



PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

THE GEF TRUST FUND

Submission Date: 9 February 2009

Re-submission Date:

PART I: PROJECT IDENTIFICATION

GEF PROJECT ID¹: TBD PROJECT DURATION: 6 yrs

GEF AGENCY PROJECT ID: 41224

COUNTRY: Philippines

PROJECT TITLE: Agusan River Basin Integrated Water Resources Management Project

GEF AGENCY: ADB

OTHER EXECUTING PARTNER: Department of Environment and Natural Resources

GEF FOCAL AREAS: Biodiversity, International Waters

GEF-4 STRATEGIC PROGRAM(S): BD: SP-3,4,5,7; IW: SP-2

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: Coral Triangle Initiative (CTI) Program

INDICATIVE CALENDAR	
Milestones	Expected Dates
Work Program	March 2009
CEO Endorsement/Approval	December 2009
Agency Approval Date	February 2010
Implementation Start	April 2010
Mid-term Evaluation	March 2013
Project Closing Date	March 2016

A. PROJECT FRAMEWORK: Please refer to Pages 2-3.

B. INDICATIVE CO-FINANCING FOR THE 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	145,000	25,000,000	25,145,000
GEF Agency - ADB	grant	930,000		930,000
GEF Agency - ADB	loan		50,000,000	50,000,000
Total co-financing		1,075,000	75,000,000	76,075,000

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

	Project Preparation (a)	Project (b)	Total: C = a + b	Agency Fee
GEF	250,000	2,932,000	3,182,000	318,000
Co-financing	1,075,000	75,000,000	76,075,000	
Total	1,325,000	77,932,000	79,257,000	318,000

¹ Project ID number will be assigned initially by GEFSEC.

D. GEF RESOURCES REQUESTED BY AGENCY, FOCAL AREAS AND COUNTRY

GEF Agency	Focal Area	Country Name/ Global	(in \$)		
			Project (a)	Agency Fee (b) ¹	Total c=a+b
ADB	Biodiversity	Philippines	1,364,000	136,000	1,500,000
ADB	International Waters	Philippines	1,818,000	182,000	2,000,000
Total GEF Resources			3,182,000	318,000	3,500,000

¹Relates to the project and any previous project preparation funding that have been provided and for which no Agency fee has been requested from Trustee.

A. PROJECT FRAMEWORK

Project Objective: Improve water resource management, with government and the community working in partnership, to raise the quality and productivity of rivers and wetlands, sustain the natural biodiversity, and improve the productivity of the forest and agricultural lands in the Agusan River basin (ARB)								
Project Components	Indicate whether Investment, TA, or STA	Expected Outcomes	Expected Outputs	Indicative GEF Financing		Indicative Co-financing*		Total (\$) C =a + b
				(\$) a	%	(\$) b	%	
1/ Institutional Strengthening	Investment	(i) Institutions and organization(s) for basin management established, (ii) Basin management policy development and strengthened, (iii) Communities empowered (including livelihood activities)m and (iv) strengthened arrangement for DSS, data and information management	-Basin management arrangements established and recognized with official mandate -Qualified upland occupants provided with security of tenure -ADSDPPs prepared for Ancestral domain lands -Capacity building programs undertaken for key institutional stakeholders -support provided in making small-scale mining operations more sustainable (e.g., through appropriate site selection and promoting environment-friendly extraction) -Basin-wide water quality data collection and management system implemented and strengthened -Baseline data-gathering conducted, as required (e.g., flora, fauna, socioeconomic and hydrogeophysical surveys) to fill data gaps in order to support improved biodiversity/ ecosystem mgmt -information clearinghouse set up to facilitate data sharing and thereby support more effective preservation of biodiversity and overall river basin management	750,000	6.9	10,000,000	93.1	10,750,000

