



# PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

THE GEF TRUST FUND

Submission Date: April 6, 2009

Re-submission Date:

## PART I: PROJECT IDENTIFICATION

GEF PROJECT ID<sup>1</sup>: TBD PROJECT DURATION: 6 YRS

GEF AGENCY PROJECT ID: TBD

COUNTRY(IES): Philippines

PROJECT TITLE: Integrated Natural Resources and Environmental Management Sector Project

GEF AGENCY(IES): ADB

OTHER EXECUTING PARTNER(S): Department of Environment and Natural Resources

GEF FOCAL AREA (S)<sup>2</sup>: BD; IW; CC

GEF-4 STRATEGIC PROGRAM(S): BD: SP- 4, 5; IW: SP-2; CC: SP-6 (LULUCF)

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

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

INDICATIVE CALENDAR*	
Milestones	Expected Dates
Work Program (for FSP)	June 2009
CEO Endorsement/Approval	Nov 2009
Agency Approval Date	Nov 2009
Implementation Start	Jan 2010
Mid-term Evaluation (if planned)	June 2012
Project Closing Date	Dec 2015

\* See guidelines for definition of milestones.

A. PROJECT FRAMEWORK: Please refer to Pages 2-4.

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
Project Government Contribution	In-kind	20,000,000
GEF Agency(ies)	Grant	2,000,000
GEF Agency(ies)	loan	80,000,000
Others	(select)	
<b>Total co-financing</b>		102,000,000

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

	Previous Project Preparation Amount (a)	Project (b)	Total C = a + b	Agency Fee
GEF		3,530,000	3,530,000	353,000
Co-financing		102,000,000	100,000,000	
<b>Total</b>		105,530,000	103,530,000	353,000

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

GEF Agency	Focal Area	Country Name	(in \$)		
			Project (a)	Agency Fee (b)	Total c=a+b
ADB	Biodiversity	Philippines	1,264,000	126,400	1,390,400
ADB	International Waters	Philippines	1,670,000	167,000	1,837,000
ADB	Climate Change	Philippines	596,000	59,600	655,600
<b>Total GEF Resources</b>			3,530,000	353,000	3,883,000

<sup>1</sup> Project ID number to be assigned by GEFSEC.

<sup>2</sup> Only those focal areas from which GEF financing is requested are indicated.

## A. PROJECT FRAMEWORK

(Note: Project components are just indicative. The components will be finalized in Phase II of the Project Preparation Technical Assistance.)

<b>Project Objective:</b> To restore productive capacity of critical watersheds, enhance biodiversity conservation and protected area networks and reduce poverty of dependent communities in selected watersheds in the Philippines								
Project Components	Indicate whether Investment, TA, or STA**	Expected Outcomes	Expected Outputs	Indicative GEF Financing*		Indicative Co-financing*		Total (\$) C =a + b
				(\$ ) a	%	(\$ ) b	%	
<b>1. Natural Resources Management Planning</b>	TA	<ul style="list-style-type: none"> <li>- Participatory planning process including baseline data gathering and overall data collection at the local and national level improved</li> <li>- Upper river basin management plans for selected watersheds completed</li> </ul>	<ul style="list-style-type: none"> <li>- Completed land use assessment, classification, planning and zoning and demarcation in selected watersheds</li> <li>- Completed participatory natural resource management plans</li> <li>- Functional and more accessible database for INREM planning</li> <li>- Baseline and monitoring information on bio-physical and hydrological resources, socio-economic and GHG emissions in selected watersheds and land-based pollution in Lake Lanao</li> </ul>	150,000	3	5,400,000	97	5,550,000
<b>2. Effective Management of Conservation and Protected Areas</b>	TA/Investment	<ul style="list-style-type: none"> <li>- Effective protection and management of conservation and protected areas that include national parks, IPAS (Integrated Protected Areas System) sites, nature reserves, proclaimed watersheds and priority watersheds</li> <li>- Improved overall productivity of watershed areas, especially capacity to produce water, benefits from biodiversity resources and other goods and services</li> </ul>	<ul style="list-style-type: none"> <li>- Operational management plans covering protected areas, including national parks, IPAS sites, nature reserves, proclaimed watersheds under operational management plans</li> <li>- Protected areas under biodiversity conservation and monitoring; operationalized biodiversity conservation programs</li> <li>- Completed climate change mitigation and adaptation plan in selected watersheds</li> <li>- Demonstration sites for PES (payments for environmental services) established and operational</li> <li>- Reduced nutrient pollution into Lanao Lake and into coastal waters affecting the Coral Triangle through appropriate infrastructure such as sewage treatment system(s)</li> </ul>	800,000	5	15,400,000	95	16,200,000

