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Designing a Payment for Ecosystem Services (PES) Project in Taytay, Palawan: Establishing the Benchmark



Lake Manguao. Photo Angelo Jose Lumba

Abstract: Palawan is one of the main tourist attractions in the Philippines due to its pristine condition. However, the municipality of Taytay in Palawan has not fully explored its tourism potential compared to the neighboring municipalities of Coron and El Nido. The Coastal and Marine Resources Management in the Coral Triangle – Southeast Asia (CTI-SEA) project aims to pilot-test a Payment for Ecosystem Services (PES) scheme as a financing strategy to fund the sustainable management of marine protected areas (MPAs) in Taytay. Stakeholders identified tourism as the focus of PES. The effective implementation of a PES system can generate funds for the local government and other stakeholders to use to sustainably manage their coastal resources and ensure the much needed ecosystem services.

As the first step in PES implementation, a comprehensive benchmarking study was carried out under CTI-SEA, which generated information on the current physical, ecological, and socioeconomic features of the municipality of Taytay. This experience note, the first in a series, describes the methodology used in, and the importance of, the conduct of the benchmarking study. It will serve as the foundation for a solid PES framework for Taytay and ensure the sustainability of its ecotourism services.

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Coastal and Marine Resources Management in the Coral Triangle–Southeast Asia (CTI-SEA)



Quimbaludan Beach. Photo Benjamin Gonzales

Designing a Payment for Ecosystem Services (PES) Project in Taytay, Palawan: Establishing the Benchmark

Experience of the GEF/ADB-sponsored
Coastal and Marine Resources Management in the Coral Triangle-Southeast Asia (CTI-SEA)
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PROJECT DESCRIPTION

The Coastal and Marine Resources Management in the Coral Triangle-Southeast Asia (CTI-SEA) aims to increase the resilience of coastal and marine ecosystems and human communities in Indonesia, Malaysia, and the Philippines (also referred to as the CT3) through improved management of coastal and marine resources in the Sulu-Sulawesi Marine Ecoregion (SSME) priority seascape. It will support the introduction of more effective management of coastal and marine resources, especially those associated with coral reef ecosystems, to build their resilience in a period of increased threats arising from human-induced and climate change impacts.

One of the goals of CTI-SEA is to identify sustainable financing (SF) strategies to fund marine protected area (MPA) management in the CT3. These strategies may include:

- Imposition of users' fees, levies, and surcharges;
- Setting up of trust funds (endowment, sinking, or revolving funds);
- Receipt of grants from GEF, international and bilateral agencies, private corporations, or large international or national NGOs; and
- Application of a payment for ecosystem services (PES) scheme.

PES is a highly promising source of funding for environmental conservation and management efforts (Wunder, 2005). In Taytay, Palawan, one of CTI-SEA's project sites in the Philippines, the rich marine resources provide a variety of ecosystem services (ES). The aim is to carry out a PES scheme that will create earnings and help the local government and other stakeholders sustainably manage the coastal resources and the ES that they provide. After CTI-SEA held consultations, stakeholders agreed to focus on tourism as the main ES under the PES scheme.

THE EXPERIENCE

Issues

Palawan is one of the Philippines most sought after tourist destinations because of its almost pristine environment. In 2013, more than half a million tourists visited the province, particularly Puerto Princesa and the municipalities of Coron and El Nido. Recently, Taytay, which is in northeastern Palawan, has been identified as an emerging tourist destination. The municipality can offer a vast range of tourism products and services, which include islands, beaches, caves, and lagoons; dive spots; wildlife; terrestrial tourism spots such as agro-tourism sites, aquaculture farms, nature trails; and heritage sites.

Between 2010 and 2011, the total number of tourist arrivals in Taytay increased by 48%, but this figure is relatively low compared to the figures in neighboring municipalities. Data from 2010-2014 showed that the municipality did not even reach the 10,000 mark per annum, with only 9,548 visitors in 2011 (Matillano, 2014). While Taytay has a lot to offer in terms of tourism services (both in the marine and terrestrial areas), these are being threatened by anthropogenic interventions and extreme climatic events. Thus, strategies to address these issues must be developed. One such management strategy is implementing a PES scheme.

Addressing the Issues

A team of researchers from the Western Philippines University (WPU) in Puerto Princesa City, led by the CTI-SEA's international Sustainable Finance Specialist, Dr. Lope Calanog, held several stakeholder consultations to prepare for the PES project. PES is considered one of the most efficient approaches to natural resources management. If properly done, it can be a steady source of financing for conservation and protection efforts and, thus, promote sustainable management of the ecosystem (UNEP, 2008). Table 1 shows the definition of PES, the rationale for it, and the reasons why tourism was chosen as the most appropriate subject of PES for Taytay.