2/ Water Resources Management and Development	Investment	i) Improved water supply and sanitation in selected communities, (ii) improved flood control and drainage in ARB, and (iii) improved irrigation management including infrastructure development and rehabilitation.	- Water supply facilities developed -Interventions undertaken to optimize use of river and water resources -Flood control and drainage system projects updated and implemented -Drainage system master plans prepared -River bank protection structures constructed -Desiltation of rivers assessed -River irrigation projects are rehabilitated and expanded -New irrigation projects implemented -New irrigation projects identified and studied	0		40,000,000	100	40,000,000
3/ Environment enhancement and protection	Investment	(i) Improved water quality management in the basin and the coastal zone within the Coral Triangle, (ii) improved watershed management, and (iii) enhanced protection of biodiversity and improved wetland management	-Pilot organic fertilizer & biogas production facility constructed -Cluster sanitary landfills established - detailed watershed management plans prepared and implemented for all sub-basins -Reforestation initiatives undertaken in open, denuded, grassland areas -Management plans with ecological zonation prepared or updated for all PAs and proposed PAs in watershed -Advocacy undertaken to support adoption of formal protected area status for key biodiversity areas in upper Agusan watershed, especially within the E. Mindanao Biodiversity Corridor -Biodiversity monitoring program developed and operationalized for PAs and biodiversity hotspots/corridors -Pilot interventions developed for control of invasive species (primarily janitor fish and water hyacinth) -Feasibility studies conducted of options for payment for environmental goods and services, and other mechanisms for sustainable financing of conservation initiatives - Reduced nutrient and pollution loads in demo sites from point and non-point sources -Policies for watershed management harmonized (national/regional/local levels) -Institutional capacities for watershed management enhanced (national/regional level) - PA staff trained	2,000,000	16.6	10,000,000	83.4	12,000,000
4/ Disaster risk management & preparedness – including	Investment	(i) Strengthened preparedness for natural hazards, (ii) improved capacity for management and response to spills and accidents, and (iii) assessment of climate change adaptation needs and strategies	-Basin wide early warning and forecasting system established -Disaster risk management mechanism established	0		10,000,000	100	10,000,000
5. Project management				182,000	3.5	5,000,000	96.5	5,182,000
Total project costs				2,932,000	3.8	75,000,000	96.2	77,932,000

E. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? Yes ___ No x__

F. IF PROJECT INCLUDES A “NON-GRANT” INSTRUMENT, RESPOND TO THE FOLLOWING QUESTIONS:

a) Type of financing: please provide estimated amount for each type that will be provided by the GEF.

b) That type of mechanism will be supported by the GEF Agency to the beneficiaries?

c) If possible, provide the level of concessionality that will be offered. %

d) Exit strategy: how reflows, if any, will be used at the end of project.

G. DOES PROJECT PROMOTE SOUND CHEMICAL MANAGEMENT (if applicable)? Yes ___ No x__

PART II: PROJECT JUSTIFICATION

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

The Issues

The unique ecosystem of the Agusan Marsh and Wildlife Sanctuary (AMWS) is being threatened by (i) flooding; (ii) introduction of exotic, invasive plant and animal species such as water hyacinth (*Eichhornia crassipes*) and janitor fish (*Pterygoplichthys* spp.); (iii) hunting and trapping of wildlife species, (including native soft-shell turtle, crocodile, and fruit bats); (iv) illegal and destructive fishing practices (e.g., electric fishing); (v) severe siltation and stream bank erosion arising from mining and deforestation; (vi) discharge of harmful pollutants, especially mercury (Hg) from small-scale mining operations, and persistent pesticides from agricultural lands; (vii) conversion of land for paddy rice cultivation, fish ponds, and palm oil plantations; (viii) crop shifting, (ix) illegal timber poaching; (x) vegetation disturbance from use of firewood and charcoal for cooking; and (xi) unregulated in-migration. Many of these problems are occurring in the upper watershed areas of the river basin, but the impacts spill down and are felt throughout the watershed, especially in the lower basin. For example, Butuan City is periodically affected by flooding, and the waters and ecosystems of Butuan Bay are heavily silted and show high levels of mercury pollution. Adverse impacts are made more pronounced due to lack of an integrated institutional approach, the pressures of poverty that lead to overexploitation of natural resources, and relatively low levels of awareness of these natural resources threats within the communities in the greater river basin. If not adequately addressed, these problems will lead ultimately to loss of important biodiversity in the coastal marsh, riverine ecosystem, and throughout the greater watershed area, affecting ecosystem functioning throughout the river basin and the associated coastal ecosystem. Impacts from the discharge of pollutants and sediments may affect the estuary functioning of the Butuan Bay coastal ecosystems, which connect to an identified marine biodiversity corridor of global significance within the Coral Triangle. Such impacts on productivity in the nearshore region can reduce the larvae available for transport to the adjacent Sulu-Sulawesi Large Marine Ecosystem (LME).

