



PROJECT IDENTIFICATION FORM (PIF)
PROJECT TYPE: Full-sized Project
THE GEF TRUST FUND

Submission Date: 14 July 2008
Re-submission Date: 1 September 2008

PART I: PROJECT IDENTIFICATION

GEF PROJECT ID: 3717 **PROJECT DURATION:** 6 years

GEF AGENCY PROJECT ID: 3717

COUNTRY: Ecuador

PROJECT TITLE: Sustainable Management of Biodiversity and Water Resources in the Ibarra-San Lorenzo Corridor (Ecuador)

GEF AGENCY: IFAD

OTHER EXECUTING PARTNER(S): Plan Ecuador; Ministry of Agriculture, Aquaculture and Fisheries; Ministry of Environment

GEF FOCAL AREA (S): Biodiversity, Land Degradation

GEF-4 STRATEGIC PROGRAM(S): BD-SP5; BD-SP4; LD-SP2

NAME OF PARENT PROGRAM/UMBRELLA PROJECT (if applicable): SUSTAINABLE FOREST MANAGEMENT

PROJECT PROMOTES SOUND CHEMICAL MANAGEMENT (if applicable): yes no

INDICATIVE CALENDAR*	
Milestones	Expected Dates
Work Program (for FSP)	November 2008
CEO Endorsement/Approval	November 2009
Agency Approval Date	January 2010
Implementation Start	July 2011
Mid-term Evaluation (if planned)	December 2014
Project Closing Date	June 2017

* See guidelines for definition of milestones.

A. PROJECT FRAMEWORK (Expand table as necessary)

Project Objective: To promote biodiversity conservation and sustainable land management in the Ibarra-San Lorenzo Corridor, preserving and enhancing key environmental services that are beneficial to the indigenous peoples and local communities, contributing at the same time to poverty reduction, social inclusion and conflict resolution in the project area								
Project Components	Indicate whether Investment, TA, or STA**	Expected Outcomes	Expected Outputs	Indicative GEF Financing*		Indicative Co-financing*		Total (,000 \$) c = a + b
				(,000 \$) a	%	(,000 \$) b	%	
1. Mainstreaming biodiversity conservation and sustainable use of natural resources into local practices	Inv, TA	1.1. Local capacity for biodiversity conservation and environmental management and planning improved, applying participatory and gender-inclusive approaches 1.2. Offices of Ministry of Environment (MAE) in the project area strengthened, including support to the monitoring and control systems on logging and wildlife, training in conflict resolution and provision of equipment	1.1.1. Local public institutions and community-based groups in 7 cantones and 35 parroquias trained in the assessment, planning, sustainable use and conservation of natural resources (including the application of SLM and SFM approaches) and conflict resolution tools 1.1.2. Preparation of communal plans for natural resource use (water and soil conservation, sustainable management of biodiversity and climate proofing of activities) in at least 18 parroquias and indigenous areas 1.2.1. Training of 8 -12 staff of local MAE offices on monitoring of wildlife and biodiversity conservation, and conflict resolution 1.2.2. Strengthening of the management capacity (including conflict resolution techniques) of 3 MAE provincial offices (Ibarra, San Lorenzo and Tulcán) 1.2.3. Equipment of 2 control posts (Borbón and Lita) for better monitoring and control	400	11.87	2,971	88.13	3,371

2. Support to sustainable forest management in production landscapes	Inv, TA	2.1. Degradation of the dry and humid forest reduced, its use rationalized, and land degradation limited 2.2. Mangroves and coastal tropical forests restored and managed sustainably	2.1.1. Reforestation of at least 500 has of communal forests in the Chota Valley and Lita-Alto Tambo, using native species and sustainable land management techniques 2.1.2. Critical areas (5,000 has) of the Awacachi Biological Corridor and Awa Reserve under sustainable forest management, through communal plans, in collaboration with indigenous and local communities 2.2.1. Restoration of at least 400 has. of mangroves and moist forests in San Lorenzo, and sustainable management through communal plans, in collaboration with Afro-Ecuadorian communities	1,530	38.87	2,406	61.13	3,936
3. Promotion of incentives and compensation for biodiversity and ecosystem goods and services	Inv, TA, STA	3.1. Sustainable economic alternatives provided through the valuation of forest goods and services (soil and water conservation), stimulating better land and forest management 3.2. Incentives for conservation effectively disseminated in the project area through participatory competitions (<i>concurso</i> s)	3.1.1. At least one PES/RES scheme for soil and water conservation designed and put into practice in watershed of the project area (Chota Valley) 3.2.1. At least 1,000 families participating in <i>concurso</i> s, with economic and/or social rewards, including training and field visits	500	10.79	4,134	89.21	4,634
4. Project management				270	15.49	1,473	84.51	1,743
Total project costs				2,700		10,984		13,684