<b>3. Sustainable livelihood and micro-enterprises development</b>	Investment/TA	<ul style="list-style-type: none"> <li>- Enhanced quality of life for participating local households and communities.</li> <li>- Livelihood and/or income opportunities in local communities improved</li> <li>- Rural infrastructure including access road, bridges, culverts, small irrigation systems, and mini-hydro improved</li> <li>- Production forests under effective and sustainable management</li> </ul>	<ul style="list-style-type: none"> <li>- Improved access to microfinance, micro- and small enterprise development and private sector participation under an enabling policy and institutional regime and impacting on people</li> <li>- Rural infrastructure rehabilitated, including access roads, mini hydro and irrigations systems</li> <li>- Households benefited through stabilization of shifting cultivation in selected watersheds</li> <li>- Production forests under sustainable management in watersheds</li> <li>- IP development plans prepared and implemented in selected watersheds</li> <li>- Households benefiting from partnership with private sector in livelihood enterprise development</li> <li>- Participating households practicing improved farming systems that among other things result in reduced land-based inputs (agriculture and agroforestry activities) of nitrogen and other pollutants that drain river systems</li> <li>- Degraded forests rehabilitated through reforestation, agroforestry, timber plantations and assisted natural regeneration</li> <li>- Increase vegetative cover (increase in carbon storage capacity in watersheds and reduction of overall GHG emissions)</li> <li>- Forest areas protected from slash and burn activities (reduction of areas under slash and burn farming)</li> </ul>	1,100,000	2	61,200,000	98	62,300,000
<b>4. Establishment of an appropriate and enabling institutional and policy environment for INREM</b>	TA/Investment	<p>Policy and institutional barriers to integrated watershed planning and management addressed:</p> <ul style="list-style-type: none"> <li>- Institutional and organizational structure for effective INREM strengthened</li> <li>- Policies and operational guidelines for integrated watershed management incorporating biodiversity, land-based pollution and climate change strengthened and implemented</li> <li>- Capacities of institutions and stakeholders of INREM strengthened</li> </ul>	<ul style="list-style-type: none"> <li>- Program for enhancing institutional capacities for watershed management, biodiversity conservation, and climate change</li> <li>- Improved capacity of LGUs (local government units), POs (people's organizations), REDs (regional executive director) and personnel</li> <li>- Effective IEC formulated and implemented</li> <li>- Improved policy and operational guidelines for integrated watershed management</li> <li>- Tenurial instruments, e.g..CADTs (Certificate of Ancestral Domain Title), and CALTs (Certificate of Ancestral Land Title) issued</li> <li>- Institutionalization of sustainable financing mechanisms for watersheds and biodiversity conservation</li> <li>- Policy and institutional strengthening or changes to (a) reduce land based inputs of nitrogen and other pollutants and (b) reduce GHG emissions from land use, land use changes and forestry</li> </ul>	1,300,000	8	15,000,000	92	16,300,000
<b>5. Project management</b>				180,000	3	5,000,000	97	5,180,000
<b>Total Project costs</b>				3,530,000	3	102,000,000	97	105,530,000

\* Listed 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.

## **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 Philippine watersheds which constitute a large proportion of the total land of the country provide a vital resource in terms of water supply for sustainable agriculture, industrial and domestic use, source of livelihood for upland communities, and habitat for flora and fauna. As of 2007, the DENR through the Forest Management Bureau (FMB) and the National Irrigation Administration (NIA) have identified one hundred forty critical watersheds with a total area of some 4.4 million hectares covering 588,850 ha of service area (irrigation). The issues obtaining in the Philippine watershed and biodiversity resources sector include the following: (i) poverty incidence and degradation and overexploitation of watersheds and biodiversity resources; (ii) inadequacy of support to decentralized environment and natural resource management; (iii) multiplicity of institutions and ineffective and unstable policies; (iv) inadequacy of up to date resources information and capacity of stakeholders to carry out a more holistic approach to planning and implementation; (v) lack of incentives among dwellers and stakeholders to conserve or protect watersheds and biodiversity resources; (vi) inappropriate farming practices and undesirable land use conversion resulting in accelerated soil erosion, siltation, pollution of rivers that eventually reach coastal and marine waters, and increased GHG emissions; and (vii) unsustainable financing mechanism for the management, protection and conservation of these watersheds and biodiversity resources.