Global Significance

Biodiversity: The Philippines is one of the 17 megadiversity countries, with more than 52,000 described species, of which more than half are found nowhere else in the world. As such, Philippine biodiversity forms part of the global heritage. The AMWS is one of the most treasured biodiversity sites in the Philippines, and is of global significance. The total area is about 658 sq km, although only about 192 sq km has been declared as a protected area (in 1996). A further 409 sq km is currently proposed for protection, pending congressional approval, with the proposed project adding impetus to this measure. Of the total protected area, approximately 144 sq km represents the core area, and the rest is buffer zone. The marsh is one of the largest wetlands in the Philippines and is registered under the Ramsar Convention (site No. 1009, effective Nov 12, 1999) as a Wetland of International Importance. The Marsh provides habitat for several species of wild ducks, herons, egrets and other migratory waterfowl. It also provides refuge for the rare Oriental Darter (*Anhinga melanogaster*) and Purple Swamp Hen (*Porphyrio porphyrio*) and the threatened Philippine Hawk Eagle, Spotted Imperial Pigeon and Rufous-lored Kingfisher. AMWS further provides an abode for threatened populations of Philippine crocodile and other endemic plant and animal species. The area is home to an indigenous people, the Manobo, who live deep inside the marsh on floating houses. The Manobo practice a traditional subsistence lifestyle, relying largely on the fish, invertebrates, and plants found in the wetland lakes for their survival.

Agusan Marsh is the catchment basin for waters flowing from the urbanized areas of Davao, Surigao and Bukidnon in eastern Mindanao. The Agusan River, which runs through the marsh, is the third longest river in the Philippines, and its watershed covers an area of some 11,932 sq.km. In addition to Agusan Marsh, the Agusan River Basin (ARB) also includes other significant biodiversity sites, all of which are linked together in a nearly-contiguous biodiversity corridor that stretches from the upper watershed ridges to the coast. Along with the AMWS, the Mainit Hotspring Protected Landscape (PL) enjoys full protected status, and several other sites in the watershed have also been proposed as protected areas (Mt. Hilong-hilong, and Mt. Tagub-Kampalili Range, proposed as PLS). Six of the country's key biodiversity areas (KBAs) identified in 2006 under the Critical Ecosystem Partnership Fund are included in the basin. These comprise Mt. Hilong-hilong (KBA 95); Mt. Diwata Range (KBA 96); AMWS (KBA 97); Bislig (KBA 98); Mt. Agtuuganon/Mt. Pasian (KBA 99); and Mt. Kampalili-Puting Bato (KBA 100). According to a report by Conservation International, the Eastern Mindanao Biodiversity Conservation Corridor (EMBCC) includes an area of almost 2 million hectares that extends from Siargao and Dinagat islands in the north, to the southernmost tip of the Davao Peninsula in the south. Within this corridor are found at least 69 threatened and over a hundred restricted-range species of plants and animals. The continued survival of critically endangered species including the Philippine eagle (*Pithecophaga jefferyi*, with about 10 nesting pairs known to currently occur in this corridor), the endangered Golden-crowned flying fox (*Acerodon jubatus*), Philippine cockatoo (*Cacatua haematuropygia*), and Cantor's Soft-shelled Turtle (*Pelochelys cantorii*), depends upon actualization of a mechanism for protecting and managing the EMBCC. Other threatened species occurring within the corridor that are susceptible to changes in broad-scale ecological processes, such as freshwater flow regimes and water quality, include the Philippine Duck (*Anas luzonica*), Philippine crocodile (*Crocodylus mindorensis*), Philippine Small-disked Frog (*Limnonectes parvus*), Mindanao Spiny Tree Frog (*Nyctixalus spinosus*), Mottled Bush Frog (*Philautus poecilus*), Smooth-skinned Tree Frog (*Philautus worcesteri*), and Asiatic Tree Frog (*Rhacophorus bimaculatus*).