* 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 (a)		Project (b)	Total C = a + b	Agency Fee
	PDF-A/B	PPG			
GEF		100,000	2,700,000	2,800,000	280,000
Co-financing		100,000	10,984,000	11,084,000	
Total		200,000	13,684,000	13,844,000	280,000

C. INDICATIVE CO-FINANCING FOR THE PROJECT PREPARATION AND FOR PROJECT BY SOURCE and BY NAME (in parenthesis) if available, (\$)

Sources of Co-financing	Type of Co-financing	Project Preparation	Project	Total
Project Government Contribution	In-kind		1,406,000	1,406,000
GEF Agency(ies)	Grant (project preparation)/ Soft Loan (project)	100,000	8,625,000	8,725,000
Municipalities	In-kind		198,000	198,000
Beneficiaries	In-kind		755,000	755,000
Total co-financing		100,000	10,984,000	11,084,000

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

GEF Agency	Focal Area	Country Name/ Global	(in \$)			
			PPG** (a)	Project (b)	Agency Fee (c)	Total d=a+b+c
IFAD	Biodiversity	Ecuador	80,000	2,160,000	224,000	2,464,000
IFAD	Land Degradation	Ecuador	20,000	540,000	56,000	616,000
Total GEF Resources			100,000	2,700,000	280,000	3,080,000

PART II: PROJECT JUSTIFICATION

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

A.1. Environmental overview

Ecuador is a country of great geographical, biological and ethnic diversity within a relatively small area (256,370 km²) where the Andes, Amazonia and the Pacific Basin all converge. With biodiversity characterized by a large number of native species, Ecuador is one of the world's 17 megadiverse countries. It is part of two land ecoregions recognized all over the world as biodiversity hotspots: the *Chocó Biogeográfico*, which extends across the country's north-east and contains as many species as Amazonia within a much smaller area, and the Amazonian slopes of the Andes (eastern region), containing the best conserved tropical forests. In addition, the Galapagos Archipelago is universally recognized as part of the natural heritage of humanity. Ecuador has more than 20,000 plant species, 1,500 species of birds, more than 840 species of reptiles and amphibians, and 341 species of mammals.

Despite its wealth of species and ecosystems, Ecuador also shares the distinction of having one of Latin America's highest rates of deforestation and habitat destruction. Primary tropical forest occupies now only an estimated 20 per cent or less of the country's surface area. Among the major causes of deforestation are uncontrolled forestry operations, hydrocarbons operations and unsustainable farming practices. Although the National System of Protected Areas (SNAP) includes 36 natural areas covering 18.7 per cent of the country's surface area (among the highest rates in South America), these measures are not enough to prevent the increasing degradation of Ecuador's natural resources.

A.2. Description of the problem in the Northern border area

The country's northern region, bordering on Colombia, includes the provinces of Esmeraldas, Carchi, Imbabura, Sucumbíos and Orellana. The border region has been defined as a strategic area for intervention by the Government, donors and the United Nations system. It is highly vulnerable and warrants priority attention because of: (i) a high poverty level and historical deficit of basic social infrastructure and services; (ii) deteriorating conditions for competitiveness and productive employment; (iii) strong pressures on the region's natural resources, particularly forest resources, and (iv) social instability and large-scale cross-border movements. Indigenous populations (*Awa*, *Chachis*) have an important presence in the northern border provinces, as do those of African descent (*Afro-Ecuadorian*).