The degradation and overexploitation of watershed and biodiversity resources is a major contributor to poverty, inequality, and loss of livelihood among upland dwellers. Records from the FMB indicate that an average critical watershed has only about 30% forest cover and the rest are either open or denuded, grassland or cultivated. In addition it is also estimated that some 20 million of the poorest of the poor upland depend on these resources for their livelihood. Subsistence farming, a mixture of agriculture, forestry, and fishing, is the main source of livelihood. Unsustainable land use practices leading to accelerated erosion and degradation of these resources coupled with the increasing upland population, adversely impact on the lives and well-being of these upland dwellers making them even poorer and more vulnerable to economic factors and to impacts due to climate changes. Poverty incidence for families in the Philippines has increased from 24.4% in 2003 to 26.9% in 2006. Poverty incidence in all regions in Mindanao is higher than the national average. On the other hand Luzon has a poverty incidence of 20% but the Cordillera Administrative Region (CAR) has 28.8%. Both CAR and Mindanao have the largest population of indigenous people (IP). The present trend of increasing food prices is expected to increase poverty incidence and underscore the need to place these critical watersheds and biodiversity resources under sound management to arrest further degradation, and improve the economic well-being of dependent local communities.

The inadequacy of support to decentralized environment and natural resources management has in part contributed to the degradation of watershed and biodiversity resources. Unless LGUs and local communities are capacitated and provided the wherewithal to plan and carry out environment and natural resources management activities, the environment and natural resources will always be low in their priority.

The multiplicity of institutions, and ineffective and unstable policies have also exacerbated watershed degradation. Lack of institutional integration in planning and management is a major constraint in instituting a sustainable decentralized regime of integrated watershed management. This has resulted to fragmented approaches to watershed management and natural resource conservation in general. In addition, laws and regulations intended to prevent further degradation of watershed enacted failed to address the key areas of watershed management such as (i) conflicting land uses and practices within watershed areas, (ii) inappropriate land classification and disposition of watershed areas; (iii) continued encroachment and illegal occupancy; and (iv) lack of economic incentives for watershed protection by the LGUs. Finally, the frequent changes in top management of DENR and the corresponding changes in priority and policy directions along with it has also contributed to the confusion on matters relating to sustainable management of watershed and natural resources management.

The inadequacy of up-to-date and accurate resource information database and the capability of stakeholders also remain a big constraint to effective planning and integrated and holistic management. Although elaborate guidelines for integrated watershed planning are available, the resulting plan will not be sound and reliable unless the information upon which it is

based is fairly accurate and up to date. Likewise, the engagement of capacitated LGUs, local communities and other stakeholders in undertaking environment and natural resources management activities in their respective areas will certainly significantly contribute towards a more effective watershed and biodiversity resources conservation.

Undesirable forest land use conversion such as conversion of areas in steep slopes to agricultural use has not only contributed to deforestation and degradation of resources but also accelerated soil erosion and increased GHG emissions. Soil loss attributed to deforestation is estimated at 74 to 81 million tons per year and impacting on 77% of the total land area of the country. In addition, it is also estimated that deforestation contributed 20% of the CO<sub>2</sub> emissions in 2004 in the Philippines. The accelerated erosion along with climate extremes have rendered these lands infertile, forcing people to do more land use conversion resulting in more deforestation, erosion, and reduced carbon stocks and more GHG emissions.

Finally, watershed and biodiversity resources conservation initiatives are also severely constrained by financing mechanisms. Current funding from the national government appears to be inadequate as evidenced by the existing watershed management plan that are either partially implemented or not implemented at all due to funding constraints. Likewise, funding from development partners is also intermittent, there is adequate funding when projects are on-going but there is not enough to sustain the initiatives started by projects after the project completion. Hence in addition to the current sources of funding, there is a need to explore other funding mechanisms that are more sustainable.

