



Investing in rural people

Republic of the Philippines

Fisheries, Coastal Resources and Livelihood Project (FishCORAL)

Design completion report

Main report and appendices

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CURRENCY EQUIVALENTS

Currency Unit	=	Philippine Peso
US\$1.0	=	PHP 42.4462 (2013 average exchange rate)

WEIGHTS AND MEASURES

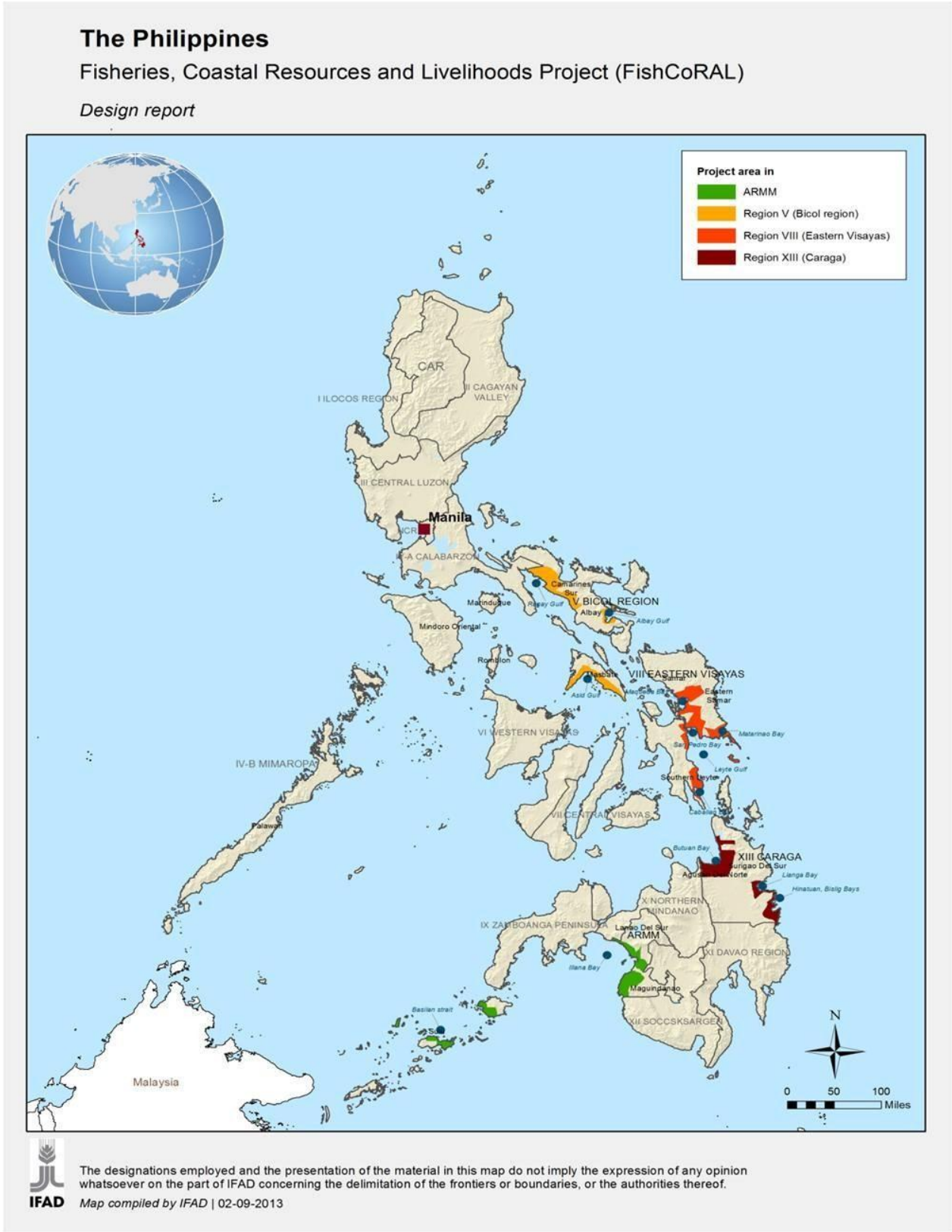
1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

ABBREVIATIONS AND ACRONYMS

AFMA	Agriculture and Fisheries Modernisation Act
APP	Annual Procurement Plan
ARMM	Autonomous Region in Muslim Mindanao
AWPB	Annual Work Plan and Budget
BAC	Bids and Awards Committee
BCSC	Bay Coordination and Support Committee
BFAR	Bureau of Fisheries and Aquatic Resources (Department of Agriculture)
BMC	Bay Management Council
CENRO	Community Environment and Natural Resources Officer
CF	Community Facilitator
CHARMP2	Second Cordillera Highland Agricultural Resource Management Project
CLUP	Comprehensive Land Use Plan
COA	Commission on Audit
COSOP	Country Strategic Opportunities Programme (IFAD)
CRM	Coastal Resource Management
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DBM	Department of Budget Management
DENR	Department of Environment and Natural Resources
DILG	Department of Interior and Local Government
DOST	Department of Science and Technology
DOT	Department of Tourism
DRR	Disaster Risk Reduction
DTI	Department of Trade and Industry
EOP	End of Project
FARMCs	Fisheries and Aquatic Resource Management Councils
FishCORAL	Fisheries, Coastal Resources and Livelihood (Project)
FLET	Fishery Law Enforcement Team (or <i>Bantay Dagat</i>)
FS	Fish Sanctuary
GDP	Gross Domestic Product
GEF	Global Environment Facility
HDI	Human Development Index
ICM	Integrated Coastal Management
ICRMP	Integrated Coastal Resources and Management Project
IEC	Information, Education, and Communication
IMF	International Monetary Fund
IPGN	IFAD Philippines Gender Network
IRPEP	Irrigated Rice Production Enhancement Project (IFAD)
LGU	Local Government Unit (provincial, city or municipal)
M&E	Monitoring and Evaluation
MAO	Municipal Agriculture Office
MDP	Municipal Development Plan
MENRO	Municipal Environment and Natural Resources Officer
MFI	Micro-Finance Institution
MIS	Management Information System
MPA	Marine Protected Areas
MPDC	Municipal Planning and Development Coordinator
MPIU	Municipal Project Implementing Unit (ARMM)
M/CPMO	Municipal or City Project Management Office
MYPIB	Multi-Year Plan and Indicative Budget
NCI	National Convergence Initiative
NCIP	National Council for Indigenous People

NEDA	National Economic and Development Authority
NFARMC	National Fisheries and Aquaculture Resources Management Council
NGAS	New Government Accounting System
NGO	Non-Governmental Organization
OMA	Office of the Municipal Agriculturalist (ARMM)
OPIF	Organizational Performance Indicator Framework (DBM)
PAO	Provincial Agricultural Officer
PCG	Philippine Coast Guard
PDP	Philippine Development Plan (2011-2016)
PENRO	Provincial Environment and Natural Resources Officer
PFO	Provincial Fisheries Officer
PIM	Project Implementation Manual
PN	Philippine Navy
PNP	Philippine National Police
PO	People's Organization PPP
Public Private Partnership	PSC
Project Steering Committee	
PSCO	Project Support and Coordination Office
RA	Republic Act
RaFPEP	Rapid Food Production Enhancement Programme (IFAD)
RbME	Results Based Monitoring and Evaluation
RCSC	Regional Coordination and Steering Committee
RDCs	Regional Development Councils
RIMS	Results and Impact Management System (IFAD)
RPMEs	Regional Monitoring and Evaluation System
RPMO	Regional Project management office
RPRSA	Rapid Participatory Resource and Social Assessment
RuMEPP	Rural Micro-Enterprise Promotion Programme (IFAD)
SBC	Small Business Corporation
SOE	Statement of Expenditure
SUMACORE	Sustainable Management of Coastal Resources in the Caraga and Bicol Regions
UFO	Unified Fisheries Ordinance
WA	Withdrawal Application

MAP OF THE PROJECT AREA



EXECUTIVE SUMMARY¹

Background

1. Recent growth in GDP has not translated into a reduction in the incidence of poverty. There was little change between the first semesters of 2009 and 2012, with 22.9% and 22.3% of families respectively living below the poverty line. Fishermen are amongst the poorest groups in the country with a poverty incidence of 41.4% in 2009, unchanged from 2006, but higher than in 2003, 35%.

2. The following inter-related issues are the reasons why municipal fishermen² and their families are poor: (i) low coastal productivity because of habitat and watershed degradation; (ii) fish stock depletion due to illegal fishing practices, pollution, and overfishing; (iii) lack of access to basic services and institutional support; (iv) high population density in coastal areas; (v) poor post-harvest handling and distribution systems often resulting in low fish prices; (vi) lack of alternative income-generating activities; and (vii) weak political will on the part of local leaders to enact and/or enforce fishery laws.

Rationale

3. The rationale for investing in the fisheries sector is very strong. The fisheries sector is important for the fishing communities as a source of livelihoods, for the population as a whole as the major source of dietary protein and for the national economy as a major source of foreign exchange earnings. The proposed design includes Project investments and activities to address the key issues that have impoverished many members of the fishing communities. Moreover, the project will also help in rebuilding fishing communities and rehabilitation of coastal resources that have been affected by the recent Typhoon Yolanda especially in the Eastern Visayas Region.

4. Previous initiatives to address the sector's issues could often not be sustained after the end of project assistance. The proposed Project design attempts to address this issue of sustainability in the following ways. First, the proposed Project will adopt the ecosystem approach to fisheries and coastal resource management and a bay-wide approach to their management. Second, the Project will assist the target municipalities and cities to make the improved and sustainable management of their fisheries and coastal resources a priority with a potential to provide them with an increasing future revenue stream. To support this objective the Project will provide the supporting investment necessary to enable the municipalities and cities to improve the productivity and sustainable management of their fishery and coastal resources. Third, the Project will link the livelihood enterprises supported by the Project to the market economy to help ensure the sustainability of these enterprises. Finally, the Project will finance some investment in the facilities of the Bureau of Fisheries and Aquatic Resources needed to support the fisheries and coastal resources sector. The Project will complement and coordinate with other fisheries and coastal resource management programmes and projects.

¹ Mr. Youqiong Wang, Country Programme Manager for the Philippines; Mr. Michael Rayner, Mission Leader; Mr. Yolando Arban, IFAD Country Programme Officer, Institutions, M&E and Knowledge Management; Mr. Edilberto Cheng Angeles, Fiduciary Specialist; Dr. Ben Gonzales, Fisheries Development and Coastal Resources Management; Mr. Kenneth Ruddle, Human Ecologist; Eng. Ike Payumo, Rural Engineer; Nheden Amiel D. Sarne, Economist and Financial Analyst and Ms. Virginia O. Verora, IFAD Gender Coordinator for the Philippines; Poverty, Targeting and Gender. For the visits to the Regions, 19th -23rd June, the mission was accompanied by the following government personnel: Region 8 by Ms. Jessica Muñoz, Deputy Director and Head of Project Management Office, BFAR, Michelle Bajada –BFAR Central Office and Marianne A. Correza – PDS DA Central office; Region 13 by Rowel del Rosario- PDS DA Central office; Region 5 by Michelle Bajada, Michelle Allauigan and Angelo Jose Lumba – BFAR Central Office; Region 4b - Mercy A. Tan and Michelle Bajada - BFAR Central Office; and ARMM by Marianne A. Correza and Rowel del Rosario- PDS DA Central Office.

² Those who fish within 15 km of the shore line, 12 km in the Autonomous Region of Muslim Mindanao.

Alignment with government priorities and IFAD country programme

5. The proposed Project is in line with the priorities defined in the Philippine Development Plan (PDP) 2011-2016 for the fishery sector in areas of inclusive growth, poverty reduction, improving the economic status of poor coastal communities, building the capacity of communities and local administrations to manage their coastal resources better, improving the productivity of inshore waters, exploration of the export potential of fisheries, improved food security and nutrition and overall GDP growth. Likewise, the proposed project also contributes to the attainment of the goals and targets of existing sectoral plans such as the AgriPinoy, the Agricultural and Fisheries Modernisation Plan and the Fisheries Road Map. In addition, the proposals for livelihood development support the Agribusiness Road Maps of the regions for the fishery sector and the Regional Development Plans. Careful attention has been given to the analysis of natural disaster risks and climate change concerns.

6. The Project is also complementary with and supportive of the government's Reconstruction Assistance to Yolanda (and particularly the Department of Agriculture's Rehabilitation Plan for the agriculture sector). As the Department will provide for the fishing boats and fishing equipment as well as assistance to aquaculture (seaweed nurseries, rehabilitation of mariculture parks and fingerlings distribution), the Project will provide support for the rehabilitation of the coastal and fishery resources as well as recovery of the livelihoods of fishing communities. The project will likewise contribute to increasing community resiliency to natural hazards and climate-related risks.

7. The proposed Project design is consistent with IFAD's Country Strategic Opportunities Programme for 2010-2014. First, one of the three Strategic Objectives relates to improving fisheries and coastal resource management and the livelihoods of the poor coastal communities. Second, natural resource management within the context of climate change, gender mainstreaming, policy dialogue and support for decentralisation are key cross cutting issues. Finally, the Country Strategic Opportunities Programme also supports the Government's policies for the National Convergence Initiative. The proposed Project design also aligns well with IFAD's strategic framework (2011-2015) which includes issues covered by the Project's design.

Project area, target group and targeting

8. The Project will target 11 bays/gulfs in Region 5 in Luzon; 8 in Visayas³; Region 13 and the Autonomous Region in Muslim Mindanao. The target bays are located in 14 provinces with 103 municipalities or cities bordering the bays/gulfs, with 1,098 coastal *barangays*.

9. The population of these 1,098 coastal *barangays* is an estimated 1.725 million people or 447,930 households (average size 3.85). Using the average incidence of poverty of 42% in the 103 target cities/municipalities the number of poor people living in these coastal *barangays* is 724,300 in 188,130 households. Of the households in the coastal *barangays* 90, 596 (20%) are fishing households, with an estimated 38,050 (with 146,490 people) living below the poverty line. These households would be the Project's target group. Other groups living below the poverty line are women-headed households, and out of school youth, some of whom are members of poor fishing households.

10. Other basic data for the Project area shows that there are: (i) 202,973 registered fishermen, 35,921 motorised fishing boats (*bancas*) of 3 gross tons or less and 34,697 non-motorised *bancas*; and (ii) 771 registered people's organisations⁴, 439 fisheries law enforcement teams and 328 Fisheries and Aquatic Resource Management Councils.

11. The Project will target the potential beneficiaries by first targeting existing eligible registered people's organisations to develop further their exiting activities. In addition, the Project

³ Leyte Gulf and Matarinao Bay were affected by the typhoon. Initial assessment of the two bay/gulf and proposed location specific interventions will be included in the pre-implementation phase of the Project as soon as detailed damage assessment data is available.

⁴ A generic term used to describe various types of association, groups or cooperatives.

will establish new people's organisations in response to the demands from the target group. Membership of the people's organisations will comprise members of the target group either self-selected, based on their interest in the proposed livelihood enterprise(s), or by selection using up-to-date lists of poor households or methods of participatory wealth ranking.

12. The provision of public goods, such as infrastructure and equipment support for coastal resource management and livelihood development will also benefit non-poor households, some of whom may also be members of the existing people's organisations targeted.

Project design framework

13. First, the Project will adopt the ecosystem approach to coastal resource management and include among its interventions, activities that will protect both the aquatic and coastal zone habitats including mangroves, coral reefs and sea grasses. The Project's design adopts the bay-wide approach to the management of the coastal resources and municipal fisheries involving contiguous municipalities that need to work together to improve law enforcement and protect, rehabilitate and sustainably manage the shared resources within the bays/gulfs. Project design gives careful attention to the risks of natural disasters and increased climatic variability.

14. Second, the Project's investment in coastal resource management and the development of alternative/supplementary livelihoods for fishing households will be in response to proposals made by the coastal communities and included in the investment plans of the municipalities or cities. The Project will involve the private sector when introducing alternative livelihood enterprises to provide good market access.

15. Third, the Bureau of Fisheries and Aquatic Resources will provide technical and managerial support to the local government units, with the participation of the other government agencies as needed and incorporate the experience and lessons learned from the implementation of previous initiatives. The Project will finance some investments for the Bureau of Fisheries and Aquatic Resources so that the Bureau can support the sector and the local government units.

16. Some potentially suitable sub-projects have already been identified by the coastal communities and can be ready for implementation in Project Year 1. Lessons learned from previous IFAD and other projects have been taken into account in designing the Project. Project activities and coverage will not duplicate others programmes and projects currently assisting the sector and will complement and coordinate with existing and planned activities.

Gender mainstreaming

17. The Project will adopt the following strategies. First, Project management will review the "Gender Mainstreaming Strategic Focus of IFAD Projects" formulated by the IFAD-Philippine Gender Network as a guide for mainstreaming gender considerations in the implementation of IFAD Projects. Second, the training provided for Project staff, staff of other implementing agencies and beneficiaries will be gender-relevant. Third, the Project will become an active member of the IFAD-Philippine Gender Network. Fourth, Project management will identify a gender focal person who will be a key officer in the Project Support and Coordination Office and in each of the Regional Project Management Offices. Fifth, there will be a target that 40-50% of the members and officers of the People's Organizations are women. Sixth, women will account for 40-50% of the beneficiaries of the sub-projects. Finally, there will be gender-balance in the selection and/or recruitment of Project staff, with a target of 30% for female staff.

Development objective

18. The overall goal⁵ of the Project is to contribute to a reduced poverty in the target coastal

⁵ The reduced poverty incidence by 5% from the baseline of 42% (mean poverty incidence) is based on IFAD's similar projects where the project is expected to contribute to poverty incidence reduction of 5% and also based on the expected achievements of similar poverty reduction programmes supported by the GOP and other foreign assisted projects. There are several factors that bring about poverty reduction, and not solely the responsibility of the project.

communities of the 11 target bays in Regions 5, 8 and 13 and the Autonomous Region in Muslim Mindanao. The Project's development objective is that coastal communities sustainably manage their fishery and coastal resources generating livelihood benefits for the targeted households. The Project design contributes to the UN Millennium Development Goals, namely Poverty Reduction (Goal1), gender equality (Goal3) and environmental sustainability (Goal7).

Components/outcomes

19. The Project will have the following three components: (i) Coastal Resource Management; (ii) Livelihood Development; and (iii) Project Management and Coordination.

20. The expected outcomes are as follows:

- **Component 1:** Fishing communities adopted sustainable management of fishery and coastal resources.
- **Component 2:** Income of fishing households in target coastal communities increased through sustainable engagement in diversified livelihood activities.

Component 1: Coastal resource management

21. **Governance and legislation.** The Project will assess the reasons for the lack of success of the Bay Management Councils and facilitate the formation, re-activation and management of the operations of these councils, including the adoption of bay wide fisheries ordinances, which bay wide management of the municipal fisheries requires. As part of the bay-wide management approach, the project will also support interventions leading to the creation of Integrated Fisheries and Aquatic Resource Management Councils where no such organization exists and support their operation and that of the existing Councils, including capacity building. The role of the Integrated Fisheries and Aquatic Resource Management Councils is to provide advice and recommendations on fisheries management issues to the Bay Management Councils.

22. As part of the bay-wide approach the Project will support the participation of the local fishing communities in the management of the municipal fisheries and coastal resources with the local government units as required under RA 8550, by incorporating any pre-existing fisheries management systems. This will complement the formal methods of law enforcement to be supported by the Project.

23. In addition, the Project will also assist the local government units to introduce and/or complete the following: (i) registration of municipal fishermen, their motorised and non-motorised fishing vessels and fishing gears; and (ii) introduction of a municipal licensing system for fishermen, fishing vessels and fishing gears and collection of associated licensing revenues and their use to support enforcement of the Fisheries Ordinances. Institutional arrangements must be in place to ensure that the revenues and money collected from registration fees will help the local government units to finance fisheries and coastal resource management.

24. **Overfishing** is a common problem in most coastal municipalities in the country caused by illegal fishing and high population density along the coastline and has resulted in the decrease in municipal fishery production in most areas. However, data gaps exist especially in the monitoring of fish landings and fishing efforts. To address overfishing, the project will support law enforcement and regulatory activities of local government units to manage fishing efforts and at the same time provide alternative marine and land based livelihood opportunities to contribute to a reduction in overfishing. The Project will also examine the problem of landing, catch and effort statistics by having fishing households record data on a regular basis. The Bureau of Fisheries and Aquatic Resources can then propose policy measures to appropriately address overfishing

Even the revised PDP has lowered its expectation of reducing poverty (from a target of 16.6% to 20% by 2016). The revised PDP recognized the multiple dimensions of poverty which are exacerbated by manmade and natural disasters.

and determine the actual source of fisheries produced, based on sound, reliable and timely information. In addition, household income data will be collected as part of the outcome surveys and mid-term and completion impact surveys.

25. In support of the legislative aspects of this component the Project will finance through a contract with a qualified service provider a review of the existing relevant legislation. Municipal fishery ordinances will also be reviewed in consideration of the proposed changes in the Fisheries Code. In addition, the Project will assess how local governments can provide sustainable financing for the protection of coastal and fishery resources, including the costs of law enforcement teams (honorariums, insurance, fuel, repairs, maintenance of watch towers etc.) and the costs of Coastal Resource Management. After the Mid-term Review, the Project could pilot proposed changes to the Codes with respect to the municipal fisheries in selected locations.

26. **Law enforcement.** Local governments are mandated to ensure compliance with the Fisheries Code and local fisheries ordinances and associated costs of the *bantay dagats*. To reinforce the *bantay dagat* at the *barangay* and local government unit levels, the Bureau of Fisheries and Aquatic Resources will organize and strengthen law enforcement teams composed of coast guards and police personnel to apprehend violators, as has been done by the FISH Project in Cebu. In addition, the Project will assess the types and social and economic characteristics of illegal fishing and propose ways to address this complex issue e.g. revised local regulations etc. The Project will strengthen the existing *bantay dagats* through the provision of equipment and training.

27. The Project will assist the local government units to improve the following: coordination functions with Bureau of Fisheries and Aquatic Resources and other relevant agencies, the fisheries database and reporting system and revenue generation from registration fees, fines, and fees for resource use etc. to help finance the law enforcement activities and the management of the coastal resources.

28. **Coastal resource management plans** will be updated using a participatory approach, involving the local communities, peoples' and private sector organisations and the local government and Bureau staff to become coastal resource management and investment plans and part of a comprehensive land and water use plan of the local government units. These updated Plans will consider the complexity of the environmental, biological, geophysical, institutional and socio-economic situation and will be a part of the municipal or city development plans, subsequently reviewed and adopted by the local government units. All sub-projects proposed for financing and included in the municipal or city development plans will reflect the need to address the expected impacts of climate change and to reduce to the extent possible the risks of natural disasters e.g. typhoons. Based on the assessment of the sources of financing, the Project will assist municipalities and cities to institutionalise the arrangements for funding fisheries coastal resources management. As a rule, the fishing communities are advised not to engage in marine based cultivation or farming activities where mining operations have a negative environmental impact. Settlement of disputes on municipal boundaries disputes to establish clear municipal waters delineation rests on the concerned LGUs. Based on past experiences, this issue does not interfere with implementation of CRM interventions.

29. **Resource rehabilitation.** The Project will finance resource rehabilitation sub-projects. Mangroves, sea-grasses, coral reefs and beaches will be managed using the ecosystem approach. Fish Sanctuaries and other types of protected areas will be established and managed and existing ones managed. The status of the fish sanctuaries will be assessed by the local governments with the assistance of BFAR through the initial Rapid Participatory Resource and Social Assessment (Component 3). The Project will support a network of protected habitats to maximise the impact of the interventions. The Project will help protect, enhance and rehabilitate the resources, e.g. through stock enhancement in protected areas using juveniles and adults from hatcheries.

30. **Infrastructure and equipment support.** To support coastal resource management, the Project will finance the infrastructure and equipment required, including delineation markers for identified fish sanctuaries within the target bays. In each Bay with a Bay Management Council, the Project will finance the construction of a Bay Management and Multi-Purpose Building with Watch Tower to serve as both a watch tower for the *bantay dagat* and information centre. In addition, the Project will provide a standalone concrete watch (look-out) tower with guard house in each participating municipality. The LGUs will be fully responsible for the operation and maintenance of the infrastructure and equipment provided by the project during and after the project implementation period, with the support of IFARMCs.

Component 2: Livelihood development

31. **Organizational strengthening.** In line with the proposals for livelihood development, included in the municipal/city plan, the Project will support/reactivate suitable existing People's Organizations (POs) and form new groups/POs as needed. In addition to the technical aspects of the selected livelihood enterprises, key elements of the training modules will be: group organisation and management, basic entrepreneurship, business management, value-chain concepts and approaches, coastal resource management and gender mainstreaming. Community facilitators, based at the local level, staff of the Bureau of Fisheries and Aquatic Resources and staff of other agencies will provide the training.

32. **Promotion of micro-enterprises.** There will be no project support for increasing fishing effort, or provision of fishing gear. The Project will promote environment-friendly livelihood enterprises identified in the approved Coastal Resource Management plans, e.g. fisheries related enterprises (e.g. cage culture, mariculture, seaweed culture and fish processing), sustainable tourism and other appropriate enterprises. Mitigation measures for some identified feasible livelihood and enterprise will be put in place to prevent further environmental degradation, waste generation and over-exploitation of resources. These enterprises will aim to diversify and increase the incomes of the poor fishing households and other poor households living in the target coastal communities. Enterprises will be undertaken by the individuals or groups of members of a people's organization or by the people's organization as an entity.

33. The Project will provide PHP 100,000 (around USD 2,500) per eligible activity (for an average of 20 members) to support the initial development of individual livelihood enterprises for members of the fishing communities. This proposed allocation is based on the estimated average required for a group to make a profitable and sustainable investment enterprise in the project area. The maximum amount is set to support initial development for livelihood sub-projects in order to put a cap on the Project's cash contribution with expected additional contribution (cash or in-kind) from the beneficiary PO/ LGUs people's organization and beneficiaries will provide the remaining investment funds in cash and/or kind. The Project financed inputs for the livelihood enterprise will be provided as a package combined with the provision of training for the members of the people's organizations. Training will include both technical skills and the business development aspects of operating livelihood enterprises. Subsequent cycles will be financed from the income earned, while successful enterprises can access micro-finance institutions or NGO sources to finance future expansion of their enterprises.

34. **Infrastructure and equipment support.** The Project will in addition finance: (i) infrastructure facilities in support to seaweed production, e.g. rehabilitation, expansion, or establishment of communal seaweed solar dryers on stilts with small storage facility for areas with existing and proposed seaweed plantations; (ii) improvements to some the Bureau's hatcheries ;and (iii) where needed and justified, the construction of fish landing facilities, and provision of mini ice plants with cold storage facilities (chest-type freezers and mobile ice makers), smoke houses, store houses and dryers. The Project can also assist with the identification of potential private investors and the preparation of the necessary feasibility studies. The LGUs will be fully responsible for the operation and maintenance of the infrastructure and equipment provided by the project during and after the project implementation

period, with the support of IFARMCs.

Component 3: Project management and coordination

35. To improve the services provided to the sector the Bureau of Fisheries and Aquatic Resources has prepared a Reorganisation Plan for the provision of services needed by the sector. Following approval of this Plan by the Department of Budget Management, the Project will assist the Bureau to implement the Reorganization Plan in the four regions. In addition, this Component will finance the Project management and coordination structures and associated monitoring and evaluation mechanisms at national, regional bay wide and city/municipality levels.

Phasing of project implementation

36. The phasing of the project implementation will be based on the readiness of the people's organizations, local government units, bays and regions. The livelihood development sub-projects to be financed will be aligned with the priority commodities identified by the Bureau of Fisheries and Aquatic Resources Regional Roadmaps. This will help ensure that the sub-projects are suitable for the target locations and thus contribute to their sustainability. In Project Year 1, implementation will focus on the sub-projects that have already been prepared and where investment can start immediately. The eligible livelihood subprojects, infrastructure and equipment should cover the three Project components. These sub-project proposals have been prepared following the guidelines agreed with Bureau of Fisheries and Aquatic Resources during the Project Design Mission (October/November 2012) and are fully endorsed by the local government units and Fisheries and Aquatic Resources Management Committees in the target municipalities/provinces. These proposals involve some of the local government units (not necessarily all) in the bays with feasible and viable proposals. The local government units that agree to include their required counterpart contribution in their annual investment programme for 2015 will implement these investments starting in Project Year 1.

37. In areas affected by Typhoon Yolanda, specifically Leyte Gulf and Matarinao Bay, livelihood development activities, will be immediately implemented in these sites that are intended to be implemented at the household levels to support recovery of fishing communities. This will be contingent on the needs and damage assessment of the Bureau of Fisheries and Aquatic Resources so that appropriate interventions can be immediately implemented on the ground.

38. The annual supervision missions and implementation support missions will review the readiness of the bays and local government units in terms of their sub-project proposals and staffing and management resources available in consultation with the regional offices and Bureau of Fisheries and Aquatic Resources. Based on the current status of the detailed investment proposals already prepared in the regions, the Project financed investments are expected to start in two bays in each region in Project Year 1, with investments starting in the remaining bays thereafter. Each bay would receive Project support for five years.

Project implementing agencies and arrangements

39. The Bureau of Fisheries and Aquatic Resources will be the Project's lead implementing agency and will have full responsibility for Project administration and management. The Bureau will use its existing structures at national, regional, and provincial levels to implement Project activities, but has a limited and insufficient number of staff. To address the Bureau's general lack of capability it has prepared a Reorganization Plan which includes an increase the number of positions and the numbers of both technical and administrative staff at all levels. It is expected that once the Plan is approved, the plan will focus on decentralising the staffing pattern or downloading responsibilities from the central office to the regional and provincial offices.

40. While the Bureau of Fisheries and Aquatic Resources is the agency responsible for the development, improvement, management and conservation of the country's fisheries and aquatic resources, the municipalities and cities are responsible for managing the municipal

waters and coastal zones.

41. Project implementation arrangements will follow the procedures of the government and the mandates of the respective national government agencies and those at the regional, provincial and city and municipal levels. There will be no Project implementation arrangements operating in parallel to those of the Government. The Project will operate as part of the national convergence initiative, with assistance from other government agencies as needed e.g. the Department of Environment and Natural Resources, Department of Trade and Industry, Department of Science and Technology and Department of Tourism.

42. At the national level a high level inter-agency **Project Steering Committee** will provide the Project with policy guidance, approve Project implementation guidelines, work plans, budgets and procurement plans, and resolve implementation issues that cannot be decided at the regional level. A **Project Support and Coordination Office** directly accountable to the Director of the Bureau of Fisheries and Aquatic Resources will be established at the centre and will be responsible for supporting, coordinating and monitoring Project implementation in the Regions. All the other implementing agencies will have a “FishCORAL” Focal Point at national level through whom the Project will interact with that agency at national level.

43. A **Regional Coordination and Support Committee** will serve as a policy and institutional advisory committee for Project implementation and facilitate convergence for the effective and efficient delivery of the various agencies’ services to support Project implementation. **Regional Project Management Offices** will be established in each of the four Regions and will report to, and be guided by, the Project Coordination and Support Office. The Regional Project Management Offices will be under the leadership and responsibility of the Bureau’s Regional Directors. The main task of the Offices will be to support the municipalities and cities, and manage the Project’s resources (including budgeting and reporting), procurement the management information system, monitoring and evaluation, and knowledge management.

44. A **Bay Coordination and Support Committee** will coordinate Project activities within a bay under the chairperson of the Bay/Gulf alliance. The Bay Management Councils will: (i) coordinate the implementation of Project activities on a bay-wide scale; and (ii) ensure that municipal and city Project activities are consistent with support a unified bay approach. The municipalities and cities will finance the operations of the councils.

45. **Municipal/City Project Management Offices** will be based at the municipal or city level in Regions 5, 8 and 13 under the local agricultural officer (whose responsibilities include fisheries). The Office will have the following functions: (i) assist the people’s organisations plan sub-project proposals for inclusion in the municipal or city plan and approval at regional level; (ii) ensure the implementation of approved investment proposals and activities; (iii) coordinate with the other municipalities and cities in the bay to implement Project activities; (iv) monitor implementation, and prepare and submit reports as required.

46. In the Autonomous Region in Muslim Mindanao, a **Municipal Project Implementing Unit** will be based at the Bureau’s Provincial Fisheries Office under the leadership of the Provincial Fisheries Officer. The Unit will work closely with the municipal/city planning and development coordinators. The Unit will undertake the same tasks as the Municipal/City Project Management Offices elsewhere.

47. The Bureau will execute a Memorandum of Agreement with each municipality and city and other implementing agencies at the national, regional and provincial levels to specify what services and support each will provide and how the services and support will be financed by the Project.

Risks

48. The current lack of technical and management capacity within the Bureau of Fisheries and Aquatic Resources is the most serious risk faced by the Project which is addressed by the inclusion of sufficient contract staff to manage the Project together with the assigned staff of the

Bureau of Fisheries and Aquatic Resources. The implementation of the Bureau's proposed Reorganization Plan is essential for the provision of future support for the sector. The project will support BFAR's Reorganization Plan through the provision of the needed capacity development activities that will improve the technical capacities of BFAR's regional offices in the target regions to carry out their CRM mandates. Temporary staff will be contracted to meet the immediate requirements of the project implementation, while the BFAR's Reorganization Plan is implemented. In addition, BFAR will shift from being a direct implementer of foreign assisted projects to being an enabler/trainer of LGUs. To do this, BFAR has to build the capacity of its officers and staff, especially those assigned to the Project, to (i) transfer their skills on fishery development/ coastal resources management to the officers and staff at the municipal/city agriculture offices; and (ii) transfer their project implementing operations to the LGUs. A second serious risk is that following the end of the Project period the Project activities prove to be unsustainable thereby repeating the experience of many of the previous project interventions in various bays/gulfs. The Project design tackles this issue by focusing on the generation of sufficient sustainable sources of local revenues to finance the necessary law enforcement activities and to provide some locally generated revenue for investment in resource management. In this way there will no need for future interventions to repeat the activities financed by the Project.

49. The risks associated with the national convergence initiative are at the operational level. The agencies concerned may be unable to provide the type of coordinated approach that is needed at the local level. The Project design counters this risk in three ways. First, through the use of Memorandum of Agreement between the Bureau and all agencies engaged in Project implementation, which cover the roles and responsibilities, costs and sources of finance. Second, all the agencies with a role in Project implementation will be members of the Regional Steering and Coordination Committee. Finally, all implementing agencies will have a "FishCORAL Focal Point at national level.

50. An associated risk concerns the willingness of the private sector to be involved in supporting the development of alternative livelihood enterprises for members of the fishing communities. This risk is addressed in the Project design by involving the private sector from the initial planning stages through to the processing and/or marketing of the products and by the availability of some initial Project finance for livelihood development production activities to match investments from the private sector for processing, drying and marketing.

Project costs, financing and benefits

51. The proposed Project would cost about USD 43.74 million with allocation of about USD 274 per target group household (90,596). The proposed Project financing includes IFAD (loan and grant) USD 30.64 million (70%), with the IFAD loan on Ordinary Terms and Conditions and a national Government counterpart contribution of around USD 6.12 million (14%) and local government units' counterpart contribution of around USD 5.64 (13%). Beneficiary counterpart contributions (including participating organizations) would account for the remaining USD 1.33 million or 3%.

52. The Project's target is to raise the incomes and quality of life of about 90,596 poor households in the 11 target bays/gulfs. Both the financial and economic analysis show that the projects investments should provide sound benefits to the participating households and to the economy with an economic rate of return of 27%. The financial analysis also shows that for local government fisheries and coastal resources management can be financially viable undertakings.

Sustainability

53. The following elements are built into the Project design to help ensure that the proposed investments and benefits are sustainable. First, assisting the local government units to develop sustainable sources of local revenues to finance the fisheries law enforcement teams and provide funds for investment in the management of the municipal fisheries and coastal resources. Second, the participation of the people's organizations and their members in

identifying and planning the proposed livelihood activities. Third, the involvement of the private sector on a long-term basis to enhance the sustainability of the investments in developing alternative sources of livelihoods for members of the coastal communities and their organisations. Fourth, requiring the beneficiaries and municipalities and cities to share in the costs of the Project's investments. Finally, after the mid-term review the Project will prepare an exit strategy and sustainability plan.

Innovation and scaling up

54. Despite the relatively small investment in relation to the scale of the issues involved, the Project could be catalyst for improving household incomes and attracting further investment for scaling up to realise in full the potential benefits from good and sustainable management of the city/municipal fisheries and the other coastal resources. A key innovation for scaling up will be if the Project succeeds in developing and introducing sustainable systems of financing at the municipal level to: (i) for effective enforcement of the fisheries ordinances for the municipal fisheries and coastal resources; and (ii) conservation and management of the fisheries and coastal resources.

LOGICAL FRAMEWORK

Narrative Summary	Performance Indicators ⁶	Means of Verification	Assumptions/Risks
Goal			
Contribute to reduced poverty in target coastal communities of the eleven target bays in Regions V, VIII, XIII and ARMM ⁷ .	<p>By end of project(EOP) in the covered municipalities/provinces:</p> <ul style="list-style-type: none"> • <i>Decreased poverty incidence by 5% from baseline of 42% (mean poverty incidence)</i> <p>By EOP 60% of the targeted 90,596 poor households in the Project area:</p> <ul style="list-style-type: none"> • Increased ownership of household assets by 20% of baseline⁸. • Decreased child malnutrition (ages 0-5 years) by 4% from baseline of 24.4%⁹. 	<ul style="list-style-type: none"> • RIMS+ Impact survey. • NSCB FIES survey. • LPGPMS • CBMS 	Controlled/managed calamity/disaster in the target coastal communities.
Development Objective			
Coastal communities sustainably manage their fishery and coastal resources generating livelihood benefits for the targeted households.	<p>By EOP, in the Project area:</p> <ul style="list-style-type: none"> • <i>Annual income of participating fishing community households increased by 10% of baseline</i> • <i>Employment of women engaged in income generating activities increased to 40% from baseline of 20%.</i> 	<ul style="list-style-type: none"> • RIMS+ Impact survey. • Outcomes surveys. • LGU budget/ finance documents. • LGPMS 	<ul style="list-style-type: none"> • Climate variability does not overcome the resilience of sub-projects supported by the Project. • No major financial shocks, stable inflation rate and purchasing power of fishing households maintained or

⁶ All indicators in the logframe and in the monitoring and evaluation system for the project will be disaggregated by gender. The project management will be required to report on the gender disaggregated data in the physical progress reports. The indicators in *Italic* are IFAD required RIMS indicators.

⁷ The reduced poverty incidence by 5% from the baseline of 42% (mean poverty incidence) is based on IFAD's similar projects where the project is expected to contribute to poverty incidence reduction of 5% and also based on the expected achievements of similar poverty reduction programmes supported by the GOP and other foreign assisted projects. There are several factors that bring about poverty reduction, and not solely the responsibility of the project. Even the revised PDP has lowered its expectation of reducing poverty (from a target of 16.6% to 20% by 2016. The revised PDP recognized the multiple dimensions of poverty which are exacerbated by manmade and natural disasters.

⁸ The household asset index is used as an indicator of relative poverty (or wealth) in the project area. Malnutrition is an indicator of hunger. It is worth emphasizing that an IFAD project does not need to have explicit "nutrition interventions" (such as nutrition education or the prevention of micronutrient deficiencies) to influence nutrition status. The factors determining nutrition status are multi-sectoral. Any project activities that increase household income or improve household conditions related to food, health, or caring practices have the potential to decrease chronic malnutrition.

⁹ Reduction of incidence of child malnutrition and poverty are Results and Impact Management System (RIMS) indicators of IFAD. They are the mandatory anchor indicators that should be included in all IFAD assisted projects regardless of project type. The RIMS anchor indicators of impact are linked to the Millennium Development Goals (which have been recognized by 189 countries and all of the United Nations agencies) and form a basis for donor harmonization on impact assessment.