Man-made pressures on the three main biogeographical regions contained in the area (*páramos*, western dry forests, cloud and moist forests, and mangroves swamps) are contributing to the accelerated decline of biodiversity, valuable genetic resources and natural water catchment and regulation capacity. The expanding agricultural frontier in the Andean area is exerting pressure on cloud and tropical forests, dry forests and Andean *páramos*. In the intermediate areas, natural

vegetation has virtually disappeared. Forests are also being destroyed rapidly in the foothills of the western cordillera in the Ecuadorian Chocó region in the northwestern parts of the Esmeraldas, Carchi and Imbabura provinces. Moist forests in Esmeraldas are being lost at a rate of 4.1 per cent a year, mainly as a result of the expansion of palm plantations and logging. Likewise, mangroves swamps are threatened by shrimp farming.

A.3. Proposed strategy with GEF support

The proposed project would be blended with the IFAD-supported “Ibarra-San Lorenzo Development Project”, whose overall purpose is to contribute to reducing poverty and improving living conditions for *Afro-Ecuadorian*, indigenous and *campesino* communities within the area of influence of the Ibarra-San Lorenzo economic corridor in the northern region.

The “Ibarra-San Lorenzo Development Project” aims to build the natural, social, cultural and financial capital of families and communities while facilitating market access. The target groups are principally organized populations of African descent, indigenous peoples, as well as campesinos. The project area takes in the zone of influence of the Ibarra-San Lorenzo highway (largely following the *Chota* and *Mira* river courses) and the old railway that connects the northern sierra with the northwestern coast.

Strategic linkages between IFAD, GEF and Government resources will enable an integrated approach to mitigate threats and pressures placed on Andean dry and humid forests, tropical forests and mangrove swamps, as well as addressing the central objectives of peace, development and poverty reduction.

The IFAD-GEF project will promote biodiversity conservation and sustainable forest management in the Ibarra-San Lorenzo Corridor, preserving and enhancing key environmental services that are beneficial to the indigenous peoples and local communities, contributing at the same time to poverty reduction, social inclusion and conflict resolution in the project area.

The project will be articulated around three main lines of action, in addition to project management:

Component 1. Mainstreaming biodiversity conservation and sustainable use of natural resources into local practices (Total cost: \$ 3.371 m; GEF: \$ 0.4 m)

The objective of the component is to mainstream biodiversity conservation at the project level, developing institutional and communal capacities to integrate the sustainable use of natural resources into local plans and activities. The component will strengthen local public institutions and community-based groups for assessment and planning on conservation of natural resources, preparing communal plans for its sustainable use. The project will also support the negotiating capacity of communities, while strengthening as the same time the environmental authority (Ministry of the Environment, MAE).

Component 2. Support to sustainable forest management in production landscapes (Total cost: \$ 3.936 m; GEF: \$ 1.530 m)

This component will promote the sustainable management of forest, avoiding forest fragmentation and reducing pressure on valuable forests of the project area. The project will identify and implement initiatives to reduce deforestation and land degradation, and improve conservation of critical areas, in the Chota valley, Lita-Alto Tambo and the Awacachi Biological Corridor and Awa Reserve, through communal reforestation and sustainable forest management techniques. The component will also promote the restoration and sustainable management of key forests in the coastal area (focusing especially in mangroves).

Component 3. Promotion of incentives and compensation for biodiversity and ecosystem goods and services (Total cost: \$ 4.634 m; GEF: \$ 0.5 m)

Complementing the two previous components, the objective is to conserve and use natural resources sustainably through the design and testing of suitable incentive and compensation instruments for the conservation of forest and biodiversity goods and services. In particular, a Payment/Reward for Environmental Services (PES/RES) mechanism will be designed and established for soil and water conservation and use in the Chota Valley. Participation in the PES/RES will be voluntary, and negotiations will be facilitated by the project, that will also try to reduce the transaction costs. Incentives for conservation will be also disseminated in the project area through participatory competitions (*concurso*s) with economic and/or social rewards.

The total project cost will be US\$ 13.684 million, excluding fees and project preparation costs. The requested GEF contribution is US\$ 2.70 million (19.7 %), while total cofinancing (US\$ 10.984 million) will be provided by IFAD (US\$ 8.625 million, through a loan on concessional terms), and the GoE, municipalities and beneficiaries (US\$ 2.359 million). Details of the GEF contribution and cofinancing are shown in tables B, C and D above. Full details of the loan will be provided in the full project document.