### **The Proposed Project**

The proposed Project is a response to the need of the government articulated by the National Economic and Development Authority (NEDA) in the course of consultations conducted by ADB to address the degradation of natural resources and poverty incidence in 140 critical watersheds. The Project will employ an integrated watershed management approach with active participation and in partnership with the local government units, other national government agencies, local communities, NGOs, private sector and other stakeholders to ensure the restoration of these watersheds to their optimum capacity, the improvement of the socio-economic well-being of local communities, and the sustainable management of these watersheds and the biodiversity resources contained therein. Specific components are described in the Project framework. Two priority watersheds will serve as demonstration sites for this Project. These are Lake Lanao Watershed in the province of Lanao del Sur in Mindanao and Chico River Watershed of the Cordillera Administrative Region (CAR) in Northern Luzon. Since there are some 140 watersheds that have been categorized as critical, this Project could be replicated in some of these watersheds following successful implementation in these demonstration sites.

The Project envisions to have watershed resources in the upper river basins (URB) that are sustainably managed through the adoption of integrated natural resources management (INREM) approaches to optimize economic and ecological benefits for national development, social equity, and enhanced quality of life especially for the poor local communities. This would result in: (i) the arrest of degradation, overexploitation and rehabilitation of target watersheds to enable them to produce on a sustainable basis water and other environmental goods and services; (ii) reduction of poverty of local and dependent communities; and (iii) conservation of globally significant biodiversity, reduction of land-based pollutants of marine and coastal waters, and protection of carbon stocks and reduction of overall GHG emissions from land use and land use changes. The desired outcome is the adoption of financially sustainable and environmentally sound investment practices for integrated natural resources and environmental management (INREM) of watersheds in selected URBs facilitated by improved policies and institutions including a well defined role of each stakeholders, improved planning and participatory management, leading to enhanced socio-economic well-being of the local communities, the real custodians of these watersheds. The main components of the Project are detailed in Part I- A.

### **Expected Global Environmental Benefits**

The integrated watershed management approach enables this project to respond to a number of GEF focal areas with corresponding global environmental benefits.

*Biodiversity:* The Philippines is one of the 17 megadiversity countries, with more than 52,000 species, of which more than half are found nowhere else in the world. Consequently, the Philippine biodiversity forms part of the global heritage. Lake Lanao Watershed is an important biodiversity site in the Philippines that is of global significance. It was established under Proclamation No. 871 in 1992 and has an area of about 180,460 ha. Lake Lanao is considered one of the largest and deepest freshwater lakes in the country covering an area of 35,250 ha with a maximum depth of 112 meters and mean depth of 60.2 meters. The lake is home to 18 endemic species of freshwater fish and supports a large number of

waterfowls. Among other species, the lake is home to the native cyprinids consisting of 20 species of the genus *Barbodes* and several genera – *Mandibularca*, *Spratellicypris*, *Cephalokompsus* and *Capatulus*. These species are accordingly under threat by the introduction of predatory marine species such as white goby. In 2006 the Mindanao State University discovered massive algae contamination which was initially thought to have been caused by poor sewage and agricultural waste management but was later attributed to indiscriminate logging, extensive land use and farming. Though the watershed does not have a good baseline data for biodiversity, it was reported that in two barangays that were surveyed during the preparation of the Integrated Development Plan of the Watershed, 27 species of trees, shrubs, and vines were observed while 41 medicinal plant species were recorded. Likewise, available information also shows that there are six (6) bird species in the watershed. Among them are the *Halikyon chloris* (white collared kingfisher), *Corvus enea* (slender bird crow), and the *Dubulens ibis coromandus* (cattle egret).

All of Lake Lanao watershed is located within the province of Lanao del Sur. The lake is fed by four rivers. Agus river serves as its only outlet and flows southwest into Iligan Bay via two channels: one over the Maria Cristina Falls and the other over the Linamon Falls. The hydroelectric power plants in the watershed reserve supply 70% of the power requirements of Mindanao. Although it has not acquired yet the status of a fully protected area, it is itself a key biodiversity area<sup>3</sup> (KBA 109). The watershed contains or overlaps with two Key Biodiversity Areas, namely Munai/Tambo (KBA 108) cutting across Lanao del Norte and Lanao del Sur and Mt Piagayungan (KBA 110) which traverses North Cotabato, Maguindanao and Lanao del Sur.

