfully implement the project activities and to mainstream transboundary cooperation in addressing problems confronting the MBRS.

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

23. The proposed project is consistent with politically-endorsed priorities identified in existing National Biodiversity Strategy and Action Plans, National Environmental Action Plans, National Protected Areas System Plans, National Strategies for Adaptation to Climate Change, National Poverty Alleviation Strategies, National Implementation Plans for POPs, and National Plans of Action for the Reduction of Land-Based Sources of Pollution. The proposed project will expand the scale at which present national plans are being implemented and will provide strategic interventions to achieve the required integrated approach to natural resources management.

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

24. The project is consistent with GEF Biodiversity and International Waters Focal Areas, in particular with GEF Operational Programs (OP) 2 – Coastal, Marine, and Freshwater Ecosystems; and OP 9 – Integrated Land and Water Multiple Focal Area Operational Program, and the following strategic programs under GEF-4: BD-SP1 “Sustainable Financing of Protected Area System at the National Level,” SP2 “Increasing Representation of Effectively managed Marine Protected Areas in the Protected Areas System,” SP4 “Strengthening the Policy and Regulatory Framework for Mainstreaming Biodiversity,” SP5 “Fostering markets for Biodiversity Goods and Services,” and International Waters strategic programs IW-SP1 “Restoring and Sustaining coastal and Marine Fish Stocks and Associated Biological Diversity,” and SP2 “Reducing Nutrient over-Enrichment and Oxygen Depletion from Land-Based Pollution of Coastal Waters in LMEs consistent with the GPA”. The GEF incremental financing contribution would ensure that project activities promote global environmental benefits in addition to national and local benefits all four countries.

25. The project contributes to the strategic priorities of biodiversity focal area through its first three components, in particular, component 1 supports the national governments in fostering Public-Private partnerships via long-term financing to conserve the MBRS, for example: the partnership arrangement with the MAR Fund and through it the existing conservation trust funds in each participating country. Furthermore, component 1 also contributes to the objectives of SP4 by developing and implementing policies to mainstream biodiversity conservation in economic sectors including the tourism sector. Components 2 and 3 support the objectives of SP2 by strengthening the effectiveness of marine protected areas (MPAs) as part of a network of MPAs in the MBRS. In addition, fostering certification schemes for goods and services generated from the MBRS are considered under component 2 and will contribute to the objectives of SP5.

26. The project also contributes to the strategic priorities of international waters focal area through the first three components. In particular, components 1 and 2 will strengthen the policy and regulatory regimes in the region to promote the restoration of ecosystem and fish stocks that are crucial to ecosystem health, the restoration of mangrove habitats, the reduction of destructive fishing practices, and improvements in regulating fishing effort. Specifically, component 2 will support activities to mainstream environmental conservation measures at the local level in order to reduce nutrient and land-based pollution that is threatening the health of the ecosystem.

27. The project will use the GEF Tracking Tools for biodiversity and international waters focal areas to monitor and report on the project's contribution and impacts.

D. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

28. The success of a multi-disciplinary and multi-sectoral project of this nature is dependent upon effective coordination with a wide range of stakeholders and actors in the region. Specific coordination will be ensured with the GEF/IDB Gulf of Honduras Maritime Pollution Project, the GEF Wider Caribbean LME Project, the GEF Coral Reef Targeted Research Program, the GEF Corazon Bi-national Project and the Mexico Mesoamerican Biological Corridors Project. Linkages with the CLME Project and a proposed follow-on to the Canada POPs/WB Trust Fund Project: Management of POPs in the Caribbean, will focus at joint investments in implementing a common methodology for the monitoring of POPs and other LBSP across the MBRS and the wider Caribbean. This will allow for the standardization of results, harmonization in data interpretation and a common platform for the development of transboundary policies and norms for pollution reduction. The project will also link to the IDB CREW (Caribbean Revolving Fund for Wastewater Treatment) Project in reporting on indicators of MBRS health.

29. The proposed project investments in Special Management Areas (SMAs), as a means of strengthening MPA networks in transboundary areas, provide an irresistible opportunity for extrapolation and multiplication between the MBRS and the CMLE projects. Eco-tourism routes, mangrove reforestation, SMA branding, and the development of industry standards within SMAs are specific linkages between the proposed project and the CLME that will be decisively pursued. The proposed project will seek strategic partnerships with MAR Fund and other stakeholders including NGOs and bilateral donors in the region that are active players in MBRS management initiatives and will also identify opportunities for joint investments and the achievement of economies of scale. Project investments will seek to provide added value to initiatives being sponsored by the GEF Small Grants Programme in the countries of the MBRS. Finally, links to the International Waters Learning Exchange Network (IW:Learn), will enhance learning within and across regions by disseminating relevant project results to target audiences within the GEF portfolio; this specific activity, with dedicated budget, will be included as part of component 3 and confirmed during project appraisal. The proposed project will also have strong synergies with on-going country projects including Belize Strengthening National Capacities for the Operationalization, Consolidation, and Sustainability of Belize's Protected Areas System. Specific coordination mechanisms with these initiatives will be developed during project preparation.