Figure 1. Daybreak at Manguao Lake. The lake is home to globally and locally-threatened species. Hiking, bird watching, camping, fishing, fish spa, butterfly watching, and kayaking can be done within the vicinity. These ecotourism activities can help promote the conservation of the lake while providing additional income to residents. Photo Joie Matillano

Table 1. Definition of PES and Rationale for Focusing on Tourism as Main PES Activity in Taytay

What is PES?



PES is a voluntary transaction where in a well-defined ecosystem service (or a land-use likely to secure that service) is being 'bought' by an ES buyer (minimum of one) from an ES provider (minimum of one), if and only if the ES provider secures ES provision (conditionality) (Wunder, 2005).

Why do PES?



PES is perceived as a promising and efficient approach that allows for the protection of ecosystem services by integrating them into the market system.

Why Tourism?



Given the condition in Taytay and its rich natural resources, tourism was identified as the most appropriate ecosystem services for PES. Tourism is under the "cultural services" category set by the Millennium Ecosystem Assessment of UNEP (2008).

4 COMPONENTS OF PES IN TAYTAY



1 Establishing a comprehensive benchmark



2 Conducting of willingness to pay study



3 Designing a PES scheme which will include:

- identification of ES, ES users, ES buyers, and ES knowledge/technical providers;
- agreement on payment scheme to be adopted under the PES deal; and
- formulation of instrument that will provide the framework in undertaking the PES. This will specify the roles and responsibilities of all the ES players in the PES deal.



4 Pilot-testing of the PES Project

SOME BENEFITS OF PES



PES can be a source of funding and financing for the conservation and protection of resources. Among others, PES could provide the basis for charging user fee for the use of resources.



PES can be used as basis to create policies. PES can be incorporated in the creation and formulation of environmental policies that can help in promoting sound management of natural resources.



PES can act as a conservation tool. It can help in preserving existing marine habitats by providing local communities with alternative sources of income (i.e., coast guard).

TAYTAY'S POTENTIAL FOR TOURISM



Taytay serves as the stopover destination for tourists coming from Puerto Princesa, who are bound for El Nido.



It has the capacity to supply the food needs of big resort facilities like rice, fish, meat, fruits, and vegetables.



Taytay will soon renovate its airport and ferry facilities that can easily provide easy access to tourists at lesser cost and shorter travel time.



Support facilities are available to ensure the health, communication, safety, recreation, etc.



It has islands that can easily qualify as world-class tourist destinations like Apulit Island, Flower, Pabellon, Quimbaludan, Texas, Denot Islands, etc.



Figure 2. Luxurious leisure. Noanoa Island is offered as an exclusive full island package with top-of-the-line facilities. The house reef of the island is also one of the best in Taytay Bay. Photo Joie Matillano

This experience note is the first in the CTI-SEA PES Experience Note Series. It gives an overview of Component 1 (Establishing the Benchmark) of the PES scheme and outlines the specific data and information produced by the study, which will be used in the design of the specific PES scheme for Taytay.

RESULTS AND LEARNING

In establishing a comprehensive benchmark, the aim is to have a thorough understanding of the status and condition of the biophysical and socio-cultural profile of an area. This will serve as the basis for designing a workable PES scheme. Benchmarking started in August 2014 and was completed in December 2014. Specific activities included the following:

1. **Analysis of the current status, trends, and potentials of tourism in Taytay.** The data and information generated include:
 - Existing tourist destinations/attractions and products and services;
 - Potential tourism products and services that can be developed in the future;
 - Existing and relevant tourism laws, policies, rules and regulations, and gaps among these at the national, provincial, local levels, and support services to tourism development;
 - Tourism service providers and users;
 - Threats to tourism development and their relation to PES formulation and implementation; and
 - Appropriate management measures to make tourism and PES work in Taytay.