The Chico River Watershed, proclaimed as watershed reservation in 1969 by virtue of Proclamation No. 573, has an area of 404,685 ha and straddles five provinces of the Cordillera Administrative Region (CAR) and contains part of a key biodiversity area, the Balbalasang-Balabalan National Park (KBA 5). A survey conducted by Haribon in 2001 indicated that it is home to at least 83 species of birds, of which 34 are endemic to the Philippines, while 2 – the Isabela Oriole (*Oriolus Isabellae*), and the Flame breasted fruit dove (*Ptilinopus marcheii*) can be found only in Luzon. The same survey also showed that it supports a diverse population of warty pigs, deer, civets, macaques, bats, and rodents. Of these, two are listed as endangered – Luzon pygmy fruit fly (*Otopteropus cartilagodonus*) and the Luzon bushy-tailed cloud rat (*Crateromys schadenbergi*). In addition, Chico River is a major river in CAR and is a main source of water for irrigation at its origin in Mt. Province for vegetable production and downstream in Kalinga for rice production, making that province as the rice granary of CAR. The watershed is home to the native Benguet Pine and other forest tree species. Dipterocarp species are also found in low lying areas. *Agathis philippinensis* (almaciga) and *Vitex parviflora* (molave), both threatened species, are also found in the watershed. Given that these watersheds are both important to the economy and to biodiversity conservation, it is expected that this Project will make not only a significant contribution towards sustainable management of these watersheds but also to economic development and to the conservation of important and key biodiversity areas that are globally significant. With support from GEF, it is anticipated that globally-significant biodiversity resources in these watersheds and in other watersheds where similar project initiatives will be replicated, can be better preserved and managed on a sustainable basis.

**International Waters:** Lake Lanao drains into Agus River and finally into Iligan Bay in Northern Mindanao. Iligan Bay lies in the southwestern part of the Bohol Sea, which is part of the wider Sulu-Sulawesi (Celebes) Sea LME<sup>4</sup>. Cutting across Indonesia, Malaysia, and the Philippines, this LME is as the heart of the most biodiverse marine area in the world, the Coral Triangle. It is known for its rich fishing ground for large and small pelagics with the Moro Gulf and Sulu Sea serving as rich spawning ground for tuna and other commercially-important species. Agus River, one of the rivers feeding into this LME, help to feed the zooplankton in the food chain that supports the rich fishing ground in this marine ecosystem. Thus it is critical that the overall health of Lake Lanao along with the rivers be maintained as this will significantly impact on the overall health of the Agus River feeding into Iligan Bay, the mangrove areas in the bay area, the Bohol Sea, the spawning grounds in the Moro Gulf and Sulu Sea and the entire LME

**Climate Change:** Deforestation and associated land degradation is a significant contributor to GHG from the Philippines, and its consequent climate change impacts. An estimated 20% of CO<sub>2</sub> emissions in 2004 in the Philippines were the result of land-use changes, including deforestation, slash-and-burn farming, illegal logging, forest fires, among others. The

---

<sup>3</sup> The goal of KBA approach is to identify, document, and protect networks of sites that are critical for the conservation of globally important biodiversity; KBAs are identified using simple, standard, criteria based on the conservation planning principles of vulnerability and irreplaceability (Conservation International, DENR-PAWB, & Haribon Foundation, 2006). The KBA approach has been adopted by the Philippine government.

<sup>4</sup> LME – large marine ecosystem

situation in both Lake Lanao and Chico Watersheds mirrors the national situation. The uncontrolled land use conversion in Chico River Watershed such as the clearing and burning of a substantial part of the mossy forest in Mt. Data in the municipalities of Bauko in Mt. Province and Tinoc in Ifugao to give way to vegetable gardens is a major contributor to GHG emissions. Other factor contributing to GHG emission include the practice of slash and burn agriculture, illicit cutting of existing forest stands, forest fires and indiscriminate burning of grasslands. Taken together, all these activities have no doubt significantly contributed to the increase global GHG emissions. Thus it is critical to address drivers of undesirable land use changes, strengthen policies and institutions and effectively enforce laws to protect existing forests and when feasible increase forest cover to reduce emissions and increase capacity for carbon sequestration.