International Waters: Waters from the Agusan River discharge into receiving waters in Butuan Bay in Northern Mindanao. Butuan Bay lies within the Bohol Sea, a sub-sea of the Sulu-Sulawesi Sea LME. This LME is shared across three nations—Indonesia, Malaysia, and the Philippines, and is at the heart of the most bio-diverse marine area in the world: the Coral Triangle. The LME is also a very rich fishing ground for large and small pelagics as well as demersal and reef fishes. The Moro Gulf and Sulu Sea, in particular, serve as major spawning grounds for tuna. Nutrients carried by the waters of the major rivers that discharge into the LME, including the Agusan, help to feed the zooplankton in the food chain that supports the diverse fish and invertebrate fauna of these seas. As identified in the Philippine Biodiversity Conservation Priorities (2002), Butuan Bay also lies along the Bohol Sea-Surigao Strait marine biodiversity corridor, which connects the open waters of the Pacific Ocean with the Sulu Sea. Larval transport along this corridor, and within the LME, is critical for maintaining the overall health of the ecosystem, and for seeding biodiversity throughout the surrounding sea area. This includes not only maintaining biodiversity per se, but also maintaining structural features such as coral reefs that protect shorelines against storm surge, and mangroves and seagrass beds, that also attenuate storm surge and help to filter and bind sediments. While water quality in some areas of the bay is degraded, other areas still have healthy corals and beaches which serve as nesting grounds for green sea turtle (*Chelonia mydas*).

The Proposed Project

The proposed project is a response to the need to place the ARB under comprehensive management in active partnership with the local government units, communities, other national government agencies and other stakeholders to ensure the optimum utilization and sustained delivery of benefits derived from the river basin. Such actions will achieve global benefits while improving the socio-economic well-being of the impoverished communities within the ARB, who in large part are directly dependent on the agricultural and natural resources found within the basin. The intended impact of the project is reduced poverty, improved health and living standards in the ARB, conservation of significant biodiversity and maintenance of the integrity of coastal ecosystem. The desired outcome of the project is improved water resource management, through effective implementation of an integrated “ridge to reef” system, with government and the community working in partnership to raise the quality and productivity of rivers and wetlands, biodiversity, forestlands, and agricultural lands in the ARB in a sustainable manner.

For biodiversity conservation, the project will adopt a large-scale system approach, based on the establishment of a network of close-proximity protected areas that form a functional biodiversity corridor. Because the effects of the Agusan River extend beyond the river basin itself, and influence the environmental health of the Sulu-Sulawesi LME and the broader Coral Triangle, it is envisioned that there is an opportunity to exchange information and lessons learned about

integrated river basin management, not only at a national level, but also at a larger, multi-country level. The main components of the project are detailed in Part I, A.

Expected Global Environmental Benefits

With GEF support, it is anticipated that globally-significant biodiversity can be preserved throughout the ARB, especially within the AMWS and other areas that might qualify for protected status in the upper watershed. This will be achieved through improved management of PAs, linking of PAs into a network that maintains a functional biodiversity corridor, improved public awareness, greater institutional coordination and cooperation for integrated river basin management, and demonstration of mechanisms for sustainable financing of conservation. Improving water quality in the river basin as a whole will lead to improvements in coastal habitats within the bay, and improved health, abundance, and diversity of larvae that are transported within the adjacent Sulu-Sulawesi LME, ensuring higher survival of marine biodiversity, with greater sustainability of related commercially-important fish stocks.