Narrative Summary	Performance Indicators ⁶	Means of Verification	Assumptions/Risks
			increasing.
Component Outcomes and Outputs¹⁰			
Component 1 Outcome: Fishing communities adopted sustainable management of fishery and coastal resources.	By EOP, in the Project Area: <ul style="list-style-type: none"> Fish density in coral reefs increased by an average of 15% from baseline. Hard coral cover improved in selected sample protected areas where scientific sampling of coral takes place by an average of 15% from baseline. 	<ul style="list-style-type: none"> RPRSA result. Project M&E. LGU annual financial report. 	LGUs, DENR and other agencies are vigilant in protecting and rehabilitating natural resources (ridge to reef).
Component 1, Output 1: Capabilities of LGUs and fishing communities to enforce sustainable management of fishery and coastal resources established.	<ul style="list-style-type: none"> 103 municipal/city FLETs and 103 M/C FARMCs formed, strengthened and sustained. 11 bay management councils formed, strengthened and sustained with their bay wide fishing ordinances implemented. 103 LGUs implementing fisheries and CRM plans and ordinances. 103 LGUs delineated municipal waters with accompanying zoning ordinances. 103 sets of patrol boat equipment for surveillance sustainably operated. 11 climate proofed¹¹ bay management, multi-purpose buildings constructed and maintained with 103 climate proofed watch towers constructed and maintained. 	<ul style="list-style-type: none"> Project M&E. LGU records. NAMRIA record on delineation. Law enforcement records. 	National/local laws/ordinances favour the protection and rehabilitation off the municipal fisheries and coastal resources.
Component 1, Output 2: Municipal/city and bay-wide fishery and coastal resources management and investment	<ul style="list-style-type: none"> 103 LGUs formulated/updated multi-year CRM and fishery management/investment plans which are integrated into the CLUP/MDP and AIPs. 11 bay-wide multi-year CRM and fishery management/investment 	<ul style="list-style-type: none"> Project M&E. LGU records. LGU Annual Investment Plans 	LGU leadership support to fishery/ CRM development.

¹⁰ At the impact level, the project will contribute to the attainment of the indicators. Attribution falls under the output and outcome levels of the project indicators.

¹¹ Coordination with the Local Disaster and Risk Reduction Management Councils (LDRRMC) of the municipalities will be forged for their involvement in the development of the municipal and baywide CRM plans. The LDRRMC will also be consulted by the Project specialists in appropriately designing infrastructure/ support facilities that will be strong enough to withstand a changing climate, particularly water surges, flooding, intense rainfall or extreme heat.

Narrative Summary	Performance Indicators ⁶	Means of Verification	Assumptions/Risks
plans implemented.	plans adopted by LGUs involved.		
Component 1, Output 3¹²: Habitats for fishery and coastal resources rehabilitated and established.	<ul style="list-style-type: none"> 1,100 ha of critical mangrove areas rehabilitated and managed sustainably. 21,456 ha of established and delineated or rehabilitated fish sanctuaries managed sustainably. 3,814 ha of rehabilitated/protected sea grass beds managed sustainably. 22 marine species stock enhancement projects implemented. 5,200 units of supplemental artificial reef deployed. 5,150 ha of fish sanctuary provided with delineation markers. 	<ul style="list-style-type: none"> Project M&E. LGU records. 	<ul style="list-style-type: none"> LGU leaderships support fishery / CRM protection and rehabilitation. Laws/ordinances support protection and the sustainable management of the municipal fisheries/coastal resources.
Component 2 Outcome¹³ Income of fishing households in target coastal communities increased through sustainable engagement in diversified livelihood activities.	By EOP, in 103 target municipalities and cities: <ul style="list-style-type: none"> Fishing households involved in fishery enterprises increased to 30% from a baseline of 20%, (30% are women from a baseline of 20%). One micro-enterprise established per coastal <i>barangay</i> operating. 	<ul style="list-style-type: none"> RIMS + Impact Survey. Outcome Survey. Project M&E. LGU records. 	No major financial shocks that affect the growth of livelihood enterprises.
Component 2, Output 1: Fishing households organized into livelihood groups.	<ul style="list-style-type: none"> 4,454 groups generating profit from aquaculture and marine enterprises, including seaweed farms, fish culture, fish processing and other fishery-related enterprises (50% of members are women). 	<ul style="list-style-type: none"> Project M&E. Group/cluster financial records. 	<ul style="list-style-type: none"> Continued willingness of fishing and other poor HHS in coastal communities to work collectively in livelihood groups/clusters.

¹² Targets are based on the proposed CRM interventions per bay discussed in Working Paper 2: CRM and shown in Attachments 1-4.

¹³ Not all households in the covered 1,098 barangays will be engaged in enterprises, only those that are or will be members of the People's Organizations (PO) that will qualify to establish a livelihood sub-project. Thus, the Project will only target an increase of 50% (30% from a baseline of 20%) involvement of households in the covered barangays. (Attachments 1-5, Working Paper 3: Livelihood Development). Increasing the target will result to commensurate increase in the number and cost for livelihood sub-projects and will entail additional manpower to implement (i.e. community facilitators, LGU technical staff).

Narrative Summary	Performance Indicators ⁶	Means of Verification	Assumptions/Risks
Component 2, Output 2¹⁴: Livelihood projects (fishery and non-fishery) with corresponding climate-proofed infrastructure/facility support implemented.	<ul style="list-style-type: none"> • 1 BFAR fully operational hatchery assisted. • 7 community based hatchery development and enhancement facilities established. • 515 communal seaweed solar dryer¹⁵ with storage constructed. • 49 mobile ice makers and 294 chest freezers managed sustainably. • 11 fish landing facilities¹⁶ constructed. • 50% of the livelihood projects will be implemented by women. 	<ul style="list-style-type: none"> • Project M&E. • LGU records. 	<ul style="list-style-type: none"> • LGU leadership continuing support to allocate timely counterpart funds.

¹⁴ In PY1 the Project will assess the existing BFAR hatcheries to determine their potential use as source of juveniles for the Project's livelihood and stock enhancement needs. Based on the results of the assessment, RPMO will recommend to the PSCO, whether the local hatchery will be worth assisting or not in relation to becoming a supplier of juveniles to POs.

¹⁵ Output 2 pertains to construction of 515 communal seaweed solar dryers with storage. Support to seaweed farming is part of the livelihood programme to reduce the pressure on overfishing as well as improved income for the fishing households.

¹⁶ Please refer to Estimating Factors and Assumptions (Working Paper 4: Rural Infrastructure, pages 18-19). The assumptions are as follows: Fish Landing Facilities: Jetty– one half of the bays per region. Timber Port - other half of the bays per region.

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and Rural Development Context

Country background

1. The Philippine archipelago comprises 1,107 islands with a total land area of 300,000 km², located 800 km from the Asian mainland between the islands of Taiwan and Borneo. Its territorial water area (including its Exclusive Economic Zone) is 2.2 million km² and consists of 266,000 km² of coastal waters and 1,934,000 km² of oceanic waters. The length of the country's coastline is 36,289 km.
2. The Philippines has a range of tropical and sub-tropical climates depending on the altitude and latitude, with Luzon and Visayas, but not Mindanao, lying within the main typhoon belt. In the last six decades the annual mean temperature has increased by 0.57°C with many extreme weather events recorded. The climate change predictions for the period 2020-2050 foresee a warming in most parts of the country. Projected mean seasonal temperatures are expected to rise by 0.5-0.9°C by 2020 and 1.2-2.0°C by 2050. With higher temperatures will come the likelihood of an increase in extreme weather events e.g. typhoons.
3. According to the 2010 National Census In May 2010, the population of the Philippines was 92.34 million and growing at 1.90 % p.a. (2000-2010). Of its 1,541 municipalities, 832 or 54% are on the coast and 62% of the population lives in the coastal zone.

Economy

4. In the decade 2001 to 2010, the growth in Gross Domestic Product (GDP) averaged 2.3% p.a., which compared unfavourably with the growth rates of several high performing Asian economies. As noted by the IMF¹⁷, the Philippines is being affected along with other countries in the region by the fragile global environment. After reaching 7.6% in 2010, annual growth in GDP slowed to 3.7% in 2011, but increased to 6.8% in 2012 with 7.8% recorded in the first quarter of 2013¹⁸. Macro-economic conditions are generally sound and the authorities' policy management is supporting confidence. The headline inflation rate (June 2013) was 2.8% p.a.¹⁹ The key challenge now for the Government is to navigate through the continuing period of global uncertainty, maintain macro-economic stability and a high rate of growth while making growth more inclusive.
5. Despite the relatively unfavourable performance in the previous decade, the economy weathered the 2008-09 global recession better than its regional peers due to minimal exposure to troubled international securities, lower dependence on exports, relatively resilient domestic consumption, large remittances from four-to five-million overseas Filipino workers, and a growing business process outsourcing industry.

Poverty

6. Recent growth in GDP did not translate into a reduction in the incidence of poverty, or the number of poor people, both of which were higher in 2009 than in 2003. While the incidence of poverty decreased slightly from 21.1% of families in 2006 to 20.9% in 2009, but with population growth, the number of poor families rose from 3.67 million to 3.86 million in the same period. Poverty incidence and the numbers of poor people were higher in 2009 than in 2003. However, recent data shows little change between the first semesters of 2009 and 2012, with 22.9% and 22.3% of families respectively living below the poverty line. In 2008, 32% of children less than five years old were stunted and nearly 7% were wasted.
7. The UNDP Human Development Reports place the country in the medium human

¹⁷ Information taken from the IMF staff report for the 2011 article (iv) consultation.

¹⁸ National Statistics Coordination Board

¹⁹ National Statistics Coordination Board

development category. In the 2011 Human Development Report, the Human Development Index (HDI) for the Philippines was 0.644, an increase from 0.602 in 2000. Over the same period the HDI for East Asia and the Pacific Region increased from 0.581 to 0.671, now placing the Philippines below, instead of above, the Regional average. Over the last 11 years, the improvement in the HDI Index in the Philippines has not kept pace with the improving situation elsewhere in the Region. In terms of HDI, the Philippines now ranks 112th among 187 countries. The country's Gender Inequality Index (GII) improved from 0.477 in 2000 to 0.427 in 2011²⁰ and the Philippines now ranks 75th in the world. The GII is better than the average (0.475) for countries with a medium level of human development. The Gross National Income in Purchasing Power Parity terms (constant 2005 USD) was USD 3,478 per capita (2011 Human Development Report).

8. The failure to reduce poverty during the previous decade reflects underinvestment and the slow growth of per capita incomes. A high population growth rate, high dependency rates and inequitable distribution of income were contributory factors. Natural disasters and inflationary pressures, mainly from rising fuel and food prices, were also factors. Nationally income inequality remains high with a Gini Coefficient of 0.44. Despite the recent lack of progress in reducing the incidence of poverty, the Philippines Development Plan (PDP) 2011-2016 envisages that the country can still achieve the Millennium Development Goal (MDG) poverty reduction targets by 2015.

9. Fishermen are amongst the poorest groups in the country with a poverty incidence of 41.4% in 2009, unchanged from 2006, but higher than the 35% recorded in 2003. In terms of numbers there has been little overall change during the six years: 346,345 poor fishermen in 2009 compared with 355,815 in 2003, (but 400,214 in 2006).

Agriculture and the fisheries sub-sector

10. Agriculture (including livestock, fisheries and forestry sub-sectors) remains an important sector of the economy, accounting for about 18% of GDP and employing about 35% of the total work force (11.8 million people). Including the whole value chain, the sector's contribution to GDP and total employment rises to 35% and 50% respectively.

11. In 2010, fisheries contribution to GDP at current prices was 2.0% which equals around PHP 180 billion (USD 4.29 billion). With 20.6% fisheries were the second highest contributor to the Gross Value Added of the Agriculture, Fisheries, and Forestry sector. The fisheries sub-sector is an important employer with over 1.37 million municipal fishermen, 16,497 commercial fisheries workers, and 226,195 aquaculture workers²¹.

12. Fishery products are a major source of foreign exchange with the 2010 foreign trade registering a net surplus of USD 616 million (exports USD 803 million and imports USD 187 million). Tuna was the top export commodity followed by seaweed, shrimps/prawns, crabs, octopus, grouper, squid, ornamental fish, rounds cad, and sea cucumber. These 10 products accounted for at least 80% of the total volume of fishery products exported and 84% of total their FOB value.

13. The fisheries sector consists of aquaculture (the farming of aquatic species such as fish, shells, and seaweed), the municipal fisheries which involves fishing with or without the use of boats of three gross tons or less within the municipal waters which extend up to 15 km from the shore line (12 km in the Autonomous Region of Muslim Mindanao (ARMM), and commercial fisheries which use vessels of more than three gross tons and operate outside the municipal waters. In 2010, aquaculture accounted for 49% of total production (2,545,967 mt), followed by municipal fisheries with 27% (1,371,390 mt), and commercial fisheries with 24% (1,242,102 mt). The contribution of the aquaculture subsector to total fish production has been steadily increasing from 38% in 2001 to its present share of 49%. Overall fish production increased by average of 5% annually from 2001 to 2010 propelled primarily by aquaculture.

²⁰ The source is the UNDP, Human Development Report, 2011.

²¹ The source is the 2002 Census of Fisheries, the most recent data.

14. In spite of this steady performance, the sector is faced with many complex problems that threaten its resource base and the livelihood of millions of Filipinos dependent on fish as a source of food and livelihood. The inter-related issues that are affecting municipal fishermen and their families are coastal habitat and watershed degradation, illegal fishing practices, pollution, overfishing, a rapidly growing coastal population, and weak political will to enforce fishery laws on the part of local leaders.

15. Stock assessment studies by the Bureau of Fisheries and Aquatic Resources (BFAR) suggest that two-thirds of the country's 12 major fishing grounds are already overfished. Fish stocks are also only about 10% of what they were in the 1980s (World Fish Centre, 2002). Catch rates of reef fisheries in the Philippines are also among the lowest in the world. For the municipal fishermen this issue has a long history; in the 1980s catch rates were only a sixth of that in the 1950s.

Legal framework

16. **Local government and fisheries codes.** The legal framework defines the responsibilities and accountability of the Local Government Units (LGUs) for coastal resources management; namely the provisions of RA 7160 (Local Government Code) that relate to municipal fisheries and the coastal zone and RA 8550 (Fisheries Code of the Philippines). In the Autonomous Region in Muslim Mindanao (ARMM) coastal resource management activities will follow the Implementing Rules and Regulations of ARMM Aquatic and Fisheries Code of 1999 (MMAA no. 86, February 2006) and the Provincial FATWA on Marine Environmental Protection and Conservation (2006).

Policies and development plans

17. The Project's design responds to the government's policies and priorities as expressed in the relevant policies and development plans as summarised below.

18. The **Philippine Development Plan 2011-2016** (PDP) recognises the importance of a competitive agriculture and fisheries sector to improve food security and raise the income of rural communities. It also stresses the need for the conservation, protection and rehabilitation of natural resources. Among the key strategies that relate to fisheries and coastal resource management (CRM) are: (i) increasing investments and employment across efficient value chains; (ii) reducing climate-change risks and the vulnerability of natural ecosystems and biodiversity through ecosystem-based management approaches, conservation efforts and sustainable environment and natural resources-based economic initiatives; and (iii) strengthening the capacity of communities to respond to climate risks and natural hazards.

19. The PDP identifies among its strategies the: (i) management of mangroves, sea grass, coral reefs, and beaches as a management unit to derive maximum benefits; (ii) adoption of an ecosystem approach to the management of fisheries and other marine resources, addressing trans-boundary policy and regulatory concerns; (iii) conduct of an inventory of the status of foreshore lands to identify and clarify impacts of privatisation and commercialisation on the environment and the fishing communities; (iv) reversion of abandoned, underused, and unproductive fishponds into mangroves; (v) integration of coastal and marine water use plans into the comprehensive land use plans of the local government units (LGUs); (vi) delineation of municipal waters; and (vii) improvement of coastal and marine biodiversity by safeguarding coastal ecosystems, species, and genetic diversity.

20. The **Agriculture and Fisheries Modernization Act** of 1997 (Republic Act 8435) aims to modernise the agricultural and fishery sectors by promoting a technology-based industry to enhance profitability by ensuring equitable access to assets, resources and services, and promoting higher-value crops, value-added processing, agribusiness activities, and agro-industrialization. It also seeks to empower people's organizations, cooperatives and NGOs.

21. **Agri-Pinoy** guides the implementation of the various services and programmes of the Department of Agriculture (DA) for agriculture and fisheries from 2011 to 2016. *Agri-Pinoy* has four guiding and interrelated principles: (i) food security and self-sufficiency and reducing

dependence on food imports by increasing productivity; (ii) sustainable agriculture and fisheries which emphasises ecological and economic sustainability while complementing efforts to increase productivity; (iii) natural resource management which seeks to optimise their development; and (iv) local development which promotes an ecosystem framework for development, particularly where governance and management of resources have been devolved to the local level. Among the strategies under the *Agri-Pinoy* framework is the empowerment of farmers and fishermen through the provision of timely and useful information on climate change and market patterns which will enable them to adapt, diversify and reduce risks and losses and introduce adaptive technologies.

22. As part of the development plans to support economic growth, DA and BFAR are identifying priority commodities and preparing “commodity roadmaps” at the national and regional levels. These roadmaps involve a value chain analysis, and include proposals for production, value adding and export. This process is incomplete as the BFAR national level commodity road map will not be completed until 2014. Some BFAR regional offices have identified priorities e.g. seaweed and mussels in Regions VIII and CARAGA and most likely sea weed in ARMM.

23. **National Convergence Initiative (NCI).** Proposals in the PDP for enhanced governance include the NCI to maximise resources available and synchronise the initiatives of the three departments engaged in rural development: DA, the Department of Environment and Natural Resources (DENR) and the Department of Agrarian Reform (DAR), although other agencies will participate in line with their mandates e.g. the Department of Trade and Industry (DTI). The NCI aims to rationalise and improve the provision of services and provide a more broad-based, efficient and effective approach to reduce rural poverty. The NCI has also adopted an ecosystem approach to rural development and governance i.e. “from ridge, through river, to reef” realising that development efforts must take into account the close linkage between terrestrial and aquatic ecosystems and their impacts on the lives of agricultural and fishing communities.

24. **Integrated Coastal Management.** The Executive Order 553 (2006) made Integrated Coastal Management (ICM) a national strategy for the sustainable development of the country’s coastal and marine environment and still provides the general framework for ICM. It is the policy of the State to secure a healthy and ecologically balanced coastal environment for the Filipino people. The national policy framework is expected to promote effective people’s participation and equitable sharing of resources in the sustainable development of the country’s coastal and marine environment.

25. **Agribusiness Road Maps** have been prepared to identify the commodities which have the greatest comparative advantage either for domestic or export production. These road maps are intended to guide production planning at the regional levels and nationally. BFAR regions are using road maps and value chain analysis prepared for some commodities to guide the selection of livelihood investment activities e.g. crab fattening, seaweed production, and milkfish. As the situation varies between provinces and regions, the existing road maps and value chain analysis will need adjustment to guide investment in a specific locality and new Road Maps prepared for commodities for which no such analysis exists. BFAR expects to complete the preparation of its national Agribusiness Road Map early in 2014.

26. **Climate change.** The Philippines passed the Climate Change Act of 2009 (Republic Act (RA) 9729) to incorporate climate change in government policy formulation and establish the framework strategy to adapt to a changing climate. The National Framework Strategy on Climate Change was formulated in 2010 to ensure and strengthen the adaptation of the country’s natural ecosystems and human communities to increased climate variability, charting a cleaner development path for the country in the process. Both BFAR and DA have responded to impending climate change, through the Climate Change Adaptation Programme and the Implementation Programme on Climate Change respectively as part of their current programmes.

27. **Disaster Risk Reduction.** These actions are reinforced by the enactment of the Disaster Risk Reduction and Management act RA 10121 which puts in place arrangements to respond to

disasters and to mitigate their impact. By virtue of Executive Order No. 888, the Strategic Action Plan on Disaster Risk Reduction was adopted.

28. **Reconstruction Assistance on Yolanda Plan.** Reconstruction Assistance on Yolanda is the government's strategic plan to guide the recovery and reconstruction of the economy, lives, and livelihoods of people and communities in the areas affected by Typhoon Yolanda. The plan aims to restore the economic and social conditions of the Yolanda affected areas at the very least to their pre-typhoon levels and to a higher level of disaster resilience. The estimated total investment requirements for recovery and reconstruction will require a total of PHP 361 billion in investments that shall cover shelter and resettlement (PHP 183.3 billion), public infrastructure (PHP 28.4billion), education and health services (PHP 37.4 billion), agriculture (PHP 18.7 billion), industry and services (PHP 70.6billion), local government (PHP 4billion) and social protection (PHP 18.4billion).

B. Rationale

29. The Project investment will focus on the municipal waters (municipal water boundary of 12 km in ARMM and 15 km for the rest of the country). The rationale for investing in the fisheries sector in the Philippines is very strong. The sector is important for the fishing communities as a source of livelihoods, for the population as a whole as the major source of dietary protein and for the national economy as a major source of foreign exchange earnings. The proposed design includes Project investments and activities to address the key issues that have reduced fish catches and have impoverished many members of the fishing communities, leaving fishermen as the group (out of nine) with the highest incidence of poverty. As noted above these issues include coastal habitat degradation, use of illegal fishing practices, overfishing, (in part due to the lack of enforcement of the fishery ordinances), pollution and a lack of viable alternative livelihood activities to fish capture. While in some places, previous projects and/or programmes included the same or similar activities to those being proposed now to address these issues, past efforts in many instances have lacked sustained impact. From the available documents, it is clear that many of the previous initiatives were initially successful with positive results recorded at the end of the Project period. However, it appears that many could not be sustained after the end of the financial and technical support from the projects. The evidence for this conclusion is the current dire state of the country's municipal fisheries, the poverty of the fishing communities, the number of inactive people's organizations (POs²²) in the fishing communities and the lack of effective law enforcement activities, e.g. patrol boats that are non-operational and an absence of adequate remuneration for the members of the law enforcement teams.

30. The key to addressing these continuing issues is to ensure that the proposed Project activities and sub-project investments in coastal resource and fisheries management and livelihood development can address the issues that bedevil the sector while capable of being sustained after the end of the Project's assistance. This is the key rationale for the proposed Project.

31. The proposed Project will address the issue of sustainability in the following ways. First, the proposed Project will adopt the ecosystem approach to fisheries and CRM. The Project's design will adopt the bay-wide approach to the management of coastal resource and municipal fisheries involving contiguous municipalities that need to work together to protect, rehabilitate and ultimately sustainably manage the coastal and fisheries resources of the individual bays. This could involve providing support for existing Bay Management Councils (BMCs) (active or dormant), the creation of new ones where necessary and/or the formulation, adoption and implementation of Unified Fishery Ordinances.

32. Secondly, the Project will assist the target municipalities and cities to realise that making the improved and sustainable management of their fisheries and coastal resources a priority has the potential to provide them with an increasing future revenue stream. This approach requires the inclusion of sustainable CRM and fisheries management plans as part of the Municipal

²² This term is used throughout to cover all of the following interest groups, associations, cooperatives whether or not registered.

Development Plans, introduction of improved resource management practices, registration of the municipal fishermen, boats and fishing gear and crucially the introduction of sustainable arrangements for financing the sustainable long-term operations of the fishery law enforcement teams. In addition, to budget allocations financing for these activities can include registration fees, fines levied for infringements of the fisheries ordinances and fees for resource use, e.g. from the operators of ecotourism facilities, scuba-diving operations and alternative livelihood operations, e.g. fish and seaweed culture. The revenues can help finance the management and improvement of the fisheries and coastal resources.

33. Thirdly, to avoid the alternative livelihood activities failing and with them the POs once the Project assistance ends, as has frequently happened in the past, the Project will support the development of livelihood enterprises that are linked to the BFAR regional priorities to ensure that the livelihood enterprises supported by the Project are suitable for the target group and respond to the requirements of the market. By adopting this approach and providing appropriate support for POs involved for technical and management training, there is a much improved chance that these livelihood activities will continue operating after the end of the assistance from the Project and will subsequently be able to expand in response to market demand.

34. Fourthly, when preparing sub-project proposals for Project investments, careful attention will be given to the analysis of natural disaster risks and climate change concerns to minimise the risks to the investments financed by the Project.

35. Fifthly, the Project will provide the supporting investment necessary to enable the LGUs to improve the productivity of their fishery and coastal resources and improve their management of the resources in ways that are sustainable both financially and in terms of the use of the natural resources.

36. Finally, the Project will finance investment in BFAR facilities (e.g. hatcheries, laboratories) that can support the fisheries and coastal resources sector and assist the LGUs to improve the productivity of the municipal fisheries, coastal resources and development of alternative livelihood enterprises for the fishing communities. It was agreed with BFAR Central Office that when the other three regions require support to their laboratories, BFAR Central Office would provide its support from the government regular budget. The Project will not duplicate the activities of others (e.g. Philippines Rural Development Project (World Bank) and Ecosystems Improved for Sustainable Fisheries (ECOFISH - USAID) but will compliment and coordinate with these activities.

C. Alignment with Government Priorities

37. The proposed Project is in line with the priorities defined in the Philippine Development Plan (PDP) 2011-2016 for the fishery sector in areas of inclusive growth, poverty reduction, improving the economic status of poor coastal communities, building the capacity of communities and local administrations to manage their coastal resources better, improving the productivity of inshore waters, exploration of the export potential of fisheries, improved food security and nutrition and overall GDP growth. Likewise, the proposed project also contributes to the attainment of the goals and targets of existing sectoral plans such as the Agri-Pinoy, the Agricultural and Fisheries Modernisation Plan and the Fisheries Road Map. In addition, the proposals for livelihood development support the Agribusiness Road Maps of the regions for the fishery sector and the Regional Development Plans. Careful attention has been given to the analysis of natural disaster risks and climate change concerns.

38. The Project is also complementary with and supportive of the government's Reconstruction Assistance to Yolanda (RAY, formerly Yolanda Recovery and Reconstruction Plan) and particularly DA's Rehabilitation Plan for the agriculture sector. As the DA will provide for the fishing boats and fishing equipment as well as assistance to aquaculture (seaweed nurseries, rehabilitation of marine culture parks and fingerlings distribution), the Project will provide support for the rehabilitation of the coastal and fishery resources as well as recovery of the livelihoods of fishing communities. The project will likewise contribute to increasing community resiliency to natural hazards and climate-related risks.

D. IFAD Policy Alignment

39. The proposed Project is one of the three pipeline projects included in the IFAD Country Strategic Opportunities Programme (COSOP) for 2010-2014 and the Project design is consistent with the third of the Strategic Objectives of the IFAD's Country Strategic Opportunities Programme (COSOP) for 2010-2014. The third Strategic Objective is: *"Selected marginalised and poor communities dependent on coastal resources in Bicol, eastern Visayas, northern Mindanao and ARMM have sustainable access to fisheries and other productive coastal resources, use sustainable management practices and diversify livelihood opportunities to meet their basic needs (in particular, food)"*. Key crosscutting issues from the COSOP, which the Project design will address include: (i) natural resource management within the context of climate change; (ii) gender mainstreaming in development programmes; (iii) policy dialogues; and (iv) support for decentralisation. The COSOP also supports the Government's policies for the NCI.

40. The proposed Project design aligns well with IFAD's current strategic framework (2011-2015) which focuses on: secure access to natural resources; climate change adaptation and mitigation; improved agricultural technologies and effective production services; more comprehensive financial services; integration into value chains through competitive agricultural input and produce markets; rural enterprise development and off-farm employment opportunities; technical and vocational education and training; and empowerment of rural poor people through effective and sustainable rural producers' organizations. In this context agriculture includes fisheries.

41. The Project design is consistent with the UN Millennium Development Goals, namely Poverty Reduction (Goal1), gender equality (Goal3) and environmental sustainability (Goal7).

E. IFAD's Comparative Advantage in the Philippines

42. IFAD's comparative advantage is based on the experience gained from the past and ongoing operations that IFAD has helped finance and where IFAD has focused on helping the Government to reduce poverty and food insecurity in rural areas. The following aspects of IFAD's experiences are relevant to the design of this Project. IFAD has assisted government agencies to: (i) empower some of the poorest segments of the rural community to overcome poverty, notably women and Indigenous Peoples (IP) living in highly fragile and vulnerable ecosystems; (ii) reduce the incidence of rural poverty, using participatory community empowerment as the main entry point and to ensure community ownership, development effectiveness and sustainability of the interventions; (iii) support the development of small-scale and micro-enterprises operated by the rural poor linked with the provision of credit; and (iv) develop strong partnerships with government agencies (particularly recently with NEDA, DA, DAR, DENR, the National Council for Indigenous Peoples, DTI and the Small Business Corporation).

43. Based on experience elsewhere, IFAD support can also help introduce innovative approaches and improved technology to address some of the pressing issues in the management of the municipal fisheries e.g. the use of community organisations and inclusion/adaption of pre-existing fisheries management systems in the management of small-scale fisheries in partnership with the LGUs. All these strengths can support the proposed Project.

II. PROJECT DESCRIPTION

A. Project Area and Target Group

44. Prior to working with the project design mission, BFAR²³ carried out a series of consultative meetings in the regions. The aim was to gather baseline information for use in

²³ From 24th July to 30th August 2012: the team consisted primarily of the Deputy Director Jessica Muñoz of the BFAR-Project Management Office and Raul Roldan, a fisheries consultant. DA officers and BFAR regional personnel joined the team during the visits to selected sites.

Project design, and to inform BFAR Regional Offices, LGUs, and POs about the proposed Project, determine the status of fisheries and CRM in the bays visited, including issues and potentials.

B. Selection of Project Areas

45. The selection criteria used by BFAR to select the target regions and provinces included incidence of poverty, importance of municipal fisheries, identified as a priority for development, staff availability, and presence of law enforcement authorities. BFAR used the following criteria to select the target bays/gulfs: (i) status of the fisheries and coastal resources and potential for improvement; (ii) absence of other similar on-going projects/programmes; (iii) presence of 2-3 target areas per region for cost effective management; (iv) no peace and order issues to facilitate management and supervision; (v) a potential for scaling up activities supported by previous foreign assistance; and (vi) the bays/gulfs with critical economic importance and environmental significance.

46. The readiness criteria BFAR will use to select the LGUs for Project investment are as follows: (i) willingness of the LGU to participate and contribute a share of the investment costs as per the agreed cost sharing arrangements; and (ii) staff availability for Project implementation. LGUs where the municipal waters have been delineated, where there is an active and functioning Fisheries and Aquatic Resource Management Council (FARMC) and where there are updated development plans (e.g. Coastal Resource Management Plan, Municipal Development Plan, Comprehensive Land Use Plan etc.) will receive priority assistance. Appendix 2 includes further details of the criteria used for geographical targeting.

C. Project Area

47. The Project will target 4 regions, i.e. Region 5 in Luzon; 8 in Visayas; Region 13 and ARMM in Mindanao. The 11 target bays/gulfs proposed are as follows: **Region 5** (3 bays): Ragay Gulf (Bicol side), Asid Gulf, Albay Gulf; **Region 8**²⁴ (4 bays): Leyte Gulf, Matarinao Bay; Maqueda Bay, Silago-Cabalian Bay; **Region 13** (2 bays): Butuan Bay, Lianga/Hinatuan/Bislig Bays; **ARMM** (2 bays): Illana Bay and the area between Basilan and Sulu. These are the 11 priority bays/gulfs based on the above selection criteria.

48. The 11 target bays are located in 14 provinces with 103 LGUs, either municipalities or cities, bordering the bays/gulfs, and with 1,098 coastal *barangays*. The basic data for the Project area are: (i) a population of 1,724,554 million belonging to 447,928 households (average size 3.85) living in the coastal *barangays*; (ii) 90,596 fishing households and 202,973 registered fishermen; (iii) 35,921 motorised fishing boats (*bancas*) of 3 GT or less and 34,697 non-motorised *bancas*; (iv) 771 registered people's organisations (POs); (v) 439 Fisheries Law Enforcement Teams (FLETs) or *bantay-dagat*; and (vi) 328 FARMCs. No details are available as to the membership of the registered POs or the FARMCs or the size of the FLETs. The data available by bay/gulf and LGU are shown in Working Paper 1 and summarised by region in Appendix 2. The Map of Project Area shows the location of the bays/gulfs.

D. Fisheries and Coastal Resource Issues in the Target Bays/Gulfs

49. Many coastal households depend on fishing or related activities for their livelihoods. Municipal fishermen use motorised *bancas* of 3 GT or less and non-motorised *bancas*. Fishermen also use hook and line, fish traps and nets of standard mesh size. Some engage in seaweed production and others in mud crab production, production of *bangus* fry and tilapia production. Most of the fish catch is purchased by local traders or processed for *danggit* production or as dried fish. Some of the fishermen engage in sea weed production, fish cage culture etc. Other occupations are land based and include paddy and coconut production, pig and chicken rearing, food vending and processing, operation of retail outlets and handicraft in

²⁴ Leyte Gulf and Matarinao Bay were affected by Typhoon Yolanda. Initial assessment of the two bay/gulf and proposed location specific interventions will be included in the pre-implementation phase of the Project as soon as detailed damage assessment data is available.

ARMM.

50. There are similarities with respect to the fisheries issues and concerns among the target bays. Over the years, the average fish catch has reportedly declined and is 2-3 kg per person per trip (six hours) in lean months and 8-10 kg per person per trip (six hours) in peak months. Related issues and concerns in the target bays are intrusion of commercial vessels, use of fine mesh nets, dynamite fishing, and use of sodium cyanide, compressor fishing and degradation of coral reefs. An additional issue concerns the mangroves due to the unsustainable cutting of trees, conversion of mangrove forests to fishponds or settlements. Pollution, siltation and erosion are other issues affecting the bays/gulfs. These problems have reduced the productivity of the coastal resources and affect the livelihood of households dependent on fishing and associated activities.

51. There has been some progress in adopting CRM interventions, e.g. delineation of the boundaries of the municipal waters, the formation of FLETs, adoption of municipal fisheries ordinances and establishment of fish sanctuaries and mangrove reserves. These interventions are designed to help reduce the negative impact of overfishing and habitat destruction, and at the same time, encourage coastal communities to participate in managing and protecting their resources. However, these initiatives have often failed to live up to expectations and despite a promising start and many have proved unsustainable because of a lack of resources to sustain the activities after the end of Project assistance. Fisheries and coastal resources need to be managed on a bay-wide basis and LGU bay-wide councils have been formed, e.g. in Lianga and Hinatuan, Silago-Cabalian, and Matarinao. Many of these alliances are hampered by a lack of resources and weak coordination preventing them from operating effectively. Others are dormant. The failure to enforce the existing fisheries regulations and to manage the resources sustainably is a major factor behind the continuing decline in the state of the coastal resources and the inshore fisheries. The situation may now be aggravated by rising sea temperatures and a loss of oxygen. The effects are fish kills, low fish catch, declining food supplies along the coral reefs and poor growth of shells and corals destroying further the coastal and marine habitats. Working Paper 2 includes a summary of the situation in each of the 11 target bays.

52. The target bays/gulfs are a mix of areas that have either been the beneficiaries of past foreign-assisted programmes, specifically the Fisheries Resource Management Project (1999-2006), e.g. Butuan Bay and the Sustainable Management of Coastal Resources in Bicol and Caraga Regions (SUMACORE), e.g. Lianga Bay and Hinatuan Bay, or those that will receive significant foreign-funded assistance for the first time e.g. Silago-Cabalian Bay, Matarinao Bay, and Illana Bay. This situation presents BFAR with an opportunity to build on the previous interventions, sustain the gains made, and strengthen partnerships formed with LGUs, POs, other government agencies, NGOs, and academic institutions. Lessons learned, including best CRM practices and useful experiences, will be adopted in the new bays.

E. Extent of Poverty in the Project Area

53. Fishing in municipal waters by small fishermen is seasonal. Fishermen fish during the fishing seasons and engage in non-fishing activities at other times. They engage in farming, animal raising, trading or selling labour. The average income for fishing households in the target LGUs shown in data provided by BFAR and summarised in Appendix 2 is PHP 38,879 (USD 926 equivalent). Working Paper 1 includes the details data by LGU. The average incidence of poverty is 42% in the 103 LGUs that border the target bays/gulfs compared with the national average of 28%. Using the same data sources there are an estimated 188,130 poor households living in the coastal *barangays* containing around 724,300 people. Of those living in the coastal *barangays*, 90,596 are fishing households with an estimated 38,050 (146,495) living below the poverty line, equal to 20% of the poor households. Of the poor fishing households an estimated 6,589 are women headed. An estimated 262,600 youth live below the poverty line in the coastal areas, although around 57,130 belong to poor fishing households.

54. In the coastal *barangays* with the dependence on fishing and associated activities, escaping poverty is even more difficult because of the absence of other livelihood opportunities that could supplement fishing incomes. Some LGUs have small livelihood programmes, such as

pig and goat distribution, and other income generating activities (e.g. rice trading) for coastal families. However, these are often unsuccessful because very few beneficiaries have the right mindset and values for entrepreneurship or the necessary technical knowledge. In addition, aquaculture sub-projects have had mixed results. A lack of technical support, failure to find appropriate markets and typhoon damage are given as reasons for the lack of sustainability of aquaculture projects. To be successful, aquaculture sub-projects should focus on priority commodities for which remunerative markets have been identified, market access provided and technical support provided. Because of their “high credit risk” status, fishermen, women and POs cannot access loans from formal financing institutions to start or expand fishing and/or aquaculture operations or other enterprises. Very often, they resort to moneylenders offering high-interest loans that push them deeper into poverty.

F. Target Groups

55. The 90,596 poor households (160,572 people) living in the 1,098 coastal *barangays* are the Project’s target group. Among this total are two sub-groups that would be the focus of the Project’s interventions: (i) the estimated 38,050 poor fishing households (146,493 people); (ii) unknown numbers of women-headed households and out of school youth, not included as members of the fishing households; and (iii) Indigenous Peoples living in Region 13 (Hinatuan-Bislig-Lianga Bay) and in ARMM (Illana Bay and Sulu Sea), although the numbers will have to be determined during the baseline survey.

56. **Presence of Indigenous Peoples (IP).** No ancestral fishing grounds are reported in any of the target bay/gulf sites. However, the data is incomplete in terms of identifying the tribes and ethnic groups by *barangay* and it will be necessary to investigate this matter further during the baseline survey. If there is a significant presence of IPs, a Free Prior and Informed Consent²⁵ will be needed by the Project in collaboration with the National Commission on Indigenous Peoples (NCIP) when involving IP communities. A certificate of pre-condition can be facilitated so that a Free Prior and Informed Consent will not be required in areas where IP do not dominate. The sparse presence of IP in some places has created an environment where IPs are integrated culturally into the mainstream of the fishing communities. Moreover, if IP are present in the proposed coastal municipalities, the Project will obtain assistance from National Commission on Indigenous Peoples which has a menu of programmes and project support and assistance they can provide to the IPs.

57. The Project will also provide capacity building and training to the staff of the LGUs, FARMCs and FLETs in the target areas and the BFAR staff in the regions and at the central level. They need to upgrade their skills and technical knowledge on fisheries and coastal resource management and development of alternative enterprise for the poor members of the fishing communities.

G. Targeting

58. The main criteria for the selection of project beneficiaries will be based on the socio-economic conditions of fishing households. The Project will target the potential beneficiaries by first targeting eligible POs that are registered and which meet the Project’s eligibility criteria i.e. willing to develop further their exiting activities or to introduce new ones in line with the wishes of the membership. In addition, the Project will establish new POs in response to the demands from the target group. Membership of the POs will comprise members of the target group either self-selected based on their interest in the proposed livelihood enterprise(s) or by selection using up-to-date lists of poor households from the Department of Social Welfare and Development (DSWD) or by using participatory wealth ranking. New POs will be registered to the Department of Labour and Employment, Securities and Exchange Commission, or Cooperative Development Authority. These will be defined further in the project implementation manual.