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

The Project is consistent with the overall government policy on economic development and poverty reduction as reflected in the President's 10 Point Agenda for Growth, the Philippines Medium Term Development Plan (MTPDP), and the Philippine Strategy for Sustainable Development under the Philippine Agenda 21. It is also in line with the mandate of DENR. Executive Order (EO) 192 provides, among other things, that DENR will be the primary government agency responsible for the conservation, management, development, and proper use of the country's environment and natural resources. Similarly, the Project also supports and is consistent with relevant legislations. Republic Act (RA) 7160, otherwise known as the Local Government Code, also provides among other things the scope for the active frontline participation of LGUs in watershed management particularly in relation to devolved functions of agencies. It gives power to the LGUs as comprehensive managers of all the natural resources found within their jurisdiction. RA 7586, also known as (National Integrated Protected Areas System) NIPAS Act of 1992, supports the mandate of the government to delineate and place under sustainable management all protected areas in the country and establishes a comprehensive system of integrated protected areas within the classification of national parks to secure the sustainable existence of all native flora and fauna and conserve biodiversity. RA 9147, the Philippines Wildlife Resources conservation and protection act of 2001, established a framework for protection of threatened flora and fauna. The promulgation of Executive Order (EO) 318 enshrines the policy of the government to pursue the sustainable management of forests and forestlands in watersheds. It also provides that watersheds be managed in a holistic, scientific, rights-based, technology-based, and community-based manner, and observing the principles of multiple-use, decentralization and devolution, and active participation of LGUs, the synergism of economic, ecological, social and cultural objectives and the rational utilization of all resources found therein. Very recently, EO 606 (Sustainable Upland Development) was issued and it provides a framework for upland development and spells out the policy of the government to pursue sustainable upland development by ensuring a proper balance between ecological and economic concerns.

It is clear from the above legislation and policy directives that the government of the Philippines has given high priority to the protection, conservation and sustainable management of its natural resources and protected areas including biodiversity. The government has initiated a comprehensive assessment of biodiversity resources and formulation of a National Biodiversity Strategy and Action Plan (NBSAP). Subsequently, DENR spearheaded the *Philippines Biodiversity Conservation Priority-setting Program*, a system for prioritizing biodiversity sites nationwide according to the degree of urgency for conservation. Balbalasang-Balbalan National Park is conservation priority area (CPA) No. 9 while Lake Lanao is CPA No. 133 out of 206 conservation priority areas. Likewise, the government has also supported and participated in initiatives promoting integrated management of river basins whose effects extend into coastal waters and even beyond territorial seas. The protection of critical watersheds is included in "Thrust No. 3 of the Environment and Natural Resources section of the MTDP 2004 – 2010.

#### **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), international waters (IW), and climate change (CC) focal areas, as follows: **BD-SP4: *Strengthening the policy and regulatory framework for mainstreaming biodiversity*** – the strengthening of policies and institutions is one of the major components of this Project and capability building of LGUs, local communities and other stakeholders are among the initiatives that will be pursued and they are anticipated to significantly contribute towards the integration of the management and conservation of watershed and biodiversity resources into policies and practices of LGUs, local communities and other stakeholders; **BD-SP5: *Fostering markets for biodiversity goods and services*** – again, through sustainable financing mechanisms, the Project will explore and demonstrate the application of payment for environmental services and user fees, and development of watershed and biodiversity resources-based and community-based enterprises and in the process promote markets for watershed and biodiversity goods and services; **IW-SP2: *Reducing nutrient over-enrichment and oxygen***