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

The GOP has given high priority to the conservation and sustainable management of its natural resources, including biodiversity. Beginning over a decade ago, GOP initiated a comprehensive assessment of biodiversity resources and formulation of a *National Biodiversity Strategy and Action Plan (NBSAP)*. DENR spearheaded the *Philippines Biodiversity Conservation Priority-setting Program*, a prioritization of biodiversity sites nationwide that ranks sites according to their importance in contributing to overall biodiversity within the country and according to the degree of urgency for conservation. Several laws have been enacted to further biodiversity conservation goals in the country, most significantly the *National Integrated Protected Areas System (NIPAS) Act of 1992 (Republic Act 7586)*. This act created the legal framework for establishing protected areas of national importance in the Philippines. Enactment of the *Local Government Code of 1991 (Republic Act 7160)* has empowered local government units (LGUs) to manage all resources contained within their municipalities. The Philippines' *Wildlife Resources Conservation and Protection Act of 2001 (Republic Act 9147)* establishes a framework for protection of threatened flora and fauna. The GOP has also supported and participated in initiatives to promote improved integrated management of river basins whose effects extend into coastal waters and even beyond territorial seas. Under the Environment and Natural Resources section of the Medium Term Development Plan 2004 - 2010, "Thrust No. 3" includes the protection of critical watersheds. Recently, the number of identified critical watersheds in the country has been increased to include some 140 river basins. These areas have been designated through joint efforts of DENR's FMB, and the NIA, in part through authority of PD 1550. In addition, through Executive Order No. 510, a River Basin Control Office has been established to guide the management of key river basins in the country (including the Agusan River), to reduce flooding, reforest watersheds, and ensure that clean water resources are maintained. The project is consistent with the overall government policy on economic development and poverty reduction including the provision of sustainable water for the country as reflected in the President's 10 Point Agenda for Growth, the Medium Term Development Plan (MTPDP), and the Philippine Strategy for Sustainable Development under the Philippine Agenda 21. This project is likewise in line with DENR's mandate on environmental protection and conservation of natural resources and supports the objectives of decentralization of natural resources management and devolution of responsibilities to LGUs and communities. It also consistent with the national policy of rationalizing river basin initiatives with the flood control projects of the DPWH.

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

The project is consistent with several GEF strategic programs within the biodiversity (BD) and international waters (IW) strategic areas, as follows: **BD-SP3: *strengthening terrestrial PA networks***: the PAs in the basin, especially those forming a biodiversity corridor in the upper watershed, will receive special focus for integration into a terrestrial PA network; **BD-SP4: *strengthening the policy and regulatory framework for mainstreaming biodiversity***: through the formation of a functional river basin organization, preservation of biodiversity resources will be better integrated into policies and practices of a range of agencies, and coordination among these will be improved; **BD-SP5: *fostering markets for biodiversity goods and services***: the project will demonstrate mechanisms for sustainable financing of the AMWS and other PAs in the Agusan Basin, through payment for environmental services, user fees, development of sustainable nature-based enterprises, and similar actions; **BD-SP7: *prevention, control, and management of invasive alien species***: the project will support and include actions for controlling some of the most problematic invasive species threatening biodiversity in the AMWS and the greater river basin, including the janitor fish and water hyacinth; **IW-SP2: *reducing nutrient over-enrichment and oxygen depletion from land based pollution of coastal waters in LMEs consistent with the GPA***: interventions will be initiated to reduce nutrient runoff from agricultural lands, through such methods as recycling

and waste management, and to control siltation, sedimentation, and discharge of harmful pollutants due to destructive practices in the upper watershed, all of which are believed to contribute to formation of oxygen-deficient ‘dead zones’ in parts of Butuan Bay.

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

GEF funds will be provided as grants to conserve the biodiversity and improve the quality and productivity of rivers and wetlands, forestlands, and agricultural lands in the Agusan River Basin (ARB). These funds will complement the grant and loan resources to be provided by the Government and ADB.

E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

This is a subproject under the GEF-ADB Coral Triangle Initiative (CTI) program, which will generate important local and global benefits as well as lessons that can be replicated elsewhere. One of the key problems being addressed by the CTI is land-based pollution affecting the integrity of coastal and marine ecosystems, and this project will be a flagship effort to tackle such problems under the program. Those involved with the project will be part of the wider CTI program network and will both benefit from information sharing and be expected to contribute to it. The project is included in the Philippines CTI National Program of Action and is consistent with the CTI Regional Program of Action as currently drafted.

The project also has natural linkages with several past, ongoing, and proposed initiatives. The AMWS was one of ten PAs originally established under the GEF/WB-funded *Conservation of Priority Protected Areas Project (CPPAP)*, completed in 2002. That project produced important lessons, many of which reflect difficulties that were encountered during implementation. Thus when implementation arrangements are being designed for the current proposed project, lessons learned from the CPPAP will be taken on board. While CPPAP activities in the ARB focused only on management of a single PA (the AMWS), the current proposed project seeks to establish and demonstrate a functional PA network on a larger landscape scale.