A.4. Global environmental benefits expected

The project will generate environmental benefits both locally and globally. Under the Biodiversity Focal Area, actions will (a) support activities in the Biogeographical Chocó hotspot that will reduce pressure and restore critical areas such as mangroves (estuaries of the Santiago and Mataje rivers) and cloud and humid forests; (b) consolidate activities in important conservation areas (Awacachi Biological Corridor, Awa Reserve); (c) conserve and manage sustainably fragile ecosystems in the Chota dry forest area and the Andean cloud and humid forests, and (d) manage selected watersheds to maintain, enhance and/or restore its ecosystems and the environmental services they provide, such as carbon sequestration, water regulation or soil regeneration.

Within the Land Degradation Focal Area, the project calls for reforestation, measures and improvements in water functions using the sustainable land management (SLM) approach. In particular, the project will intervene in (a) watersheds, restoring functions through reforestation and management of the soil, plant, pasture and water complex, and (b) the dissemination of sustainable land management techniques in areas such as the Chota valley and up to the Lita area.

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

The project is fully consistent with the national priorities for development, poverty reduction and the sustainable use and conservation of natural resources, as set forth in the following policy documents:

- National Development Plan (2007), in particular objective 4, “promoting a healthy environment and ensuring access to safe water, air and land”; objective 6, “ensuring stable, equitable and dignified employment”; and objective 11, “establishing a supportive and sustainable economic system”.
- Plan Ecuador (2007), centered in the northern border provinces. Its overall objective is to promote the integrated development and safety of local communities, based on a culture of peace, strengthened human security and improved quality of life. The plan calls for taking steps to improve quality of life and thus reduce poverty and social exclusion and ensure environmental sustainability and sustainable use of natural resources.
- National Biodiversity Policy and Strategy (2007). In particular, the project will support the priorities set in Strategic Line 1 (Consolidate and strengthen the sustainability of productivity activities based in native biodiversity); Strategic Line 2 (Ensure the existence integration and functionality of biodiversity components: ecosystems, species and genes), and Strategic Line 4 (Guarantee and respect individual and collective rights in the participation on decisions relative to access and control of resources) of the Strategy. The NBPS gives priority to the conservation of *páramos*, tropical dry forests and mangroves (especially in the Esmeralda province). In particular, this proposal has been discussed with the National Biodiversity Focal Point (MAE).
- National Forestation and Reforestation Plan (2006), whose strategic thrusts include promoting forestation to protect watersheds and agroforestry.
- Strategy for Sustainable Forest Development in Ecuador (2002, revised in 2005), with the following policy thrusts: (a) reduce the loss of native forests through market-based instruments; (b) conserve and manage forests and existing resources in protected natural areas, wetlands, mangrove swamps and *páramos*, by generating alternative uses; (c) restore deforested lands with forest potential; and (d) ensure participation by rural populations, indigenous peoples and people of African descent in planning and decision-making.
- Environmental Strategy for Sustainable Development (1999), focusing on the conservation and recovery of fragile and endangered ecosystems (mangrove swamps and wetlands), which identifies regions warranting special attention (Esmeraldas) and calls for the conservation and sustainable development of natural capital (biodiversity, forests, bioaquatic resources, soil, water and watersheds, and ecotourism).

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH [GEF STRATEGIES](#) AND STRATEGIC PROGRAMS

This proposal is in line with the priorities and principles of GEF 4 under two focal areas, Biodiversity and Land Degradation, and supports the objectives of the Sustainable Forest Management Strategy (SFM) launched in 2007 by the GEF. As recommended in the GEF SFM Program Strategy, the project covers more than one focal area (biodiversity and land degradation), uses integrated approaches (with emphasis on the whole landscape and its services and functions), and builds upon existing strategies and partnerships (as mentioned in B above and D below) to support SFM. In particular, for activities on the sustainable management and use of forest resources, projects should promote approaches that are multi-sectoral, ecosystem-based and consider forests within the wider production landscape.