*depletion from land-based pollution of coastal waters in LMEs consistent with the global program of action (GPA) – In Lake Lanao Watershed, the Project will initiate interventions that are expected to contribute to the reduction of nutrient runoff from agricultural lands and agro-forestry areas, through the improvement of farming practices and restoration of vegetative cover to reduce soil erosion, siltation, sedimentation, and discharge of harmful pollutants all of which are believed to contribute to formation of oxygen-deficient coastal waters of Iligan Bay and Bohol Sea where the rivers feeding into Lake Lanao and the Agus River out of Lake Lanao eventually end; CC-SP6: Management of land use, land use change and forestry (LULUCF) as a means to protect carbon stocks and reduce GHG emissions – Through the strengthening of policies and institutions, effective enforcement of environmental laws especially on forest protection, sound management the watersheds including protected areas, improved farming and agroforestry practices, assisted natural regeneration and reforestation or rehabilitation of the watershed and protected areas, carbon stocks will be effectively protected, GHG emissions will be reduced and capacity for carbon sequestration will be increased. Through the ADB grant, REDD measures will be demonstrated in selected watersheds.*

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

The GEF funds will be provided as grant that will be blended with the baseline investment (loan) project and grant financing from ADB with regard to mitigating greenhouse gas emissions from deforestation and other land use change. The government is already making huge investments in integrated watershed management in key critical sites in the country through its internal funds and through the ADB loan. As discussed in the earlier sections, the GEF funding is geared towards the achievement of global environmental benefits by grant-financing critical components. There is no scope for the establishment of a revolving fund in the Project and a loan will add burden to the government and the beneficiaries.

**E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:** This is a sub-project under the ongoing ADB-led GEF Coral Triangle Initiative (CTI) Program, and it will take advantage of the CTI Partners network to ensure good coordination with other "ridge-to-reef" water and coastal resources management efforts being conducted under that umbrella – facilitated by the IW:Learn CTI subproject. The Project also has strong linkages with on-going and proposed initiatives. Currently there are at least ten on-going and proposed initiatives closely related to this proposed Project. Among these projects are: (a) The UNDP/GEF-assisted Partnerships in Environmental Management of the Seas of East Asia (PEMSEA); (b) The ADB/GEF-assisted Agusan River Basin Integrated Water Resources Management Project; (c) UNDP/GEF-assisted Expanding and Diversifying the National System of Terrestrial Protected Area; (d) IBRD/GEF-assisted Climate Change Adaptation Project, Phase I; (e) UNDP/GEF-assisted National Capacity Self- Assessment (NCSA) for Global Environmental Management; (f) IBRD/GEF-assisted National Program Support for Environment and Natural Resources Management Project (NPS-ENRMP); (g) IBRD/GEF-assisted Mindanao Rural Development Program Phase II – Coastal and Marine Ecosystem Conservation Component. The proposed UNDP project – Biodiversity Partnership Program will be closely aligned with this project. Coordination with these related initiatives will be done through the conduct of meetings, workshops, and seminars participated in by development partners and other stakeholders to enhance complementation and minimize overlaps. In addition, coordination will also be enhanced through the regular meetings and active participation in Project activities of the members of the inter-agency technical working group (ITWG) composed of representatives from different agencies (NEDA, Department of Environment and Natural Resources (DENR), Department of Agriculture (DA), Department of Agrarian Reform (DAR), National Commission on Indigenous Peoples (NCIP), National Irrigation Administration (NIA), River Basin Control Office (RBCO), Department of Public Works and Highways (DPWH), National Water Resources Board (NWRB) and Department of Interior and Local Government (DILG). Coordination will also be enhanced through active participation of representatives of the proposed Project meetings and other activities of the upland development sub-working group and the sustainable rural development working group of the Philippine Development Forum where current policy issues and gaps are discussed and relevant experiences are shared among participants.

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

The baseline investment Project aims to address local development goals while the GEF support will enable the Project to focus on achieving global environmental benefits and strengthen their synergies. Activities in these watersheds (Lake Lanao and Chico River Watersheds) that have serious negative local and global impacts will be addressed. These will



include, among others, undesirable land use conversion, destructive and illegal logging, forest fires, and highly erosive farming practices especially on steep slopes that are causing heavy siltation and sedimentation on the river systems. Through the GEF support, integrated planning covering the entire watershed, intensive awareness campaign and improvement of farming practices will be provided and policy and institutions for a more effective integrated basin-wide management will be strengthened, to reverse the trend toward environmental degradation and overexploitation of watershed resources. The terrestrial and riverine management of many of these rivers systems also have "ridge-to-reef" consequences for the integrity and productivity of related coastal and marine ecosystems in delta regions, and the project will greatly improve attention to these relationships and demonstrate new approaches to incorporating such considerations into watershed management policies and practices in the Philippines. Lessons learned will be shared through the CTI and IW:Learn networks.