2. **Assessment of the existing condition of marine resources in Apulit, Pabellon, Teras, and Quimbaludan Islands and other tourism potential islands in Taytay.** This sub-component included discussions on:
 - Current condition of marine resources, such as coral reefs, macro invertebrates, and marine macrophytes in the various islands surveyed;
 - Status of fisheries in the islands, particularly in terms of catch per unit effort (CPUE) by gear, species composition relative to trophic level, size distribution by fish species, and exploitation status for pelagic and other species;

- Identified users and beneficiaries of these marine resources;
 - Major threats to marine resources and recommended management strategies to address these; and
 - Existing marine resources can meet the requirements without jeopardizing the natural processes for sustained tourism operations in the municipality.
3. **Determination of the total economic value of resources in Taytay Bay.** PES is anchored on the premise that ecosystems and their various ecosystem services have quantifiable economic values. This sub-component of the benchmarking activities provided valuable information on the following:
- Estimates of the economic values of the marine resources in the islands surveyed;
 - Estimates of the cost of losses due to the absence of protection of marine resources;
 - Identified potential sellers and buyers of ES of these marine resources;
 - Estimates of the market prices of these ES; and
 - Estimates and analysis of the market demand of tourism in Taytay.
4. **Identification of the socio-demographic characteristics and institutional arrangements that can be used as framework for the PES deal.** This sub-component provided an understanding of the social, economic, institutional, and political conditions of stakeholders in the survey sites, particularly on the following:
- Socio-economic profile and institutional/social structure in relation to tourism and tourism development;
 - Relevant laws, policies, ordinances, regulations, and support services that may affect tourism development;
 - Social and institutional/political threats besetting the community and how these will influence PES; and
 - Recommended management measures and strategies to address these threats.
5. **Detailed results of the benchmarking activities and methodologies applied.** These will be discussed in upcoming Experience Notes to be prepared in the PES series:
- PES Benchmarking: Ecotourism Status and Condition in Taytay, Palawan;
 - PES Benchmarking: Marine Resources Assessment in Taytay, Palawan;
 - PES Benchmarking: Resource and Economic Valuation in Taytay, Palawan;
 - PES Benchmarking: Institutions and Socio-economic Profiling in Taytay, Palawan;
 - Coral and *Taklobo* (Giant Clam) Gardening: Piloting the PES scheme in Taytay, Palawan;
 - Promotion of PES in Taytay, Palawan; and
 - PES: Establishment of Conservation Trust Fund.

Lessons Learned

As the first step in designing a PES scheme, benchmarking turned out to be a challenging task. There are many factors that need to be considered to ensure that this component activity is carried out successfully. Otherwise, it would be difficult, if not impossible, to design an appropriate PES scheme for a given area. There were two lessons learned based on CTI-SEA's experiences—know your key stakeholders and partners and include them in the PES process (Fig. 3).

1 Know your key stakeholders and partners



Early Adopters

While it is anticipated that not everyone would immediately support the adoption of the PES concept, **working with a small core group of core partners and early adopters** from the community can help move the concept forward.



Technical Partners

It is essential to have **technical partners and knowledge providers** to help explain PES, simplifying technical terms for the easy understanding of the concept.



LGU Officials and Recognized Leaders

The support and endorsement of **LGU officials and recognized community leaders** is critical to winning the trust and confidence of the local people during the benchmarking activity.

2 Include them in the PES Process



- **Conduct small group meetings and consultations.** Being a new management paradigm, the introduction of PES, especially to the local government unit and the local people, requires much time and effort.

Small group meetings and consultations are needed to ensure that key stakeholders are reached, and the PES concept is properly and thoroughly explained and understood. The small group meetings have to be followed by a bigger workshop aimed at getting consensus and approval of the majority on the adoption of PES.



- **Make the local people feel that they are part of the PES process.** It is important to make the local people feel that they are part of the PES process and that the data and information they provide to the benchmarking researchers are extremely important for the design of an appropriate PES scheme.

Figure 3. Lessons learned in the benchmarking process.

REPLICATION

To effectively replicate a PES project in another area, it is essential to consider the aforementioned lessons learned, particularly in establishing the baseline conditions. Local leaders, political figures, and technical service providers (development partners, technical consultants, academe, NGO, POs, etc.) play important roles in a PES benchmarking activity. They can either derail or facilitate the whole process of PES scheme development. PES project implementers should also be prepared to deal with unexpected difficulties, such as peace and order problems, accessibility, negative attitude of some target respondents, and bad weather condition, among others.

SIGNIFICANCE

Thorough and comprehensive benchmarking is crucial to ensuring that all the necessary elements are incorporated in the PES framework. Benchmarking will also enable PES project implementers to easily determine which of the resources, processes, and procedures applied will yield the best benefits (or results), should improvements be introduced. In addition, it will provide project implementers a good basis for gauging how effective the improvements are over time.

Benchmarking, however, is not a quick and simple process. The comprehensive scope of the study and the magnitude of data produced require that PES project implementers have the capacity to analyze, interpret, integrate, and translate the information into an output that could be easily understood by policy makers and other stakeholders.

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