The *Rehabilitation and Sustainable Use of Peatland Forests in South-East Asia* is being supported by a GEF grant through the International Fund for Agricultural Development (IFAD), and with cofinancing support from several partners including the ASEAN Secretariat and the Global Environment Centre. Of the total grant, it is estimated that around USD260,000 will be available (through the country RAF) for conservation efforts in the Philippines, with the key intervention site centered on the peat forest in the AMWS. Interventions supported under this project are narrowly targeted in the 5,000 hectare peatland area² within the AMWS, and do not address larger issues in a watershed management context, as the present proposed project will. Activities for both the ARB project and the ongoing peatland conservation project will largely be coordinated through the Protected Areas Superintendent (PASu) office of the AMWS, and it is expected that these activities will be highly complementary.

The other related projects are the *Philippines-Australia Community Assistance Programme (PACAP)* and the *Second Mindanao Rural Development Project (MRDP-2)*. PACAP is being conducted with support from the Australian Agency for International Development (AusAID) and implemented through local NGOs. This project is conducting a range of subprojects relating to the AMWS, including (i) livelihood support and broadening of local participation in natural resource management; (ii) enhancing people’s participation in the management of the AMWS; (iii) community initiatives in river bank stabilization and river management; (iv) biodiversity conservation through ecotourism; and (v) buffer zone management. This project is coordinated mainly through the PASu’s office. MRDP-2 is being supported by World Bank and GEF funds. The project is aimed at reducing poverty among poor populations in Mindanao, improving food security, and improving preservation of biodiversity and sustainable land management. These areas of emphasis could complement the activities being proposed in the Agusan river basin.

The regional UNDP/GEF-funded project, *Partnerships in Environmental Management of the Seas of East Asia (PEMSEA)*, is a long-running, USD 28.5 million project in the International Waters focal area. The project aims to demonstrate best practices in pollution prevention in the marine environment, build institutional capacity, improve communications and awareness, and strengthen the legal framework for integrated coastal management and pollution

² This is only about 7.6 percent of the total area of the Agusan Marsh (65,800 hectares), and only 0.5 percent of the total area of the river basin, which covers over a million hectares.

prevention. Its objectives are complementary to those of the ARB project, and it is expected that liaison between the two projects will be achieved through information-sharing, coordination at workshops, seminars, task forces and similar mechanisms.

AsDB is planning to prepare an *Integrated Natural Resources and Environmental Management Program (INREM)* for the Philippines. The main thrusts of this program will be to promote improved management in the upper watersheds of several major river basins around the country, possibly in Mindanao and Northern Luzon. Possible GEF support for targeted interventions under this program is also being considered. The INREM and the ARB project share many of the same objectives, and both projects will be administered by the same GEF agency (AsDB). Thus it should be possible to ensure close coordination and mutual complementarity between the two projects.

Finally, UNDP is planning to submit a proposal to GEF for funding the *Philippines Biodiversity Partnership Program (BPP)*, valued at around \$6 million. It is expected that this program will have a strong focus on strengthening systems for biodiversity conservation, thus working at the national institutional level to effect change. It is anticipated that such initiatives would strongly complement the intended activities under the Agusan River Basin Integrated Water Resources Management Project. Should the BPP be approved, it will be important that close linkages are established with the Agusan project and the CTI program, to ensure that project interventions are harmonized, potential redundancies are avoided, and lessons are shared.

**F. DESCRIBE PROJECT-RELATED ACTIVITIES ADDRESSING THE SOUND MANAGEMENT OF CHEMICALS; OR
ADDITIONAL ACTIVITIES THAT COULD BE PURSUED IF FINANCIAL SUPPORT WAS AVAILABLE:**

Through the overall improvements in land use practices that will be promoted, it is anticipated that the project could yield indirect beneficial impacts resulting from reductions in runoff from agricultural lands, and reduced loading of persistent organic pollutants (POPs) and mercury entering the ARB ecosystem. Interventions aimed specifically at reducing POPs, however, fall outside the key focal areas of the project, and thus activities that specifically target POPs reduction will not be included under this project, though mercury reduction is expected as a project outcome.