²⁵ The proponent has to identify which among the areas that need FPIC as well as the certificate of pre-condition. BFAR has requested the BFAR Regional Offices of Caraga and ARMM to provide the information. This will be part of the PY1 planned activities.

59. The provision of public goods, such as infrastructure and equipment support for coastal resource management, and common service facilities will also benefit non-poor households, some of whom may be members of the existing POs targeted. Examples are fish sanctuary markers, equipment for the *bantay dagat*, watch towers and fishing jetties and access road improvements.

60. In PY1, the focus of the Project will be on targeting the existing POs with the formation of new POs starting in PY2. Appendix 2 has further details

H. Gender Mainstreaming

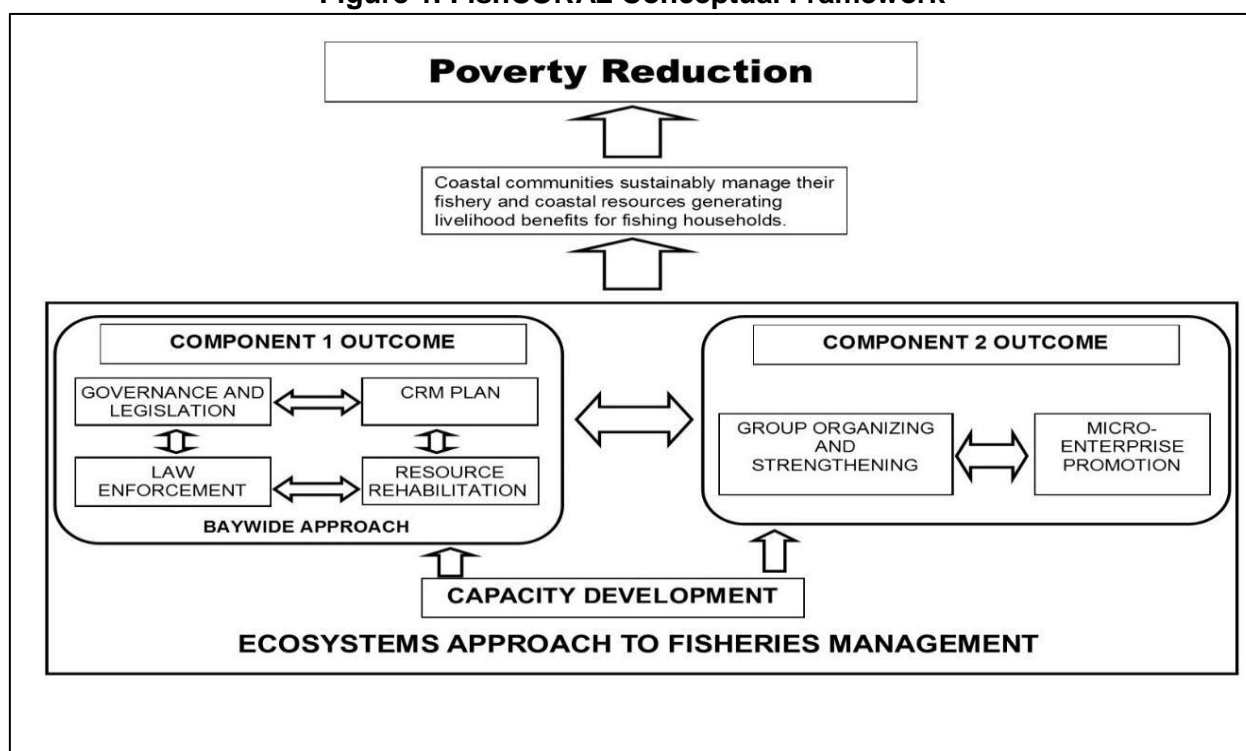
61. During the design mission's regional visits, the women met requested that women should account for a high percentage of the members and as leaders in the various POs supported by the Project. To comply with the Magna Carta of Women for non-ARMM regions and the ARMM Gender and Development Code, women should comprise 40% of the members and leaders in the POs during Project implementation. The Project will adopt the following approaches for mainstreaming gender considerations into Project implementation: (i) Project management will review the "Gender Mainstreaming Strategic Focus of IFAD Projects" which was formulated by the IFAD-Philippine Gender Network (IPGN) as a guide for the implementation of IFAD Projects; (ii) training provided for Project staff, staff of other implementing agencies and beneficiaries will be gender-relevant; (iii) the Project will become an active member of the IPGN in partnership with all the on-going IFAD Projects in the country; (iv) Project management will identify gender focal persons who will be a key officers in the central and regional Project Offices; (v) women should account for 40-50% of the members and as officers/leaders of the POs and the beneficiaries of the sub-projects; and (vi) there should be gender-balance in the selection and/or recruitment of Project staff with a target of 30% women. The Social Development Service of NEDA has the mandate for ensuring that gender is mainstreamed in foreign-assisted projects. In ARMM, this responsibility lies with the Regional Economic and Development Office.

I. Project Design Framework

62. The proposed Project directly addresses the priorities defined in the Philippine Development Plan (PDP) 2011-2016, Agri-Pinoy, the Agricultural and Fisheries Modernisation Plan and the Fisheries Road Map and contribute to the national and regional priorities in the fisheries sector under the PDP in areas of inclusive growth, poverty reduction, improving the economic status of poor coastal communities, building the capacity of communities and local administrations to manage their coastal resources better, improving the productivity of inshore waters, exploration of the export potential of fisheries, improved food security and nutrition and overall GDP growth. In addition, the proposals for livelihood development support the Agribusiness Road Maps of the regions for the fishery sector and the Regional Development Plans. Careful attention has been given to the analysis of natural disaster risks and climate change concerns. The Figure below shows how the project is aligned with existing national and sectoral plans in achieving the national goal of poverty reduction.

63. In terms of the legal framework the Project will follow the provisions of RA 7160 (Local Government Code) that relate to municipal fisheries and the coastal zone and RA 8550 (Fisheries Code of the Philippines). Activities in ARMM will be based on the Implementing Rules and Regulations of ARMM Aquatic and Fisheries Code of 1999 (MMAA no. 86, February 2006) and the Provincial FATWA on Marine Environmental Protection and Conservation (2006). The Executive Order No. 533 (2006) adopted Integrated Coastal Management as a national strategy for the sustainable development of the country's coastal and marine environment and resources.

Figure 1. FishCORAL Conceptual Framework



64. The proposed Project will adopt the ecosystem approach to CRM and include among its interventions, activities that will protect both the aquatic and coastal zone habitats including mangroves, coral reefs and sea grasses. The Project's design adopts the bay-wide approach to the management of the coastal resources and municipal fisheries involving contiguous municipalities that need to work together to improve law enforcement and protect, rehabilitate and sustainably manage the shared resources within the bays/gulfs. Project design gives careful attention to the risks of natural disasters and increased climatic variability.

65. The Project's investment in CRM and the development of alternative livelihoods for fishing households will be in response to the investment plans of the LGUs and/or of their Municipal Agriculture Offices, prepared by the LGU staff, community members and POs. In addition, the Project will assist BFAR to support the management and development of the fisheries sector in line with its mandate and to assist the LGUs to fulfil their mandate with respect to the management of the municipal fisheries.

66. Project design gives careful attention to the natural disaster risks and climate change concerns, improving law enforcement and introducing alternative livelihood activities that are consistent with the BFAR regional commodity road maps and national priorities. Some sub-projects have already been identified ready for implementation in PY1 and are included in this report (Appendixes 4 and 10).

67. The Project's design builds on the results, experience and lessons learned from past foreign-assisted and government projects in the fisheries and coastal resource management sector and past and ongoing IFAD projects (see below). The aim is to add value to the results achieved by previous interventions, while not duplicating the activities of other projects currently assisting the sector. The Project will complement and coordinate with existing and planned projects of DA and others (e.g. Philippines Rural Development Project (the World Bank), CONVERGE (IFAD), GROWTH (the World Bank), Integrated Environment and Natural Resource Management Project (ADB-IFAD) and Environment and Ecosystems Improved for Sustainable Fisheries (ECOFISH - USAID).

J. Development Objective and Impact Indicators

68. The overall goal of the Project is to contribute to reduced poverty in the target coastal communities of the target bays/ecosystems indicated by a reduction of 5% from the mean

poverty incidence baseline of 42% of the target sites. Consequently, proxy indicators to measure poverty reduction is a 22% increase in their household asset index from the baseline level and a reduction in the incidence of child malnutrition (ages 0-59 months) of 5% from 24.4% for the 90,596 poor households located in the 1,098 covered coastal barangays. The Project's development objective is that coastal communities sustainably manage their fishery and coastal resources generating livelihood benefits for the targeted households. The relevant indicators are that by the end of the Project in the 103 municipalities/cities: (i) Annual income of participating fishing households increased by 10% in real terms from the baseline; and (ii) Employment of women engaged in income generating activities increased to 40% from baseline of 20%.²⁶

K. Components/Outcomes

69. Based on the BFAR Concept Note and the priorities identified during the missions' visits to the regions, bays, municipalities and cities, the Project will have the following three components: (i) Coastal Resource Management; (ii) Livelihood Development; and (iii) Project Management and Coordination.

70. The expected outcomes are as follows:

- **Component 1:** Fishing communities adopted sustainable management of fishery and coastal resources.
- **Component 2:** Income of fishing households in target coastal communities increased through sustainable engagement in diversified livelihood activities.

71. The achievement of these outcomes will contribute to the Department of Agriculture's organizational outcome of "Improved conditions that is conducive for profitable, globally-competitive and sustainable agri-fishery sector with empowered farmers, fisherfolk and other stakeholders". Contingent to the achievement of the outcomes are outputs and activities that directly contribute to the Department's major final outputs (MFOs) specifically on Technical Support Services as the DA-BFAR is mandated to provide technical services to LGUs and fisherfolks in the area of (i) production support; (ii) marketing support; and (iii) extension service, education and training support. The capacity building activities that the project will provide are aimed at improving the capacities of the BFAR in fulfilling its mandate to provide technical services. Also, the project will provide small infrastructures and equipment that include multi-purpose buildings with watchtower, patrol boat engines, fishery post-harvest facilities, hatcheries and laboratories among others which fall under the Department's MFOs on Agricultural and Fishery Equipment and Facilities. Under the MFO on Credit Support Services, the project will facilitate credit access of beneficiaries to financial institutions in the implementation of identified community enterprises.

72. The Project's logical framework includes the outcome indicators, the associated outputs and the indicators for each of the three components. The following paragraphs describe the three Project components and Appendix 4 has further details.

Component 1: Coastal Resource Management

73. **Governance and legislation.** Under the provisions of RA 7160, LGUs with a common interest in the management of the municipal waters within a bay or gulf have formed Bay Management Councils (BMCs) to undertake these tasks. However, in the Project area not all these councils are active. The Project will assess the reasons for the lack of success of the BMCs and facilitate the formation, re-activation and management of the operations of these councils, including the adoption of bay wide fisheries ordinances, which bay wide management of the municipal fisheries requires.

²⁶ The inclusion of indicators in law enforcement such as decreased apprehensions and other similar types do not accurately reflect effective law enforcement because a decrease in apprehension could also indicate decrease in patrol activities. The Project chose indicators showing improvement in the fisheries resources (increased fish density - indicating reduced fishing efforts, pollution, littering, etc.) and improvement of hard cover (indicating increased patrols of dynamite fishing in the area) to reflect effective law enforcement.

74. The creation of Integrated Fisheries and Aquatic Resources Management Councils (IFARMCs) is the legal basis for the formulation of the Integrated Fishery Development Plans (as stated in RA 8550) and enactment of the Integrated Fishery Ordinances which are an integral part of bay-wide management of the municipal fisheries and coastal resources. As part of the bay-wide management approach, the project will also support interventions leading to the creation of IFARMCs where no such organization exists and support their operation and that of the existing IFARMCs. The role of the IFARMCs is to provide advice and recommendations on fisheries management issues to the bay/gulf councils. In support of these initiatives, the Project will also support FARMCs and the formation and their operation at the *barangay*, and municipal levels. The Project will provide capacity building and technical and management support for the FARMCs and IFARMCs and the enactment of Integrated Fishery Ordinances for the management of the municipal fisheries on a bay-wide basis by the Bay Management Councils.

75. As part of the basic social inventory to be conducted (part of the baseline survey), the Project will investigate whether any pre-existing small-scale fisheries management systems exist, since they could enhance LGU management capacity. The Project will also assist BFAR to enhance its capacity to analyse the components and functions of management systems for small-scale fisheries and their communities, e.g. through workshops and seminars at the national, regional and local levels.

76. As part of the bay-wide approach to the management of the municipal fisheries, the Project will support the participation of the local fishing communities in the management of the municipal fisheries and coastal resources with the LGUs as required under RA 8550, by incorporating any pre-existing fisheries management systems. This will complement the formal methods of law enforcement to be supported by the Project. Awareness-raising through Information, Education and Communication (IEC) and training will be provided to the local fishing communities to understand the importance of joint management of the local fisheries and coastal resources together with the local governments and the impact on their livelihood.

77. In addition, the Project will also assist the LGUs to introduce and/or complete the following: (i) registration of municipal fishermen, their motorised and non-motorised fishing vessels and fishing gears; and (ii) introduction of a municipal licensing system for fishermen, fishing vessels and fishing gears and collection of associated licensing revenues and their use to support enforcement of the Fisheries Ordinances. Institutional arrangements must be in place to ensure that the revenues and money collected from registration fees will help the LGUs to finance fisheries and coastal resource management.

78. Overfishing is a common problem in most coastal municipalities in the country caused by illegal fishing and high population density along the coastline and has resulted in the decrease in municipal fishery production in most areas. However, data gaps exist especially in the monitoring of fish landings and fishing efforts. To address overfishing, the project will support law enforcement and regulatory activities of LGUs to manage fishing efforts and at the same time provide alternative marine and land based livelihood opportunities to contribute to a reduced level of overfishing.

79. Equally important in the management and governance of the coastal and fishery resources is to have reliable, accurate and timely information on fishing efforts in the target bays for a more informed decision-making by the BFAR and the LGUs. As data gaps exist especially in the monitoring of fish landings and fishing efforts, the Project will also examine the problem of landing, catch and effort statistics by having fishing households record data on a regular basis as part of the project's M&E system. This has been done successfully in other countries, where the close involvement of fishermen in contributing to the solution of one of their major problems has provided a considerable incentive to induce them to participate in the general management of the aquatic resources. The geographical area or fishing ground in which catches are made will be recorded based on the scientifically verified empirical knowledge of fishermen. BFAR and the LGUs can then propose policy measures to appropriately address coastal and fishery resource management issues such as illegal and overfishing and determine the actual source of fisheries produced, based on sound, reliable and timely information. In addition, household income data will be collected as part of the outcome surveys and mid-term and completion

impact surveys.

80. In support of the legislative aspects of this component, the Project will finance through a contract with a qualified service provider²⁷ a review of the existing relevant legislation. The review will cover the provisions of RA 7160 (Local Government Code) that relate to municipal fisheries and the coastal zone, RA 8550 (Fisheries Code of the Philippines) and other legislation relevant to the municipal fisheries and coastal zone e.g. the corresponding legislation that governs fisheries in ARMM. RA 8550 which was enacted in 1998 was due for review by 2008. Municipal fishery ordinances will also be reviewed in consideration of the proposed changes in the Fisheries Code. After the Mid-term Review, the Project could pilot proposed changes to the Codes with respect to the municipal fisheries in selected locations.

81. In addition, the Project will assess how LGUs can provide sustainable financing for the protection of coastal and fishery resources, including the costs of law enforcement teams (honorariums, insurance, fuel, repairs, maintenance of watch towers etc.) and the costs of CRM, e.g. valuing and paying for environmental services provided by coastal communities, ecotourism levies, revenues from registration, licensing and apprehensions, fixed allocations from LGU budgets. The Project will coordinate with the USAID ECOFISH which will be looking at the same issues but in other bays/gulfs.

82. Improving the governance regime in the target bays through the strengthening of inter-LGU coordination, improved regulatory policies at the national and local level backed-up by reliable and timely information along with improved and sustained coastal law enforcement are deemed important in addressing illegal and overfishing in the target areas.

83. **Law enforcement.** Local governments are mandated to ensure compliance with the Fisheries Code and local fisheries ordinances and associated costs of the *bantay dagats*. To reinforce the *bantay dagat* at the *barangay* and LGU levels, BFAR will organize and strengthen law enforcement teams composed of coast guards and police personnel to apprehend violators, as has been done by the FISH Project in Cebu. This will require a Memorandum of Agreement (MOA) between BFAR, the police and coast guards. In addition, the Project will assess the types and social and economic characteristics of illegal fishing and propose ways to address this complex issue e.g. revised local regulations etc.

84. The Project will strengthen the existing FLETs through the provision of equipment and training. The Project will provide patrol boat engines, GPS and communication equipment, heavy duty search lights, night vision binoculars, megaphone, and other necessary paraphernalia. The BFAR on the other hand will provide the patrol boat body under its regular agency budget. The BFAR provincial offices will also receive a larger engine for their patrol boat and similar equipment, including an air compressor. The existing BFAR FLET training modules will be used in trainings to be conducted by qualified personnel from BFAR.

85. The Project will assist LGUs to improve the following: coordination functions with BFAR and other relevant agencies, the fisheries database and reporting system and revenue generation from registration fees, fines, and fees for resource use etc. to help finance the law enforcement activities and the management of the coastal resources. The Project will also finance the construction of watch towers to support the FLET and management of the FS (see below).

86. **LGU coastal resource management (CRM) plans.** The general framework of the CRM plans will follow the principles of the eco-system approach for fisheries management (EAFM). Consequently, the whole bay will be considered as one management unit including both the coastal, marine and land-based ecosystems. Integrated Bay-wide CRM and fisheries plans will be formulated by the LGUs through the Bay Management Councils together with IFARMCs and BFAR. Settlement of disputes on municipal boundaries disputes to establish clear municipal waters delineation rests on the concerned LGUs. Based on past experiences, this issue does not interfere with implementation of CRM interventions.

²⁷ Financed from the IFAD grant.

87. CRM plans will be updated and further developed to become CRM Investment Plans and to form part of a Comprehensive Land and Water Use Plan (CLWUP) of the LGUs. These updated CRM plans will consider the complexity of environmental, biological, geophysical, institutional and socioeconomic concerns. The Plans will be prepared in a participatory way by the LGUs and will involve the participation of *barangay* officials, POs (where existing), NGOs, and private sector organizations. These CRM plans will be integrated into the Municipal/City Development Plans, for review, approval and subsequent implementation by the LGUs. Within the CRM/Development Plans, sub-projects for possible Project funding will be submitted for review and approval by the Project management. Some sub-projects are ready for implementation in PY1 (Appendix 4).

88. The updated CRM plans will emphasise: (i) coastal marine zoning for inclusion in the municipal zoning ordinance; and (ii) disaster risk reduction and climate change vulnerability information and maps, especially those that will impact the location, development, and implementation of livelihood projects (facilities and infrastructure) and identify danger zones in the community. The CRM plans will include investment to protect and enhance the coastal resources including protection from land-based activities, schemes for livelihood diversification and improvement, including those involving eco-tourism and associated infrastructure investments. Selection of livelihood enterprises will support the regional agribusiness commodity road maps (where available). The Integrated Coastal Resources Management Project manual for enterprise development will be reviewed and adapted for use by the Project. As a rule, the fishing communities are advised not to engage in marine based cultivation or farming activities where mining operations have a negative environmental impact.

89. CRM plans will contain disaster risk reduction and climate change vulnerability information and maps and identify any danger zones in the community. The plans will contain an innovative IEC strategy for CRM stakeholders and decision makers. The LGU/BMC-CRM plans must be in line with the Philippine Development Plan and the Regional Development Plan, and support the DA/BFAR Agribusiness Road Maps. The CRM plans will include strategies to implement the convergence programme of the national government involving other agencies e.g. DSWD, Department of Labour and Employment (DOLE), NEDA, DENR, Department of Interior and Local Government (DILG), etc.

90. During CRM planning, issues relating to the inland upland areas which influence coastal marine areas will be identified and assistance sought from the DENR National Greening Programme and other relevant environmental/watershed development programmes. The Project will finance the costs of the participatory planning sessions which will be led by Municipal Planning and Development Officer and co-headed by Municipal Agriculture Office (MAO) with technical support from BFAR staff and DENR. The project will provide training and capacity building to the MAO staff. Where feasible, LGUs will be encouraged to hire additional technical staff on job orders to complement their existing staff for project implementation. The regional offices will be requested to provide the list of MAO personnel to be involved in the Project.

91. To enhance sustainability, the Project will assist LGUs to institutionalise the arrangements for funding CRM (and law enforcement) after the end of Project assistance, by using an increasing volume of internally generated funds (fees, etc.) as well as a share of their development budgets.

92. The Project-hired Community Facilitators (CFs) (see below) will play a vital role in LGU CRM planning, to ensure that the interventions will not damage the environment or be exposed to unnecessary risks from natural and man-made factors e.g. pollutions, floods, erosion, landslides, etc. The CFs will work closely with the BFAR Bay Regulatory Officers on bay wide concerns.

93. **Resource rehabilitation.** The Project will finance sub-projects for resource rehabilitation proposed in the CRM plans. Mangroves, sea-grasses, coral reefs and beaches will be managed

using the ecosystem approach²⁸. Suitable mangrove species will be used for planting in line with their specific purposes. Fish Sanctuaries (FS) will be established and managed, including management of existing ones. The status of the FS and other protected areas will be assessed by the LGUs with the assistance of BFAR through the baseline Rapid Participatory Resource and Social Assessment (RPRSA) (Component 3). The Project will support a network of protected habitats to maximise the impact of the interventions. Artificial coral reefs will be provided where appropriate and there is a need. Conservation and management projects for charismatic species (marine turtles, dugong, etc.) will be linked with proposals for eco-tourism, networking of protected areas, and bay-wide management. The Project will help protect, enhance and rehabilitate the municipal fisheries' resources, e.g. through stock enhancement in protected areas, following the BFAR principles and guidelines for stock enhancement, using juveniles and adults from hatcheries operated by BFAR, State Universities and Colleges and the private sector.

94. The resource rehabilitation activities of the Project will also help restore the productivity of the coastal and fishery resources in Typhoon Yolanda affected sites in Region 8. The Project will provide support for the rehabilitation of the coastal and fishery resources as well as recovery of the livelihoods of affected fishing communities. The project will likewise contribute to increasing community resiliency to natural hazards and climate-related risks.

95. **Infrastructure and equipment support.** The Project will provide each bay, with a BMC, a Bay Management and Multi-Purpose Building (BMMPB): a two-storey concrete building with a roof deck and extended watch tower serving as an observation platform with accommodation for guards and storage for equipment including the radio base station. The ground floor will be a learning centre with Information, Education and Communication (IEC) materials about the bay resources and its programmes, while the second level will house the office of the BMC and IFARMC with a meeting area. The BMMPB with Watch Tower will be built in each of the 11 bays/gulfs to serve as satellite office for the Bay Management Council and IFARMC. It will also serve as information center.

96. In addition, the Project will provide a standalone concrete watch (look-out) tower with guard house in each participating municipality. The tower will be provided with surveillance and communication equipment linked to the base at the BMC building. A Watch Tower will be provided to all the 103 municipalities for law enforcement activities within the municipalities with the communication equipment linked to the MPB and Watch Tower in each bay. This will be strategically placed at the most accessible place, preferably at a central location within the bay.

97. As part of CRM plans, the Project will finance delineation markers for identified FS within the target bays. To avoid pilferage of markers, the Project will use empty plastic drums as buoys anchored by galvanised chains tied to concrete anchor blocks on the sea bed. While galvanized chains may also be prone to pilferage, anchor ties made of used tyres or strands of fishing nylon chords will be tried to eliminate possible theft. The LGUs will be fully responsible for the operation and maintenance of the infrastructure and equipment provided by the project during and after the project implementation period, with the support of IFARMCs. The scope, eligibility criteria, administration and maintenance of all infrastructure and equipment support to the LGUs are detailed in Working Paper 4: Rural Infrastructure.

Component 2: Livelihood Development

98. **Organizational strengthening.** As already noted, BFAR will hire CFs, preferably from the within the municipality of assignment, to be based in the Municipal/city Agricultural Office (MAO) with technical guidance and support provided by the regional BFAR institutions and gender specialist. The qualified community facilitators will be assigned to target areas (5-7 *barangays* per CF) The CFs will assist the POs and their members with the proposed livelihood sub-

²⁸ Bay-wide approach is jurisdictional with the bay taken as one ecological unit, consisting of different municipalities; part of the governance component of EAFM. Ecosystem approach to fisheries management (EAFM) refers to governance, resource and human settlement that go beyond bay-wide approach. This FAO concept has not been applied to previous projects.

projects as well as with CRM related activities such as resource protection and rehabilitation where active participation of community members are deemed important.

99. In line with the proposals for livelihood development included in the CRM plan, suitable existing POs will be supported or reactivated and new POs established following the Project's targeting arrangements.

100. In addition to the technical aspects of the selected livelihood enterprises, the following will be key elements of the training modules for the POs: group organisation and management, basic entrepreneurship, business management, value-chain concepts and approaches, coastal resource management and gender mainstreaming. The CFs and BFAR staff will provide the training with the assistance of other agencies (e.g. DTI, Department of Tourism (DOT), the Department of Science and Technology (DOST), Business Development Service Providers, Southeast Asian Fisheries Development Centre when required.

101. The project will facilitate the transformation of beneficiaries into rural entrepreneurs. As such organizational strengthening will also facilitate the conduct of needs analysis to identify other special assistance that will be required by project beneficiaries other than the identification and implementation of chosen livelihood/enterprise projects. The hired CF will facilitate the conduct of a needs analysis. The Project will finance the costs of employing the CFs (salaries, fuel and travel allowances, training, extension materials and supplies, etc.).

102. **Promotion of micro-enterprises.** There will be no project support for increasing fishing effort, or provision of fishing gear²⁹. The Project will promote post-harvest management, environment-friendly livelihood enterprises identified in the approved CRM plans, e.g. fisheries related enterprises (e.g. cage culture, marine-culture, sea weed culture and fish processing), sustainable tourism and other appropriate enterprises. These enterprises will aim to diversify and increase the incomes of the poor fishing households and other poor households living in the target coastal communities. Enterprises will be undertaken by the individuals or groups of PO members or by the PO as an entity. As a rule, the fishing communities are advised not to engage in marine based cultivation or farming activities where mining operations have a negative environmental impact. The identification of livelihood and enterprise projects will include an analysis of the gaps and constraints both of the resource and its market so that appropriate project interventions can be put in place to ensure project's sustainability. These sub-projects will be selected with due consideration to its suitability in the specific sites as well as the availability of the resources and its sustainability. The type of livelihood to be implemented ranges from fishery to non-fishery which would include agriculture and fishery production, post-harvest and processing. The POs and/or LGU counterpart is set at 10% of the project cost which can be in cash or in kind. LGUs already expressed willingness to counterpart/ participate in the project during project consultation/ meetings with LGUs. Sub-project proposals, including costs and financing, have been prepared for all the bays/gulfs and were presented as the PY1 proposed sub-projects to avoid ambiguous demand-driven budget allocation. The same will apply to the subprojects for the PY 2 which will be subsequently prepared during PY1 and onwards for the project financing.

103. Fisheries livelihood sub-projects should have the following characteristics: (i) a quick turnover; (ii) will not further degrade the environment or deplete any resources (e.g. focus on the use of juveniles of hatchery-bred species); (iii) use technology suited to the technical capacity of the producers; (iv) focus on species with market prices that are attractive to the producers; (iv) be able to access technical and managerial support from BFAR (national and regional levels), with the participation of DA-ATI, DENR, DTI, DOST, DSWD and the private sector as needed; (v) when specific enterprises and products are identified, provision of support to undertake feasibility studies to assess demand potentials, market access, opportunities for value addition and opportunities to secure partnership with the private sector; and (vi) include knowledge

²⁹ The policy of not supporting any livelihood sub-projects that will increase fishing effort (such as provision of fishing boats) and provision of fishing gear (e.g. fishnets) is to ensure the improvement of coastal resources. Regulations on fish cages/ pens are under the jurisdiction of the LGUs which the Project will support through assistance in updating/ further development of the municipal CRM Plans.

management and learning to ensure that the experiences and lessons learned are available to improve Project performance and for wider dissemination.

104. Opportunities may also exist for the Project to support value adding enterprises, e.g. rabbit-fish in Barobo, sardines in Butuan Bay, and Illana Bays, to maximize their value to the fishing households, especially during peak seasons when prices of fresh fish can be very low. However, Unified Fisheries Ordinances and CRM plans should be enacted prior to starting livelihood activities in order to protect seemingly abundant species from over-exploitation, e. g. rabbit-fish in Matarinao Bay.

105. Where market-led opportunities exist, the Project will promote non-fishery enterprises to provide additional income for poor fishing households. Examples of possible enterprises are rice, meat and food trading, livestock rearing, banana chips production, and handicrafts etc. Mitigation measures for some identified feasible livelihood and enterprise will be put in place to prevent further environmental degradation, waste generation and over-exploitation of resources. The list of the typology of eligible and non-eligible livelihood and enterprise is provided under Attachment 2 of Appendix 4.

106. The Project will provide PHP 100,000 (around USD 2,500) per eligible PO activity (average of 20 members) to support the initial development of individual livelihood enterprises for members of the fishing communities. This proposed allocation is based on the estimated average required for a group to make a profitable and sustainable investment enterprise in the project area. The maximum amount is set to support initial development for livelihood sub-projects in order to put a cap on the Project's cash contribution with expected additional contribution (cash or in-kind) from the beneficiary PO/ LGUs POs and beneficiaries will provide the remaining investment funds in cash and/or kind. The Project financed inputs for the livelihood enterprise will be provided as a package combined with the provision of training for the members of the POs. Training will include both technical skills and the business development aspects of operating livelihood enterprises. Subsequent cycles will be financed from the income earned, while successful enterprises can access micro-finance institutions (MFI) or NGO sources to finance future expansion of their enterprises.

107. The Project will institutionalise the role of BFAR in assisting livelihood enterprises by strengthening and enhancing the capabilities of their existing fish hatcheries to sustain their role as a source of juveniles of cage culture species. Other sources of juveniles that the Project and POs can use are the State Universities and Colleges and the private sector. Hatchery establishment and operation could be a livelihood enterprise for some experienced POs.

108. The Project will promote and assist LGUs in the development of ecotourism and agricultural tourism where appropriate. LGUs will promote sustainable tourism-based enterprises especially with well-managed Fish Sanctuaries (Silago-Cabalian Bay area), where tourists will pay to access the resources without consuming them. It is expected that women will have a substantial role in staffing sustainable tourism projects.

109. **Infrastructure and equipment support.** The Project will, in addition, finance infrastructure facilities in support to seaweed production, e.g. rehabilitation, expansion, or establishment of communal seaweed solar dryers on stilts with small storage facility for areas with existing and proposed seaweed plantations.

110. In locations without a sufficient length of beach, the Project will support the construction of fish landing facilities in the form of boulder riprap jetties or small timber ports. Floating fish landing structures or "pontoons" made out of empty plastic drums and timber planks anchored to the sea bed can also be constructed if feasible. Fish trading (*bagsakan*) centres will not be financed under the Project as there are municipal public markets which can be used by the fishermen.

111. Mini ice plants with cold storage facilities (chest-type freezers and mobile ice makers), smoke houses, store houses and fish/seaweed dryers may be needed if justified by the volumes of fish available. These common service facilities can be financed by the Project but will be managed by qualified POs under sound arrangements with the concerned LGUs.

112. Some of the regional BFAR hatcheries need improvement, expansion and equipment (e.g. Tiwi and Bacacay hatchery in Albay) which the Project can finance. The community-based marine hatchery as piloted by BFAR-ARMM will be expanded and this model will be adopted in other regions if found effective and efficient rather than providing new government owned and operated facilities. The LGUs will be fully responsible for the operation and maintenance of the infrastructure and equipment provided by the project during and after the project implementation period, with the support of IFARMCs. The scope, eligibility criteria, administration and maintenance of all infrastructure and equipment support to the LGUs are detailed in Working Paper 4: Rural Infrastructure.

Component 3: Project Management and Coordination

113. This Component will enhance the capacity of LGUs³⁰ to manage sustainably the coastal and fishery resources in the target bays³¹. Likewise, the Project will improve the technical capacity of BFAR to effectively provide technical support to LGUs to protect and develop the natural resources and support the fishing households in the target bays.

114. To improve the services provided to the sector for the management of the municipal fisheries and coastal resources, BFAR prepared a Rationalisation Plan, pending final approval by DBM, now termed the Reorganisation Plan³² for the provision of services needed by the fishing communities and LGUs. This Plan includes the provision of additional staff with greater numbers especially at the sub-national level. Meanwhile, DBM has approved the hiring of 400 additional contract staff by BFAR, as Bay Wide Regulatory Officers, to improve the management of the fisheries and coastal resources nationally. The Project will include TA to assist BFAR in implementing the Reorganisation Plan in the four target regions.

115. This component will finance the Project management and coordination structures and associated monitoring and evaluation (M&E) mechanisms at national, regional bay wide and city/municipality levels. The project will provide support to an assessment of training needs of M/CPMO and financial institution staff skills required and finance required professional and practical training through qualified service provider(s) to these groups during implementation. The Project will finance the salary costs of hired staff and salary supplements for Project-assigned government staff and other associated costs, e.g. office equipment, transport, training, and operating costs. To address some technical limitations of the staff of BFAR and the LGUs, the Project will hire consultants/service providers (individuals, private firms, academic institutions, or NGOs) to provide the expertise required and to transfer that expertise to the BFAR and LGU staff.

116. **FishCORAL Component Inter-linkages.** The implementation of the Project components is not independent of each other but rather interlinked with each other. Figure below the process flow that shows the relationships of the project components and activities. The process flow indicated that results of specific project component and activities serves as a process input to other relevant project components and activities.

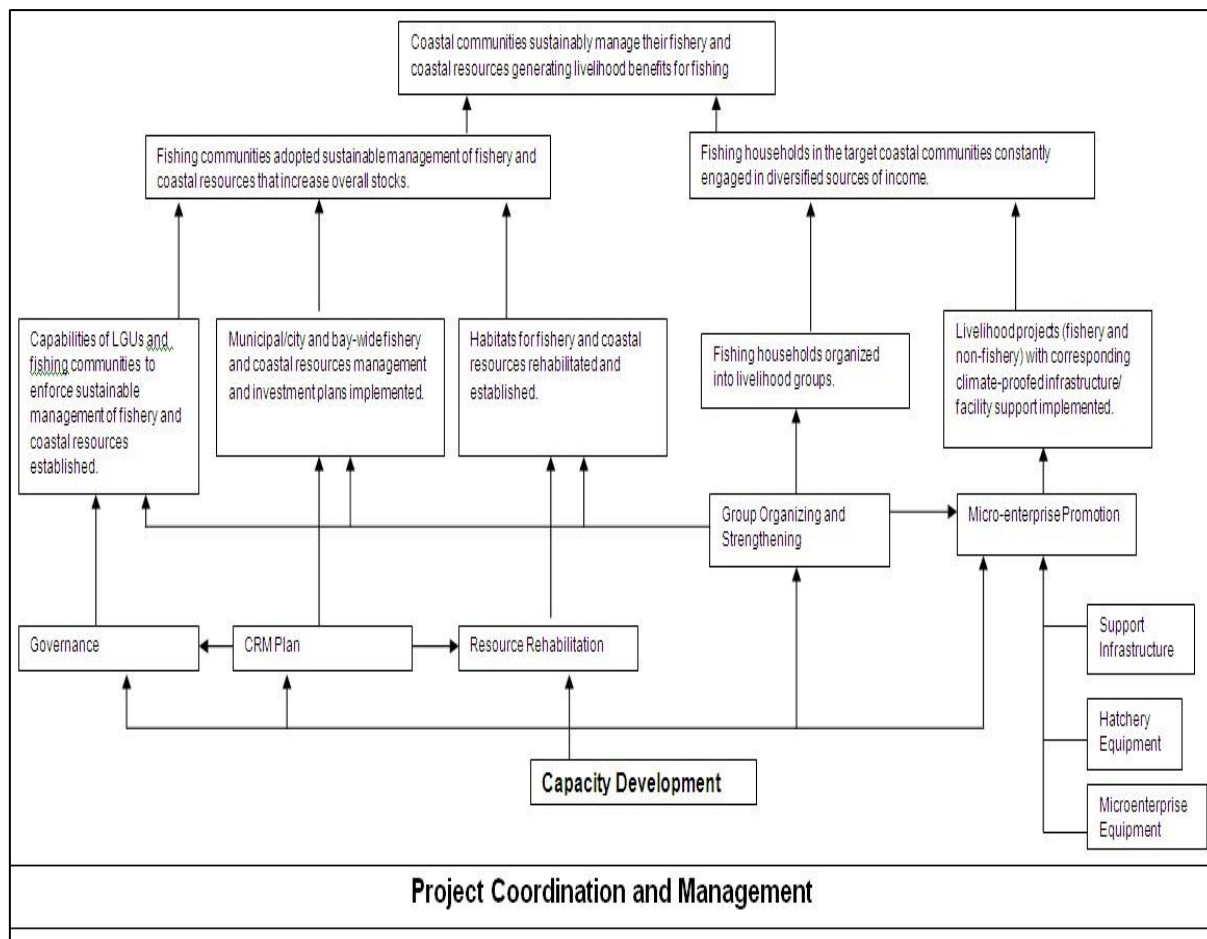
117. The FishCORAL process flows show the importance of strengthening capacities of the BFAR, LGUs and communities in the achievement of the desired project outcome of having coastal communities sustainably manage their fishery and coastal resources generating livelihood benefits for fishing. Strengthened capacities of LGUs and communities enhance the implementation of CRM and livelihood development activities. For the CRM component, critical is the formulation of an integrated CRM Plan that would outline the difference strategies that will improve governance of coastal and marine resources (i.e. law enforcement) and resource rehabilitation activities. Moreover CRM plan will also contains the different livelihood and enterprise projects that will help improve the economic status of fishing communities. Reducing

³⁰ RA 8550 states that the municipal/city government, in consultation with the FARMC shall be responsible for the management, conservation, development, protection, utilization, and disposition of all fish and fishery/aquatic resources within their respective municipal waters.

³¹ The project will not duplicate the capacity building activities envisaged under the recently launched ECOFISH project.

³² As of October 2014, the Reorganisation Plan is not yet officially approved but discussions with DBM are on-going.

pressure on the coastal and fishery resources is addressed by the project thru a two-pronged approach, regulation and provision of alternative economic opportunities. Also contingent to the successful implementation of the project activities is having a strong organization at the community level that ensures sustained resource management and enterprise activities. A strong project coordination and management ensures that all project activities are implemented in a timely, effective and efficient manner.