Under the Biodiversity Focal Area, the project will support Strategic Objective 2 (BD SO2), “to mainstream biodiversity in production landscapes/seascapes and sectors”, mainly through Strategic Programme 5 (BD SP5), “fostering markets for biodiversity goods and services”, promoting actions that will show the importance of having access to these goods and services, as well as implementing demand-driven alternative instruments (compensation for the use and safeguarding of environmental services) and products that safeguard biodiversity and encourage its sustainable use. The project will also support Strategic Programme 4 (BD SP4), “Strengthening the policy and regulatory framework for mainstreaming biodiversity”, developing institutional capacities at local level, where mainstreaming can be most effective, as suggested in the document “Mainstreaming Biodiversity on Production Landscapes” (GEF WP 20).

Under the Land Degradation Focal Area, the proposal supports Strategic Objective 2 (LD SO2), “to upscale sustainable land management investments that generate mutual benefits for the global environment and local livelihoods” and, more specifically, Strategic Programme 2 (LD SP2), “supporting sustainable forest management in productive landscapes”. The project will operate in semiarid areas with soil fertility losses and water deficits, and in mountain landscapes and ecosystems, where actions will focus on safeguarding and managing water resources and regulating land use to minimize degradation of forest areas, in particular practices such as expansion of the agricultural frontier, the use of wood for energy and illegal timber extraction.

D. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES

The project will take into account the scope and incidence of the GEF-financed “National Protected Areas System” initiative, which includes the “Cotacachi-Cayapas Ecological Reserve”. These inputs will be used to refine management plans and methodologies, community-based oversight systems and biodiversity monitoring. The proposed project is highly complementary to the GEF initiative since it includes the reserve’s buffer zones.

Where applicable, the project will coordinate with the regional project “Conservation of the Biodiversity of the Páramo in the Northern and Central Andes”, financed by the GEF and implemented by UNEP. Although it does not intervene directly in the Ibarra – San Lorenzo corridor, appropriate lessons can be drawn from this project.

The IFAD-GEF project will be linked to and, where applicable, complement initiatives associated with productive projects holding potential for the recovery and management of secondary forests and buffer zones of protected areas. In particular, the IFAD-GEF project will establish synergies and coordinate as appropriate with other ongoing initiatives, such as:

The “Decentralized Natural Resource Development Support Project in Three Northern Provinces of Ecuador: Carchi, Imbabura and Esmeraldas” (PRODERENA), cofinanced by the European Union; the “Coastal Management Programme” (PMRC), cofinanced by the Inter-American Development Bank (IADB), in the marine and coastal region of San Lorenzo; and the project “Improving Living Conditions for Ancestral User Communities of the Mangrove Ecosystem in Esmeraldas Province”, being implemented by HIVOS, the European Commission and German Agroaction.

Regarding the PES/RES, the project will establish coordination with the experiences of the Municipality of Pimampiro (Imbabura), for watershed conservation, and the Comunidades Awa and Chachis of Esmeraldas, in collaboration with indigenous communities to avoid logging native forests.

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

E.1. Baseline scenario without the GEF intervention

National policies, described in section B above, are paying increased attention to the environmental degradation in the country, but lack of funds and other resources make them ineffectual. Within the project area there are some related initiatives (section D), but they have different scopes and geographical coverage, meaning that their impacts would be only marginal on the area within the Ibarra-San Lorenzo Corridor. In addition, poor coordination among stakeholders and organizations is limiting the impact of regulations and initiatives in the field, and jeopardizing the already fragile resource conservation and protection. This is evidenced by a continuing loss of vegetation cover, the ongoing forestry development and scarce sustainable production opportunities for local rural communities. In the absence of the IFAD-GEF project, degradation would continue in these ecosystems, in dry forests as well as cloud and humid tropical forests, as well as in mangrove swamps located in the corridor, with a resulting loss of biodiversity, ecological function and critical environmental services of global significance.

E.2. Alternative scenario with GEF intervention

The GEF proposal, blended with the overall IFAD project, will specifically support the objectives of the Plan Ecuador, reinforcing its coordination role, that will on its turn result in better integration among the several initiatives planned or ongoing in the region. The IFAD-GEF project will also help catalyze support from other donors and institutions to the region, and will strengthen the monitoring capacities of the MAE.