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

Without GEF support, co-funding, and other leveraged assistance, it is clear that the trends toward environmental degradation in the ARB will continue. Some of the actions in the upper and middle river basin are having serious impacts that extend into the lower basin, and even affect water quality and survivorship of biodiversity in the international waters of the Sulu-Sulawesi LME as well. The GEF-financing will specifically address these biodiversity conservation and international waters management concerns. Destructive logging and mining practices that are causing heavy pollutant and silt loads to be discharged into Butuan Bay, will not be curtailed, unless awareness is raised and institutions for basin-wide management are effectively strengthened to address these and similar problems. In addition, GEF support is urgently needed to catalyze the strengthening of management of the AMWS PA, critical for protecting the rare and threatened species that utilize this area as habitat. Conservation efforts aimed at protecting remaining populations of the Philippine eagle and its habitat need to be strengthened in the upper Agusan watershed, as well. The most effective way of doing this, through GEF-supported activities, will be to take steps toward creating a network of PAs in the upper watershed that link biodiversity 'islands' into a functional, connected wildlife corridor. Thus, with GEF support, it is anticipated that globally-significant biodiversity resources can be better preserved throughout the ARB. Improving water quality in the river basin as a whole will improve the health, abundance, and diversity of larvae that are transported within the adjacent Sulu-Sulawesi LME, ensuring improved survival of marine biodiversity, and sustainability of commercially-important fish stocks.

H. 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:

G.1. The main risks, and corresponding measures to mitigate these, are as follows: (a) Weak enforcement of policies and regulations related to watershed management and management of other natural resources will be addressed by close coordination with national and local government agencies, and to the extent possible, by strengthening communities as key resource stewards; (b) lack of political will or poor governance will be minimized by careful selection of project partners (this will include local government agencies with demonstrated commitment to watershed management) and through close monitoring and guidance of project activities; (c) potential failure to establish a river basin organizationg

(RBO) will be addressed through extensive multi-stakeholder consultations, and through a logical, phased approach to RBO creation; and (d) possible lack of government counterpart funding will be addressed through mandatory loan covenants, and demonstration of feasible mechanisms for sustainable financing.

G.2. Climate change risks: Potential climate change risks include the intensification of periodic El Niño droughts; increased flooding, especially from a greater frequency and intensity of typhoons; and climate-related impacts on agriculture and infrastructure. The project will take these factors into consideration in planning the various interventions. Many of the proposed interventions are targeted specifically at adapting to climate-related impacts, for example, improving food security, strengthening disaster risk management, and improving flood control. The project will also contribute to climate change mitigation through increasing forest cover and conserving peatlands, both of which function as important carbon sinks.

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

As far as possible, the project will be managed and implemented using existing national and local institutional structures to minimize project management and overhead costs. Implementation of the project will depend upon a high level of coordination among various agencies and stakeholders at the national and local (provincial, municipal, and LGU) levels, as experience has demonstrated that coordinated policy making, and pilot project experience-sharing, can lead to sustainable and cost effective solutions. Another aspect of cost effectiveness is the significant co-funding and leveraging of resources that cofinanciers bring to the project. In addition, targeted project interventions (e.g., development of sustainable financing mechanisms for biodiversity conservation) are intended to ensure long-term sustainability of project benefits, thereby allowing added benefits to accrue over time, without increasing costs. It is also believed that the project will demonstrate cost-effectiveness through the generation of globally significant benefits, including conservation of important biodiversity, and optimization of the use, protection, and management of resources occurring in international waters. The modest GEF financial contribution will leverage approximately \$75 million in resources from ADB and Government financing for this project.

J. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:

ADB is serving as the lead GEF agency for the CTI program, under which this will be an important subproject. ADB also brings its comparative advantage as a financing institution by mobilizing both ADB and Government resources to complement the GEF contribution. GEF funding is critical for catalyzing and mainstreaming biodiversity conservation initiatives, and strengthening institutions to improve integrated river basin management for the project as a whole. Through the synergies created by the interaction between GEF-supported and ADB-funded activities, sustainability of project benefits will be enhanced.

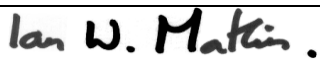
PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT AND GEF AGENCY

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

(Please see attached the [country endorsement letter](#)).

Analiza REBUELTA-TEH	Assistant Secretary, Foreign-Assisted and Special Projects Office	Department of Environment and Natural Resources	Date: 15 Dec 2008
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B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.	
 David S. McCauley Principal Environment Specialist GEF Agency Coordinator	 Ian Makin Senior Water Resources Management Specialist Project Contact Person
Date: 9 February 2009	Tel. and Email: imakin@adb.org ; (632) 632 5803