L. Lessons Learned and Adherence to IFAD Policies

118. The following important lessons based on past experience come from the implementation of previous programmes and projects³³ (Asian Development Bank, World Bank, USAID, Global Environment Fund) which the Project design takes into account as indicated below, by subject area:

- (i) **Strengthening local institutions.** LGUs need to strengthen their capacity to manage sustainably their fisheries and coastal resources in line with their mandate and BFAR should assist them by providing the technical and managerial support required. Project design includes activities to develop the capacity of LGUs with respect to coastal resources, including fisheries, management and supporting the development of alternative livelihoods for marginal fishing households. The Project will also need to assist BFAR so it has the capacity to provide the technical support required by the LGUs and enable the delivery of other services from agencies such as DTI, DOST, academic institutions etc.
- (ii) **Participatory planning.** There is a need for coastal management plans to be comprehensive. During the Project, the LGU coastal management plans, developed and/or updated through a community participation process, will integrate a comprehensive set of interventions in the coastal zone, in line with the issues and

³³ From the Asian Development Bank Report and Recommendation of the President for ICRMP, 2006

- needs of the individual LGU. Project interventions may include: (i) preparing regulations for fisheries' management and the use of other coastal resources; and (ii) establishing marine sanctuaries, and foreshore and shoreline management.
- (iii) **Legislation.** Enforcement of national and local laws for integrated CRM is essential and Project design includes support for developing the capacity of the volunteer Fisheries Law Enforcement Teams (FLETs), while BFAR will organize law enforcement teams composed of coast guards and police personnel to apprehend violators, as has been done by the FISH Project in Cebu. In addition, a mechanism is needed for determining and delineating responsibilities between the national Government and LGUs. Project design includes assistance for policy related studies which will include a review of both the Fisheries Code (RA 8550) which is overdue and the fisheries provisions of the Local Government Code (RA 7160). One issue is the potential overlap between the BMCs and IFARMCs. Policy initiatives should be supported by information, education and communication (IEC) campaigns and provide for adequate preparation of the local communities. Project design supports this approach.
 - (iv) **Income diversification.** While enterprise development and alternative livelihoods for the members of the fishing households are essential to reduce pressure on coastal fisheries, their implementation should precede conservation initiatives, provide for adequate social preparation of beneficiaries. The Project design adopts this approach shown by the PY1 sub-project proposals (Appendix 4) which focus on livelihood development, predominantly aquaculture investments.
 - (v) **Changes to project design.** The IFAD approach to the Annual Work Plan and Budgeting process allows necessary changes/modifications to be made to the original design based on the progress of implementation, changes to design parameters and institutional and policy changes.
 - (vi) **Links with other projects.** Links with similar ongoing projects should be built into the project design. Project design includes collaboration with the USAID ECOFISH project which operates in non-target bays/gulfs but has some similar activities to those of FishCORAL.
 - (vii) **Institutional and financial sustainability.** Project designs should emphasise institutional and financial sustainability of conservation and management initiatives. This is critical for the LGUs if they are to continue to finance the costs of the Project's conservation and management initiatives after the end of the project. Working Paper 8 includes a case study, which analyses for a typical LGU the potential costs and returns associated with the conservation and management of the inshore fisheries and coastal resources.

119. The Project design has also built on the following lessons learned from IFAD's experience in the Philippines and especially from the Rural Micro-Enterprise Promotion Programme (RuMEPP) and the Second Cordillera Highland Agricultural Resource Management Project (CHARMP2) during the first part of the COSOP period 2010-2014. First, the Project design is simple with only three components and with one government agency, BFAR, with overall responsibility for Project implementation and coordination with the supporting roles and responsibilities of the others as specified through Memoranda of Agreements (MOAs).

120. Second, Project support will not be limited to institutional support, technology transfer and inputs for demonstrations and trials, but will also provide initial financial support to rural households that want to start the process of becoming entrepreneurial. Combining training with the provision of the Project financed inputs as a package builds on the successful RuMEPP experience.

121. Third, Project design includes the active participation by the beneficiaries and their continuous interaction with the implementing agencies (especially BFAR and LGUs). LGU participation is critical as under decentralisation and the fisheries code, the cities and municipalities have the mandate for the management of the inshore fisheries. In addition, the LGUs will be co-financiers for the rural infrastructure investments, but the LGU share must be affordable, which was not the case prior to the suspension of the NG:LGU cost sharing policy in 2011, as illustrated by the delays experienced by the CHARMP2 infrastructure component. As

requested by DA, the Project will follow the 90:10 national, local government cost sharing arrangement agreed among DA, DENR, the Department of Agrarian Reform and DILG (20th July 2012) which was endorsed by the DA Secretary to NEDA on 27th September 2012.

122. Fourth, the employment of NGOs is often seen as the most appropriate way to mobilise communities, but the CHARMP2 experience does not support this assessment. Some NGOs operated as outside contractors rather than as true community facilitators. In addition, other projects (Fisheries Sector Programme and Fisheries Resource Management Project) found that the availability of capable local NGOs is often overestimated. To avoid this problem, the Project design includes community facilitators, recruited locally, and based in the LGU but employed by BFAR. The community facilitators will have appropriate TOR, and terms and conditions of employment and appropriate technical and managerial supervision. Locally recruited staff should have a greater commitment to assisting the community than those from coming from outside the community.

123. A final lesson from all recently completed and ongoing IFAD assisted projects concerns the need for good M&E and knowledge management (KM) arrangements. The Project design includes M&E arrangements with as few indicators as possible in the logical framework so that the M&E system is within the capabilities of Project staff with some support. With an increasing demand for indicators both from the Government and IFAD there is a danger of project M&E becoming a “project on its own”, rather than primarily a management tool.

124. As described in this Project Design Report and associated Appendixes and Working Papers, the Project design is consistent with key IFAD policies relating to targeting, gender, Indigenous Peoples, private sector participation and rural financial services.

III. PROJECT IMPLEMENTATION

A. Approach

Phasing of project implementation

125. The phasing of the project implementation will be based on the readiness of the POs, LGUs, bays and regions. The livelihood development sub-projects to be financed will be aligned with the priority commodities identified by the BFAR Regional Roadmaps. This will help ensure that the sub-projects are suitable for the target locations and thus contribute to their sustainability. In PY1, implementation will focus on the sub-projects that have already been prepared and where investment can start immediately. The eligible livelihood subprojects, infrastructure and equipment should cover the three Project components. These sub-project proposals have been prepared following the guidelines agreed with BFAR during the Project Design Mission (October/November 2012) and are fully endorsed by the LGUs and FARMCs in the target municipalities/provinces. These proposals involve some of the LGUs (not necessarily all) in the bays with feasible and viable proposals. The LGUs that agree to include their required counterpart contribution in their annual investment programme for 2014 will implement these investments starting in PY1. In this regard, readiness criteria will be included in the revised Project Design Report. The annual supervision missions and implementation support missions will review the readiness of the bays and LGUs in terms of their sub-project proposals and staffing and management resources available in consultation with the regional offices and BFAR. Based on the current status of the detailed investment proposals already prepared in the regions, the Project financed investments are expected to start in two bays in each region in PY1, with investments starting in the remaining bays thereafter. Each bay would receive Project support for five years with a total Project period of seven years.

126. Moreover, in order to assist to the needs of the communities in Typhoon Yolanda affected areas, livelihood and enterprise development activities will be implemented in PY1 contingent with BFAR’s assessment of the extent of impact of Typhoon Yolanda on the ecosystem and the communities.

127. The following are key elements of the Project’s implementation approach. First the Project

will use the Ecosystem Approach for Fisheries Management. In this approach, the bay/ecosystem is seen as a single and common resource system. The LGUs which share common resources, and are responsible for the management of the municipal fisheries and coastal resources, will be encouraged to coordinate with each other to manage the resources sustainably through the Bay. Such an approach requires enforcement of the fisheries ordinances, establishing systems to ensure sufficient financial resources in the long-term for law enforcement and the management of the resources and improving the arrangements for involving the fishing communities in the management of the resources, through their POs, the FARMCs and the inclusion of pre-existing fisheries management systems. Thus, BMC will be strengthened and/or created and IFARMCs will be a key for close collaboration among LGUs in the management of the bay/gulfs' ecosystems.

128. Second, the Project will finance activities that have been identified by the coastal communities, and the municipal/city authorities and have been included in the LGU development/investment plans. Suitable sub-projects have already been identified and prepared by the LGUs and POs for implementation starting in PY1 so that their implementation can start immediately after the Project is effective. Thereafter, sub-projects will continue to be identified, prepared and submitted for approval and subsequent implementation. The first group of sub-projects in PY1 will be implemented to draw lessons to benefit and improve the project implementation in other areas. Attachment 7 lists the proposed sub-projects for PY1.

129. Third, Project implementation arrangements will follow the procedures of the government and the mandates of the respective national government agencies and those at the regional, provincial and city/municipal levels. The Project will operate within the government's framework for decentralisation and as part of the national convergence initiative (NCI). There will be no Project implementation arrangements operating parallel to those of the Government. The Project will use Public-Private Partnerships where appropriate.

130. Finally, once the baseline survey has identified the presence of IPs, consultations will be held with NCIP. Where IPs are found to be living in any of the target coastal communities, the Project will follow the approach and procedures prescribed by NCIP for engaging IPs in development.

B. Organizational Framework

Bureau of Fisheries and Aquatic Resources

131. BFAR, a line bureau of DA, is the agency responsible for the development, improvement, management and conservation of the country's fisheries and aquatic resources and will be the Project's lead implementing agency. BFAR will have full responsibility for Project administration and management. BFAR will use its existing structures at national, regional, and provincial levels to implement Project activities.

132. However, BFAR has a limited and insufficient number of staff at the national and regional levels. Currently, BFAR has 1,492 staff, but not all the positions are filled. Current staffing is 636 at the national level and 856 in the regions. Apart from an inadequate number of staff, BFAR lacks the management capacity both at the central and regional offices to implement the proposed Project. In addition, many of the senior staff are about to retire, thus posing a problem of transfer of institutional memory and technical skills. To address the lack of capability to undertake its responsibilities to the fisheries sector, BFAR has prepared a Reorganization Plan. This Plan has been submitted to the Department of Budget Management (DBM) for approval and includes proposals to increase the number of positions to 3,842 (1,027 at the national office and 2,929 at the regional offices), increasing the numbers of both technical and administrative staff at all levels. If all positions are filled, staffing levels will be 250% of the current level. It is expected that the Plan will be approved in 2013. Prior to the implementation of the Plan, the Project will recruit sufficient contract staff to implement the Project's activities at the national and provincial levels.

133. The Plan focuses on downloading responsibilities from the central office to the regional

and provincial offices. It will be critical for BFAR to hire qualified and competent personnel to fill the new positions and to train the existing and new personnel under its Human Resource Development Plan. These tasks will require a high level of expertise currently unavailable within BFAR so may require some technical assistance for which the Project includes financing.

134. The project will support BFAR's Reorganization Plan thru the provision of the needed capacity development activities that will improve the technical capacities of BFAR's regional offices in the target regions to carry out their CRM mandates. A human resource and institutional analysis will be conducted under the project to determine the needed resources and capacities that will improve CRM service delivery in the area of CRM planning, law enforcement, habitat and resource assessment, monitoring and rehabilitation, coastal vulnerability assessment, among others. The result of such assessment analysis will lead to the formulation of a competency development program for BFAR personnel.

Local government units

135. The LGUs as mandated by RA 7160 (Local Government Code) and RA 8550 (Fisheries Code), are responsible for managing the municipal waters and coastal zones. These responsibilities include: (i) protecting, rehabilitating and sustaining the fishery and coastal resources; (ii) planning and implementing resource rehabilitation; and (iii) promoting livelihood/micro-enterprises (fishery and non-fishery related) for adoption by the members of the coastal communities. With the LGUs responsible for managing the municipal waters and coastal resources, BFAR will shift from being a direct implementer of foreign assisted projects to being an enabler/trainer of LGUs. To do this, BFAR has to build the capacity of its officers and staff, especially those assigned to the Project, to (i) transfer their skills on fishery development/coastal resources management to the officers and staff at the municipal/city agriculture offices; and (ii) transfer their project implementing operations to the LGUs.

136. As in ARMM, the devolution of functions differs from that elsewhere in the country, the implementation arrangements are different from those in the other three regions. For Project funding and implementation, BFAR-ARMM will execute a MOA with BFAR Central Office. Contracts, purchase orders and disbursements will be approved by BFAR-ARMM in accordance with signing authority limits of the BFAR-ARMM Director, the AWPB, APP and the MOA with BFAR Central Office. Due to the weak capacity of the LGUs in ARMM, BFAR will directly lead and assist the LGUs to implement the Project in the coastal *barangays* and provide additional support to staff training and capacity building of the LGUs and fishing communities in ARMM, according to identified requirements. Project implementation in ARMM will follow the existing political and institutional arrangements while further developments in Bangsamoro are on-going. The implementing mechanism will be firmed up upon the establishment of the Bangsamoro government.

Other implementing agencies

137. Other government agencies, as part of the NCI and supporting the development of the fisheries sector in the target bays and municipalities will support Project implementation as part of their ongoing activities: (i) DENR for mangrove reforestation/rehabilitation and other activities within the domain of DENR that affect coastal and fishery resources; (ii) DTI, e.g. for product packaging and market/private sector links and explore linkage with their Shared Service Facility Project for the proposed livelihood sub-projects; and (iii) DOST, e.g. provision of technical support for processing of agricultural/fishery products.

138. The Philippine National Police (PNP) and the Philippine Coast Guard (PCG) will have a role in terms of their responsibilities for law enforcement. Other agencies with possible roles in supporting Project activities are: (i) DOT for developing the ecotourism industry; (ii) NCIP for handling IPs concerns in areas populated by IPs; (iii) the DSWD for identifying poor households in target coastal *barangays*; and (iv) the Department of Public Works and Highways for providing infrastructure support in the ARMM. Other government agencies and bodies (e.g. DA-ATI), including state colleges and universities and research institutions, can also provide support for the fisheries sector.

139. The Project will use private sector services (NGOs, private firms/companies, academic institutions) where appropriate e.g. services to strengthen the institutional capacity of POs and for livelihood/enterprise development under Public Private Partnerships (PPPs). Engagement of services from the private sector will follow approved criteria and selection processes. Appendix 4 includes the criteria for selecting private sector organizations.

140. The Project will also recruit consultants to: (i) develop the technical expertise of the staff of BFAR or DAF-ARMM, and other implementing agencies, including the LGUs to implement the Project and to manage the coastal and fishery resources efficiently and effectively; and (ii) establish information and knowledge-based decision-support systems for the sustainable management of coastal and fishery resources.

141. Appendix 5 includes the management structure, the roles, responsibilities of the Project management units, an Agency Capability and Training Needs Matrix, while Working Paper 5 includes the scope of work of key staff.

National level

142. An inter-agency **Project Steering Committee (PSC)** chaired by the DA Secretary or the DA Undersecretary for Field Operations and co-chaired by the BFAR Director will be established at the central level. The National Fisheries and Aquaculture Resources Management Council will serve as an observer on the PSC. The membership will be as shown in Appendix 5 with IFAD as an observer. The PSC will meet every semester or twice a year. The Project Coordination and Support Office (PSCO) will serve as the PSC's secretariat.

143. The PSC will provide the Project with policy guidance, approve Project implementation guidelines, multiyear and annual work plans, budgets and procurement plans, and resolve implementation issues that cannot be decided at the regional levels.

144. A **Project Support and Coordination Office (PSCO)**³⁴, which will be directly accountable to the BFAR Director, will be established at the BFAR Central Office and will be responsible for supporting, coordinating and monitoring Project implementation in Regions 5, 8, 13 and ARMM. The PSCO will coordinate within BFAR and with government oversight agencies, LGUs, project management teams at the regional, municipal and bay/gulf levels, as well as with IFAD. A key role of the PSCO will be to establish and manage the M&E/KM systems and disseminate the findings, and conduct any policy analyses and policy adjustments necessary to support the Project. In addition, it will prepare implementation guidelines and consolidate national AWPBs, procurement plans, physical and financial reports and withdrawal applications. It will prepare reports for the PSC, BFAR management, government oversight agencies and IFAD and ensure that the Project's audit is conducted in a timely fashion. The PSCO will serve as the PSC secretariat and the National Project Director will act as the Committee's secretary.

145. The PSCO will be headed by a Project Director (organic to BFAR) with the assistance of a full time experienced Project Coordinator³⁵ to be recruited under contract and will be staffed with assigned BFAR personnel with appropriate skills and expertise (see Appendix 5). The PSCO will be assisted by other BFAR units, e.g. the Bids and Awards Committee, the Financial and Administrative Services Division and the Technical Services Division.

146. In addition, other national level implementing agencies will have a "FishCORAL" Focal Point at national level through whom the Project will interact with that agency at national level.

³⁴ Project units at all levels will be composed of Project-assigned permanent staff (full or part time) of appropriate qualification and skills. This is to ensure institutionalization of Project expertise that will be developed. When the expertise required and/or the availability of permanent staff cannot be secured from within BFAR, contract staff will be hired.

³⁵ The performance of the PSCO coordinator will be closely monitored to assess whether the incumbent project coordinator can satisfactorily handle all project management demands. In case one coordinator is not adequate for the project implementation, consider adding specialist staff or a second coordinator.

Regional level

147. **Regional Coordination and Support Committee (RCSC)**³⁶ provides for “convergence” at the regional level. In Regions 5, 8 and 24, the RCSC will be chaired by BFAR Regional Director. Appendix 5 lists the membership both in Regions 5, 8 and 13, and for ARMM. The RCSC will serve as a policy and institutional advisory committee for Project implementation and facilitate convergence for the effective and efficient delivery of the various agencies’ services to support Project implementation. It will ensure that the technical assistance required for Project implementation is provided by the requisite agency as needed and review and endorse the Regional Annual Work Plan and Budget (AWPB) and the Annual Procurement Plan (APP) prior to submission to the PSCO.

148. **Regional Project Management Offices (RPMOs)** will be established in Regions 5, 8, 13 and ARMM. RPMOs will report to and be guided by the PSCO. The RPMO based at the BFAR Regional Office will be under the leadership and responsibility of the BFAR Regional Director. Its day to day operation will be handled by a full-time Project Manager.

149. The RPMO will be staffed with BFAR and/or contract personnel with appropriate skills and expertise (see Appendix 5 for the details). The RPMO will be assisted by other BFAR regional units, e.g. Finance and Bids and Awards Committee.

150. The main task of the RPMO will be to: (i) provide guidance and technical support to the implementing agencies and LGUs; (ii) coordinate the provision of services by the various technical agencies at the regional and bay-wide levels and regularly liaise with these agencies; (iii) ensure timely provision of logistics for all aspects of Project implementation; (iv) review and approve proposals submitted by implementing agencies, LGUs, FARMCs, and POs; (v) approve and manage funds use and procurement (within limits of the Regional Director’s authority); and (vi) maintain the MIS and oversee and supervise M&E, information and knowledge sharing among LGUs and other Project agencies.

151. Other tasks will include consolidation and review of the AWPBs, APPs, reports, expenditure and other reports, statements of expenditures (SOEs), etc. prepared by the LGUs/BMCs for onward transmission to the PSCO. The RPMOs will also facilitate Project implementation reviews and supervision missions and internal audits. The RCSC and RPMO will provide regular reporting of accomplishments and policy and major operational issues to Regional Development Councils (RDCs), LGUs and other stakeholders.

Bay and gulf sites

152. To achieve the EAFM approach where a bay/ecosystem is seen as a single resource system, a **Bay Coordination and Support Committee (BCSC)** will be organized to coordinate Project activities within a bay. The BCSC will be headed by the Chair of the BMC (elected by the membership). Appendix 5 includes the membership. The roles and responsibilities of the BCSC are to: (i) coordinate the implementation of Project activities on a bay-wide scale, including enforcement of Unified Fisheries Ordinance; and (ii) ensure that municipal Project activities support a unified bay CRM and fishery livelihood implementation. Funding for the BMCs will come from the membership in cash and in kind e.g. provision of combined FLET operations.

153. **Municipal/City Project Management Offices (M/CPMOs)** will be based at the municipal or city LGU in Regions V, VIII and XIII. This office will be headed by the Municipal or City Agricultural Officer (M/CAO). The M/CAO will be assisted by the municipal or city environmental and natural resources officer, agricultural technicians (assigned to the fishery sector) and other LGU support departments such as the municipal/city planning and development coordinator, municipal/city engineer, finance and the Bids and Awards Committee (BAC). The CFs will be hired by the RPMO but will be assigned to the M/CPMO.

³⁶ The RCSC will be chaired by the BFAR Regional Director and the RPMO will also be under the leadership and responsibility of the BFAR Regional Director. As such, the RPMO will be reporting to the RCSC through the BFAR Regional Director for the review and endorsement of the Regional AWPB and APP which will entail reporting of the Regional progress of implementation. Participation of key RPMO officers to the RCSC will also be expected.

154. The M/CPMO will have the following functions: (i) assist the fishing communities and POs prepare proposals for CRM, fisheries management and livelihood development for including in the municipal/city plan; (ii) ensure the implementation of approved investment proposals and other Project activities; (iii) coordinate with the other LGU departments to implement Project activities including management of funds and reporting of expenditures; (iv) monitor sub-project implementation, and prepare and submit reports as required.

155. In ARMM, a **Municipal Project Implementing Unit (MPIU)** will be based at the BFAR Provincial Fisheries Office under the leadership of the Provincial Fisheries Officer. The MPIU will be staffed by the BFAR ARMM municipal fisheries coordinator and the CFs. The MPIU will work closely with the municipal/city planning and development coordinator. The MPIU will have the following responsibilities: (i) facilitate participatory preparation and submission of CRM, fisheries and livelihood investment proposals; (ii) be responsible for the implementation of approved investment proposals and other Project activities; (iii) coordinate with the fishing communities, and households and the LGUs in preparing proposals for CRM and development of alternative livelihood enterprises; (iv) coordinate with the LGUs in the implementation of Project investments and other activities particularly with the Municipal Planning and Development Coordinator (MPDC) and Office of Municipal Agriculture (OMA); (v) monitor Project implementation, and prepare and submit reports as required; and (vi) assist the RPMO in Project assessments, reviews and supervision missions. BFAR-ARMM Provincial and Municipal Fisheries Coordinators will facilitate and monitor implementation of contracts, MOAs with the LGUs and sub-project agreements with the POs. No funds will be downloaded to the LGUs. Disbursements and contracting will be handled by the BFAR-ARMM. Funds will be downloaded by BFAR-ARMM to the Trust Funds (Bank Accounts opened for the Project by the POs) or by way of "Advance" in accordance with their MOAs.

Memoranda of agreement

156. BFAR will execute a Memorandum of Agreement (MOA) with each LGU and the other implementing agencies (e.g. DA-ATI, DTI, DOLE, DOST, DSWD etc.) at the national, regional, provincial and municipal levels to specify what services and support each will provide and how the services and support will be financed by the Project. Under the CRM plan, waste management will be included as mechanism to address pollutants, which will form part of the MOA between LGUs concerned.

157. The MOA will spell out that Project implementation will be governed by the Project Financing Agreement and follow the Project Implementation Manual (PIM) as approved by the PSC and IFAD. The MOA will spell out the roles and responsibilities of each party including the provision of staff, office space, institutional and implementation arrangements, sustainability plans, and financial contributions and source of funding (e.g. from the Internal Revenue Allocation, users fees, etc.). The LGUs counterpart funds should be secured through Local Chief Executive Pronouncements and *Sangguniang Bayan* resolutions and a certification issued by the Local Financing Committee and reflected in their respective Annual Investment Plans.

158. The LGUs may also enter into agreements with concerned national agencies such as the Department of Public Works and Highways, among others, for the provision of technical assistance for design and implementation of rural infrastructure sub-projects.

Partnerships with the business sector

159. It is not feasible at this stage to identify specific enterprises for engaging the private sector, until different enterprises are developed and taken up by the local fishing communities and POs during the project implementation, which depends on evolving and emerging market demands and opportunities. However, nine potential livelihood and enterprise models are prepared and analysed for implementation during the Project. Various forms of partnership with the business sector maybe involved in the development of alternative livelihoods for the fishing communities.

Depending on the commodity, the private sector³⁷ may act as the consolidator/integrator, business development services provider, value chain manager or facilitator, and/or financier. The Project will explore different partnership arrangements between the beneficiary organizations and the private sector ensuring that such arrangements will be fair to the fishing communities. Selection of private sector organizations involved in the implementation of the component will be on the basis of their meeting the eligibility criteria, submission of an expression of interest and a proposal to invest e.g. for processing, ice plants etc. or for marketing specific products. Appendix 5 includes the criteria for selecting business enterprises, POs, NGOs and academic institutions that wish to participate in implementing the Project.

Links with other initiatives

160. The aim is to add value to the results achieved by previous interventions. Project activities and coverage will not duplicate or overlap with the activities of other projects currently assisting the sector e.g. ICRMP. The Project will complement and coordinate with existing and planned activities and programmes of DA and other agencies (e.g. Philippines Rural Development Project, CONVERGE, GROWTH, Integrated Environment and Natural Resource Management Project and Environment, and ECOFISH.

Capacity assessment and readiness for project implementation

161. Attachment 4 to Appendix 5 provides assessment of the readiness of BAR, LGUs, FARMCs, FLETs and POs to implement Project activities as well as proposed capacity building interventions needed to address the institutional issues identified. The Project will validate these proposed interventions at Project start-up, as the basis for the Project's proposed capacity building plan. The Project will use the IFAD grant funds to build the capacity of BFAR and the LGUs. At the project start up, before the start of the key initial project activities, BFAR and the PCSO, in close cooperation with the regional offices, will make an assessment of each of the participating implementing agencies (public/private service providers) at the national, regional, provincial, municipal and community levels to evaluate the availability of capacity of each agency, implementation readiness, identify additional support required for capacity building and skills training and prepare programmes and budgets for the implementation of the required building and skills training for each of the implementing agencies.

C. Policy Engagement

162. The Project will finance policy/case studies for policy dialogues and consultations with the relevant national and local institutions related to the management by the LGUs of the municipal/city fisheries and coastal resources and developing alternative livelihood enterprises for the coastal communities. The Project will provide support to review the existing relevant legislation. The review will cover the parts of RA 7160 (Local Government Code) that relate to municipal fisheries and the coastal zone and RA 8550 (Fisheries Code of the Philippines) which are overdue for review, the possible duplication between the roles and responsibilities of the BMCs and IFARMCs. A further subject is the future management role of pre-existing fisheries management systems. The Project will also provide support to review other relevant legislation e.g. the Agriculture and Fisheries Management Act. After the Mid-term Review, the Project could pilot proposed changes to the Codes with respect to the municipal fisheries in selected locations.

D. Planning, M&E, Learning and Knowledge Management

Planning

163. At start-up, the Project will review the logical framework prepared and approved during the Project design process and prepare a multi-year plan and indicative budget (MYPIB) for

³⁷ The private sector includes: companies and firms, business organizations, financing institutions, non-government organizations, state universities and colleges, and individual entrepreneurs.

achieving Project objectives and targets based on the expanded logical framework³⁸. Those participating in this process will be the Project staff and representatives of the other implementing agencies, representatives of beneficiaries, private sector agencies etc. The PSC will approve the MYPIB.

164. Preparation of the AWPBs will be participatory and start at the community level, involving representatives from the POs, the CPMO/MPMO/MPIU and bay/gulf alliance. The starting point for the AWPBs will be the MYPIB, the LGU development plan and the results of the annual Project assessments, the reports of supervision missions and the Project's regular M&E reports. The first AWPB will be based on the MYPIB.

165. The RPMOs will consolidate the provincial AWPBs into a Regional AWPB. Subsequently, the PSCO will consolidate the Regional AWPBs into a National AWPB. This consolidated AWPB will be submitted to IFAD for endorsement and no objection and subsequently to the PSC for approval. Appendix 6 gives more details. Working Paper 6 includes appropriate formats for planning and budgeting, which are aligned with the government's planning and budgeting formats, while the time table for preparing the AWPBs is aligned with the government's annual budgeting process.

Monitoring and evaluation

166. The Project's Monitoring and Evaluation (M&E) will be in accordance with the government's harmonised national Results-based Performance Management System³⁹ and IFAD's Results and Impact Management System (RIMS). A results-based participatory M&E system will be installed, which will include feedback from the beneficiaries and the POs, a MIS and reporting of Project implementation status and progress in terms of (i) outputs; (ii) outcomes; and (iii) impact. M&E indicators will include those from IFAD RIMS and other relevant indicators in the PDP results matrix and the Project's logical framework. The project will also follow the Regional Monitoring and Evaluation System (RPMES) guidelines when issued. The RCSC and RPMO will provide regular reporting of accomplishments and policy and major operational issues to Regional Development Councils (RDCs), LGUs and other stakeholders.

167. The Project will support the conduct of a baseline study, mid-term impact survey and a project-completion impact study. Before Project start-up, a baseline impact sample survey using IFAD's RIMS tools, analysis and reporting will be conducted in all target bays. The study will include further investigation into the following areas: gender and age, fishing seasonality, and migration in the target fishing communities.

168. In each target bay, RPRSA will be carried out at the start of the Project to provide information on the conditions of the coastal and fishery resources at Project start-up (PY1) against which to monitor the Project's impact. When carrying out the RPRSAs, the Project will make use of existing Resource and Social Assessments undertaken as part of BFAR's regular monitoring. The baseline data/information will also be used to firm up the Project's strategies and targets. The Project will finance these studies using suitable service providers (e.g. State Universities and Colleges under appropriate TOR prepared with the assistance of the LGUs). Further RPRSAs will be conducted at the end of the Project. IFAD together with the Government will conduct annual supervision, mid-term and project completion reviews of the Project. Working Paper 6 includes draft TOR for the RPRSA.

169. As the Project management is mainstreamed into BFAR's operational structure, the Project will use BFAR's existing staff in the Planning and M&E Divisions at the national and regional levels. To complement them, the Project will hire M&E specialists and MIS staff. It is expected that all the Project M&E and Knowledge Management (M&E/KM) units will be operational within six months of the Project start-up. The PSCO and RPMOs will establish a functional and robust database system to assist Project management in decision making and in

³⁸ Working Paper 6 explains the contents of the expanded logical framework.

³⁹ Based on AO 25 signed in December 2011, the underlying frameworks of RBPMS are the Organizational Performance Indicators Framework and the Results Matrix. An Interagency Task Force headed by the Department of Budget and Management (DBM) of which NEDA is a member has been established to create the RBPMS.

meeting the requirements of the Project, BFAR, government's oversight agencies and IFAD. The Project will enlist the assistance of local fishermen to improve the available data for fish catches as an input for managing the municipal fisheries.

170. Project reporting will be on a regular basis as prescribed by the Government and IFAD. Existing BFAR reporting templates will be used and enhanced where necessary to meet the reporting requirements of the Government and IFAD.

Learning and knowledge management

171. The Project will generate and manage knowledge in order to improve implementation and to contribute to BFAR's body of knowledge and aid in raising awareness of stakeholders as well as in future policy development and project/programme implementation. The Project will support innovative approaches, document lessons learned and organize arrangements for knowledge sharing among Project staff, BFAR and other implementing agencies, to improve project efficiency and effectiveness. Similarly, the Project will share knowledge with other IFAD assisted projects inside and outside the Philippines. Such an approach requires effective M&E and knowledge management. Knowledge management will be an essential part of the Terms of Reference of the ME/KM staff as well as with other Project management staff. Appendix 6 and Working Paper 6 include further details.

E. Financial Management, Procurement and Governance

Financial management

172. The BFAR Central Office, through the PSCO will be responsible for the overall management of the Project funds in accordance with the Financing Agreement and the approved AWPB and APP. The PIM, prepared by BFAR prior to Project start-up, will include the details the Project's arrangements for financial management, audit, procurement and ensuring good governance. Key elements of the arrangements for the Project's financial management, procurement and audit are summarised below, with further details in Appendixes 7 and 8 and Working Paper 9.

173. BFAR will follow the Government's financial systems, rules and regulations under the New Government Accounting System (NGAS) for receipts and disbursements of proceeds from the IFAD loan and grant and Government counterpart funds consistent with IFAD's standard disbursement procedures.

174. The PSCO and the RPMO with support from the BFAR Financial and Administrative Services Division and BAC will prepare (using participatory processes involving the LGUs, beneficiaries and POs) and implement the Project AWPB, and disburse Project funds within the delegated authorities of their signatories. The Central and Regional Offices' officials will exercise their signing authorities as delegated to their respective positions under Departmental Orders, i.e. up to PHP 10 million (USD 240,000) for the BFAR Regional Directors. Above this amount, but less than PHP 20 million (USD 480,000) signing authority is with the Director of BFAR and above PHP 20 million with the Secretary of the Department of Agriculture.

175. The RPMO with the support of the BFAR Regional Offices' Finance Services will be responsible for consolidating financial the reports from the region and (including those from the LGUs and POs), and including the Statements of Expenditure (SOE) for submission to, and consolidation, by the PSCO. The financial reports submitted to the PSCO from the RPMOs in Regions V, VIII and XIII and the BFAR-ARMM will be supported by relevant documentation (contract, proof of payment, bank statements, etc.) in line with the SOE ceilings and IFAD disbursement procedures. This will enable BFAR Central Office to submit to IFAD complete Withdrawal Applications and avoid disbursement delays. The RPMO will attach the Bank Reconciliation and Bank Statement to each SOE. The PSCO in coordination with the BFAR Central Office Finance Services will prepare and submit to IFAD the Withdrawal Applications, Reconciliation of Designated and Project Bank Accounts and Consolidated SOEs.

Disbursement Arrangements

176. The Department of Finance through the Bureau of Treasury (BTr) will open and thereafter maintain in the Central Bank or another bank acceptable to IFAD two Designated Accounts denominated in USD : One to receive the IFAD loan proceeds and the second to receive the IFAD grant proceeds to finance the agreed Project activities. The Authorised Allocation of the Designated Accounts for the IFAD loan and grant will be respectively up to the first six months estimated disbursement amount of IFAD's share of the eligible project expenditures according to the approved PY1 AWPBs.

177. The BTr will provide the BFAR through DBM Notice of Funds Availability upon receipt of funds from IFAD as remitted to the Designated Accounts, while DBM will provide to BFAR Notice of Cash Allocation. Funds converted to Philippine Peso will be transferred to the Project Bank Accounts maintained at the central office and will be disbursed in line with the Government's systems, rules and regulations, especially the NGAS, consistent with IFAD's disbursement procedures. BFAR Central Office will transfer funds to the Project Accounts (including for Government counterpart funds) of the BFAR Regional Offices as initial advances and subsequently as replenishments against financial reports from the BFAR Regional Office Finance Services for the expenditure incurred for the Project by the regional and provincial offices and LGUs.

178. **BFAR Regional Offices in Regions 5, 8 and 13** will transfer funds to the LGUs in accordance with the MOAs. Use of Project funds requires that they are covered by BFAR's budget appropriation for the year and included in the Project AWPB and APP. The LGUs will download funds to a Project Trust Fund Bank Account opened by POs or through an "Advance" in accordance with their MOAs with the LGUs and consistent with the requirements of the BFAR Regional Offices.

179. **In ARMM**, the devolution of functions differs from that elsewhere in the country. For Project funding and implementation, BFAR-ARMM will execute a MOA with BFAR Central Office. Contracts, purchase orders and disbursements will be approved by BFAR-ARMM in accordance with signing authority limits of the BFAR-ARMM Director, the AWPB, APP and the MOA with BFAR Central Office. BFAR-ARMM Provincial and Municipal Fisheries Coordinators will facilitate and monitor implementation of contracts, MOAs with the LGUs and sub-project agreements with the POs. No funds will be downloaded to the LGUs. Disbursements and contracting will be handled by the BFAR-ARMM. Funds will be downloaded by BFAR-ARMM to the Trust Funds (Bank Accounts opened for the Project by the POs) or by way of "Advance" in accordance with their MOAs.

Procurement

180. BFAR will undertake major procurement packages in line with the APPs through the PSCO and RPMOs supported by their respective BAC and Finance and Administrative Services Division. Procurement will follow the Implementing Rules and Regulations of the Philippine Procurement Law (RA 9184) to the extent that they are consistent with IFAD's Procurement Guidelines.

181. The PSCO through its BAC will undertake procurement where the bulking of items can secure the most advantageous terms e.g. for vehicles, motorcycles, computers and specialized equipment. Other items as defined in the APPs will be procured by the Regional Offices and processed and evaluated by the BAC. Appendix 8 includes further details.

Audit

182. The Project audit will follow the IFAD's "Guidelines on Project Audits" and international audit standards and will be in line with the provisions of the Financing Agreement. Annual financial reports for the Project's funds will be prepared following the Government's accounting and reporting standards, rules and regulations and generally accepted accounting principles and standards. The COA will conduct annual audit of the Project's financial statements and the operations of the designated and Project bank accounts, government contributions and SOEs.

The audit report will be made available to IFAD and Government within six months of the end of each financial year.

Governance

183. IFAD will apply a policy of zero-tolerance in respect of fraudulent, corrupt, collusive or coercive action. Appendix 15, Good Governance Framework, includes the details of the arrangements included in the Project design to prevent corruption.

F. Supervision

First 12-18 months

184. The government will be responsible and accountable for the project implementation. Project supervision during the first 12-18 months will focus on ensuring that there are no delays in Project start-up and address any bottlenecks that may occur. Supervision will focus specifically on ensuring that: (i) the MYPIB has been prepared and is approved and that the PY1 AWPB is operational; (ii) the PIM has been prepared by the PSCO and is in use; (iii) the Project accounting and internal controls are in place at central, regional, and LGU levels; (iv) the bank accounts have been opened and the initial deposit received from IFAD; (v) a functioning M&E/KM system has been set up; (vi) the initial procurement of goods and services, especially that of the Project management staff is completed in a timely fashion; and (vii) the training relating to various aspects of Project management, e.g. financial management, procurement, physical and financial reporting, etc. is being implemented. By concentrating on these subjects, the delays that often affect the start-up of IFAD projects can be avoided or addressed before they become the cause of significant delays. The implementation in PY1 of sub-projects prepared and approved prior to project design completion mission will also help to ensure that Project implementation in the field starts promptly.

Annually

185. Annually, IFAD and NEDA will jointly conduct a full supervision and implementation support mission and IFAD will conduct a post-supervision mission 6-9 months later depending on progress. Expertise required will include: (i) a fisheries and coastal resource management specialist familiar with the target regions; (ii) a livelihood development specialist familiar with coastal areas; (iii) an M&E/KM specialist familiar with the M&E requirements of both IFAD and government; (iv) a fiduciary specialist familiar with both IFAD and government procedures for financial management, loan and grant disbursement and procurement; and (v) a community development specialist and rural engineer from time to time to review the operations of the POs and progress with the implementation of the infrastructure investments. Staff members from IFAD, the BFAR and NEDA will also be members of the missions.

G. Risk Identification and Mitigation

186. The current lack of technical and management capacity within BFAR is the first risk faced by the Project. Without implementation of the proposed Reorganization Plan, BFAR will be unable to implement the Project as currently designed. The scale of the proposed investments, over USD 44 million spread over four dispersed regions, 11 bay/gulf sites, 14 provinces, 103 LGUs and 1,098 *barangays*, coupled with the decentralised nature of implementation and involvement of several other national government agencies is beyond the current capacity of the agency to handle successfully. In addition, under this Project the key role of BFAR will be to assist the LGUs to fulfil their mandate for the management of the municipal/city fisheries and coastal resources; a change from being a project implementer, as was often the case in the past. The approval and implementation of the proposed Reorganization Plan will require the deployment of skilled and experienced personnel and is essential for the successful implementation of this Project. To mitigate this risk, prior to these staff being in place and able to implement the Project, BFAR will hire sufficient contract staff to help the BFAR staff manage the Project with the numbers adjusted as the Reorganization Plan is implemented. The project will

support BFAR's Reorganization Plan through the provision of the needed capacity development activities that will improve the technical capacities of BFAR's regional offices in the target regions to carry out their CRM mandates. Temporary staff will be contracted to meet the immediate requirements of the project implementation, while the BFAR's Reorganization Plan is implemented. In addition, BFAR will shift from being a direct implementer of foreign assisted projects to being an enabler/trainer of LGUs. To do this, BFAR has to build the capacity of its officers and staff, especially those assigned to the Project, to (i) transfer their skills on fishery development/ coastal resources management to the officers and staff at the municipal/city agriculture offices; and (ii) transfer their project implementing operations to the LGUs.

187. Another risk concerns over fishing. It is recognised worldwide that it is a long term endeavour to control and reduce over fishing. Given the concerns over fish stocks, the risk is that even with successful Project interventions and reduction in the fishing efforts, fish stocks may not recover significantly. The Project addresses this risk through a greater involvement of both fishermen and LGUs in managing the fisheries and coastal resources and monitoring fish catches to improve the availability of data on fish catches and by including any pre-existing fisheries management organizations. Sustainability measures and plans will be included in the MOA with the LGUs. Moreover, the CRM plan and fishery ordinance will include activities and provisions that will help generate LGU revenues to support CRM implementation. The main objective is to improve the fiscal capacity of the LGUs to sustain long term management of the coastal resources. A sample calculation of the potential CRM-related revenue of LGUs is presented in Working Paper 8.