The IFAD-GEF proposal will ensure that the population carries on their socio-economic activities in an environmentally-friendly manner. More specifically, the IFAD-GEF intervention will help to: (i) facilitate opportunities to develop promising production alternatives and others associated with biodiversity use and management; (ii) design and implement compensation mechanisms for the sustainable use and protection of environmental services; (iii) empower the management capacities of national institutions, stakeholder groups and local organizations to manage biodiversity resources, water and landscapes, including upgrading their skills to provide associated services; (iv) improve local knowledge management and share best practices in natural resources use and management; and (v) strengthen intersectoral and interinstitutional relations and coordination.

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

F.1. Overall risks: The project area, along the northern border, presents specific security risks that must be taken into account. In the San Lorenzo border area, armed conflict in Colombia could generate insecure situations and limit actions. To the extent possible, project initiatives should be carried out in coordination with the Ecuadorian authorities in areas considered less exposed or vulnerable to such situations. The project resource allocation mechanism will include safety criteria to provide for actions in areas where citizens may be unsafe.

F.2. Institutional factors: The Ministry of Environment, the national authority on environmental issues, presents some weaknesses in technical capacity and logistical resources that have an impact on performance and could affect project implementation. As a mitigating measure, from the project's outset, coordination and decision-making mechanisms will ensure that the MAE and other strategic institutions play an important role in planning, monitoring, training and decision-making. Also, the environmental authority's technical offices and field units will be equipped adequately.

F.3. Participation: The project will promote social participation and support capacity-building for natural resources management, thus reducing any risk deriving from a lack of experience and adequate resources. In San Lorenzo there is a risk associated with the presence of enterprises – of medium and large size – engaged in the extraction of natural resources (forestry and mining), as well as oil palm cultivation. As a mitigating measure, alternative production opportunities will be identified to help diminish local tensions and lessen the appeal of the incentives provided by such activities for local people.

F.4. Financial resources: The main risk detected is that the project financing may not be sufficient to meet the communities' expectations and demands. A high level of frustrated expectations could lead certain stakeholders – public and private organizations and social and political stakeholders – to adopt negative attitudes that could limit the scope of project actions. This risk will be mitigated by disseminating information on project scope, participation and implementation mechanisms, and shared decision-making and accountability. This will ensure that the investments made to benefit the target population and the environmental authority maintain a high profile of relevance and consistency and are both replicable and sustainable. The leadership and presence of Plan Ecuador, with focus in the Northern region, plus the recent negotiation of a debt swap for nearly \$ 25 m with the Spanish government, will ensure complementary investments in the region.

F.5. Innovation: Compensation mechanisms for the use of environmental services that are difficult to implement could constitute a risk if users fail to grasp the importance of paying (or compensating) for conservation or as a result of ineffective instruments to channel payments to users that generate positive externalities. This risk will be mitigated by incorporating already established practices such as those of the Quito Water Fund (FONAG) and the municipality of Pimampiro (Bosque Nueva América), such experiences to be taken into account in developing compensation mechanisms.

F.6. Risks associated with climate change: The impact of global climate change on Ecuador's territory is evident in the increasing frequency of dry events such as La Niña and extremely rainy ones such as El Niño. Both are exacerbated by the effects of global warming, with a significant adverse impact on the national economy. The El Niño phenomenon causes flooding, landslides, soil erosion in areas without plant cover, and increased disease. The project will help prevent such risks and mitigate their consequences through the climate-proofing of the project, that will include the participatory assessment and mapping of risks, complemented with mitigative measures such as sustainable land management, protection of middle and upper watersheds, and reforestation activities that will also sequester carbon.

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

The approach proposed, integrated natural resources management at watershed level, is considered the most cost-effective way to mainstream forest and biodiversity conservation into the development process, because of its holistic considerations that at the same time include local priorities and concerns.

The employment of market-based mechanisms (PES/RES), as well as incentives (*concursons*) use, will facilitate the adoption of more and better biodiversity-friendly practices by the communities and *campesinos* of the project area. On the other hand, the PES/RES scheme to be designed will consider the learnings from the most relevant experiences at national and local level (Fondo de Agua Para Quito, Cuenca Municipality-Cajas National Park, etc.), to avoid the constraints (transaction costs, low collection rates, lack of institutional support, etc.) being faced by these compensation mechanisms.