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

30. Without continued GEF support, the gains achieved in Phase 1 would be jeopardized, particularly the success in garnering the necessary political will to support regional cooperation for the development and implementation of a plan of action to conserve one of the most significant marine ecosystems of the western hemisphere. The two year gap between the end of Phase 1 in June 2007 and access to GEF resources from GEF 4, threatens to undermine the momentum gained in Phase 1. With the economic downturn of the past year, regional projects are likely to be underserved without considerable external funds to catalyze national commitments. Furthermore, without GEF support, the combined financial and human resources available in the region will be unable to consolidate a comprehensive and integrated management regime to ensure proper reef health and to safeguard the economic potential of the MBRS as a source of income and aesthetic beauty to the region and the world. While each of the four countries of the MBRS will be expected to do its part to ensure the proper management of the reef and its associated ecosystems, in the absence of GEF support, individual and fragmented country-level interventions will not sufficiently take the place of the necessary integrated approach to achieve meaningful management of transboundary resources. The nature of the resources in transboundary watersheds and those migratory species of coastal environments demand a regional approach, one that is not restricted by national programs or borders. Connectivity across countries that exists through ocean currents and rivers is a perfect example of why a regional approach to management is a must. A GEF-supported regional approach provides a neutral

platform for joint decision making and maximizes opportunities for enhanced cooperation, efficiency, and economy of scale.

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

31. **Risk:** Weak commitment to regional and transboundary approach for MBRS management by the four participating countries. **Mitigation:** This risk is reduced by the recent signing of the Tulum +8 declaration by the four heads of state, renewing their commitments to joint MBRS management.

32. **Risk:** Weak financial and technical capacity at the country level to implement (i) integrated watershed-coastal zone management in transboundary areas and (ii) technical management in special management areas. **Mitigation:** This risk is partially mitigated by the involvement of IUCN-Mesoamerica which has extensive experience in these areas. Furthermore, as highlighted in the lessons learned from Phase 1, the Project will engage in Public-Private partnership arrangements such as with MAR Fund, and will seek ways to align economic incentives with improved codes of conduct by the private sector in order to help mitigate the financing risk.

33. **Risk:** Climate variability and climate change in Latin America, from inter-seasonal to long term, could be associated with extreme weather patterns (e.g., hurricanes and increasing sea surface temperature anomalies), producing possibly detrimental socioeconomic and environmental consequences. **Mitigation:** Project preparation and implementation would need to monitor projections of potential future climate conditions, based on climate change scenarios, to undertake any possible mitigation procedures. The project's impact regarding climate change is positive: it will help improve the ecosystem's resiliency to increases in temperature, to the likely increase in the intensity of tropical storms in the region, and generally to other expected adverse impacts of climate change.

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

34. In determining cost-effectiveness of this project, the team considered two main approaches that would achieve the same result. The first is to undertake individual country activities in support of maintaining the health and productivity of the Mesoamerican Barrier Reef. The second is to take a regional approach, involving the four countries that have an interest at stake in the Reef. While the country approach allows for each country to move forward at its own pace and within its own political structure, it does not take into consideration that the Mesoamerican Barrier Reef System is an asset commonly owned by all four countries. Even if one country were to adopt policies and investments, if other countries do not do likewise, the investments will be only partially beneficial. International waters projects, by definition, need common action by all riparian or littoral states. By working together, learning from each other, holding joint meetings, undertaking joint data collection and analysis, there are enormous economies of scale accruing to the project. A more detailed economic and financial analysis will be carried out during project preparation which will provide quantitative and/or qualitative information to further analyze the cost effectiveness of the project.

H. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:

35. The World Bank has been involved in the proposed project region, most notably for the design and implementation of the ground-breaking MBRS I project, which created strong international cooperation among the four countries and tackled issues threatening the integrity of the MBRS. The World Bank's ability to integrate the policy issues identified under the proposed project into its country-level dialogues with the participating countries, and to link the GEF project with Bank investments in the region, gives it a comparative advantage for project implementation. For example, the Bank has a long history of dialogue with the Government of Mexico (GoM) on policy and regulatory reforms in the areas environment and climate change. The Bank has been supporting the GoM in the implementation of its National Climate Change Strategy through a Climate Change Development Policy Loan (DPL), which mainstreams environmental consideration into sector policies including tourism and water sectors through a series of Environmental DPLs. In addition, the Bank also has experience in implementing regional projects: in addition to the MBRS I project are the Corazon Transboundary Biosphere Reserve project in Honduras and Nicaragua, the recently closed Guarani Aquifer project with Argentina, Uruguay, Brazil and Paraguay, and applicable experience working with Caribbean states on management of marine and coastal resources, including OECS Protected Areas and Associated Sustainable Livelihoods. Over the past two years, the Bank has re-energized its relationship with Belize, and that priority is given to coastal zone issues in the Bank's country strategy.

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

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):

(Please attach the [country endorsement letter\(s\)](#) or [regional endorsement letter\(s\)](#) with this template).

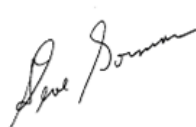
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| Martin Alegria, GEF Operational Focal Point, Chief Environmental Officer, Ministry of Natural Resources and Environment | Date: September 3, 2008 |
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| Luis Alberto Ferrate, GEF Focal Point, Ministry of Environment and Natural Resources, Guatemala | Date: August 13, 2009 |
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| Tomas Morris, GEF Focal Point, Ministry of Natural Resources and Environment, Honduras | Date: October 13, 2008 |
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| Claudia Grayeb, GEF Focal Point, Secretaria de Hacienda y Crédito Publico, México | Date: October 29, 2008 |
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B. GEF AGENCY(IES) CERTIFICATION

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| This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation. | |
|  Steve Gorman GEF Executive Coordinator The World Bank | Jocelyne Albert Project Contact Person Tel. and Email: (202) 473-3458 Jalbert@worldbank.org |
| Date: April 29, 2010 | Date: April 29, 2010 |