188. Intrusion of illegal commercial fishing vessels in the municipal waters is another risk. The project addresses this risk by (i) involvement of the local fishing communities in the management of coastal resources; (ii) providing capacity building, awareness raising, equipment and other support to reinforce the *bantay dagat* at the *barangay* and LGU levels; (iii) providing support to BFAR to organize law enforcement teams composed of coast guards and police personnel to apprehend violators; and (iv) revised local regulations to reduce and prevent illegal fishing.

189. Another risk is that following the end of the Project period, the Project activities may prove to be unsustainable thereby repeating the experience of many of the previous interventions in the bays/gulfs. Many of the Project's proposed interventions have been included in previous projects/programmes but many could not be sustained after the end of Project financing. The Project design tackles this issue by including a focus on the generation of sufficient sustainable sources of local revenues by the LGUs to finance the necessary law enforcement activities and to provide locally generated revenue for investment in resource management. As presented in Working Paper 8, revenue from law enforcement (apprehension of illegal fishing activities) declines over time as compliance increase. However, the other potential CRM-related revenue (i.e. permits, licenses, rentals, entrance fees) increases over time as collection efficiency increases. These revenues are expected to be enough to cover CRM O&M costs and other CRM-related activities and projects. A sample calculation of the potential CRM-related revenue of LGUs is presented in Working Paper 8.

190. The Project will operate within the framework of the NCI, which seems likely to continue as a priority government policy given the high level of political commitment to convergence, including that in the PDP 2011-2016. The risk remains that the NCI agencies will be unable to provide the type of coordinated approach that is needed at the local and operational levels. The Project design counters this risk in three ways. First, by having BFAR and the agency concerned enter into MOA that would specify the details of the support required and how it would be financed. Second, all the agencies with a role in Project implementation will be members of the RCSC. Finally, all implementing agencies will have a "FishCORAL Focal Point" at national level through whom the Project will interact with the other implementing agencies at national level.

191. An associated risk concerns the willingness of the private sector to be involved in supporting the development of alternative livelihood enterprises for members of the coastal communities. This risk is addressed in the Project design by inviting the private sector involvement from the initial planning stages and the identification of possible processing and marketing opportunities, with the Project financing the feasibility studies for possible private

sector investments. In addition, the Project will support production by the members of the coastal communities and the POs with the support of suitable key staff/consultants.

192. Recent events have reduced the risks of the NG:LGU cost sharing policy delaying Project implementation, as has happened with other IFAD assisted projects in the recent past. The LGUs, especially the lower income class ones, which are the major target for IFAD assistance, had difficulty in financing their counterpart contributions. Under a joint resolution of DA, DAR, DENR, and DILG, LGUs, regardless of income class, are now financing, 10% of the costs of investments in civil works and reforestation sub-projects. The Project will adopt this approach.

IV. PROJECT COSTS, FINANCING, BENEFITS AND SUSTAINABILITY

A. Project costs

193. The estimated total project costs, including contingencies, are shown in the table below and further elaborated in Appendix 9. Overall, the proposed Project would cost about USD 43.737 million over a five (5) year implementation period. This figure includes taxes and duties estimated at USD 3.749 million or 8.5% of total costs.

194. Base costs were estimated at likely prices in 2013 with price contingencies of 3% p.a. for Pesos and USD. Physical contingencies have been included at 3.5% of base cost to all expenditures except staff costs. These rates were specified by NEDA. Physical contingencies amount to USD 1.143 million and price contingencies to USD 1.431 million, giving total contingencies of USD 2.574 million (6% of Total Baseline Costs). The estimated average cost per target beneficiary household (i.e. 90,596 poor households in the target *barangays*) is USD 274 per household.

195. Component 1 Coastal Resources Management accounts for 56% of the base costs, Component 2 Livelihood Development 35% and Component 3 Project Management and Coordination 9%.

Components Project Cost Summary

	(PHP Million)			(USD '000)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exch.	Base Costs
Coastal Resources Management	819.4	160.2	979.6	19,303.8	3,774.6	23,078.4	16	56
Livelihood Development	457.7	160.2	617.9	10,783.3	3,773.1	14,556.4	26	35
Project Mgmt. & Coordination	120.5	29.2	149.8	2,840.0	688.7	3,528.7	20	9
Total BASELINE COSTS	1,397.6	349.6	1,747.2	32,927.1	8,236.5	41,163.6	20	100
Physical Contingencies	36.3	12.2	48.5	854.6	288.3	1,142.9	25	3
Price Contingencies	49.2	11.6	60.7	1,158.2	272.7	1,430.8	19	3
Total PROJECT COSTS	1,483.1	373.4	1,856.5	34,939.9	8,797.4	43,737.3	20	106

B. Project Financing

196. The project financing comprises: (i) IFAD loan of USD 29.956 million (68.8%); and (ii) IFAD grant of USD 0.693 million (1.6%), giving total IFAD financing of USD 30.649 million (70.4%); (iii) National Government counterpart contribution of around USD 6.125 million (14.0%); (iv) LGU financing of USD 5.636 million (12.9%); and (v) contributions in cash or in kind from proponents and beneficiaries of about USD 1.328 million (3.1%). The IFAD loan will be on Ordinary Terms and Conditions. Further details are shown in Appendix 9 and Working Paper 7.

197. BFAR will include the Project in the BFAR 2015 budget with a minimal amount of PHP9.124 million, mostly for travel, consultations and workshop costs. The Project will also be included in the BFAR Budget Strategy for the entire Project period 2015-2020 submitted to the DBM which will receive approval once the Investment Coordination Committee approval process is complete. DBM approval will be an assurance in the Project Financing Agreement.

198. **Retroactive financing** will be available to finance the costs of the following key preparatory activities, after the date of the design completion mission, i.e. 2nd July 2013: (1) up

to USD 1.0 million from the IFAD loan for: (i) preparation and finalisation of the PIM; (ii) preparation of bidding documents for procurement in PY1; and (iii) establishment of the PSCO, RPMOs and CPMO/MPMO/PIUO; and (2) up to USD 40 000 from the IFAD grant for: (i) Support for Reorganisation Plan; and (ii) recruitment of a Procurement specialist. The government will provide funds to pre-finance the costs of these activities prior to the Date of Effectiveness. These activities and associated detailed budget should be included in the draft AWPB for 2015. All procurement carried out under retroactive financing will be subject to provisions of IFAD's Project Procurement Guidelines.

C. Summary Benefits and Economic Analysis

199. The primary goal of the Project is to contribute to the reduction of poverty among the households, and in particular poor fishing households, living in the 1,098 coastal *barangays* bordering the 11 target bays. These *barangays* have an estimated 160,572 people belonging to 90,596 households living below the poverty line of whom and about 38,050 are poor fishing households (146,493 people). The intervention of the Project is expected to improve the productivity of the municipal waters and the coastal zone and generate livelihood benefits for the members of the coastal communities.

200. Benefits from the Project are expected to be generated through: (i) effective law enforcement and regulatory activities with respect to the municipal fisheries; (ii) improved protection and management of coral reef, mangroves, sea grass ecosystems and other coastal resources; and (iii) implementation of sustainable community-based livelihood enterprises.

201. Working Paper 8 describes the various sources of benefits, the associated assumptions and the analyses carried out, while Appendix 10 summarises the results.

Financial analysis

202. The Project aims to generate livelihood benefits for coastal communities by supporting the establishment of sustainable livelihood enterprises. These enterprises are intended as both a supplement to, and an alternative to, fishing as a source of household income, which would have a positive impact on the improvement of fisheries and coastal resources. The financial analysis focused on the financial viability of nine possible enterprises that community members and their organizations may implement with Project assistance, although others that meet the Project's criteria (Appendix 4) may subsequently be identified. These sub-projects are seaweed farming, abalone and trochus pen culture, fish cage culture, fish pen culture, mussel culture, mudcrab fattening, aquasilviculture, dried salted fish production and smoked fish production.

203. The financial analysis for each of the livelihood models covers a period of six years. Investment costs generally consist of: (i) equipment, work sheds, cage construction etc.; (ii) working capital required for the initial production cycle; and (iii) contingencies. The projected revenues for each microenterprise were based on the production volume for each year multiplied by the price of output at the point of sale. The project assumed that all investment and production cost as well as associated revenues, are incremental and would not have occurred without the Project given that the 2009 Family Income and Expenditure Survey of the National Statistics Office shows that the bottom 30% income class to which the fishing households belong have a negative annual net income.

204. All enterprises are viable using 6% discount rate as prescribed by the *Bangko Sentral ng Pilipinas* (BSP)⁴⁰, with B:C ratios ranging from 1.06: 1 to 1.46:1 with a minimum FIRR of 42%. The result of the sensitivity analysis revealing that the livelihood and enterprise models are more sensitive to changes in output price compared to changes in cost. However, the menu of livelihood models used in the financial and economic analysis does not represent all regions/bays/gulfs as each site may have different suitability for different livelihood/ enterprise. These models are based on the list of proposed livelihood/enterprise proposed from specific project sites that are deemed financially viable. Livelihood/ enterprise will be implemented based

⁴⁰ Interest rate for five-year loan is based on the 5-year T-bond annual interest rate plus two percent.

on its potential and feasibility in specific sites.

205. As a case study, the financial analysis assessed the cost of management and the revenues generated from fisheries and CRM-related activities for an LGU. The result shows that the LGU made a financial loss in 2012, but could earn net revenues ranging from PHP 0.96 – 4.1 Million p.a. depending on the effectiveness and efficiency of the implementation of the LGUs Basic Fishery Ordinance. This sample analysis demonstrates the potential of good CRM to make a positive and sustainable contribution to LGU finances.

Economic analysis

206. The economic analysis assesses the likely impact of the proposed Project interventions through a comparison of the “without” and “with” project situations.

207. Under the “without project” scenario, the productivity of the fishery and coastal resources will continue to decline given the existing unsustainable fishery and coastal resource management activities. Under the “with project” scenario, appropriate management interventions will be put in place that will reduce the adverse impacts on the fishery and coastal resources and sustainably increase the productivity of the fishery and coastal resources. These interventions include implementation of appropriate local policies, effective coastal law enforcement, management of fish sanctuaries, mangrove and sea grass rehabilitation, management and stock enhancement activities and the development of fishery related and non-fishery livelihood activities for the members of the coastal communities.

208. Based on these assumptions the Project is economically viable with an economic rate of return of 27.68%, which is well above the prescribed NEDA hurdle rate of 15%. The Project will have a rate of return of 19.8%, if there is both a 20% increase in costs and a 20% reduction in benefits.

Sensitivity analysis

209. Sensitivity analysis was conducted to determine the effects of change in cost and benefit on the economic viability of the Project. The table below presents the results of the sensitivity analysis.

Sensitivity analysis

Economic Indicator	Base Value	Decrease in Benefit by 10%	Increase in Cost by 10%	Decrease in Benefit by 10%, Increase in Cost by 10%	Decrease in Benefit by 20%	Increase in Cost by 20%	Decrease in Benefit by 20%, Increase in Cost by 20%
EIRR	27.7%	25.5%	26.4%	23.6%	23.1%	23.9%	19.8%
NPV	2,354.94	1,881.58	2,223.29	1,643.72	1,408.22	1,879.21	932.49

Non quantifiable benefits

210. Besides the quantifiable benefits already described, there are also potential non-quantifiable benefits from the Project. The major non-quantifiable benefits will be: (i) stronger CRM Institutions; (ii) greater inter-LGU cooperation for the management of the municipal fisheries of a bay/gulf; (iii) improved coastal resource management; (iv) more effective POs; (v) greater community welfare; and (vi) improved capacity of the national and local government staff in coastal resource and fisheries management.

D. Sustainability

211. The following elements are built into the Project design to help ensure that the proposed investments and benefits are sustainable. First, the Project will assist the LGUs to develop sufficient sustainable sources of local revenues to finance the FLETs and provide funds for investment in the management of the municipal fisheries and coastal resources to protect the

resources and sustainably increase future production. This approach would avoid future dependence on central government and project/programme assistance.

212. Secondly, the involvement of the private sector on a long-term basis will enhance the sustainability of the Project's investments in alternative sources of livelihoods for members of the coastal communities. With private sector investment in processing, marketing etc., there is a much greater chance of the Project's investments in production being sustainable. The Project will support POs that can develop the required management and financial capacity to enable them to enter into contractual arrangements with the private sector. At the same time, the Project will support new types of arrangements that can link fishing households with the private sector to enable the smallholders to move up the supply chain and receive more income from greater value addition. This approach is designed to help the POs become sustainable and significant players in their chosen value chains. Such an approach should benefit all the members of these various organizations.

213. Thirdly, requiring the beneficiaries and LGUs to: (i) provide counterpart funds for investments in infrastructure and production; and (ii) be responsible for the operation and maintenance of the Project financed investment provides a much greater chance that these investments can continue operating long after the end of the Project period. LGUs that have not maintained farm to roads financed under other projects will not be eligible for Project assistance;

214. Finally, 18 months before the completion date, the PSCO will work closely with all implementing agencies and fishing communities to finalise an exit strategy and sustainability plan for review by IFAD, which should contain (i) specific mechanisms to ensure sustainability of the investment and activities supported by the Project after the end of the Project; (ii) a summary of the benefits from the Project's investment, major policy and operational issues and lessons learned; and (iii) recommendations for technical and budgetary support from national government agencies or LGUs) and administrative arrangements after the end of the Project.

E. Innovation and Scaling-up

215. The Project's investment is quite small when compared to that needed to address the widespread issues that bedevil the municipal fisheries and coastal resources and the associated high levels of poverty among the coastal communities. However, the project will test sustainable approaches to fisheries and coastal resource management for the government and other agencies to learn lessons for potential scaling-up. If the Project's investment can realise the potential benefits from good and sustainable management of the municipal/city fisheries and coastal resources, the Project could be a catalyst for attracting further investment in the sector. A key innovation for potential scaling up will be if the Project succeeds in introducing sustainable local systems for: (i) financing effective law enforcement for the municipal/city fisheries and coastal resources; and (ii) conservation and sustainable management of these resources by the local fishing communities together with the LGUs.

Appendices

Appendix 1: Country and Rural Context Background

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Appendix 4: Detailed Project Description

Appendix 5: Institutional Aspects and Implementation Arrangements

Appendix 6: Planning, M&E and Learning Knowledge Management

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APPENDIX 1: COUNTRY AND RURAL CONTEXT BACKGROUND

A. Legislation Relevant to Municipal Fisheries

1. The aquatic resources of the Philippines are managed according to the “*Philippine Fisheries Code of 1998*”, or *Republic Act No. 8550* (BFAR 2010). However, seven years earlier the *Local Government Code* (RA 7160) of 1991 legalised the formation of Coastal Resource Management Councils, usually known as Bay Management Councils (BMCs), as partnerships to enable LGUs to coordinate the management fisheries and other natural resources, and to handle environmental problems.

Fisheries Management and the Local Government Code (RA 7160) of 1991

2. Bay Management Councils (BMCs) are multi-sectoral and characterised by various arrangements for resource sharing. The *Local Government Code* of 1991 decentralised government functions to LGUs, and Section 33 enables LGUs to consolidate and coordinate their services and resources for mutual benefit, including the resolution of boundary conflicts in shared municipal waters, enforcement of fisheries laws, and combining their individually inadequate resources in order to manage more effectively. Mayors of each member municipality sign MOA, for example to share responsibility for managing and developing common fishing grounds. LGUs are fundamental to setting up a BMC since they undertake planning and plan implementation, and enact local regulations, such as a comprehensive fisheries management ordinance. The organizational structure of a BMC is supposed to define roles and responsibilities. To ensure power-sharing, the chairpersonship of the Board of Trustees of a BMC rotates among the mayors of member LGUs. Operational costs are shared, with each municipality making an annual financial contribution. In addition, LGU employees are seconded to work full time for the BMC. National agencies, like BFAR, and DENR, provide technical expertise to the BMCs.

3. In the project areas BMCs are at various stages of operation. In Region 5, “active” Bay Management groups exist only for the Ragay Gulf (Ragay Gulf IFARMC), whereas in both Albay Gulf and Asid Gulf management groups are in the process of formation, with consultation having just been conducted. In Region 8, “active” alliances function for Leyte Gulf (on the Samar Island Side the Alliance of 7 and on the Leyte Island Side the Alliance of Local Fishery and Aquatic Resource Management and Development Council, as well as in Sillago-Cabalian Bay (the Pacific Alliance of LGUs for Marine Development Council). On the other hand, in Maqueda Bay the South Maqueda Bay Management Council is “dormant”. In Region 13, in both Butuan Bay (Butuan Bay IFARMC and the Lianga-Hinatuan-Bislig (Coastal Community Alliance Unified for Sustainable Ecosystems) are active.

Table 1: Status of Bay Management Councils

Region	Bay/Gulf	Council Name	Status
V	Albay Gulf	In process	Consultations held
	Ragay Gulf	Ragay Gulf IFARMC	IFARMC inactive; MFARMC active
	Asid Gulf	In process	Consultation held
VIII	Leyte Gulf	Samar Island Side- Alliance of Seven Leyte Island Side-Alliance of Local Fishery and Aquatic Resource Management and Development Council.	Active
	Sillago-Cabalian Bay	The Pacific Alliance of LGUs for Marine Development Council	Active
	Maqueda Bay	South Maqueda Bay Management Council	Dormant
XIII	Butuan Bay	Butuan Bay IFARMC	Active

Region	Bay/Gulf	Council Name	Status
	Liang-Hinatuan-Bislig	Coastal Community Alliance Unified for Sustainable Ecosystems	Active
ARMM	Illana	No information available	
	Sulu/Basilan	No information available	

Management based on the Fisheries Code (RA 8550) of 1998

4. The policy objectives the “*Philippine Fisheries Code of 1998*” include protection of the rights of “fisherfolk”, prioritizing “municipal fisherfolk” for the exploitation of resources in municipal waters, and providing them with appropriate technological, financial, production, and post-harvest facilities, as well as marketing assistance and other services. (“Fisherfolk” is a term preferred by BFAR, and defined as “people directly or personally and physically engaged in taking and/or aquatic resources”.) For clarity, the management system “installed” by the Code of 1998 is described here using generic “design principles” (Ruddle 1994).

(i) Authority/Leadership

5. Municipal waters are under the authority of municipal/city governments that in consultation with the FARMC are responsible for managing, conserving, developing, and protecting all aquatic resources therein. The LGUs enforce the fishery law, rules, regulations, and municipality/city council ordinances. In consultation with the FARMCs, LGUs establish local management rules. Assisted by the FARMC, the LGUs maintain a registry of municipal fishing vessels by gear type and other data.

6. The government and LGUs are advised by a national and local system of FARMCS, established by the Code. At top of the system, the National Fisheries and Aquatic Resources Management Council (NFARMC) advises DA/BFAR. Chaired by the Undersecretary of Agriculture, the NFARMC consists of 15 members (the Undersecretary of the Interior and Local Government, five members representing “fisherfolk” and fishworkers, five representing commercial fishing and aquaculture operators and the processing sectors, two from academe, and one representative of NGOs involved in fisheries. Apart from the undersecretary of Agriculture and Undersecretary of the Interior and Local Government, all members are appointed by the President, after being nominated by their respective organizations, to serve a three year term without reappointment. The functions of the NFARMC are to help formulate national policy for fishery and aquatic resources and assist in the preparation of the *National Fisheries and Industry Development Plan*. The Code created Municipal/City Fisheries and Aquatic Resources Management Councils (M/CFARMCs) in each the municipality and city adjacent to municipal waters. They advise in preparing the *Municipal/City Fishery Development Plan* for the Municipal/City Development Council, recommend the enactment of municipal/city fishery ordinances to the *sangguniang bayan/ sangguniang panlungsod* through its Committee on Fisheries, assist the local enforcement of fishery laws, rules and regulations, and advise the *sangguniang bayan/panlungsod* on fishery matters through its Committee on Fisheries, where one exists. Their membership consists of the Municipal/City Planning Development Officer, the Chair of the Agriculture/Fishery Committee of the *Sangguniang Bayan/Panlungsod*, representatives of the Municipal/City Development Council, NGOs, the private sector, and DA/BFAR, and at least 11 “fisherfolk” representatives, including seven municipal “fisherfolk”, one fishworker and three commercial fishers in each municipality/city, which include those from youth and women. Integrated Fisheries and Aquatic Resources Management Councils (IFARMCs) were created by the Code in bays, gulfs, lakes, and rivers and dams bounded by two or more municipalities/cities. They assist in the preparation of the *Integrated Fishery Development Plan* of the relevant Municipal Development Councils, recommend integrated fishery ordinances to the Committee of Fisheries (where one has been created) of the relevant *sangguniang bayan/panlungsod* and enforce fishery laws, rules and regulations. Membership consists of the chairperson of the Committee on Agriculture/Fisheries of the *sangguniang bayan/panlungsod*,

together with the Municipal/City Fisheries officers and Municipal/City Development officers, one representative from the NGOs, one from the private sector; and at least 9 from the “fisherfolk” sector, including those of youth and women.

7. The Department also sets fees and other charges and issues licenses or permits for gear and fishing accessories and other fishery activities, as determined by the LGUs in consultation with the FARMCs.

(ii) Rights

8. Registered “fisherfolk” organizations/cooperatives or POs may be granted a use right to demarcated areas for fish capture and aquaculture, providing that a member’s household does not already possess a fishery right other than for fish capture. Registered POs receive preference in the granting of fishery rights by the Municipal/City Council, pursuant to Section 149 of the Local Government Code (*vide infra*), and all fishery activities in municipal waters are conducted by municipal “fisherfolk” and their cooperatives/organizations, listed in a *Registry of Municipal Fisherfolk*, which, in theory at least, must be updated annually or when deemed necessary, and posted in *barangay* halls or other locations for public inspection and validation.

(iii) Rules

9. Rules pertaining to fishing are designed, implemented and enforced at the local level. However, the national fisheries law clearly states that no person shall exploit, occupy, produce, breed, culture, capture or gather fish, fry or fingerlings of any species or fishery products, or engage in any fishery activity without a license, lease or permit, and that it unlawful for any person not listed in the registry of municipal fisherfolk to engage in any commercial fishing activity in municipal waters. Municipal “fisherfolk” who commit such a violation are punished by confiscation of the catch and a fine of 500 pesos.

10. Sections of the *Code* describe specific prohibitions and the punishments to be imposed on offenders. In particular, fishing with explosives, noxious or poisonous substances and electricity is prohibited, as is use of fine mesh nets. It is unlawful to use active gear in the municipal waters and bays and other fishery management areas, as well as the *muro-ami* and other methods and gear destructive to coral reefs and other marine habitats, “superlights” for fishing in municipal waters, fishing in overfished areas and closed seasons, fishery reserves, refuges and sanctuaries, as well as the taking of rare, threatened or endangered species. It is also unlawful to obstruct defined migration paths of anadromous, catadromous and other migratory species, to capture *sabalo* and other breeders/spawners, to violate catch ceilings, or engage in activities that pollute the aquatic environment.

(iv) Monitoring, Accountability and Enforcement

11. A monitoring, control and surveillance system is specified by DA/BFAR in coordination with LGUs, FARMCs, the private sector and other relevant agencies, to ensure that aquatic resources are used managed sustainably.

(v) Sanctions

12. Violators of the *Fisheries Code* are punished by a specified period of imprisonment and/or a fine, or both, at the discretion of the court, cancellation of their permit/license, if any, and confiscation of gear, boat and illegal catch.

B. Policy Environment

Philippine Development Plan 2011-2016

13. National planning and policy making is based on five-year Development Plans and the

focus of the Philippine Development Plan (PDP) 2011-2016 is inclusive growth, which is defined as “*growth that is enough to matter given the country’s large population, geographical differences and social complexity. It is substantial growth that creates jobs, draws the majority into the economic and social mainstream and continuously reduces poverty*”. Low growth, weak employment generation and persistently high inequality are the immediate reasons for the failure of inclusive growth in the country to date. The underlying structural causes include: (i) inadequate infrastructure; (ii) major gaps and lapses in governance; and (iii) inadequate levels of human development. Factors that provide a good opportunity to break out of its perennial condition of poverty, inequity and lagging human development, include a healthy external payments situation, years of trade reform leaving an industrial sector fairly undistorted by subsidies and heavy protection, a stable currency and low inflation and positive political developments.

14. The Department of Agriculture (DA) has adopted a comprehensive strategic framework, the *Agrikulturang Pinoy* or *Agri-Pinoy* that guides the implementation of the various services and programs of the DA for agriculture and fisheries from 2011 to 2016. *Agri-Pinoy* is anchored on four guiding, and interrelated, principles:

- **Food security and self-sufficiency** which aims to meet the food needs of the country and make them accessible, affordable, safe and nutritious, while reducing dependence on food imports by increasing productivity;
- **Sustainable agriculture and fisheries** which emphasizes ecological and economic sustainability and the carrying capacity of the country’s resources to complement efforts to increase productivity;
- **Natural resource management** which seeks to optimize the development of natural resources, enhance their competitive edge, and manage them so they will not be exhausted;
- **Local development** which promotes an ecosystem framework of development, particularly at the local level where governance and management of resources have been devolved.

15. Among the strategies under the *Agri-Pinoy* framework are *the empowerment of farmers and fishermen* through the provision of timely and useful information on climate change and market patterns which will enable them to adapt and reduce risks and losses. *They will also be assisted in diversifying options and introduced to adaptive technologies.*

National Convergence Initiatives

16. Proposals in the PDP for enhanced governance include the National Convergence Initiative (NCI), now being implemented. The NCI aims to rationalize and improve the provision of services to provide a more broad-based, effective and efficient approach to reduce rural poverty. The government is pursuing the NCI to maximize resources available and synchronize the initiatives of the three departments engaged in rural development: the DA, DENR and DAR, although other agencies are participating in line with their mandates e.g. DTI, DOST etc. The NCI is seen as a strategic development approach that can contribute to sustainable development in the rural areas.

17. A Joint Memorandum Circular signed by the three agencies in December 2010 adopted a shared Policy and Implementation Framework for the NCI. This enables the three agencies (DA, DENR and DAR) to collectively respond to the common mandate of increasing income, improving productivity and generating employment in rural communities through the “ridge-to-reef” development approach towards inclusive growth and sustainable rural development. This approach recognizes the close linkage between terrestrial and aquatic ecosystems and their impacts on the lives of rural communities.

Agriculture and Fisheries Modernization Act and Strategic Agriculture and

Fisheries Development Zones

18. The Agriculture and Fisheries Modernization Act (AFMA) of 1997 (Republic Act 8435) aims to modernize the agricultural and fishery sectors by promoting a technology-based industry to enhance profitability by ensuring equitable access to assets, resources and services, and promoting higher-value crops, value-added processing, agribusiness activities, and agro-industrialization. It also seeks to empower people's organizations, cooperatives and NGOs.

19. AFMA provides trade and fiscal incentives to qualified enterprises engaged in agriculture and fisheries (including cooperatives, associations and consolidators) by granting exemption from payment of tariff duties on all types of imported agricultural and fishery inputs, equipment and machinery until December 2015 (RA 9281).

20. Implementation of the AFMA is now being made operational in the Strategic Agriculture and Fisheries Development Zones (SAFDZ). DA has prepared regional and provincial SAFDZ plans and maps delineating production, agro-processing and marketing zones within the network of protected areas for agricultural and agro-industrial development at the regional, provincial and municipal levels.

Coastal resources management and fisheries policies and strategies

21. According to DENR (2011a) to prepare for the Sustainable Development Strategy for the Seas of Asia (SDS-SEA), the Philippines has:

- Set up a National Integrated Coast Management(ICM) Programme, to provide LGUs and their agencies with capacity and technical support to improve governance and sustainability of coastal and marine resources by more than 150 LGUs by 2015; and
- Put in place a national monitoring and reporting system covering the state of the coast in the Philippines, to: (i) provide the government, the scientific community, the private sector/ investors and the general public with information on trends or changes that are occurring in the marine environment; and (ii) identify the driving force behind those changes, the social economic and environmental implications, and the effectiveness of the management interventions at the national and local levels.

22. The National Work Programme for SDS-SEA of the Philippine will:

- Strengthen the National Policies and Programme for Sustainable Coastal and Ocean Governance.
- Promote ICM in the country.
- Encourage and require the use of eco-system based fisheries and coastal management systems.
- Initiate studies on financial schemes for environmental protection and the generation of income for LGUs, the communities and population.

23. The Philippines is also closely involved in the Coral Triangle Initiatives Project which initiates and adopts ridge to reef approaches for coastal management, in line with ecology-based coastal management. E.O. 797 established the Joint Secretariat for the Coral Triangle Initiative National Plan of Action.

24. The Philippines has established Marine Protected Areas (MPAs) and institutionalized this approach through the enactment of local government ordinances that include MPA plans. Marine Protected Area-based resource conservation projects are also being pursued in collaboration with the Southeast Asian Fisheries Development Centre. Initiatives on institutionalization and funding of ICM plans by LGUs was facilitated, monitored and reported,

through the Integrated Coastal Resources Management Project (ICRMP) which is due to end in 2013. As of 2012, out of 79 target MPAs, 61 MPA plans had been completed of which 34 have been adopted through municipal ordinances aided by the ICRM Project. MPAs cover a total area of 31,263 ha with 5,320 ha of core or no-take zones. Some 32 resource conservation project proposals were initially drafted.

25. The ICRMP is making efforts to institutionalize academic institutions as research and development partners to support LGUs and communities in managing the coastal areas of the country. The capacity to implement SDS-SEA has steadily developed.

26. The Executive Order no. 533 called for the adoption of ICM as a national strategy to ensure the sustainable development of the country's coastal and marine resources. The DENR and the Partnerships in Environmental Management for the Seas of East Asia conducted the last consultation to implement the National ICM programme under Executive Order 533. A further initiative was the creation of the National Coastal Marine Centre for Research in Palawan Philippines by the Coastal and Marine Management Office-Protected Areas and Wildlife Bureau. The centre will work in partnership with the LGUs and academic institutions.

Philippines Country Data

Land area (km2 thousand) 2008 1/	298	GNI per capita (USD) 2008 1/	1 890
Total population (million) 2008 1/	90.35	GDP per capita growth (annual %) 2008 1/	2
Population density (people per km2) 2008 1/	303	Inflation, consumer prices (annual %) 2008 1/	9
Local currency Philippine Peso (PHP)		Exchange rate: USD 1 = PHP 42	November 2012
Social Indicators		Economic Indicators	
Population growth (annual %) 2008 1/	1.8	GDP (USD million) 2008 1/	166 909
Crude birth rate (per thousand people) 2008 1/	25	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2008 1/	5	2000	6
Infant mortality rate (per thousand live births) 2008 1/	26	2008	3.8
Life expectancy at birth (years) 2008 1/	72		
Total labour force (million) 2008 1/	37.88	Sector distribution of GDP 2008 1/	
Female labour force as % of total 2008 1/	38	% agriculture	15
		% industry	32
		% manufacturing	22
		% services	53
Education		Consumption 2008 1/	
School enrolment, primary (% gross) 2007 1/	112	General government final consumption expenditure (as % of GDP)	10
Adult illiteracy rate (% age 15 and above) 2008 1/	6		77
		Household final consumption expenditure, etc. (as % of GDP)	
Nutrition		Gross domestic savings (as % of GDP)	13
Daily calorie supply per capita	n/a		
Malnutrition prevalence, height for age (% of children under 5) 2008 1/	28		
Malnutrition prevalence, weight for age (% of children under 5) 2008 1/	28		
Health		Balance of Payments (USD million)	
Health expenditure, total (as % of GDP) 2007 1/	3.9	Merchandise exports 2008 1/	49 025
Physicians (per thousand people) 1/	n/a	Merchandise imports 2008 1/	59 170
Population using improved water sources (%) 2006 1/	93	Balance of merchandise trade	-10 145
Population using adequate sanitation facilities (%) 2006 1/	78	Current account balances (USD million)	
		before official transfers 2008 1/	-11 884
		after official transfers 2008 1/	3 897
		Foreign direct investment, net 2008 1/	1 144
Agriculture and Food			
Food imports (% of merchandise imports) 2008 1/	11		
Fertilizer consumption (hundreds of grams per ha of arable land) 2007 1/	1,412.4		
Food production index (1999-01=100) 2007 1/	127		
Cereal yield (kg per ha) 2008 1/	3 334		
Land Use		Government Finance	
Arable land as % of land area 2007 1/	17	Cash surplus/deficit (as % of GDP) 2008 1/	-1
Forest area as % of total land area 2007 1/	23	Total expense (% of GDP) ^{a/} 2008 1/	17
Agricultural irrigated land as % of total agric. land 2007 1/	n/a	Present value of external debt (as % of GNI) 2008 1/	37
		Total debt service (% of GNI) 2008 1/	7
		Lending interest rate (%) 2008 1/	9
		Deposit interest rate (%) 2008 1/	4.5

a/ replaces "Total expenditure" used previously.

1/ World Bank, *World Development Indicators* database CD ROM 2010-2011

APPENDIX 2: POVERTY, TARGETING AND GENDER

A. Incidence of Poverty in the Target Areas

1. Regional data from the National Statistics Coordination Board (NSCB), Poverty Statistics, 2009 (the latest detailed information), show ARMM as the poorest region in terms of the incidence of poverty among families, followed by Region 5; Region 13 is the 4th poorest region; and Region 8 the 6th poorest. The overall poverty incidence in the Philippines is 28.4%.

Table 1: Ranking of poverty incidence by region

Region	Poverty Incidence (%)	Rank
ARMM	57.0	1
5	49.0	2
13	42.9	4
8	37.8	6
Philippines	28.4	

NSCB: Small Area Poverty Statistics, November 2009

2. Poverty in the target areas is widespread, and all of the 14 target provinces are among the 50 poorest provinces in the country (out of 80) ranked in terms of incidence of poverty among families. All the target provinces have an incidence of poverty well in excess of the national average.

Table 2: Ranking of poverty incidence by province

Provinces	Region	Poverty ranking	Poverty incidence (%)
Lanao del Sur	ARMM	2	51.4
Masbate	V	4	49.8
Eastern Samar	VIII	8	46.7
Surigao del Sur	XIII	13	43.2
Sulu	ARMM	21	37.9
Maguindanao	ARMM	22	37.6
Camarines Sur	V	24	37.2
Western Samar	VIII	25	37.4
Basilan	ARMM	25	37.4
Sorsogon	V	27	34.3
Albay	V	29	33.9
Agusan del Norte	XIII	30	33.5
Leyte	VIII	33	33.1
Southern Leyte	VIII	35	28.2

NSCB: Poverty Statistics, November 2009

3. A review of poverty data, for the 103 municipalities and cities that border the bay/gulf sites that the Project will target, reveals that 52% have a poverty incidence among families of 41% or more. The average poverty incidence for all target municipalities and cities is 42%, well above the national average. A breakdown of the figures shows that 2% have poverty incidence of more than 61% and 10% 51-60%. The other figures are as follows 41% have a poverty incidence of 41- 50%; 34% 31- 40%; 13% 30% or below.

4. The average poverty incidence for the municipalities/cities bordering the 11 target bay/gulfs is 42% with the highest poverty incidence in Matarinao Bay in Eastern Samar (Region 13), 49% followed by Ragay Gulf in Camarines Sur and Masbate (Region 5), 47% and lowest in Butuan Bay in Agusan del Norte (Region 13), 35% (Working Paper 1 Annex 2).

5. Poverty is high in coastal communities where households lack food security as incomes

are very low and unstable. Fish catches are declining and alternative livelihood options for most households dependent on fishing in the municipal waters are either not in place or not yet well established. Fishing households experience hungry months every year especially during the typhoon season, when fishing is often not possible. It has been observed that those who have run out of livelihood alternatives tend to congregate in coastal areas as a 'last option in life'. When you fish for a day, at least you should have the chance of some food to eat compared with farming where you need to provide agricultural inputs and labour before there is any produce to harvest. In coastal communities many households only have the minimum of assets to sustain their lives on a day-to-day basis.

6. While data for the incidence of poverty from the 2009 survey is available down to the municipal/city level, it is not available at the *barangay* level. Therefore there are no direct estimates of the numbers of poor households or poor people in the coastal *barangays* that border the target bays/gulfs.

B. Causes of Poverty and Coping Mechanisms

7. The municipal fishermen are poor for the following reasons:

- Incomes are low, un-diversified and generally depend largely on fishing, while the bay/gulfs are experiencing declining fish catches; the BFAR Regional Offices (2012) reported that the average annual fishing household income was only PHP 38,879 which is inadequate to address basic household needs and at the same time provide for investments in fishing and/or alternative livelihood activities.
- There is inadequate provision of livelihood assistance for municipal fishermen; the only government assistance is for the poorest households with children of 0-14 years of age for education and health.
- There is a lack of sustained efforts to assist municipal fishermen in processing and or marketing their fish catch.
- There are very few NGOs in coastal municipalities and *barangays* and efforts to organize and strengthen the existing POs to address poverty are inadequate.
- Foreign and local commercial fishing boats compete with the municipal fishermen for fish when fishing illegally in the municipal waters.

8. The coping mechanisms available to households dependent on the municipal fisheries are varied and include the following:

- Reduce food intake and subsist on fish and rice once a day and sell any additional fish.
- When possible work as hired labour in the municipality, province or the larger urban centres.
- Engage in micro-business using money borrowed from a local money lender at a high rate of interest.
- Seek government support for food and odd jobs.
- Engage in illegal activities such e.g. dynamite fishing, selling the bark of the mangrove trees (for those who are the poorest in coastal *barangays*).

C. Target Group

Numbers of households

9. The priority target group for the Project is poor fishing households and this number can be estimated approximately using the number of fishing households and the incidence of poverty among fishermen. The former is available from the statistics included in Annex 2 of Working Paper 1 and was provided by BFAR, while the latter which is available at regional level from the 2009 poverty statistics and is included in Table 3 (below). Using the average household size the number of poor people living in fishing households can be calculated.

10. Table 3 shows the calculations using the figures for fishing households and for registered fishermen. These figures provide a rough estimate for the number of poor households linked to fishing. The estimate is 38,050 households with 146,493 members. Table 3 also indicates that there are on average 2.26 poor fishermen in each of the poor fishing households.

11. If the overall average incidence of poverty of 42% recorded in the target LGUs applies to the population of the target coastal *barangays* of 1,724,554 there are 724,300 poor people (Working Paper 1, Table 3 A). From this calculation the members of poor fishing households account for about 20% of the poor in the coastal *barangays*.

Table 3: Numbers of poor fishing households and poor people living in fishing households in the target coastal *barangays*

Region	Poverty rate for fishermen %	Average household size	No. of fishing households	No. of poor fishing households	No. of poor people in fishing households	No. of registered fishermen	No. of poor fishermen
V	44	5.0	33,527	14,752	73,760	53,775	23,661
VIII	42	4.0	28,152	11,824	47,295	32,354	13,589
XIII	38	2.2	15,970	6,069	13,351	25,042	9,516
ARMM	43	4.7	12,947	5,567	26,166	91,802	39,475
Total	42	3.9	90,596	38,212	160,572	202,973	86,241

Women, youth and indigenous peoples

12. Women, youth and IPs are also specific target groups for this Project. As shown in Table 4 and 5 below in the Project regions both groups have an incidence of poverty higher than the national average. Some women will have been counted as members of poor fishing households.

13. The 2008 World Bank figures showed that 16.6% of households were headed by women. Youth account for 41% of the population in Region 5, 39% in Region 8), 30% in Region 13, and 43% in ARMM. Using these percentages Tables 4 and 5 calculate the numbers of poor women headed households and poor youth by target region.

14. **Women headed households.** However, the proportion of women-headed fishing households in ARMM (based on information from the field meeting) is probably around 25%, because of the number of widows as a result of past armed conflict. This information will require confirmation during the Project's baseline survey. The estimated number of poor women-headed fishing households is around 7% of the total fishing households.