With respect to implementation, IFAD, as both a United Nations agency and an international financial institution - through its long standing experience and ongoing programs - will provide essential strategic support in terms of investment and implementation and financial coverage. Since this GEF proposal will form part of the broader IFAD operation, its administration will be highly cost-efficient, with (a) a shared management structure (project management office), shared resources and efforts; (b) common operating and supervision procedures; and (c) complementary interventions to strengthen objectives and avoid duplication.

The GEF contribution accounts for nearly 20 per cent of total project costs, which represents an adequate resource mobilization from the cofinancing organizations (IFAD, the Government of Ecuador, participating municipalities and beneficiaries). The project management costs (12 per cent of the total) are appropriate, considering the specific difficulties of the northern area (dispersion, poor access, safety risk). GEF will defray 15 per cent of the cost for project management, with the remainder (85 per cent) to be covered by IFAD and the Government of Ecuador.

H. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:

The proposed activities relate to two Strategic Objectives (SOs) of the new Focal Areas Strategies approved under GEF 4 in 2007: LD SO 2 and BD SO 2. Both relate to IFAD's comparative advantages as set forth in the document approved by GEF's Board last June (GEF/C.31.5 rev.1). In addition to IFAD's acknowledged capacity in land degradation,

desertification and sustainable soil management, the Fund has extensive experience in the sustainable management of natural resources and biodiversity, particularly in connection with combating rural poverty.

The management of natural resources and biodiversity has been one of IFAD's priorities since the 1990s, as reflected in the new Strategic Framework 2007-2010. Several IFAD operations are contributing to the conservation of species and ecosystems, among them the Biodiversity Protection and Participatory Sustainable Management of Natural Resources in the Mopti Region Project and the Mount Kenya East Pilot Project for Natural Resource Management (Kenya). Other examples of integrated and community-based biodiversity management are the Sustainable Development Project for Rural and Indigenous Communities of the Semi-Arid North-West (Mexico) and the Second Environment Programme Support Project (Madagascar). Finally, in the environmental services area, IFAD is supporting an innovative initiative in Southeast Asia, "Rewarding the Upland Poor in Asia for the Environmental Services they Provide" (RUPES).

Forest conservation and use, mainly through community forestry, play a capital role in IFAD strategy, because of its importance and interdependences for poor communities and indigenous peoples. In the Latin America region, IFAD has been supporting and developing several initiatives related to SFM since the eighties. Among the most recent project focusing on the durable use of the forest resource are the "Rural development program for Las Verapaces" (Guatemala), that has introduced sustainable conservation practices; the project for "Enhancing the rural economic competitiveness of the Yoro" (Honduras), which is empowering small-scale farmers and indigenous Tolupan tribes of the Yoro department in central Honduras to better manage and preserve their forest resources; the "Participative Development and Rural Modernization Project" (Panamá), which support sustainable forest management activities in Veraguas province, and the project for "Strengthening Assets, Markets And Rural Development Policies In The Northern Highlands", that is introducing rewards for improvements in the management of natural resources, including measures for conservation of the only existing portion of higher rainforest on the Pacific coast (Lambayaque province).

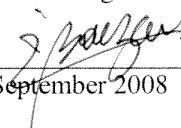
PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

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).

<p>Ms. Marcela Aguiñaga Vallejo GEF Operational Focal Point Minister Ministry of Environment Ecuador</p>	<p>Date: 4 August 2008</p>
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B. GEF AGENCY CERTIFICATION

<p>This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.</p>	
<p>Dr. Khalida Bouzar Coordinator Global Environment and Climate Change Programme Management Department IFAD</p> 	<p>Mr. Jesús Quintana Programme Manager Global Environment and Climate Change Programme Management Department IFAD</p>
<p>Date: 1 September 2008</p>	<p>Tel.: +39.06.5459.2210 Email: j.quintana@ifad.org</p>
<p><i>Please do not forget to copy the IFAD/GECC Registry on official communications, GECCRegistry@ifad.org</i></p>	