GEF support will catalyze the strengthening of policies and institutions focusing on the sustainable management of watersheds and biodiversity resources, reduction of land-based pollution, and protecting carbon stocks and increasing capacity for carbon sequestration. These outcomes are critical to the protection and conservation of rare and threatened species living in these areas. The GEF support will also facilitate the exploration and development of sustainable financing mechanisms, including the demonstration of the application of payment for environmental services, to ensure financial sustainability of managing watersheds and biodiversity resources. Consequently, it is anticipated that with GEF support, globally-significant biodiversity resources can be better preserved and protected initially in Lake Lanao and Chico River Watersheds and later in watersheds where the interventions will be replicated.

**G. 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 them, are as follows: (i) possible lack or insufficient government counterpart funding – this will be addressed through mandatory loan covenants and development of a feasible sustainable financing mechanism; (ii) lack of political will or poor governance – this will be addressed by careful selection of Project partners, awareness campaign, putting emphasis on participatory approach, and effective monitoring and evaluation of Project activities; (iii) weak enforcement of policies and regulations related to watershed management and biodiversity conservation – this will be addressed by close coordination with national and local government agencies, local community and stakeholders mobilization to enable them to participate more actively in natural resource management and conservation management; and (iv) peace and order situation – this will be addressed by close coordination and consultation with all stakeholders and local leaders.

G.2. Climate change risks: Potential climate change risks include increased flooding and landslides; intensification of periodic El Niño droughts; and climate-related impacts on agro-forestry and infrastructure and other facilities. These risks will be carefully analyzed and their corresponding mitigating and adaptation measures will be articulated in the climate change mitigation and adaptation plan that will be formulated in this Project. Some of the proposed Project interventions are aimed at climate change mitigation and adaptation. These are reforestation of open and denuded areas, management and conservation of existing forests, improvement of agro-forestry practices to minimize soil erosion, use of more drought-resistant species for agro-forestry farming; stream bank stabilization to minimize landslides; and overall restoration of watershed capacity to increase water production and help increase food production and ensure food security.

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

The cost effectiveness of the Project will be enhanced through the following: (i) using existing national and local institutional structures in the management and implementation of the Project so as to minimize project management and overhead costs; (ii) strengthening of coordination among national and local (provincial, municipal) levels so as to enhance Project sustainability and cost effectiveness; (iii) capacity building and empowerment of LGUs and local communities and stakeholders thereby increasing a sense of project ownership and help ensure sustainability of project benefits; (iv) leveraging of resources as a result of co-funding from ADB, GEF and the government; (v) implementation of interventions such as development of sustainable financing mechanism for watershed and biodiversity resources conservation to help ensure long-term sustainability of project benefits; and (vi) generation of globally significant environmental benefits resulting from synergy of ADB-financed and GEF-supported activities. In addition, the entire project will be assessed against ADB's standard measures that include EIRR (Economic Internal Rate of Return) and FIRR (Financial Internal Rate of Return).

**I. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:**

The proposed Project which is a combination of investment and technical assistance is within the comparative advantage of the ADB. ADB is the lead GEF agency for the Coral Triangle Initiative Program, of which this is a subproject. ADB also has been and is a major development partner of the Philippines particularly in the area of natural resources and environmental management and has developed close institutional collaboration and coordination with DENR and other concerned agencies. With the long history of providing assistance to various projects in the country, ADB has accumulated valuable lessons that can be used to help ensure the successful design and implementation of this Project. The synergy created by the ADB-supported and GEF-funded activities is expected to facilitate the mainstreaming of watershed management and biodiversity conservation initiatives and consequently improve the sustainability of project benefits.

**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).

Analiza REBUELTA-TEH	Assistant Secretary, Foreign-Assisted and Special Projects Office	Department of Environment and Natural Resources	Date: 27 March 2009
----------------------	---	---	---------------------

**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.

Agency Coordinator, Agency Name	Signature	Date (month, day, year)	Project Contact Person	Telephone	Email Address
Daniele Ponzi		April 6, 2009	Ahsan Tayyab	+(632) 632 5333	<a href="mailto:atayyab@adb.org">atayyab@adb.org</a>