Table 4: Poverty incidence among women

Region	# Fishing households	# Women headed households @17%	Women poverty incidence (%)	# poor WHH fishing households
5	33,527	5,700	43.0	2,451
8	28,152	4,786	39.6	1,866
13	15,970	2,715	45.9	1,222
ARMM	12,947	2,201	45.3	990
Total	90,596	15,401		6,589

Source: NSCB, 2009 Poverty Incidence among Basic Sectors

15. **Youth.** The youth population reflected in Table 5 below is based on the coastal population determined from the regional percentages of the youth population. The youth population at 666,967 is 39% of the total coastal population of whom 262,263, equivalent to 15% of the target total coastal population, are poor.

16. These figures are significant and justify a serious effort by the project to support poor women-headed households and the rural youth.

Table 5: Poverty incidence among youth

Region	# coastal population	% Youth	# coastal youth	Youth poverty incidence (%)	# poor coastal youth
V	427,442	41	175,251	40.0	70,100
VIII	520,177	39	202,869	37.1	75,264
XIII	347,964	30	104,389	42.0	43,843
ARMM	428,971	43	184,458	39.8	73,414
Total	1,724,554		666,967		262,623

Source: NSCB, 2009 Poverty Incidence among Basic Sectors

17. **Indigenous Peoples.** There are groups of Indigenous Peoples (IP) living in the area covered by the proposed Project, namely in Region XIII in Hinatuan-Bislig-Lianga Bays and in ARMM in both Illana Bay and the Sulu Sea. These groups are shown in the Table 6 below:

Table 6: Indigenous Peoples living in Region XIII and ARMM

Region	Bay/Gulf Sites	Municipalities/Cities	Ethnic Tribes/Groups	# of Households	Remarks
XIII	Hinatuan-Bislig-Lianga Bay	Barobo, Bayabas, Bislig, Cagwait, Hinatuan, Lianga, Lingig, Marihatag, San Agustin	Manobo and Mandayatri bes	The estimated population in these municipalities is 95,843	The number of IPs will have to be determined during the baseline study.
ARMM	Illana Bay	Parang, Matanog, Sultan Mastura, Sultan Kudarat, Datu Blah Sinsuat, Datu Odin Sinsuat, Kapatagan, Balabagan, Malabang, Picong	Tausog, Maguindanao, Maranaw, Iranon	The majority are the Maguindanao, Maranaw and Tausog.	The number of IPs will have to be determined during the baseline study.
ARMM	Sulu Sea	Tabuan-Lasa, Maluso, Sumisip, HadjiMutamad, Lantawan, Jolo	Yakans, Tausug, Bajaos, Samal, Sama	Majority are the Tausug, Sama, Yakans and Bangingi.	The number of IPs will have to be determined during the baseline study. Most of the ethnic groups in the Sulu Sea live in island municipalities and live on stilts protecting them from inundation during high tides.

Profile of the target groups

18. Despite the overall high incidence of poverty (42%), the households of the municipal fishermen are probably less poor than some other poor households, as they have some assets for fishing and around 30% have agricultural land within the coastal zone. Most fishermen are married, are in the age range of 45 – 55 years old, male household heads and not IPs (see above). Wives of the fishermen often market and/add value to the catch through processing/drying. This group is increasingly subsistence oriented because of declining fishing catches.

19. A second group are the other poor households, including female-headed households, who are not fishermen but whose livelihood depends on the coastal areas. This group has lower incomes than the fishing households and needs assistance to develop alternative livelihoods the most. Women may purchase the fish catch and may market and/or process these products. Poor households, including women headed households also engage in alternative livelihood activities including food processing (bread, cakes etc.), trading basic commodities in the coastal communities e.g. rice and other food stuffs and rearing livestock (pigs and chickens). Most of the household heads are married, 45-55 years old, and around 17% are in female-headed households. Land holdings are lower than those of the municipal fishermen with around 10-20% having access to some land. While this group is enterprising they lack funds for investment in

alternative livelihoods as well as technical and managerial knowhow. However, women-headed households in ARMM reportedly account for an estimated 25%, higher than elsewhere because of the frequent armed conflict which has increased the percentage of widowed women.

20. The out-of-school youth are on the lowest rung of the socio-economic ladder in coastal communities. Most are single and there is an even gender-balance. In terms of education this group has only reached high-school level where some were able to graduate. Most of the youth have not received tertiary education and very few have taken vocational courses. This group is the labour force in the coastal zones, have no access to land and lack skills.

21. The IPs are also at the bottom of the socio-economic ladder. Most IPs live in upland riverine areas, but some may reside in target coastal areas in Regions XIII and ARMM. The IPs residing in the coastal areas of ARMM are better off than the non-IPs, as they live in affinity groups with a well-developed social network and support system. Most are married and like the out of school youth, the male IP provide the labour force and work on nearby farms and in the fish processing facilities.

22. The Project will target four groups: (i) subsistence or marginal fishing households(men and women) who may or may not yet be members of a PO; (ii) female-headed households; (iii)out-of-school youth; and (iv) IPs in Regions XIII and ARMM.

D. Targeting of People's Organizations

23. The Project will target these groups of poor households from the target coastal *barangays* and provide assistance through two types of POs.

- Existing registered POs which may or may not be dormant and which new members may wish to join and where 40-50% of the members are women and 40-50% of the officers are women: these POs must be willing to up-scale/adapt previous intervention and be willing to provide local counterpart/contributions (cash or kind).
- New POs which will be formed and registered/accredited and will engage in CRM-based and/or non-capture fishery based activities/sub-projects. They should also be willing to provide local counterpart/ contribution (cash or kind) and 40-50% of the members and 40-50% of the officers should be women.

24. As a popular saying goes "*start where the people are*", the first two years of the project will concentrate on supporting the existing 771 POs and in the third year, assist and support 327 new POs. The project area data shows that of the 1,098 coastal *barangays* to be covered, there are 771 existing POs and the project assumes that these are located in 771 coastal *barangays*. This leaves around 327 *barangays* where there are no registered Fisherfolk-POs. The first two years will concentrate on organizing and developing the new POs first in *barangays* where there are none.

Group	Target	Description
Existing POs	PY1: 336 existing POs	For PY1, 336 existing POs will be assisted subject to their meeting the eligibility criteria. Only one PO per coastal <i>barangay</i> will be assisted. If there are two or more POs the community will decide which will be the conduit for the Project's development interventions to the community. PO selection/readiness criteria are attached to guide the Project in selecting POs eligible to receive project assistance. These existing POs must be ready to implement sub-projects in PY1.
Existing POs	PY2: 435 existing POs	For PY2, 435 existing POs will be assisted as above
New POs	PY3: 327 new POs (to cover	For PY3, 327 new POs will be assisted, with target group

	<i>barangays</i> where there are no registered POs)	members. New POs will be located in coastal <i>barangays</i> where no registered PO exists and these will meet the readiness criteria to determine their eligibility to receive project assistance.
Women, Youth, and IPs	PY1: groups of women/ female headed households; youth groups; IP or other groups in the coastal <i>barangays</i> , where there are existing POs at a target of 2 to 3 coastal community help groups per <i>barangay</i>	Coastal community help groups will be organized in the 1 st year in the same coastal <i>barangays</i> where there are existing POs. The POs will help form 2-3 groups of (women, youth, IPs) per coastal <i>barangay</i> . In PY1, this will involve the existing 336 POs to be assisted by the project.
	<p>PY2: coastal community help groups as above in 435 <i>barangays</i> where there are existing POs</p> <p>PY3: coastal community help groups as above in 327 <i>barangays</i> where POs will be formed</p>	<p>A second set of coastal community help groups will be formed in PY2, where the 435 POs to be assisted by the project are located.</p> <p>The last set of coastal community help groups will be formed and assisted in PY3, in <i>barangays</i> where 327 new POs have been organized and registered.</p>

Table 7: Summary of Basic Information of Proposed Bays/Gulfs

Region	No. of Prov.	No. of Bays/gulfs	No. LGUs**	Poverty rate %	Municipal population	No. of coastal hhs	No. of coastal <i>barangays</i>	Coastal population	No. of fishing hhs	No. of reg. fishermen	Average annual fishing hh income PHP	Motorised <i>bancas</i> (3 GT or less)	Non-motorised <i>bancas</i>	<i>Bantay-dagat</i> /FLET	FARMC	PO
V	4	3	24	44	1,620,774	83,832	272	427,442	33,527	53,775	26,588	8,045	5,986	248	132	157
VIII	4	4	38	42	1,167,328	119,417	500	520,177	28,152	32,354	47,820	13,519	11,381	74	38	249
XIII	2	2	18	39	894,346	154,332	146	347,964	15,970	25,042	40,231	7,457	8,446	38	135	190
ARMM	4	2	23	43	1,064,986	90,347	180	428,971	12,947	91,802	40,876	6,900	8,884	79	23	175
Total	14	11	103	42	4,747,434	447,928	1,098	1,724,554	90,596	202,973	38,879	35,921	34,697	439	328	771

** Two LGUs border two bays/gulfs.

Geographical targeting criteria

Originally proposed – inception mission May 2012	Additional investment-based criteria- design mission November 2012
1. Criteria used to select target regions and provinces	
(i) Poverty: poverty incidence greater than the national average (ii) Importance of municipal fisheries: (a) production from municipal fisheries greater than the national average; and (b) number of <i>bancas</i> greater than the national average (iii) Government priority for development: presence of more than one bay with a potential for improved management of coastal resources and development of municipal fisheries (BFAR Assessment) (iv) Staff availability: sufficient competent BFAR staff at regional and provincial levels to manage Project activities in addition to staff assigned for other on-going and/or planned interventions	(v) Law and Legal Enforcement: pro-active presence of law enforcement authorities and legal offices for apprehension and prosecution of illegal fishing activities, encroachment and poaching and not hampered by any government offices
2. Criteria used to select target bays and gulfs	
(i) Status of resources and potential for improvement: areas of degraded coastal resources; (a) fish biomass or density is assessed as “fair or less”; and/or (b) live coral cover is assessed as “fair or less” (ii) Other projects: target bays should: (a) not part of the ICRMP or other similar on-going or planned activities; and (b) not included under the National Integrated Protected Areas System (iii) Coordination and Management: 2-3 bays/gulfs should be targeted in each region (iv) Peace and Order: no hindrance to the interaction of Project and IFAD staff and consultants with the potential beneficiaries	(v) Previous foreign-assistance: bays which were covered by previous foreign-assisted projects will be prioritized for scaling-up of new interventions (vi) Critical economic importance: bays which are assessed by BFAR as having critical economic importance for investment will be targeted (vii) Environmental significance: bays which are environmentally significant in relation to disaster risk reduction and climate change will be targeted
3. Readiness Criteria for the selection of LGUs in the target bay/gulf areas for investment	
(i) Importance of Marine Fisheries. A minimum of 200-300 registered municipal fishermen (ii) Willingness of LGU to participate: (a) management and development of municipal fisheries and coastal resources is a LGU priority, as indicated by the Municipal Investment and Development Plan; (b) LGU prepared to contribute 10% of the investment costs; and (c) ordinances in place for the municipal fisheries (iii) Delineation of boundaries of municipal waters: The municipalities with a completed and accepted delineation of boundaries of municipal waters will be a priority for Project investment (iv) Staff availability: Competent MAO fisheries staff can be allocated to manage Project	(vi) Coastal Resource Management Plans, Municipal Development Plans (MDP), Comprehensive Land Use Plan (CLUP) and Investment Plans: LGUs with updated plans and who can identify and submit sub-projects complete with the necessary Project documents will be the priority for investment (especially in PY1) (vii) Presence of the FARMC. A Municipal/City Fisheries and Aquatic Resources Management Council (M/CFARMC) is organized in the covered municipality/city with composition as mandated in section 75 of RA 8550.

Originally proposed – inception mission May 2012	Additional investment-based criteria- design mission November 2012
(v) implementation Access to services: Community organizing, business development, and micro-finance services, input supplies, fish traders, etc. available	

APPENDIX 3: COUNTRY PERFORMANCE AND LESSONS LEARNED

A. Country Programme

1. IFAD started its operations in the Philippines in 1978. As of June 30th 2013, IFAD had provided loans and grants to assist the financing of 13 government projects, of which nine have closed, four are ongoing. The total IFAD commitment (loans and grants) to the government is about USD 175.9 million. A further project (CONVERGE) is in the final stages of the government review and approval process with presentation to the IFAD Executive Board expected in March 2014.

2. The four ongoing projects are: Rural Micro Enterprise Promotion Programme (RuMEPP – IFAD Loan No. 661-PH and IFAD Grant No. 782-PH); the Second Cordillera Highland Agricultural Resource Management Project (CHARMP-2 IFAD Loan No. 749-PH and IFAD Grant No. 1030-PH); Rapid Food Production Enhancement Programme (RaFPEP - IFAD Loan No. 767-PH and EC Contribution Agreement DCI-FOOD/2009/209-973); and the Integrated Natural Resources and Environment Management Project (INREMP – IFAD Loan No. 890-PH).

B. Project Performance – Ongoing Projects

3. **RuMEPP.** By 18th July 2013, IFAD has disbursed USD 18.2 million of the loan and USD 0.508 million grant. At 31st August 2012 (data available at the time of the most recent Supervision and Implementation mission, the total disbursement of counterpart funds (DTI, Small Business Corporation (SBC) and MFIs combined) was USD 4.946 million or 115% of the commitment and reflects an increase in the government's share (taxes) and significant contributions from SBC and the MFIs for loans to the micro-entrepreneurs. The 2010 outcome survey carried out prior to the MTR and using data from nearly 300 micro-entrepreneurs (from the original sample of 550), reported an average increase in assets of 55% and an increase in profits of 62%. The Programme has already had an impact on government policy. DTI is planning to “out-scale RuMEPP” in 2014 into a new DTI programme called the Micro-Enterprise Development Programme, which will combine support for business development services with the provision of credit for micro-entrepreneur development, following the RuMEPP model.

4. The programme has already achieved or exceeded almost all of the output targets and the overall implementation progress was rated as satisfactory by the 2012 Supervision and Implementation Support Mission. The programme should achieve the remaining key output target namely for convergence i.e. the number of micro-entrepreneurs receiving both micro-finance loans and business development services by the end of the Programme. This performance is a commendable achievement, especially after the delayed start to programme implementation. There are two major areas where action is required. First, there is a need to obtain information on programme outcomes to assess the extent to which the outputs achieved have led to the desired outcomes and to assess what approaches the programme has used have been more or less successful. This data is needed to guide programme implementation for the remainder of the Programme and for preparing the Programme's sustainability plan or exit strategy. The only data available on Programme outcomes comes from the outcome survey carried out in 2010, just before the MTR. Secondly, and linked to this is the need to prepare the programme's sustainability plan.

5. **Second Cordillera Highland Agricultural Resource Management Project (CHARMP2):** The MTR carried out at the beginning of 2012 after three years of implementation rated the Project's implementation progress as unsatisfactory, with few key appraisal targets met. The third Supervision and Implementation Support Mission was carried out in February 2013 and reported that after 51 months of the Project implementation (out of a total of 86 months), the total cumulative disbursements were USD 6.768 million or 10.2% of the total Project costs of USD 66.44 million compared with the target of 59.3% based on the time

elapsed, a gap of nearly 48%. If the ADB Loan is excluded, there was no financing agreement then, the disbursement rate would have been 12.0%. This performance reflects a 18% decline in the disbursement performance compared to that recorded by the MTR

6. Project implementation has suffered for reasons which included the delayed Project start-up due to coordination problems between agencies, demands from the regular work assignments of the staff assigned to the Project, the lack of counterpart funds for rural infrastructure investment due NG:LGU cost sharing policy (outside the control of the Project), delays in procurement, the geographically wide area covered by the Project, remote and difficult travel conditions and a lack of coordination between components. Some recent achievements include the following:

- A lot of preparatory work for the proposed infrastructure investments, the start of construction at a number of locations, and the completion of a few small schemes following the agreed reduction in LGU counterpart contribution following the suspension of the policy for cost sharing between the national and local governments.
- Rationalisation of the value chain approach, as agreed during the MTR.
- Some decentralisation of the implementation, although delays still exist because of a lack of staff posted to the provinces and the continuing centralisation of the processes for approval, procurement and financing.
- Direct hiring of community Mobilisation Officers and the Provincial Supervisors following the end of the NGO contracts.
- Improved implementation by the National Commission on Indigenous Peoples.
- An evaluation using NEDA Gender and Development guidelines which classified Project implementation (project management and monitoring and evaluation or M&E) as gender responsive, the highest category.

7. Major Issues remain. Approval by the NEDA Board of the agreed MTR actions took one year, delaying the following: (i) the implementation of the Livelihood Assistance Fund (LAF), a key element of Component 3; and (ii) the approval of the necessary revisions to the IFAD Financing Agreement, which is still outstanding. The closing date (July 31st 2013) for the OFID loan has been extended to 31st July 2014. Major and immediate improvements in Project implementation performance are still necessary to achieve the Project's objective, and the outcomes and outputs as revised during the MTR. It is especially urgent now that the Project addresses the decentralisation issue to avoid the bottlenecks at the Project Support Office that delayed implementation in 2012. These delays are reducing the beneficiaries' enthusiasm for participating in Project activities and, if left unaddressed, risk seriously damaging the credibility of CHARMP2 in the Project area

8. **RaFPEP.** By 18th July 2013, IFAD has disbursed a total of USD 26.6million (IFAD loan USD 15.6 million and EU grant USD 11.0 million), over 90% of the total financing. At the time of the last supervision mission in September 2012 the financial status of the Irrigated Rice Production Enhancement Project (IRPEP) showed a total expenditure of USD 4.19 million or 23.10 % of the USD18.12 million allocated funds including all the counterpart contributions (government, LGUs, and farmers' equity). IFAD has approved an additional USD 3.66 million (USD 1.30 million as a grant and USD 2.36 million as a loan) for IRPEP to finance the rehabilitation of two irrigation schemes damaged in December 2012 by the typhoon Sendong (international name Washi). Overall, the performance of RaFPEP is satisfactory. The Rapid Seed Supply Financing Project (RaSSFIP) has exceeded its target output acquiring and distributing 803,750 bags of certified paddy seed upon completion in December 2011. This seed was used by 428,221 paddy farmers. Studies carried out by the Bureau of Agricultural Statistics in RaSSFIP areas, show that 47% of the beneficiaries reported higher paddy yields compared with before the Project. The increase is attributed to the use of certified seed. According to the 2012 Supervision Mission, the recent performance of the Irrigated Rice Production Enhancement Project (IRPEP) was moderately satisfactory. There was a strong indication of

IRPEP sustainability as Project interventions are being mainstreamed into the implementing agencies' regular functions, and are focused on strengthening the Irrigators' Associations. Focus group discussions have reported increases in yields, income and assets following irrigation improvements. In addition to completing some actions agreed in 2011, there were three major areas that required action by the IRPEP management: (i) timely completion of the rehabilitation of the communal irrigation schemes; (ii) providing the irrigators' associations, especially those where rehabilitation works are complete, with the required capacity to manage the irrigation systems including policy formulation and implementation, water distribution, and operation and maintenance; and (iii) strengthening the capability of IRPEP's M&E system. A MTR is scheduled for September 2013.

C. Grant Programme

9. In addition, six IFAD grants were being implemented within the country at the time of the COSOP MTR review (July 2012). The grant programmes seem to have contributed little as yet to the achievements of the ongoing projects, or towards the achievement of the Sons, thereby casting doubts as to their value to the country programme.

10. IFAD is also cooperating with NEDA through a grant funded - IFAD Technical Assistance for Institutional Strengthening of Results-based Monitoring and Evaluation for NEDA and Implementing Agencies in the Philippines. These funds enable NEDA staff to gain experience by participating in IFAD Supervision and Implementation Support and other missions.

D. Lessons Learned from IFAD Experience in the Philippines

11. Project interventions should give special emphasis to developing technical and managerial know-how, providing market access and access to production capital for poor households. Therefore, project support should not be limited only to institutional support, technology and inputs for demonstrations and trials. In communities where there is a strong sense of ownership technologies are replicated and expanded and infrastructure is properly maintained. As a result, the Project will involve the target beneficiaries from the identification/planning phase and throughout the whole Project cycle. Regular community planning, review and updating will enable the communities to continuously update and address their development priorities.

12. LGUs involvement in past project implementation have contributed to greater efficiency and effectiveness of the project interventions. Their involvement will continue in the proposed Project as co-financiers for the rural infrastructure and other investments. This practice provides a promise for sustainability of the Project benefits after the end of the Project since the LGUs will then be responsible for the operation and maintenance of the sub-projects.

13. Functional coordinating mechanisms will facilitate project implementation, which will be a feature of the proposed Project. The Bay Development Councils will play a key role in coordination in CRM related matters and the existing *Barangay* Development Teams and the Project's proposed coordination arrangements at central, regional, bay/gulf and LGU levels are mechanisms for sharing knowledge, providing feedback to the implementers and for resolving problems. In addition, it also facilitates the participation of stakeholders at various levels.

14. Supporting farming households to become entrepreneurial requires funding subsidies. The self-help approach has limitations when it comes to providing the larger amounts of capital needed for entrepreneurial activities. As a result, the Project design focuses on providing grants for investments as part of a package that includes capacity building and technical and managerial support, along the lines of the RuMEPP approach and helping this group to become good potential clients of MFIs and the formal banking sector.

15. The COSOP (2009-2014) MTR highlighted the following additional lessons from the recent country programme experience. The first is the negative experience of the NG:LG cost

sharing arrangement (suspended in September 2011), which has delayed implementation of CHARMP2. The LGU share of the Project costs must be affordable, which was not previously the case. IFAD must ensure through continuing policy dialogue that any new policy enables the poorer municipalities (5th and 6th Class LGUs), usually targeted by IFAD projects and programmes, to provide the financial contribution required.

16. The second lesson concerns the desirability of having simple project designs with few components and only one government implementing agency. The coordination problems associated with several agencies can be beyond the capacity of the project management to overcome as the CHARMP2 experience shows. RuMEPP initially had problems in coordinating DTI activities with those of SBC but these two institutions are now working well together, with highly competent and well-motivated staff with clear roles and responsibilities.

17. The third lesson learned is the need for the government to eliminate the delays caused by the current over complex approval process, which has already delayed the approval of the INREMP Project by nearly four years and the Project CONVERGE by 20 months so far.

18. The fourth lesson concerns community mobilisation. The employment of NGOs is often seen as the most appropriate way to mobilise communities, but this has not always proved to be correct. Experience has shown that contracted NGOs may just operate as contractors carrying out a series of discrete tasks rather than acting as true community facilitators. The lesson learned is that community mobilisation whether by NGOs or using directly hired staff must be well managed. Staff recruited locally should have a greater commitment to assisting the community than those from outside the community. Staff must have appropriate TOR and terms and conditions of employment, while adequate technical and managerial supervision is essential. The latter has often been lacking with NGOs.

19. The fifth lesson learned is the need for an alternative to formal sources of credit to provide some initial financial support to rural households that want to start the process of becoming entrepreneurial. The Northern Mindanao Community Initiatives and Resource Management Project successfully introduced the revolving fund approach, the Poverty Alleviation Fund, and CHARMP2 is now introducing a similar type of fund, the Livelihood Assistance Fund, to provide revolving funds in the *barangays*.

20. A final lesson concerns the need to ensure that the M&E and knowledge management arrangements can disseminate information on best practices for replication elsewhere and that, where appropriate, the lessons learned can be incorporated into future development programmes and policies. However, project design must ensure that the M&E arrangements are within the capabilities of project staff. With an increasing demand for indicators both from the Government and IFAD there is a danger of project M&E becoming a “project on its own”, rather than primarily a management tool.

E. Effectiveness of the IFAD Philippines Country Programme

21. According to the 2012 Client Survey, the perception is that the effectiveness of the IFAD Philippines country programme has shown a marked improvement over the past two years, perhaps the result of IFAD’s close alignment with NEDA. However, the area where the Philippines ranks below the average is in terms of the impact. A possible explanation is the lack of progress with the implementation of the CHARMP2 Project and the delays in the design and approval of the INREMP, foreseen as a major element of the 2010-2014 country programme, for which the IFAD Executive Board approval was only received in December 2012 despite project appraisal in 2008.

F. Impact of IFAD Assisted Projects

22. From the data available it is not possible to make an assessment of the impact of the current country programme in terms of progress towards achieving the COSOP’s Strategic

Objectives; no data on the impact of the three ongoing projects was included in the RIMS reports for 31st December 2012. Two projects (RuMEPP and RaFPEP), have appropriate baseline data, while CHARMP2 undertook a baseline survey in 2010 (effective in November 2008). There was no impact data from the time of the RuMEPP Mid-Term Review (MTR) and no MTR impact survey for CHARMP2) as the baseline survey was carried less than two years before the MTR.

APPENDIX 4: DETAILED PROJECT DESCRIPTION

A. Governance - Legislation and Law Enforcement

Co-management

1. The vague but nevertheless still unfortunately over-used term “co-management” is not used in this document. A fundamental problem is that the term is applied to too wide a variety of arrangements as to now be almost meaningless, which “... *undermines understanding, meaning, and its usefulness to redesign management* (Davis and Ruddle 2012:245). Indeed, as Pinkerton (2003:69), a leading early advocate of “co-management” now avers, “*the term ‘fisheries co-management’ has now become so broadly used in applied settings and in social science that it risks losing important aspects of its original thrust.*” “*However, “co-management” is particularly promoted, it’s widely asserted benefits being a more inclusive and equitable form of resource governance that directly engages and, thus, empowers “users” and “stakeholders.”* In ways generally not clearly specified, it is implicitly assumed that this would enhance ecological and livelihood sustainability, while fostering “user/stakeholder” regulatory compliance” (Davis and Ruddle 2012:245).

Legislation

2. Appendix 1 provides a summary of the legislative framework that governs the municipal fisheries. The two key documents are the Local Government Code RA No.7160 and the Fisheries Code RA No. 8550. By promoting an “integrated management” concept among LGUs surrounding bays and gulfs through the creation of Integrated Fisheries and Aquatic Resources Management Councils (IFARMCs) section 76 of the *Fisheries Code* duplicates the Coastal Resource Management Councils, or as more commonly known, Bay Management Councils (BMCs) established under the *Local Government Code*. According to BFAR, the purpose of the IFARMCs is to provide fisheries management and policy advice to the BMCs rather than duplicate the functions of the BMC. However, with the two entities there is scope for overlapping responsibilities and conflicts. As part of the policy work the Project will review this situation and recommend ways and means of eliminating any wasteful and confusing duplication.

3. The inability or disinclination of many the LGUs to date to work cooperatively in multi-jurisdictional management, as indicated by the BMC’s lack of success to date, hobbles effective coastal resource development and management. As a result, the Project will identify the causes of such a situation and recommend appropriate countermeasures. The Project will include the following when assessing the situation in the target bays/gulfs:

- Identify factors that cause conflicting interests and facilitate the emergence of dominant individuals and/or sectors, and recommend appropriate countermeasures.
- Ascertain whether development efforts concentrate on the LGU of the incumbent Chairperson, and if so whether this has a negative effect on the commitment of other member-LGUs who have not benefited similarly.
- Identify the factors that promote a robust organizational structure in a BMC, and as part of the process simplify the parameters of authority and accountability by reducing/eliminating overlapping functions and poorly defined roles of operational units.
- Ascertain the level of formalisation and institutionalisation of partnership agreements, and formulate clear organizational structures that delineate the roles of each sector.
- Ascertain for each BMC whether or not there exists a full-time staff and an adequately equipped and dedicated office space for administering programmes.
- Affirm that planning is a participatory process that integrates the full range of community concerns of the social different and occupational groups, and shall reinforce community

participation in fisheries management in line with the *Local Government Code*.

4. In the text of the RA 8550 it is stated that the *Philippines Fisheries Code* must be reviewed in the decade after its enactment. This was not done. This review which the Project will finance will include the following elements:

- Seek to ascertain whether implementation of the *Fisheries Code* has raised the standard of living of small “fisherfolk” and protected marine environments from corporate interests, as well as to ensure that it has not become a tool of privatisation that is undermining the communal character and ways of life in fisherfolk communities (Davis and Ruddle, 2012).
- Examine the devolution of implementation, management, and enforcement responsibilities to local governments as mandated under the *Local Government Code*, since these may be inadequate without national level funding and related support.
- Ascertain the management roles of local communities, supported by both government and local organizations. Local authority, roles and management structures, together with strategies for allocation of fishing rights, should all be specified clearly in policy guidelines. Thus this Project should clarify and render unambiguous the legal framework of the *Fisheries Code*, with mandates and responsibilities specified for the management authorities at central, intermediate and local levels.
- As an integral component of that understanding, the Project will ascertain the existence of **any pre-existing small-scale fisheries management systems** since these either are or were used widely throughout the Asia-Pacific Region to manage coastal fisheries (Ruddle 1994; Ruddle and Satria 2010).

Law enforcement

5. Fishery law enforcers’ base their actions on the laws of the land which are written and in which, fish and other marine organisms, subject for regulation, are identified by their scientific names. Similarly, fish examiners/enforcers will have to examine the organs of fish caught through blast fishing. Hence law enforcers must be familiar with these names and also with the basic fish science and these subjects will be one of the topics included in the training of the FLETs. The training will enable the law enforcers to fully-understand what are they protecting and why are they protecting it.

Illegal Fishing

6. The complex relationship between small-scale “fisherfolk” and commercial fishing has an important bearing on illegal fishing. However, usually it is described just in terms of resource competition, whereas there may be a reciprocal and interdependent relationship between them, based on routine socio-economic and socio-political interactions that involve a variety of interests. The Project will assess the types and social and economic characteristics of illegal fishing, and recommend local regulations and national policy changes, if deemed appropriate, in the light of any new practical evidence thereby uncovered.

7. Other relevant issues to be studied could be: (i) varying penalties for fisheries violations according to LGU, thus focusing illegal fishing in a municipality where penalties are less severe; (ii) the lack of clear LGU boundaries, where undocumented traditional community boundaries based on local customary rules regarding eligibility of entrants may exist; (iii) protection of large-scale commercial operators fishing illegally in municipal waters by powerful high level interests. The BMCs would be an appropriate vehicle to address issues (i) and (ii), while in the interests of social justice the Project must address issue (iii) if found to exist, which must be overcome if “fisherfolk” are expected to conform to the law. The Addendum to Working Paper 2 has further details.

Regulating Overfishing

8. Overfishing is a common sense and readily apparent assertion regarding tropical small-scale fisheries. However, its characteristics need more precise definition for each fishery. In general, small-scale fisheries are characterized by data problems, such that precise and reliable quantitative data are lacking. Thus it is extremely difficult to measure accurately a claim of overfishing in any specific locality. Such data problems arise because collection of reliable statistics is physically and logistically difficult in most tropical and developing countries, where fish catches are unloaded at myriads of points scattered along vast and often remote rural coastlines. Further, because many small-scale fishers both sell their products locally and consume their catches in their own household, their landings are usually under-represented in official statistics.

9. An important contribution could be made to the problem of landing and catch and effort data by having fishing households record data on a regular basis. The Project will incorporate a methodology by which the geographical area or fishing ground in which catches are made is recorded based on the scientifically verified Local Ecological Knowledge (LEK) of fishermen.

10. The choice of which regulatory technique to employ to control overfishing must depend on local circumstances. This Project will contribute to a better understanding of this issue by including the LEK of “fisherfolk” in assessment exercises, because inevitably the decision will be coloured by the local political environment. To ensure a reasonable likelihood of successful implementation, the main factors governing the choice of technique to control overfishing that should be considered are: (i) those which have the support of most fishermen; (ii) those amenable to gradual implementation and flexible enough to adjust to changing circumstances; (iii) those that encourage operations at minimum cost, (iv) those that account fully for all costs of research, monitoring, and enforcement, and (v) those which take full consideration of the allocation and employment generation aspects of the fishing sector.

11. Sedentary species can be managed effectively by the allocation of use rights. Management measures based on area and seasonal closure and size limits can be used. Sedentary species are particularly vulnerable to fisheries using mobile gear that damages or destroys their habitat, and should be protected from them by zoning. The Project will incorporate “fisherfolk’s” LEK in providing local data to assess this issue for vulnerable areas.

12. A large and recent literature based on worldwide research demonstrates the efficaciousness of an approach of closely involving “fisherfolk” and their LEK in data collection for the design of measures to counter overfishing, the design process, and implementation of the measures. The Project will ensure that the scientifically verified LEK of fisherfolk is used routinely as a basic source of practical data for planning and the day-to-day management of local resources. The addendum to Working Paper 2 has further details.

Mechanisms for Reinforcing Community Participation in Municipal Fisheries Management

13. *The Fisheries Code* prioritised the rights of “fisherfolk”. However, without an unbiased assessment of its effectiveness, there is no way of knowing how far this has been achieved. On the other hand, there is little reason for optimism, given the “command and control” predilection manifested in the general management approach of BFAR. Therefore the Project will study and implement mechanisms, where practicable, for reinforcing community and “fisherfolk” participation in municipal fisheries management.

14. That implies that the Project will contribute to a clear redefinition of the objectives of fisheries management and governance, since they likely differ between local communities and the State, with the objective of the State being conservation to maintain sustainable levels of

resource use, whereas local communities need rational economic performance to serve their livelihood interests. To this end, local objectives of fisheries management in the areas covered by the Project will be clearly defined, and a decision made in each case about whether the objective is improving sustainability of a given fishery or enhancing rural livelihoods.

15. Generally the latter ought to be the more pertinent for a small-scale fishery, and should be reflected in higher level policy. This requires that first, the process by which “fisherfolk” representatives are selected to serve on the FARMCS will be analysed. It should be established if these representatives are the most knowledgeable persons, or whether other selection criteria were prioritised. The most efficacious way to identify such people is through systematically gathered peer recommendations, using a straightforward structured sampling technique to ask all “fisherfolk” in a community whom they consider to be the persons who know most about municipal fishing. The results can then be used to see if the “fisherfolk” representatives of the FARMC are the most knowledgeable “fisherfolk”. The Addendum to Working Paper 2 provides further details and an example of a well-functioning mechanism for incorporating “fisherfolk” at the local level of a hierarchical management structure.

B. Coastal Resource Management Plans

16. The CRM/development plans will emphasise and include coastal marine zoning in the municipal zoning ordinance of the Comprehensive Land and Water Use Plan (CLWUP), and be integrated in to the Comprehensive Municipal Development Plan. This Plan will include investment to protect and enhance the coastal resources, incentives and disincentives, Public Private Partnership schemes for livelihood diversification and improvement and associated infrastructure needs and where appropriate proposals for ecotourism. Based on the assessment of the sources of financing, the Project will assist LGUs to institutionalise the arrangements for funding CRM.

Plans and planning

17. The Project Support and Coordination Office (PSCO) will decide on the standard format, outline and processes for the municipal/bay wide CRM plans, which will be provided at the start of the Project. Seminars for LGU and BFAR staff will be held regarding the standardisation of plan format and outlines, including contents of each section, and data to be used. All the basic data to be used will be provided to LGUs and *barangay* officials, and others (POs, FARMC private sector organizations etc.) during the planning sessions, preferably in electronic form. Regional Project Management Office (RPMO) staff will also be trained to support the CRM planning sessions. The planning process will allow time for analysis and to identify the real issues, and the detailed action/strategies, time frame, costs and implementation responsibilities. The draft plans must serve as effective instruments to implement strategies and activities towards sustainable development of the coastal areas.

18. The results from the Rapid Participatory Resource and Social Assessment (RPRSA) will be analysed and used by BFAR and LGUs in planning. In bays where a Resource and Social Assessment was recently conducted, the results will be used as secondary data by the planners. The RPRSA will give information on the location of the resources and their conditions for the purposes of zoning, including gender and age disaggregated socio-economic information. Other relevant study or survey results can also be used. Working Paper 6 includes draft TOR for the RPRSA.

19. The management section of the plan will be prepared jointly by the following: Municipal Planning and Development Officer (MPDO), Municipal Agriculture Office (MAO), Municipal Environment and Natural Resources Officer (MENRO), Tourism Office, etc. and assisted by BFAR. Project criteria for selecting investments in CRM and livelihood development will be provided to the participants of the CRM planning sessions. Community members will participate

actively in the planning process, and a core group representing the different sectors will write the plan at the end of planning session.

C. Implementation of CRM Plans

Financing plan implementation

20. The LGUs will adopt their plans and allocate funds to execute them. The CRM plans will be funded from the LGUs' 20% Development Fund or Annual Development Fund, General Funds, registration and users' fees, and penalties. The latter will be legally supported by the municipal and bay Fisheries Ordinances. The execution of the CRM plan has to deal with poverty among the coastal communities and their dependence on the wild resources and the need for community involvement.

21. Partnership will be promoted between LGUs and the business/private sector e.g. dive shops, hatcheries, and traders. Where fish sanctuaries/MPAs can generate user fees, the Project will assist POs-LGU to manage the leasing arrangements with the private sector.

22. *Barangays*, BFAR and LGUs will define proper incentive schemes for those responsible for guarding protected areas or other resources generating user fees. At the start of the Project the Incentive-disincentive schemes in use across the country will be studied, and replicated where found applicable in the Project LGUs.

Resource rehabilitation

23. A protected area will not be limited to coral reefs only, but will comprise also biologically interconnected coastal habitats such as coral reefs, seagrass beds and mangrove forest considering them as a single large management area, carrying-out an ecosystem approach in fisheries management. The status of the FS and other protected areas will be assessed by the LGUs with the assistance of BFAR through the RPRSA. Results of RPRSA will be used as basis for site selection and establishment of FS, and also as baseline data for future monitoring of impact as required in the project log frame.

24. Artificial coral reefs can be provided where there is a need and with approval from BFAR. Artificial reefs will be supported only by the project if there are manifestations that it will be effectively managed as a fisheries management tool for recovery of population of fish species in the area, and not as a fish aggregating and capture device.

25. The Project will help protect, enhance and rehabilitate the resources, e.g. through stock enhancement in protected areas, following BFAR's existing principles and guidelines for stock enhancement, and using juveniles and adults from hatcheries operated by BFAR, State Universities and Colleges and the private sector. The guidebook for stock enhancement will be updated and reproduced as needed. The guidebook gives directions on how to operate FS-based resource conservation projects, including criteria for Project proposal evaluation in selecting and screening proposals coming from the field.

26. Stock enhancement is a proactive conservation effort that while waiting for the spill over effect from the FS, POs can have specific areas for stock enhancement, which they can manage, harvest, and from which they can derive income. In this way, while protecting and enhancing biodiversity, POs can have a short-term benefit from protecting areas. Stock enhancement will restore marine resources faster than just watching over the FS. This intervention will be an integral part of managing the protected areas.

D. Identification of Alternative Livelihood Sub-Projects

27. The choice of commodities for the Project's investments in livelihood sub-projects will be aligned with the PDP, the RDP, the LGU CRM plan as well as the Agribusiness Road Maps of the region. In developing livelihood sub-projects, proposed investments will take into account the standard components of small business viability. Beneficiaries of livelihood sub-projects will be the members of a registered PO. Implementation will follow the BFAR Integrated Coastal Resource Management Project Manual - Enterprise Development and Income Diversification. The POs and/or LGU counterpart is set at 10% of the project cost which can be in cash or in kind. Sub-project proposals, including costs and financing, have been prepared for all the bays/gulfs and were presented as the PY1 proposed sub-projects to avoid ambiguous demand-driven budget allocation. The same will apply to the subprojects for the PY 2 which will be subsequently prepared during PY1 and onwards for the project financing.

Beneficiary selection

28. The Community Facilitator will closely work and assists the POs, LGUs, and BFAR in the selection of beneficiaries. When selecting beneficiaries the Project will obtain information as to which households are the members of the fishing communities from DSWD's Sustainable Livelihood Programme and DOLE's Livelihood Programme.

Community facilitators

29. BFAR will hire qualified and experienced Community Facilitators (CF), preferably from the within LGU of assignment, to be based in the LGU -Municipal Agriculture Office (LGU-MAO) under the technical guidance of the regional BFAR institutions and gender specialist. The CFs will be assigned to target areas (5-7 *barangays* per CF), depending on the geographical spread of the LGU and number of coastal *barangays*. The CFs will act as the linking between the fishing communities, the MAO and the Project.

30. The CF will have a vital role in LGU CRM planning, in ensuring that the proposed livelihood interventions will not damage the environment or be exposed to unnecessary risks from natural and man-made factors e.g. pollutions, floods, erosion, landslides, etc. He/she will give particular attention to the integration of Disaster Risk Reduction Management and Climate Change Adaptation plans into the zoning of the CLWUPs, to detect possible overlaps between livelihood sub-project sites and high risk areas.

31. The CFs will mobilise the POs, provide group management and livelihood training, assist the POs with the development of business plans, marketing plans, etc. feasibility studies for POs, support the POs and the members with sub-project implementation and monitor the livelihood sub-projects. The CFs will also work with the Bay Regulatory Officer of BFAR re- bay wide concerns. Working Paper 5 has draft terms of reference for the CFs.

E. Implementation of Livelihood Sub-Projects

Livelihood development

32. The commodities to be produced by the livelihood sub-projects selected must have a ready market locally or internationally and be popular with the fishing communities and the POs around the bay, and be consistent with the priorities of the PDP, RDP, and Agribusiness Road Map of the region.

33. The microenterprises will promote legal and sustainable mariculture practices. Possible non-fish capture livelihoods are: fish cage (siganids and grouper), abalone cage culture, crab fattening in mangroves, sea cucumber cage, sea urchin cage, seaweeds, and smoked and dried fish production

34. As an element of convergence, the Project will have a MOA with DSWD - Sustainable

Livelihood Programme and *Pantawid Pamilya Pilipino* Programme, to collaborate over training for livelihood sub-projects. At the *barangay* level the Project will avoid duplication of beneficiaries and types of livelihood sub-project to be implemented with other interventions e.g. those of DSWD and DOLE. The Project can also complement DOLE's Integrated Livelihood Project by providing infrastructure (e.g. seaweed store, drying facilities etc.).

Business plan development

35. BFAR will provide information on the priorities of the PDP, RDP, and Agribusiness Road Maps to the CFs and POs to align the proposed livelihood sub-projects with the government's priorities. Representatives from DSWD and DOLE will explain their respective livelihood programmes so the Project can benefit from their experience. BFAR and the LGUs will conduct training on business plan development for the POs and their members and where necessary use the expertise of Universities or research institutions to conduct the training.

36. Without a visible market for the product, a livelihood sub-project proposal cannot be supported. Factors to be considered are the identification of buyers and the corresponding outlets; determination of prices that will be acceptable; presence of road access to market and distance to the market and associated transport costs; and assessment of capability to supply the demand.

37. Other aspects are: technical, financial and management. The technical aspects of the sub-project proposal will cover whether the sub-project will have any negative impact on the environment or the reverse: whether the sub-project is suitable for the proposed site (community), the availability of technical know-how and qualified labour, existence of sufficient raw materials (preferably locally), availability of equipment or facilities for production and the ability to produce quality products. The Project will assess the financial viability of the sub-projects, and the capability of the PO to sustainably manage their funds. In terms of management key aspects include the management track record with previous livelihood projects of the POs and, where relevant, the private sector organizations with whom the POs are proposing to collaborate.

Organizational strengthening of POs and training beneficiaries

38. BFAR with the assistance of the CFs will conduct a training-needs assessment aimed specifically at the livelihood participants to identify what kind of training will be needed by the POs and their membership to make their livelihood enterprises successful.

39. In addition to the technical aspects of the selected livelihood enterprises, the following will be key elements of the training modules for the members and officials of the POs: group organisation and management, basic entrepreneurship, business management, value-chain concepts and approaches, coastal resource management and gender mainstreaming.

Operational Aspects

40. The CF together with the RPMO will assist MAO staff of the LGU. LGU-MAO will hire or designate two suitably qualified and experienced staff, one to take charge of non-fishery livelihood sub-projects, and the other for fishery-based livelihood sub-projects. The MAO will provide office space for these staff, while the Project will supply the office equipment needed. A motorcycle will be provided to increase mobility. The RPMO and the local DTI office will advise the MAO staff.

41. The MAO staff will assist the POs to identify the most appropriate livelihood sub-project for inclusion in the LGU investment plan and subsequent submission to the RPMO for approval. The MAO staff will also: (i) conduct feasibility and market studies; (ii) provide counselling and management assistance to the POs; (iii) assist the POs prepare product and business

development plans; and (iv) help market matching and linking between POs and private sector organizations.

42. When necessary the LGU will be assisted by national agencies e.g. DA, DOT, DOLE, DOST and DTI, who will provide inputs and advisory services for Project implementation under their MOA with BFAR as part of the NCI.

Financing and credit facilities

43. The Project will provide financial support only for the first cycle of the livelihood sub-projects. Thereafter the groups are expected to use their earnings to finance subsequent cycles and later to access micro-finance institutions (MFI) or NGO sources to finance future expansion of their enterprises. The Project will assist POs and their members to gain access to the formal banking system e.g. Land Bank of the Philippines, Development Bank of the Philippines, other rural and thrift banks, cooperatives and NGOs, or other existing and programmed credit facilities.

44. The target is that the Project will link at least 50% of the Project beneficiaries to financial/credit institutions. The RPMO will plan and organize training for the POs and their members from relevant credit and financing institutions to establish and maintain links between the POs (and their members) and sources of finance. In addition, the RPMO will assist also provide training to help the beneficiaries to become self-reliant micro-enterprises and where appropriate organise links with the Sustainable Livelihood Programme of DSWD and the Integrated Livelihood Programme of DOLE.

Partnerships with business sector

45. It is not feasible at this stage to identify specific enterprises for engaging the private sector, until different enterprises are developed and taken up by the local fishing communities and POs during the project implementation, which depends on evolving and emerging market demands and opportunities. However, nine potential livelihood and enterprise models are prepared and analysed for implementation during the Project. The Project will also facilitate private sector investment by helping to identify potential investment opportunities in the Project bays/gulfs. The Project will promote partnerships with business/private sector for the operation of livelihood sub-projects. POs with the help of BFAR will forge partnerships with University-owned hatcheries and or privately operated hatcheries to sustain their sources of juveniles for cage culture and stock enhancement projects. For cold storage/ice plants etc., the private sector will put up the facilities, with BFAR conducting the necessary feasibility study and assisting in making the links between the private sector and the beneficiaries and POs. The MOAs will facilitate this process. Operators of tourist resorts in the target bays/gulfs will be encouraged to become partners of the existing MPA stakeholders and to use the MPAs to generate tourism revenues which can help finance habitat conservation. This will not only forge partnerships with the private sector, but also generate income for Municipal LGU, *barangay*, and POs.

46. Investment opportunities with potential for business/private sector support will be packaged for dissemination to prospective investors. Investment opportunities will be examined for the entire spectrum of the supply chain – from input supply to production through processing to marketing. To further facilitate private sector investment, POs and LGUs will participate in agricultural-fisheries, business and science fairs organised by DOST, DTI, BFAR and others. The RPMO, LGU and POs will work together to produce IEC materials to promote the partnership programme.

F. Sustainable Tourism

47. The tourism sector has great capacity to improve the socio-economic conditions within the target bays/gulfs. The Project will promote, and assist sustainable and eco-tourism-based

livelihood enterprises where appropriate. Proposals will be treated as livelihood sub-projects whose potential viability and suitability will be assessed by the RPMO.

48. LGUs will promote non-consumptive enterprises, where tourists will pay to see the resources e.g. giant clam gardens, coral reefs ecosystems, coral gardens, healthy mangrove and seagrass ecosystems, etc. Agricultural tourism, where it is applicable will also be considered by the project.

49. The Project will assist POs to enter into agreements with private sector enterprises that will support the operation of ecotourism enterprises in the area. This type of development will generate employment for community members and especially women e.g. as tourism employees including tour guides, boatmen, and cultural entertainment performances well as opportunities for small livelihood sub-projects e.g. souvenir shops and t-shirt production. Resorts and tourists will prioritise buying locally produced fish, vegetables, and other food items, preferably also from POs. The RPRSA will identify any unique species which can attract tourists.

G. Support for BFAR facilities

50. The Project will institutionalise the role of BFAR in assisting LGU in developing livelihood sub-projects by strengthening and enhancing the capabilities of their existing hatcheries to sustain their services as a source of juveniles of cage culture species in their respective areas. Other sources of juveniles that the Project can use are the State Universities and Colleges and the private sector. Hatchery establishment and operation could be a livelihood enterprise for some experienced POs.

51. In PY1 the Project will assess, the existing BFAR hatcheries to determine their potential use as source of juveniles for the Project's livelihood and stock enhancement needs. Based on the results of the assessment, RPMO will recommend to the PSCO, whether the local hatchery will be worth assisting or not in relation to becoming a supplier of juveniles to POs. In the event that the RPMO recommends that the hatchery is worth enhancing, the Project will assist by financing additional infrastructure e.g. additional tanks, roofing, flooring, water system, etc. Such materials and equipment as generator sets, compressors, microscopes, pumps, pipes, ultra violet lights, etc. will be also supplied.

Attachment 1: Technical information on some fishery-related livelihood enterprises

Commodity	No. of head/area	Inputs (PHP'000)	Net income (PHP' 000)	Rearing period (days)	Source of technology	Risk
Tiger/Brown marbled grouper cage culture	4; 4x4m cages First (yr.) 1,020 kg harvest	349.2	109.8	240	Centre for Sustainability/ Univ./BFAR	Pollution, climate change, siltation
Siganid cage culture	10x10x6m cage; 2 harvests	209.0	107.2	150	BFAR	Pollution, siltation, climate change, predator, thief
Abalone cage culture	4x4x3m cage; 3 crops	27.8	14.95	150	*WPU, SEAFDEC	Pollution, siltation, climate change, predator, thief
Sea urchin cage culture	2x1.5x.5m cage	1.83	2.37	180	BFAR	Predator, thief, pollution
Talaba (Oyster) culture	54 sq m farm	3.1	5.9 Monthly after 7 months	7	BFAR	Flood, climate change, pollutants, algal bloom
Backyard tilapia raising	30 sq m tilapia pond	1.45	1.9	180	Tilapia Centre-BFAR	Disease, thief, floods
Mudcrab fattening	5x5m pen, 150 crablets	15.23	20.77	30	BFAR	No available crablets; floods
Dried squid production	120 kg of dried squid	18.79	41.21	30	WPU/BFAR	No available fresh squid; prolonged rainy days
Smoked fish making	40 kg of smoked fish per day at PHP200	101.8	114.2	30	WPU/DA	No supply of fresh fish
Salted fish drying	60 kg fresh fish	59.83	10.17	7	WPU/DA	Seasonal demand, no or limited supply of fresh fish
Sea cucumber gathering and processing	Sale of 310kg processed sea cucumber	30.0	7.5	120	BFAR	Depleted resource; Flood, natural calamity/climate change; many rainy days
Seaweed Culture	1 ha	7.4	19.6	90	BFAR	Pollution/siltation, El Nino, many rainy days, storm and surges
Salt making	3.4Mx1.5m x 5cm cooking pan	36.5	29.51/ annum	90	DOST; **TLRC;DTI	Use of fuel wood; manual harvest result to wastage

* WPU- Western Philippines University; **TLRC-Technology and Livelihood Resource Centre;

Attachment 2: Criteria for sub-project selection

<ul style="list-style-type: none"> (i) Must not further degrade the environment or deplete a resource. Any negative impact/s must be minimal or within acceptable level. (ii) Must be financially and technically viable; (iii) Fast turn-over sub-projects (short production and culture period) so several cycles can be implemented within a year. (iv) Technology must be simple to use and available and suited to the PO's and target groups' technical capacity. (v) Production must have a ready and stable market(s) (vi) Technology is simple to use and suitable for the target groups. (vii) Sub-projects are included in the CRM and MDP of the LGU and the Annual Work Plans of the MAO. 	<ul style="list-style-type: none"> (viii) Sub-projects should be located within the coastal zones of the targeted bay/gulf sites (1 km inland from the shoreline to 15 km (12km in ARMM) out to sea from the shoreline). (ix) Sub-projects must not adopt any illegal methods or practices. (x) Must observe good agricultural and fisheries practices. (xi) Sub-projects maybe group-managed but individual household-implemented whenever is appropriate. (xii) If proponents are recipients of previous foreign-assisted projects, the sub-projects should be a scaling-up of previous interventions or a new enterprise.
Sub-projects	
Examples of Eligible sub-projects	Ineligible sub-projects/negative list
<ul style="list-style-type: none"> (i) CRM and fisheries-based <ul style="list-style-type: none"> • Resource rehabilitation. • Conservation e.g. conservation of marine turtle nesting sites. • Protection of resources e.g. FS. • Production e.g. seaweed farming, milkfish cage culture (using fingerlings), mudcrab fattening, boneless vacuum-sealed <i>danggit</i> production, fish processing or value-adding, others that maybe identified in future. (ii) Infrastructure sub-projects must be designed in support to a CRM-based initiative/intervention or livelihood- based sub-projects. 	<ul style="list-style-type: none"> (i) Purchase of land. (ii) Any activity requiring the displacement of people. (iii) Purchase of firearms, ammunition and explosives. (iv) Construction of social infrastructure (potable water supply, health station, school building, multi-purpose buildings including government offices, etc.). (v) Construction of religious buildings (churches, mosques, chapels and other worship facilities). (vi) Purchase of fishing boats, commercial transport boat, fishing gears, fish aggregating devices. (vii) Purchase of harmful chemicals. (viii) Vending of gasoline and other fuels. (ix) Sub-projects which involve illegal acts and practices of trade. (x) Sub-projects located outside the coastal zones of target bays (1 km inland from the shoreline to 15 km (12km in ARMM out to sea from the shoreline). (xi) Construction that would mangrove and/or corals as building materials. (xii) Others may be identified in future.
Requirements for sub-project proposals	
<p>A simple sub-project proposal has to be prepared containing the following information:</p> <ul style="list-style-type: none"> • Number of beneficiaries (by gender) that will benefit when the sub-project is implemented. • Whether or not the activity will require infrastructure support, if so what? • An implementation schedule, mechanics for implementation; technology to be adopted and arrangements for making the proposals operational. • Project costs and financing. • Cost and returns and/or projected incomes. • Sources of raw materials indicating estimate of its abundance and other inputs. • Market to be supplied, the buyers and the range of prices expected. 	

* WPU- Western Philippines University

Attachment 3: Eligibility requirements for private sector agencies

1. **Eligibility criteria for sub-project service providers** will include, but not be limited to:
 - (i) Relevant and demonstrated expertise required by the sub-project.
 - (ii) Familiarity with the use of gender-sensitive approaches.
 - (iii) Proven capacity in the delivery of assigned tasks.
 - (iv) Consideration of gender-balance in selecting staff for assigned tasks.
 - (v) Familiarity with the sub-project sites.
2. **Eligibility criteria for private firms** will include, among others:
 - (i) Company type: agriculture/fisheries production, processing of agriculture/fishery-origin materials.
 - (ii) Minimum of five years of operations, with products or services directly related to agriculture/ fisheries.
 - (iii) Sufficient, reliable, and well maintained machinery and equipment to sustain present production outputs.
 - (iv) Sound financial position as reflected in its balance sheets and profit and loss accounts over the last five years, with up-to-date audit statements available.
 - (v) Reputation for fair dealing and empathy with smallholders and the poor.
 - (vi) Sound and well recognized company management with established procedures for quality control and marketing and with qualified and experienced individuals in key managerial positions.
 - (vii) Company is compliant with relevant environmental regulations as required by the government and recognised international control bodies.
3. **Eligibility criteria for non-government organizations(NGO)** will include, among others:
 - (i) Registration with the Philippine government securities and exchange commission or another recognised government registration agency.
 - (ii) Services offered are related to fishery and coastal resources management/livelihood development.
 - (iii) Minimum of five years of operations in areas directly related to fishery and coastal resources management/livelihood development, and work experience with coastal communities, fishing households, indigenous peoples and women.
 - (iv) Sound operations and financial management as reflected in the financial statements for the last five years and from the list of current personnel.
 - (v) Certification from previous employers (projects/programmes/government agencies) of a satisfactory contract performance.
4. **Eligibility criteria for academic institutions** will include, among others:
 - (i) Registration with the appropriate government authority/body.
 - (ii) Services offered are related to fishery and coastal resources management/livelihood development.
 - (iii) Previous (last five years) and current research and training activities that are related to fishery and coastal resources management/livelihood development.
 - (iv) Presence of a faculty and/or researchers with applied knowledge and practice related to fisheries/coastal resources management and enterprise development, and with experiences of working with fishermen, fishing communities and the poor.

Attachment 4: Proposed CRM interventions per region

Region	BAY	No. of Cities/ Muns.	Seagrass Rehab. (has)	Mangrove Rehab. (has)	Fish Sanctuary (has)	Artificial Reef (units)	No. of Stock Enhancement Project
V	Albay	7	20	80	468		2
	Ragay	12	27.5	110	965	200	2
	Asid	5	11	55	661		2
	Sub-Total	24	58.5	245	2,094	200	6
VIII	Matarinao	4	29	40	468		2
	Maqueda	11	23	90	1,053		2
	Silago-Cabalian	7	18	70	819	200	2
	Leyte	16	45	160	2,106		2
	Sub-Total	38	115	360	4,446	200	8
XIII	Butuan	8	60	80	1,678	1,400	2
	Lianga-Hinatuan- Bislig	10	3,301	100	1,565	3,400	2
	Sub-Total	18	3,361	180	13,243	4,800	4
ARMM	Illana	10	200	155	802		2
	Sulu Sea	13	80	160	871		2
	Sub-Total	23	280	315	1,673		4
	TOTAL	103	3,814.5	1,100	21,456	5,200	22

Attachment 5: Proposed livelihood interventions

Reg.	Bay/Gulf	Province	Seaweed Farming	Fish Culture ¹	Aquasilviculture	Pen/Pond	Processing ²	Others ³	TOTAL
V	Ragay	Camarines Sur	11	24	5			6	46
	Asid	Masbate	5	11	10		2	5	33
	Albay	Albay	6	12	3			5	26
		Sorsogon	2	5	1			3	11
		Sub-Total	24	52	19		2	19	116
VIII	Matarinao	Eastern Samar	200	21	250	6	8	3	488
	Maqueda	Western Samar	60	-	200	9	9	4	282
	Silago-Cabalian	Southern Leyte	200	90	1	16	14	4	325
	Leyte	Leyte Eastern Samar Western Samar	300	360	1	1	19	7	688
		Sub-Total	760	471	452	32	50	18	1,783
XIII	Butuan	Agusan Norte	12	51	25	7	8	15	118
	Lianga-Hinatuan-Bislig	Surigao del Sur	100	71	6	128	2	9	316
		Sub-Total	112	122	31	135	10	24	434
ARMM	Illana	Lanao del Sur	300	13		1	4	5	323
		Maguindanao	500	17			7	6	530
	Sulu Sea	Sulu	800	26		8		6	840
		Basilan	400	20		3		5	428
		Sub-Total	2,000	76	-	12	11	22	2,121
TOTAL		14 Provinces	2,896	721	502	179	73	83	4,454

- 1/ Fish Cage Culture include fish pot and fish species such as bangus, siganid, mussel, prawn, tilapia, lapu-lapu, pen/pond culture such as abalone, trochus shell, bangus, tilapia, etc.
 2/ Marine Product Processing includes drying, salting, smoking deboning, bottling, etc
 3/ . Other Enterprises such as fish pot, etc.

Attachment 6: PY1 Sub-Projects

Livelihood Sub-Project	Reg. V	Reg. VIII	Reg. XIII	ARMM	TOTAL
1. Seaweed Farming	8	50	25	104	187
2. Fish Culture	20	20	15	15	70
2. Mudcrab Fattening	3	30	5	12	50
3. Aquasilviculture	2	3	2	3	10
4. Oyster/ Mussel Culture	1	1	1	1	4
5. Fish Processing	20	20	20	20	80
6. Others	45	45	45	45	180
	99	169	113	200	581

APPENDIX 5: INSTITUTIONAL ASPECTS AND IMPLEMENTATION ARRANGEMENTS

A. Implementation Arrangements

1. The Bureau of Fisheries and Aquatic Resources (BFAR) as a line bureau of the Department of Agriculture (DA) will be the Project's lead implementing agency and will have full responsibility for Project administration and management. BFAR will use its existing structures at national, regional, and provincial levels to implement Project activities.

2. Other government agencies supporting the development of the fisheries sector in the target bays and municipalities are the following: (i) the Department of Environment and Natural Resources (DENR) for mangrove reforestation/rehabilitation and other activities within the domain of DENR that affect coastal and fishery resources; (ii) DTI, e.g. for product packaging and market/private sector links; (iii) DOST, e.g. provision of technical support for processing of agricultural/fishery products; (iv) the PNP, the Philippine Navy (PN) and the PCG for law enforcement; (v) DOT for developing the ecotourism industry; (vi) NCIP, for handling IP concerns in areas populated by IPs; (vii) the Department of Social Welfare and Development for identifying poor households in target coastal *barangays*; (viii) the Department of Public Works and Highways for providing infrastructure support in ARMM. Other government agencies and bodies, including state colleges and universities and research stations, can also provide support for the fisheries sector, and undertake specific assignments as required under contract to BFAR.

3. In the coastal communities and coastal *barangays*, LGUs will implement Project activities in accordance with RA 9176 and RA 8550. Attachment 4 has an analysis of the readiness of BFAR and the LGUs to implement the Project in Regions V, VIII and XIII and in ARMM.

B. Framework for Selection of Project Implementing Agencies

4. This Project requires a comprehensive approach to address the issues related to the sustainable management of the fisheries and coastal resources. Project implementation will involve those engaged in the fisheries sector. Convergence and partnership will be the main approaches for implementing the Project. The Enhanced National Convergence Initiative (NCI) prescribes a "Ridge to Reef" approach (from the upland and forest areas, to the middle and lowland areas, down to the coast). To implement the NCI Framework, a joint Administrative Order was drafted in 2012, involving DA, DAR, DENR and DILG, which created implementing mechanisms and organizational structures. A Technical Working Group for Coastal and Marine Resources' Management was created and BFAR is a member of this Group. The Project will work closely with the Technical Working Group to seek the convergence of the efforts of NCI agencies in the target areas.

5. Convergence will be expanded to include other government agencies e.g. those mentioned in the implementation arrangements above. Participation of these agencies/entities will be based on: (i) their ability to provide support for the development of municipal fisheries and bay ecosystems; (ii) availability of expertise and resources required at the regional and municipal levels; and (iii) a signed MOA between BFAR and the concerned agency covering the support to be provided.

6. As mandated by RA 9176 and RA 8550, the Project will work with LGUs which are responsible for the management, conservation, development, protection, use, and disposition of all fish and fishery/aquatic resources within their respective municipal waters.

7. BFAR will have a signed Memorandum of Agreement (MOA) with each participating LGU. The MOA will spell out the roles and responsibilities of each party, including the provision of staff, office space and other logistical and financial counterparts. All MOAs will also spell out that Project implementation will be governed by the Project Financing Agreement and by the PIM.

The latter will be approved by the PSC with a no objection letter issued by IFAD.

8. This Project will be guided by a public-private partnership framework for implementing the investment sub-projects and other activities as summarized in Appendix 4.

C. Organizational Structure, Management Responsibilities And Capacity Building

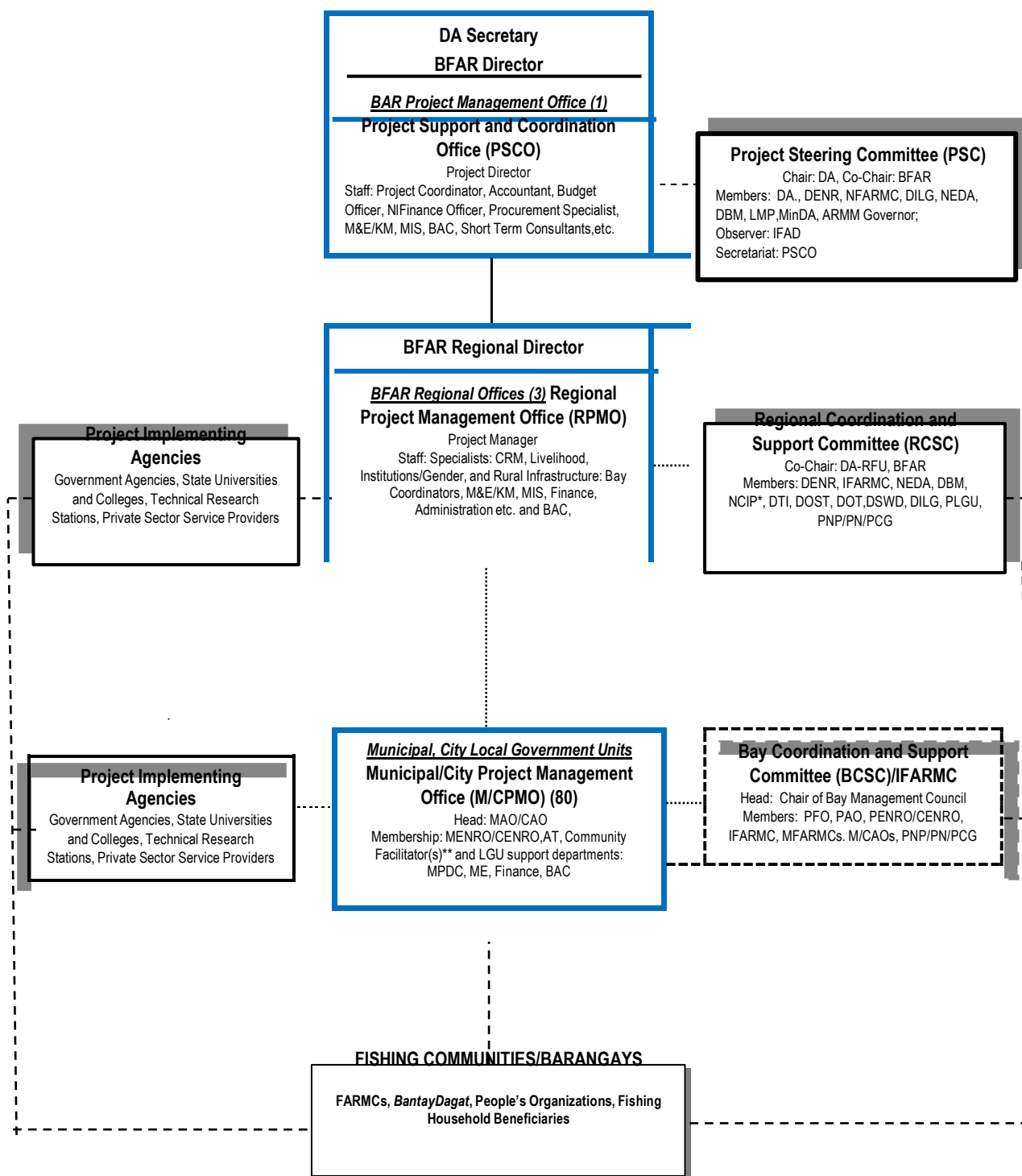
9. Attachments 1 and 2 show the Project's organizational structure, composition and location, roles and responsibilities. Working Paper 5 includes the staff TOR. There is a separate organizational structure for ARMM and the three Regions. Attachment 3 shows the staffing requirements for Project management and coordination.

10. For ARMM, BFAR will enter into a memorandum of agreement with the Office of the Regional Governor (ORG-ARMM). This arrangement respects the autonomous nature of the government services in ARMM.

11. Attachment 4 assesses the readiness of BAR, LGUs, FARMCs, FLETs and POs to implement Project activities as well as proposed capacity building interventions needed to address the institutional issues identified. The Project will validate these proposed interventions at Project start-up, as the basis for the Project's proposed capacity building plan. The Project will use the IFAD grant funds to build the capacity of BFAR and the LGUs.

12. At the project start up, before the start of the key initial project activities, BFAR and the PCSO, in close cooperation with the regional offices, will make an assessment of each of the participating implementing agencies (public/private service providers) at the national, regional, provincial, municipal and community levels to evaluate the availability of capacity of each agency, implementation readiness, identify additional support required for capacity building and skills training and prepare programmes and budgets for the implementation of the required building and skills training for each of the implementing agencies.

Attachment 1 (a): Organizational structure - Regions V, VIII and XIII

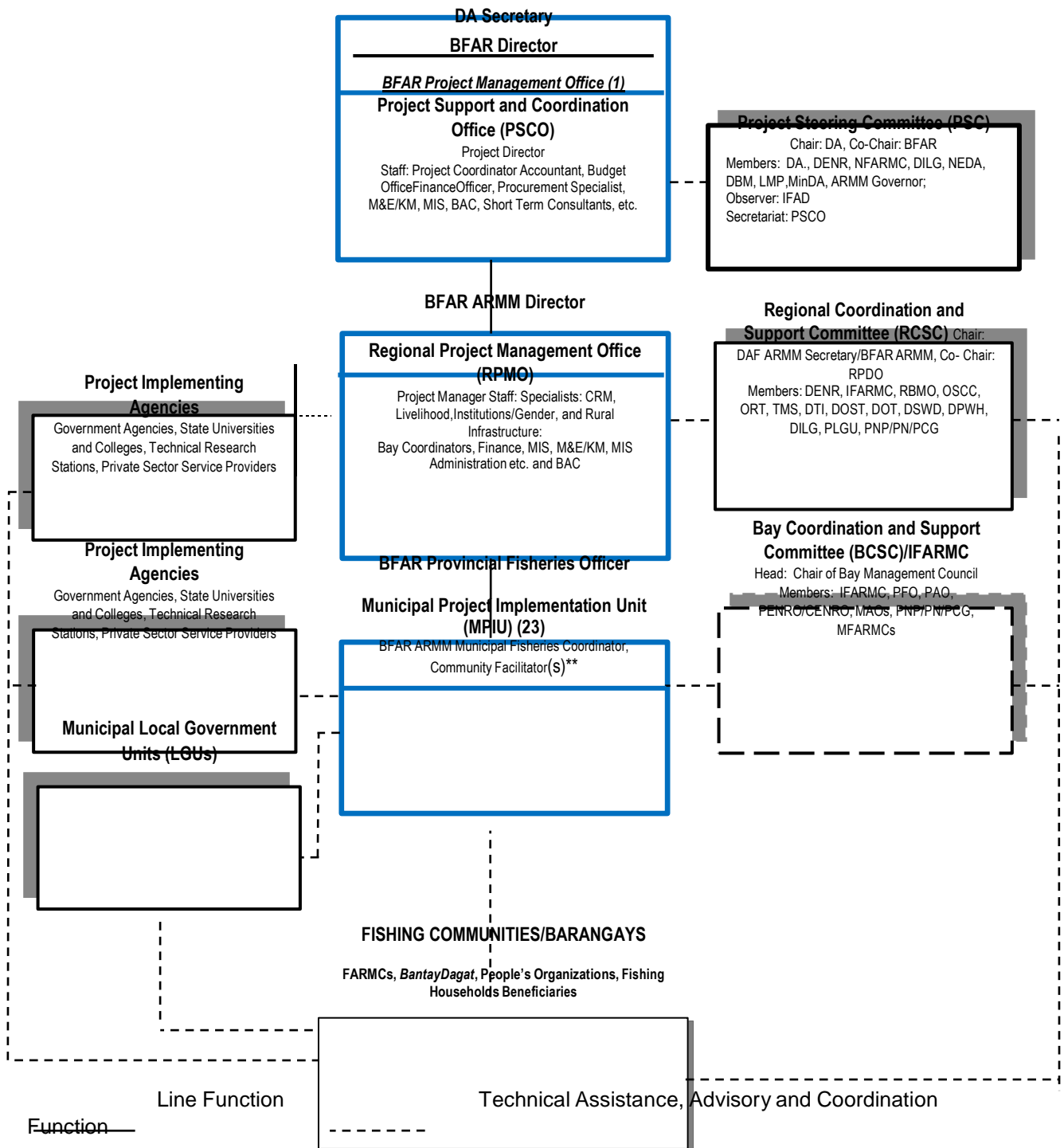


————— Line Function
 Function
 - - - - - Technical Assistance, Advisory and Coordination

* When coastal *barangays* in the covered bay are populated with indigenous peoples.

** Community facilitators based in the M/CPMOs are under the technical guidance of the institutional/gender specialist at the RPMO.

Attachment 1 (b): Organizational structure for ARMM



* When coastal *barangays* in the covered bay are populated with indigenous peoples.

** Community facilitators based in the M/CPMOs are under the technical guidance of the institutional/gender specialist at the RPMO.

Attachment 2 (a): Key management responsibilities of organizational units - Regions V, VIII, and XIII

Organizational Units	Composition and Location	Management Key Responsibilities
BFAR as the lead agency	DA Secretary/BFAR Director	<ul style="list-style-type: none"> Provide over-all supervision and administration of the Project.
Project Steering Committee (PSC)	Chair: DA, Co-Chair: BFAR Members: DENR, NFARMC, DILG, NEDA, DBM, LMP, MinDA, ARMM Governor Advisory: NFARMC Observer: IFAD Secretariat: PSCO	<ul style="list-style-type: none"> Provide policy guidance for the smooth implementation of the Project. Approve Project implementation guidelines, global and annual work plans, budgets and procurement plans. Resolve implementation issues that cannot be decided at the regional level.
Project Support and Coordination Office (PSCO)	<p>The PSCO will be under the leadership of the BFAR Director.</p> <p>It will be based in the BFAR Central Office and day to day operation will be handled by a Project Director with the assistance of a full time Project Coordinator.</p> <p>The PSCO will be staffed with Project-assigned BFAR personnel with appropriate expertise: Accountant, Finance Officer, Finance Assistant, Procurement Specialist, M&E/KM Officer, MIS Specialist and Admin staff, among others.</p> <p>If needed, the Project will hire consultants or contract staff to provide specific expertise not available in BFAR. The Project will use the BAC.</p>	<ul style="list-style-type: none"> Coordinate across BFAR's technical divisions and other operating units in support of Project implementation. Coordinate with government oversight agencies and IFAD. Establish a knowledge-based decision-support systems and information infrastructure for coastal resources and fishery development. Finalise Project implementation guidelines. Conduct of policy analyses and propose policy adjustments needed to support the Project. Consolidate and submit annual the AWPB and APP for approval by the PSC and no objection from IFAD. Oversee and supervise M&E, information and knowledge sharing among Regions and bays. Prepare reports for PSC, BFAR management, oversight agencies and IFAD. Prepare and submit the Project's annual budget proposals and requests for release of Allotment Advices and Notices of Cash Allocations to DBM. Review proposals above the BFAR Regional Director's authority and endorse such to BFAR Director/DA Secretary for approval. Consolidate expenditure reports supported by relevant documentation (contract, proof of payment, bank statements, etc.) in line with the SOE ceilings and IFAD disbursement procedures and prepare SOEs and submit WAs to IFAD. Ensure timely Project audits.
Regional Coordination and Support Committee (RCSC)	In Regions V, VIII and XIII: Chair: DA-RFU/ BFAR Members: DENR, IFARMC, NEDA, DBM, NCIP, DTI, DOST, DOT, DSWD, DILG, PLGU, PNP/PN/PCG	<ul style="list-style-type: none"> Act as an advisory committee for Project implementation. Act as convergence body for effective and efficient delivery of agencies' services in support to Project implementation. Review and endorse the Regional AWPBs and APPs. Provide technical assistance for Project implementation as needed.
Regional Project Management Office (RPMO)	<p>The RPMO will be based in the BFAR Regional Offices under the leadership of the BFAR Regional Director.</p> <p>Day to day operations will be handled by a Project Manager.</p> <p>The RPMO will be staffed with Project-assigned BFAR personnel with appropriate expertise: CRM Specialist, Livelihood Specialist, Institutions/ Gender Specialist, Rural Infrastructure Specialist, Procurement Specialist, Bay</p>	<ul style="list-style-type: none"> Report to the RCSC for the review and endorsement of the Regional AWPB and APP. Provide guidance and technical support for the implementing agencies and LGUs. Coordinate and liaise with other agencies at the regional and bay-wide levels. Ensure timely provision of logistics for all aspects of Project implementation. Review and approve proposals submitted by LGUs, FARMCs, and beneficiary organisations. Consolidate AWPBs and APPs prepared by the LGUs/Bay Management Councils. Approve and manage use of funds and procurement

Organizational Units	Composition and Location	Management Key Responsibilities
	<p>Coordinators, Finance Officer, M&E/KM Specialist, and other staff e.g. MIS, Finance, Admin staff etc.</p> <p>If the required expertise is not available, the RPMO will hire consultants and/or contract staff. The Project will use the BAC.</p>	<p>(within the limits of the Regional Director's authority).</p> <ul style="list-style-type: none"> • Prepare expenditure reports and SOEs. • Oversee and supervise M&E, information and knowledge sharing among LGUs and other Project agencies and beneficiaries. • Maintain a management information system related to coastal resources and fishery development. • Facilitate Project implementation reviews and supervision missions. • Facilitate internal audit.
Bay Coordination and Support Committee (BCSC)	<p>Head: Chair of Bay Management Council</p> <p>Members: PFO, PENRO/CENRO, IFARMCs, PAO, M/CAOs, MFARMCs, PNP/PN/PGC</p>	<ul style="list-style-type: none"> • Coordinate the implementation of Project activities bay-wide. • Ensure that municipal Project activities support a unified bay CRM and fisheries based livelihood development.
Municipal/City Project Management Office (MPMO/CPMO)	<p>This will be based at the Municipal or City Agriculture Office (MAO/CAO) which will be headed by the Municipal or City Agriculturist.</p> <p>The M/CAO will be assisted by the MENRO/CENRO, AT, Community Facilitator(s) and other LGU departments: MPDC, ME, Finance, and BAC</p>	<ul style="list-style-type: none"> • Assist fishing households and POs to prepare investment proposals for CRM and livelihood development. • Responsible for the implementation of approved investment proposals and other Project activities. • Coordinate with other LGU departments in Project implementation including management of funds and reporting of expenditures. • Monitor Project implementation and prepare and submit the required reports. • Assist the RPMOs with Project assessments, reviews and supervision missions.
Other Project Implementing Agencies	Government agencies, state universities and colleges, technical research stations, private sector service providers	<ul style="list-style-type: none"> • Provide technical services required to implement Project investment proposals and other activities.

Attachment 2 (b): Key management responsibilities of organizational units for ARMM

Project Management Organization	Composition and Location	Management Key Roles and Responsibilities
BFAR as the lead agency	DA Secretary/BFAR Director	<ul style="list-style-type: none"> Provide over-all supervision and administration of the Project.
Project Steering Committee (PSC)	Chair: DA, Co-Chair: BFAR Members: DENR, NFARMC, DILG, NEDA, DBM, LMP, MinDA, ARMM Governor Advisory: NFARMC Observer: IFAD Secretariat: PSCO	<ul style="list-style-type: none"> Provide policy guidance for the smooth implementation of the Project. Approve Project implementation guidelines, global and annual work plans, budgets and procurement plans. Resolve implementation issues that cannot be decided at the regional level.
Project Support and Coordination Office (PSCO)	<p>The PSCO will be under the leadership of the BFAR Director.</p> <p>It will be based in the BFAR Central Office and day to day operation will be handled by a Project Director with the assistance of a full time Project Coordinator.</p> <p>The PSCO will be staffed with Project-assigned BFAR personnel with appropriate expertise: Accountant, Finance Officer, Finance Assistant, Procurement Specialist, M&E/KM Officer, MIS Specialist and Admin staff, among others.</p> <p>If needed, the Project will hire consultants or contract staff to provide specific expertise not available in BFAR. The Project will use the BAC.</p>	<ul style="list-style-type: none"> Coordinate across BFAR's technical divisions and other operating units in support of Project implementation. Coordinate with government oversight agencies and IFAD. Establish a knowledge-based decision-support systems and information infrastructure for coastal resources and fishery development. Finalise Project implementation guidelines. Conduct of policy analyses and propose policy adjustments needed to support the Project. Consolidate and submit annual the AWPB and APP for approval by the PSC and no objection from IFAD. Prepare reports for PSC, BFAR management, oversight agencies and IFAD. Prepare and submit the Project's annual budget proposals and requests for release of Allotment Advices and Notices of Cash Allocations to DBM. Review proposals above the BFAR Regional Director's authority and endorse such to BFAR Director/DA Secretary for approval. Consolidate expenditure reports and prepare SOEs and submit WAs to IFAD. Ensure timely Project audits.
Regional Coordination and Support Committee (RCSC)	Chair: DAF ARMM Secretary/BFAR ARMM, Co-Chair: RPDO Members: DENR, IFARMC, RBMO, OSCC, ORT, TMS, DTI, DOST, DOT, DSWD, DPWH, DILG, PLGU, PNP/PN/PCG	<ul style="list-style-type: none"> Act as an advisory committee for Project implementation. Act as convergence body for effective and efficient delivery of agencies' services in support to Project implementation. Review and endorse the Regional AWPBs and APPs. Provide technical assistance for Project implementation as needed.
Regional Project Management Office (RPMO)	<p>The RPMO will be based at the BFAR ARMM Regional Office under the leadership of the BFAR ARMM Regional Director</p> <p>Its day to day operation will be handled by a Project Manager</p> <p>The RPMO will be staffed with Project-assigned DAF-ARMM personnel with appropriate expertise: CRM Specialist, Livelihood Specialist, Institutions/Gender Specialist, Rural Infrastructure Specialist, Bay Coordinators, Finance Officer, M&E/KM Specialist, MIS Staff, Finance Assistant, Admin Assistant and Driver</p>	<ul style="list-style-type: none"> Report to the RCSC for the review and endorsement of the Regional AWPB and APP. Provide guidance and technical support for the implementing agencies and LGUs. Coordinate and liaise with other agencies at the regional and bay-wide levels. Ensure timely provision of logistics for all aspects of Project implementation. Review and approve proposals submitted by LGUs, FARMCs, and beneficiary organisations (within BFAR ARMM's approving authority). Consolidate AWPBs and APPs prepared by the LGUs/Bay Management Councils. Approve and manage use of funds and procurement (within the limits of the Regional Director's authority). Prepare expenditure reports and SOEs. Oversee and supervise M&E, information and knowledge sharing among LGUs and other Project agencies and beneficiaries.

Project Management Organization	Composition and Location	Management Key Roles and Responsibilities
	If required expertise is not available, the RPMO will hire consultants and/or contract staff	<ul style="list-style-type: none"> • Maintain a management information system related to coastal resources and fishery development. • Facilitate Project implementation reviews and supervision missions. • Facilitate internal audit.
Bay Coordination and Support Committee (BCSC)	Head: Chair of Bay Management Council Members: PFOs, PENRO/CENRO, IFARMC, PAO, MAOs PNP/PN/PCG, MFARMCs	<ul style="list-style-type: none"> • Coordinate the implementation of Project activities bay-wide. • Ensure that municipal Project activities support a unified bay CRM and fisheries based livelihood development.
Municipal Project Implementation Unit (MPIU)	This will be based at the BFAR PFO under the leadership of the PFO The MPIU will be staffed by the Municipal BFAR Municipal Fisheries Coordinator, and Community Facilitator(s) The MPIU will be assisted by the MENRO/CENRO, AT, and other LGU departments: MPDC, ME, Finance, and BAC	<ul style="list-style-type: none"> • Assist fishing households and POs to prepare investment proposals for CRM and livelihood development. • Implement approved investment proposals and other Project activities. • Coordinate with the LGU in implementing the Project particularly with the MPDC and OMA. • Monitor Project implementation and prepare and submit the required reports. • Assist the RPMOs with Project assessments, reviews and supervision missions.
Other Project Implementing Agencies	Government agencies, state universities and colleges, technical research stations, private service providers	<ul style="list-style-type: none"> • Provide technical services required to implement Project investment proposals and other activities.

Attachment 3: Project management staffing¹

Management Unit	Staffing Requirement	No. of DA/BFAR/LGU staff	DA/BFAR/LGU Staff % of Time	No. of Contractual Staff	Total
Project Support and Coordination Office	PMO Director	1	50%		1
	Project Coordinator			1	1
	Planning Officer			1	1
	Accountant	1	50%		1
	Budget Officer	1	30%		1
	Finance Officer			1	1
	Admin/Procurement Officer			1	1
	Finance Assistant			1	1
	Administration Assistant			1	1
	M&E/KM Officer			1	1
	MIS Staff			1	1
	Driver			1	1
	Subtotal	3		9	12
Regional Project Management Office (RPMO)	Regional Director	4	50%		4
	Regional Manager			4	4
	CRM Specialist	4	90%		4
	CRM Assistant	1*	100%		1
	Livelihood Specialist			4	4
	Livelihood Assistant			1*	1
	Institutions/Gender Specialist			4	4
	Rural Infrastructure Specialist			4	4
	Cluster Bay Coordinator (Provincial Fishery Officer (including ARMM))	12	70%		12
	Regional Finance Officer			4	4
	Budget Officer	4	30%		4
	Regional Accountant	4	50%		4
	M&E/KM Officer	4	90%		4
	MIS staff			4	4
	Finance Assistant			4	4
	Administration Assistant	4	90%	4	8
	Driver	4	90%	4	8
	Subtotal	41		37	78
Municipal/City Project Management Office – Non-ARMM Areas	Municipal/City Agricultural Officer	80	50%		80
	Municipal/City Fishery Extension Worker**	184	70%		184
	Community Facilitator (max)***			184	184
	Other support LGU staff: MPDC, MENRO, Finance/Admin, BAC	Time input in months p.a. equal to that of the MAO/CAOs			
Municipal Project Implementation Unit (MPIU) – ARMM Areas	BFAR Municipal Fisheries Coordinator	23	100%		23
	Community Facilitator (max)***			36	36
	Subtotal	287		220	507
	Total	331		266	597

* For Region 8 with 45% of the Project *barangays*, these staff will be hired/deployed as the Project coverage expands.

** It is assumed that the municipality/city will assign 1 full time extension worker to 5 *barangays*.

*** For PY1 1 community facilitator is assigned to 5 adjacent *barangays*, thereafter to 7-10 adjacent *barangays*.

¹ Excludes technical assistance staff.

Attachment 4: Readiness assessment and recommended capacity building activities

Organization	Existing Mandate/Capability	Issues/Challenges	Recommended Shifts/ Capacity Intervention
BFAR	<ul style="list-style-type: none"> Government agency responsible for the development, improvement, management and conservation of the country's fisheries and aquatic resources. It was reconstituted as a line bureau by virtue of Republic Act No. 8550 (Philippine Fisheries Code of 1998) and has specialist divisions and a regional structure summarised below. Nine functional divisions: the Fisheries Policy Research and Economics Division, Fishery Resources Administration Division, Fisheries Development and Support Services Division, Aquaculture Division, Fisheries Resources Research Division, Exclusive Economic Zone Fisheries and Allied Services Division, Fishing Technology Division, Fisheries Regulation and Quarantine Division, and Post-Harvest Technology Division. The fisheries technology centres include: National Marine Fisheries Development Centre, National Brackish-water Aquaculture Technology Research Centre, Fisheries Biological Station Complex, National Fisheries Research and Development Centre, National Seaweeds Technology and Development Centre. A central office and regional offices in the target regions capable of administering the Project with assistance. The regional offices assign a provincial fishery officer (PFO) to every province. Workforce of 1,247 personnel nationwide, and under the Reorganization Plan², BFAR proposes to increase the staff numbers to 3,842 in 2013. 	<ul style="list-style-type: none"> Conflicting internal mandates: RA 8550 (Fishery Code) <i>vis-à-vis</i> RA 8435 (Agriculture and Fisheries Modernization Act or AFMA) which may endanger the sustainability of fisheries and coastal resources. RA 8550 covers the development, management and conservation of the fisheries, whereas AFMA encourages use and exploitation of resources rather than their protection and conservation. BFAR provides no direct support to LGUs, but technical assistance and training for fishing households dependent on the municipal waters by establishing MFARMCs, organizing fish warders, and providing livelihood support. From 10th May 2012, BFAR is assisting LGUs' capacity for fisheries management and protection by financing the salary for two years of one fishery staff per LGU. Limited experience of direct involvement with LGUs implementing investment sub-projects or activities during BFAR's previous foreign assisted fishery/CRM projects. Project activities and investments were directly handled by BFAR. Limited capability (numbers and expertise) and poor coordination within BFAR are serious constraints to Project implementation. Limited database covering the fishery sector and the state of coastal resources. 	<ul style="list-style-type: none"> With Project (or Ecofish assistance) BFAR will conduct a policy review to ensure that consistent policies and programmes are being promoted at the local level in line with sustainable fisheries management. Shift BFAR's orientation from project "implementer" to LGU "enabler". Build the capacity of BFAR officers and staff, especially those involved with the Project to: <ul style="list-style-type: none"> Transfer their skills on fishery development/coastal resources management to LGU fishery extension workers. Transfer implementation of fishery/coastal resources investment sub-projects/activities to LGUs. Establish a database for the Project and ensure that BFAR has a database covering the fisheries and CRM sector to guide future policies and strategies. Strengthen coordination among the BFAR divisions to maximise in-house resources/technical expertise for the Project by creating Technical Working Groups in BFAR to support the Project.
BFAR ARMM	<ul style="list-style-type: none"> The Regional BFAR (RBFAR) was created and is 	<ul style="list-style-type: none"> RBFAR is either a line or staff bureau of the 	<ul style="list-style-type: none"> The MOA to be executed between BFAR

² Previously the Rationalisation Plan

Organization	Existing Mandate/Capability	Issues/Challenges	Recommended Shifts/ Capacity Intervention
	<p>guided by the Muslim Mindanao Autonomy Act no. 86 and Administrative Order No. 1, s 2006;</p> <ul style="list-style-type: none"> There are provincial fisheries offices in ARMM provinces and municipal fisheries offices in most ARMM municipalities. 	<p>Department of Agriculture and Fisheries.</p> <ul style="list-style-type: none"> Limited RBFAR staff in Basilan Province. <i>Bangsamoro</i> Framework Agreement will create a new political entity named <i>Bangsamoro</i> to replace ARMM, supposedly in 2016. 	<p>and RBFAR to for the Project will ensure that the Project can continue to be carried out despite a change of governance.</p> <ul style="list-style-type: none"> BFAR ARMM will need similar capacity intervention to those proposed for BFAR elsewhere.
LGU – Regions V, VIII and XIII	<ul style="list-style-type: none"> Under RA 7160 and RA 8550, LGUs have the primary responsibility for managing coastal resources and municipal waters. RA 7160 provides LGUs with the authority for planning, protection, legislation, regulation, enforcement, and technical assistance. RA 8550 reconfirms that municipal and city governments “<i>shall be responsible for the management, conservation, development, protection, utilization, and disposition of all fish and fishery /aquatic resources within their respective municipal waters.</i>” LGUs which have received assistance from previous foreign assisted projects have CRM plans or have included the CRM/fishery sector in the municipal development plan. LGUs have some skills and mandates for local programme and enterprise management. 	<ul style="list-style-type: none"> Most LGUs lack a willingness and readiness to take on coastal resources/fishery management as a basic local government service. In many LGUs CRM/fishery plans are either absent or are not part of the LGU municipal development plans. Lack of continuity in the implementation of any CRM plans when LGU administrations and priorities change. Limited or no technical staff to develop and sustain CRM/fishery plans, programmes and projects. Poor law enforcement capability; there is a shortage of trained local coastal law enforcement units and the equipment required. Municipal waters are not delineated or are in the process of delineation. The absence of a database and monitoring system for the fisheries sector and coastal resources. 	<ul style="list-style-type: none"> A shift from CRM plans to CRM investment plans as part of the municipal development plan to encourage LGUs to engage in the sustainable management of fisheries and coastal resources that will bring long-term revenues to the LGUs. LGUs that pass the readiness filters (Section B of Appendix 5) will be a priority for the initial sub-project investments and other activities. Provide technical knowledge and skills to the MAO staff, particularly the fishery extension workers. Provide training and equipment to MAOs to establish municipal databases and monitoring system for the fisheries sector and municipal coastal resources.
LGUs ARMM	<ul style="list-style-type: none"> In ARMM LGUs are accountable to the ARMM governor. ARMM LGUs have limited experience of governance. 	<ul style="list-style-type: none"> Governance structure is likely to change with the establishment of <i>Bangsamoro</i>. Lack of capacity for fisheries and CRM as there are LGUs with no Municipal Agriculture Office and if the office exists there may be no fisheries staff. 	<ul style="list-style-type: none"> A MOA will be executed between RBFAR and target LGUs to ensure that the Project can continue despite the expected change of governance. Prioritise Project support for improving the LGUs’ capacity for fisheries management and protection by BFAR financing the salary for 2-years (or longer) of one fishery staff in the LGUs covered by the Project.
FARMCs	<ul style="list-style-type: none"> Under RA 8550 and Fisheries Administrative Order (FAO) 196, FARMCs were created to institutionalise the major role of the fisherfolk and other resource users in the formulation of policies 	<ul style="list-style-type: none"> Lack of understanding of some FARMCs as to their functions, roles and responsibilities. As observed some FARMCs see themselves as POs. Lack of acknowledgement by some LGUs of the 	<ul style="list-style-type: none"> Reorient FARMCs as to their roles, functions and responsibilities based on RA 8550 and FAO 196. One of the eligibility criteria for Project

Organization	Existing Mandate/Capability	Issues/Challenges	Recommended Shifts/ Capacity Intervention
	<p>and programmes for managing, conserving, and the sustainable development of fisheries and aquatic resources.</p> <ul style="list-style-type: none"> Fisherfolks/Fishworkers are represented in the national FARMC, 33% of the membership; at the municipal/city FARMC, 47% of the membership, and at Integrated (or bay-wide) FARMC, 64% of the membership. <i>Barangay</i> level FARMCs (Section 7, FAO 196) can be created by LGUs. Integrated FARMC (Section 12, FAO 196) will serve as a vehicle for close collaboration among LGUs in the management of the contiguous waters in bays/gulfs. 	<p>existence, functions, and operations of the FARMC and a subsequent lack of support from LGUs.</p> <ul style="list-style-type: none"> Terms of office of the members of the M/CFARMCs are not defined; thus leading to incomplete membership in some FARMCs and absence of arrangements for changing those members who are not making a contribution. 	<p>intervention to a specific LGU will be the presence of the M/CFARMCs in line with the requirement of RA 8550/ FAO 196. Further, the municipal CRM plan and the subsequent Annual Investment Plans will include support for FARMCs including the costs of meetings.</p> <ul style="list-style-type: none"> Revisit the selection process of FARMC members (<i>barangay</i>, municipal, bay-wide) and correct the gaps/flaws based on the requirements of RA 8550 and FAO 196. Ensure that IFARMCs provide policy and management advice to the BMCs and do not duplicate the role of the BMCs.
FLETs/<i>Bantay Dagat</i>	<ul style="list-style-type: none"> According to Section 127, RA 8550 members of fisherfolk associations who have undergone training on law enforcement may be designated in writing by BFAR as deputy fish wardens in the enforcement of this Code and other fishery laws, rules and regulations. <i>BantayDagat</i> members are usually volunteers, but some of them are hired by LGUs as contract personnel (job orders). Some <i>Bantay Dagat</i> have been effective in minimising illegal fishing activities in their areas of coverage. 	<ul style="list-style-type: none"> Capacity building for <i>BantayDagat</i> is not continuous. Some of trained <i>BantayDagat</i> manpower are changed when the LGU's leadership changes. Legal support is not provided to the <i>Bantay Dagat</i> when they apprehend illegal fishermen. 	<ul style="list-style-type: none"> Regular training should be provided for the members of the <i>BantayDagat</i> (e.g. annual orientation/reorientation). <i>BantayDagat</i> should be seen as a support for law enforcement agencies: the Philippine Navy, Philippine Coast Guard, Philippine National Police (PNP) - Maritime Command, LGU law enforcement officers; the law enforcement agencies and the judiciary should receive regular orientation on RA 8550 with the law enforcement agencies responsible for filing cases against those contravening RA 8550.
POs	<ul style="list-style-type: none"> RA8550 has recognised POs' role and contribution in implementing this law. POs provide a vehicle for fisherfolk to collectively express their voices. Some POs have shown an ability to be effective in mobilising fishing households for the sustainable management of the fisheries and coastal resources and in developing sustainable livelihoods enterprises. 	<ul style="list-style-type: none"> Not all of the target coastal <i>barangays</i> have POs. POs that were previously organized are inactive because they do not have activities that can benefit the membership on a continuous basis. Most of the existing POs in coastal <i>barangays</i> lack capacity: both financial, managerial and have no legal status. 	<ul style="list-style-type: none"> Hire community facilitators to assist in the formation or strengthening of POs. Develop and use maturity assessment tools (other IFAD projects in the Philippines have developed such tools) to assess the POs when reviewing their capacity. Capacity building (e.g. training, coaching, mentoring etc.) can then be based on the result of the maturity assessment.

APPENDIX 6: PLANNING, M&E AND LEARNING AND KNOWLEDGE MANAGEMENT

A. Planning Framework, Processes and Tools

1. The Project's approach to planning will be both results-oriented and participatory. The Government of the Philippine's commitment to the Paris Declaration of Aid Effectiveness to "managing for results" is reflected in the Philippine Development Plan (PDP) 2011-2016. To achieve the PDP goal of "*inclusive growth and poverty reduction*" the PDP identified sector results to guide government planning. Likewise, IFAD has developed overtime performance planning tools to achieve results-oriented planning. These tools include the Project's logical framework, AWPB and APP.

2. The logical framework developed during Project design phase will be used as the framework for planning. At Project start-up, the Project's logical framework together with the Project Design Report will be reviewed by the Project implementing agencies and beneficiary organizations to ensure that there is: (i) a common understanding on what the Project should achieve from the development goal (outcomes and impact) down to specific activities and their corresponding outputs; (ii) an understanding and agreement as to the indicators of performance; and (iii) a clear identification of the assumptions behind the logic of how Project activities will eventually contribute to the goal, including the associated risks. During this exercise the Project will prepare a multi-year plan which will outline the yearly targets, key activities, and indicative budgets. Working Paper 6 includes a format for the multi-year plan with indicative budget (MYPIB). Appendix 8 includes the format for a procurement plan for the first 18-months with targets for the first year of Project implementation (PY1). Thus, there is no need for a separate PY1 AWPB and APP.

3. For PY2, the Project will prepare an AWPB and APP using IFAD's templates (Working Paper 6) which are aligned with the government's planning and budgeting formats. The AWPB and APP for PY2 will take into account the following:

- The Rapid Participatory Resource and Socio-Economic Assessments (RPRSAs) which will be an input in the municipal CRM investment plans which every participating municipality will prepare, as there will be no investments in LGUs without CRM investment plans; and
- Assessment of previous implementation performance against the targets set in the Project Development Report, MYPIB and the Project's logical framework.

4. Key in planning for PY2 and succeeding years will be the LGUs, the bay-wide management councils, and BFAR's RPMOs. The LGU planning staff together with the BFAR planning staff will take the lead in the planning activities. These planning officers should be familiar with the IFAD's and Government's planning templates. Below is a matrix that shows the key players in the planning process³:

Level	Activity	Outputs	Participants	Facilitator
Municipal/ City	Review of existing CRM plans, RPRSA results, Community Land Use Plan, if any	CRM Investment Plan	FARMC, PO representatives, MAO, MPDC	M/CPMO/ MPIU
Bay-wide	Review of existing bay-wide plans, CRM plans	Bay-wide Priority Plan	BCSC members	RPMO
Regional	Review and consolidation of municipal and bay-wide investment and priority plans, and endorsement of regional AWPB and APP	Regional AWPB/APP	RCSC members	RPMO
National	Consolidation of regional AWPBs/APPs, and approval of Project AWPB/APP	Project AWPB/APP	PSC members	PSCO

³ In ARMM, participants and facilitators will follow the implementation arrangement described in Appendix 5.

5. The PSC will approve the Project's MYPIB, AWPBs and APPs. The PSCO will submit the approved documents to IFAD for review and issuance of a no objection letter 45 days before the start of the calendar year of implementation.

6. As the Project will need a government budget allocation for BFAR, as well as counterpart funds from the LGUs, the timing for the preparation of AWPBs and APPs will follow the government's budget calendar. By the second quarter of the preceding year the government agencies start preparing a budget for the following year for approval by the government's legislative branches. Budget preparation and approval by the LGUs follows the same process as for the central government agencies. Budget approval by LGUs usually occurs during the last quarter of the preceding year. For PY1 planning, the Project will take activities and the budget figures from the MYPIB which, when revised as necessary, will be incorporated into BFAR's plan, and once approved, will be the basis for the Project's budget appropriations for the succeeding year.

B. Monitoring and Evaluation Framework, Systems and Organization

Framework

7. The Project will have a results-based M&E system which will include a management information system (MIS) and will report the status of the Project's implementation progress in terms of: (i) outputs, (ii) outcomes, and (iii) impact. This system will be aligned with the DBM's Organizational Performance Indicator Framework (OPIF), NEDA's Results-based M&E (RbME) and IFAD's Results and Impact Management System (RIMS). The RCSC and RPMO will provide regular reporting of accomplishments and policy and major operational issues to Regional Development Councils (RDCs), LGUs and other stakeholders.

8. The DBM uses OPIF⁴ in the context of public expenditure management, which covers all levels of the public sector from the national government down to the LGU level. The DBM uses the budget as an instrument for ensuring the desired results. NEDA, as an oversight agency, monitors and evaluates the contribution of foreign assisted projects to achieving the objectives of the government's medium term development plans, currently the PDP 2011-2016. NEDA uses RbME⁵ for this M&E function. Every foreign-assisted project is required to submit Official Development Aid reports quarterly (10 forms).

9. The IFAD RIMS requires reporting of results at three-levels: level 1 (outputs), level 2 (outcomes) and level 3 (impact). The IFAD RIMS Levels 1 and 2 Handbook and IFAD RIMS Measuring and Reporting 3rd Level Results have further details. Level 1 and level 2 results are reported annually, while Level 3 results are reported at the start (baseline) and end of the Project.

System and process

10. At Project start-up, the Project has to review and agree the indicators⁶ in the logical framework (columns 2 and 3) and prepare an M&E plan. The M&E plan will include the following: (i) performance indicators; (ii) data to be collected; (iii) methods of collection; (iv) data collection responsibilities; (v) frequency of data collection; and (vi) responsibility for data analysis and reporting. In the M&E planning, the Project will ensure that there are gender-responsive indicators (Working Paper 6 has further details).

11. A baseline sample survey using IFAD's RIMS tools, analysis and reporting will be

⁴ DBM. 2007. http://www.dbm.gov.ph/OPIF_2007/OPIF.pdf

⁵ RbME is being implemented in line with NEDA Board Resolutions Nos. 3 & 7, Series of 1999. It is an instrument for managers at the project-level, as well as at the implementing and oversight agencies, to monitor and evaluate project performance based on results/outcome/impact of project performance.

⁶ It should be noted that the Project's indicators need not be limited to the logical framework. While the indicators of the logical framework are most useful for assessing results agreed by the project participants, there may be other indicators which the government requires. Thus, in developing the M&E plan, the need for other indicators should be taken into account.

conducted in all 11 target bays before Project start-up. The survey will be coupled with further investigation into the following areas: presence of IP, gender and age roles in fisheries, fishing seasonality, and out-migration from the target fishing communities. IFAD will contribute a grant of USD 30,000 towards the costs of this baseline survey with the remaining funds coming from BFAR's 2013 budget. Working Paper 6 includes draft terms of reference (TOR).

12. Within six months of Project start-up, a Rapid Participatory Resource and Socio-Economic Assessment (RPRSA) will be carried out in the target bays. The RPRSA will cover an assessment of the bay's resources, habitats, species, water quality, fisheries profile and socio-economic conditions of the fishing households in the bay, the presence or absence of pre-existing fisheries organizations and associated resource management arrangements. Maximum use will be made of existing data. The RPRSA data will serve as baseline profiles for each bay as basis for refinement of target deliverables, strategies and M&E. To provide for standard execution of the RPRSA and data and reports, the PSCO will draft the TOR for use in all bays which BFAR and IFAD will review. Each RPMO will execute the RPRSA of a bay according to the TOR (Working Paper 6). Working Paper 6 includes draft terms of reference (TOR).

13. During implementation, the Project will monitor and report results regularly. Indicators to be monitored will include those in the Project's logical framework, IFAD RIMS, and other relevant indicators as required by the DBM's OPIF and NEDA's RbME. The Project will adhere to the reporting requirements set by the government such as the prescribed procedures and forms instituted by NEDA and by the Regional Project Monitoring and Evaluation System (of the Regional Development Council as well as those prescribed by IFAD. IFAD requires the following reports: (i) annual RIMS reports; and (ii) annual and semi-annual progress reports. To capture the data/information needed, the Project will use or enhance the existing BFAR M&E forms.

14. The regular M&E forms which capture and report quantitative data/information will be supplemented by qualitative methodologies e.g. focus group discussions and case studies. From PY3, the Project will monitor outcomes using annual outcome surveys. At the end of the Project, a RIMS+ study, similar to that undertaken as part of the baseline survey, will be conducted to determine Project impact. In addition, before the Project ends, a coastal resource assessment will be conducted in each bay ecosystem to assess the changes in the marine and coastal resources brought about by the Project.

15. The Project will have an M&E Implementation Manual which will include the M&E plan, the capture and consolidating templates, and guides for analysis, reporting, RIMS+ impact studies, the annual outcome surveys, the coastal resource assessments, and M&E organization.

Organization

16. The Project will promote a participatory M&E process. Though the M&E functions will be mainly carried out by the Project implementing units, other participants such as the FARMCs and POs will be involved in the collection and use of data/information. Working Paper 6 has further details of the organizational structure, and the roles and responsibilities.

17. At the municipal level, one LGU staff will be designated as the M&E focal point. At the RPMOs and PSCO, M&E/KM officers will be responsible for M&E. Working Paper 5 includes the TOR for these staff.

18. The Project will recruit consultancy firms or individual consultants to design the results-based monitoring system, MIS system, RPRSA and the RIMS+ baseline and impact surveys. To develop the in-house capacity of BFAR, staff with designated M&E functions will work in tandem with the consultants.

C. Learning and Knowledge Management

19. Being the first IFAD assisted project involving fisheries and coastal resources

management in the Philippines, generating and sharing lessons and knowledge in this Project is of prime importance. Knowledge management will be incorporated into the implementation cycle and the organizational structure.

20. In addition to their regular M&E functions, the Project's Monitoring and Evaluation/Knowledge Management units will also take charge of knowledge management. Knowledge management will be an essential part of the TOR of the staff responsible for M&E (Working Paper 5). Project knowledge will be generated primarily through the M&E system. Regular reports, especially six-monthly and annual progress reports, will include details of the problems encountered, solutions implemented, lessons learned and the way forward. These reports will be important for Project management when making implementation decisions.

21. To generate lessons learned regular M&E activities will be complemented with studies on the special features of the Project e.g. case studies, documentation of systems, photo and video documentation, field stories, etc. Thus, other Project staff will be also involved in generating, capturing and sharing knowledge which will improve the efficiency and effectiveness of Project implementation, and provide information that will help develop appropriate policies for the management of the municipal fisheries and coastal resources, including the roles and responsibilities of BFAR (as a national agency) and the LGUs.

22. The Project will ensure that there are mechanisms and platforms for generating, capturing and sharing of knowledge within the Project. Knowledge sharing will be undertaken by the Project during the annual assessments and planning activities, through publications, via the Project website and other appropriate forms of communication. In this respect, the Project will prepare a Knowledge Management Plan or Communication Plan as part of the M&E plan. Working Paper 6 includes further details.

23. At the country programme level, the Project will participate in two knowledge sharing platforms managed by the IFAD Philippines Country Office. First is the face-to-face interaction through the: (i) Annual Country Programme Review which shares project implementation problems, solutions and lessons learnt between the IFAD projects in the Philippines; and (ii) Knowledge and Learning Market, which is a national gathering for agencies implementing IFAD projects and other national development agencies with a focus on specific issues and concerns. Second is virtual information sharing through the IFAD Country Programme Facebook page and the IFAD Asia Portal.

APPENDIX 7: FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

A. Assessment of the Financial Management Capacity of BFAR and LGUs

1. BFAR implemented foreign assisted projects during the period from 1990 to 2011 through its Project Management Office (PMO) with the support of its finance, administrative and technical services divisions. The focus of these projects was more on the provision of technical assistance than investment and their scale was much smaller than the proposed Project, which will include both technical assistance and major investments in CRM and livelihood development activities, and involve a large volume of funds from IFAD and the Philippine Government.

2. Observations and discussions conducted during the project design and project design completion missions identified the need to strengthen the financial management capability of BFAR, the participating LGUs and POs through staff training, close supervision and guidance. The following points illustrate why there is a need to strengthen the financial management capacity of the participating entities:

- The recent orientation of the BFAR PMO staff has been on technical assistance projects including the recently such completed Sustainable Management Coastal Resources (SUMACORE) in Bicol and CARAGA regions and the ongoing ICRMP, although BFAR did implement some activities some under the Fisheries Sector Programme and the Fisheries Resource Management Project, both supported by the Asian Development Bank.
- The Project will include both technical assistance and investments in four regions and involving 103 municipalities. It will require extensive monitoring, proper systems for disbursement and accounting for funds.
- Procurement of equipment by the BFAR Central Office in previous projects did not meet the needs of many coastal LGUs. Patrol boats provided under the Fisheries Resource Management Project were not fully used or have been non-operational due to the high fuel consumption (and hence operating cost) of the large engines provided.
- In Region XIII the POs lack the necessary financial literacy to handle, and be accountable, for substantial volumes of funds and to comply with the reporting requirements.
- The experience of the LGUs is variable. In Region 8, the BFAR Regional office has provided PHP 250,000 to Quinapondan Municipality for a project and these funds have never been liquidated. However, the Hinunangan Municipality in the same region, through the MAO, has implemented some foreign assisted projects e.g. the German Agency for International Cooperation Costal Fisheries Resource Management, the Japan International Cooperation Agency Agrarian Resource Project III, and the RARE (an US international environmental organization) Costal Resource Social Marketing Project. Other LGUs (municipalities) have no experience of implementing a foreign assisted project.
- Most of the LGUs provide some, but insufficient, funds for the FLETs e.g. to pay allowances to the volunteers that make up the teams, maintenance of fish sanctuaries, provisions for delineating the boundaries of the municipal's coastal waters, planting and maintenance of mangroves and coral reefs.
- Some LGUs have already implemented projects through organized POs under sub-project agreements. The LGUs have provided funds to separate sub-project bank accounts opened by the POs.
- In ARMM, a BFAR Region was created by the Muslim Mindanao Act No. 86 and the BFAR regional office directly implements projects in the Region. No funds are downloaded to the LGUs.

B. Financial Management

3. A PSCO will be created in the BFAR Central Office. With the support from BFAR Financial and Administrative Services Division, the BAC and the Technical Services Division, the PSCO will be responsible for the overall management of the Project's funds in accordance with the IFAD Financing Agreement, the approved AWPBs, and APPs, and the PIM. The PIM prepared by BFAR prior to Project start-up will include details of the Project's arrangements for financial management including the preparation and implementation of the AWPBs and procurement plans; preparation of financial reports; supporting documentation required for financial transactions; recording of receipts and disbursements, accounting and safekeeping of records; preparation and submission of withdrawal applications, reconciliation of designated and Project bank accounts and Project audit. Such financial guidelines will be consistent with the New Government Accounting System (NGAS) and IFAD policies, systems and procedures.

C. Disbursement Arrangements

Accounts and flow of funds

4. The BTr will provide BFAR through DBM a Notice of Funds Availability upon receipt of funds from IFAD as remitted to the Designated Accounts, while DBM will provide to BFAR Notice of Cash Allocation. As requested by BFAR, funds converted to Philippine Peso will be transferred by the BTr from the Designated Accounts to two Project Bank Accounts (Account A for the IFAD Loan and Account B for the IFAD Grant) maintained by the PSCO. Disbursement will follow the Government's systems, rules and regulations, particularly the NGAS, consistent with IFAD's disbursement procedures. The PSCO will transfer these funds to the Project Accounts, also Account A for the IFAD Loan and Account B for the IFAD Grant, (including the Government counterpart funds), to the BFAR RPMOs as initial advances and subsequently as replenishments against financial reports from each RPMO for the expenditure incurred for the Project by the regional and provincial offices, LGUs and POs.

5. The three BFAR RPMOs (Region 5, Region 8 and 13) will download funds to the LGUs in accordance with the MOAs when LGUs can comply with the criteria defined in the Administrative Order No. 05, series of 2013 of the DA for implementing the Bottom-Up Budgeting Projects, viz:

- Technical capacity exists to implement the project with knowledgeable staff, the equipment is functional and there is a good project implementation track record;
- Recipient of the DILG Seal of Good Housekeeping (FY 2011 or FY 2012);
- Completed assessment of the Public Financial Management System as required by the DBM; and
- No un-liquidated cash advances from DA.

6. The LGUs (with downloaded funds from the RPMO) will disburse the funds to Trust Funds (Bank Accounts opened for the Project by the POs⁷) or by way of "Advance" in accordance with their sub-project agreements or directly to contractors and suppliers. POs are those registered with Department of Labour and Employment (or other government agency) that have been functioning as such for at least a year.

7. When LGUs are not eligible to receive downloaded funds, the BFAR RPMO will disburse funds in accordance with the MOA with the LGU. Included in the MOA will be details of project implementation, including required financial reports, supporting documentation on disbursements and post audit by the COA.

8. In ARMM, the devolution of functions differs from that in the rest of the country. For Project funding and implementation, BFAR-ARMM will execute a MOA with BFAR Central

⁷ This tem covers all types of organized associations, cooperatives etc.

Office. Contracts, purchase orders and disbursements will be approved by BFAR-ARMM in accordance with signing authority limits of the BFAR-ARMM Director, the AWPB, APP and the MOA with BFAR Central Office. BFAR-ARMM Provincial and Municipal Fisheries Coordinators will facilitate and monitor implementation of contracts, MOAs with the LGUs and sub-project agreements with POs. No funds will be downloaded to the LGUs. Disbursements and contracting will be handled by the BFAR-ARMM. Funds will be downloaded by BFAR-ARMM to the Trust Funds (Bank Accounts opened for the Project by the POs) or by way of "Advance" in accordance with their sub-project agreements or directly to contractors and suppliers.

9. In summary, there will be: (i) one Designated Account in USD for the IFAD Loan proceeds, one Designated Account in USD for the IFAD Grant proceeds and three Project Accounts in PHP (one for IFAD Loan proceeds, one for IFAD Grant proceeds and one for the Government counterpart funds) for the PSCO; (ii) four Project accounts for IFAD Loan, four Project accounts for the IFAD grant and four Project accounts for Government counterpart funds for the three RPMOs and for BFAR ARMM; and (iii) in accordance with the MOA between BFAR and LGUs in Regions, V, VIII and XIII, two Project accounts for each participating LGU in these regions, one for the funds from the IFAD Loan the other for the Government counterpart funds. The LGUs funds' will be replenished against submission of the necessary periodic financial report supported by relevant documentation (contract, proof of payment, bank statements, etc.) in line with the SOE ceilings and IFAD disbursement procedures. This will enable BFAR Central Office to submit to IFAD complete Withdrawal Applications and avoid disbursement delays. SOEs, bank reconciliations and bank statements. A Project bank account will be opened by registered POs as provided for in their sub-project agreements with the LGUs or with the three RPMOs (where funds are not downloaded to LGUs (because the LGUs do not meet the qualifying criteria of the Bottom-up Budgeting Projects) and BFAR ARMM. No Project bank accounts will be opened by the ARMM LGUs. Charts for the flow of funds are included in Section E of this Appendix.

10. Each disbursing entity in the regions: LGUs and POs will be responsible in disbursing the funds in line with the provisions of the PIM and MOA, and provide the necessary monthly financial reports, copy of bank statement and bank reconciliation. The RPMO will provide the PIM and training to each disbursing entity. Use of Project funds requires that they are covered by BFAR's budget appropriation for the year and included in the Project AWPB and APP.

11. The Project will use and maintain IFAD's Designated Account following the guidelines and procedures in the IFAD Loan Disbursement Handbook for Directly Supervised Projects, and reflected as necessary in the PIM. The Handbook also specifies the procedures and documentation for the disbursement and replenishment of the loan and grant proceeds in the Designated Accounts. For direct payments, the corresponding national procedures for such disbursements will be followed, i.e. the issuance of Non-cash Availment Authority by DBM.

Disbursement methods

12. The Project can use the following disbursement methods under the transaction based disbursement procedures:

- **Reimbursement:** IFAD may reimburse BFAR for expenditures eligible for financing in accordance with the Financing Agreement (eligible expenditures), as retroactive financing, that BFAR has pre-financed from its own resources for the Project Start-up Costs.
- **Advance:** IFAD may advance loan proceeds to a Designated Account operated by BFAR to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date. Replenishment of the Designated Account will be by way of withdrawal applications (WAs) submitted regularly by BFAR.
- **Direct Payment:** IFAD may make payments at BFAR's request, directly to a third

party e.g. supplier, contractor or consultant for eligible expenditures.

- **Special commitment:** This modality is used for eligible Project expenditures related to items imported by Project implementing agencies under a letter of credit requiring the issuance of guarantees for reimbursement to negotiating banks by IFAD.

13. Disbursements relating to activities undertaken by, or at, the BFAR central level will be the concern and responsibility of the PSCO. Disbursements for local activities will be administered by the concerned RPMO provided that the amounts are within the limits of their authority.

Statements of Expenditure and withdrawal applications

14. Statements of Expenditure (SOEs) will cover all categories of expenditure, for amounts not exceeding USD 50 000 at the initial stage of the project implementation. SOEs will be prepared by the disbursing offices. The RPMOs will submit regional SOEs to the PSCO for consolidation for onward submission to IFAD together with the WA and Reconciliation of the Designated Accounts. The PSCO and RPMOs will:

- Make payments from their respective accounts for all eligible Project expenditure according to the approved Project AWPBs.
- Obtain and keep receipts for all Project expenditure.
- Prepare and maintain accounts and records of all Project expenditure, reflecting all Project expenditures by component/activity and disbursement category.
- Consolidate and process, on a timely basis, records of eligible Project expenditure and WAs for forwarding to IFAD in coordination with the BFAR Finance Services for reimbursement or replenishment of the Designated Accounts.
- Record properly and keep safely details of all transactions relating to the Project to be made available to the supervision missions and independent auditors.

15. Was based on the disbursement reports will be prepared and submitted by the finance staff of each of RPMO and the PSCO and consolidated by the finance staff of PSCO and submitted to the BFAR Finance Services for the final signature and onward submission to IFAD. For reporting eligible expenditure paid from the designated account and requesting for reimbursement, the following Supporting Documents for Disbursement will be required:

- For **SOE withdrawals**, the relevant supporting documents need not be submitted to IFAD, but will be retained by BFAR for inspection and review by representatives of IFAD during supervision missions, who will report their findings in the Supervision Report following such an inspection. All original records providing evidence of the expenditures will be retained by BFAR and/or the implementing agencies until ten years after the closing date for withdrawals.
- **Full documentation** including records of eligible expenditure (e.g. signed contracts, invoices) is required for any expenditure amounting to USD 50,000 or more.
- **WAs for direct payments.** Purchase records providing evidence of eligible expenditure (such as copies of contracts, purchase orders, supplier's invoice and receipts, etc.) will be submitted together with WAs setting out clear payment instructions.
- The minimum size of each WA is USD 20,000 for the Loan and USD 20,000 for the Grant or its equivalent.

16. In Regions, V, VIII and XIII, where funds are downloaded by way of fund transfer and/or cheque to the LGUs and POs in accordance with the MOA, the concerned LGUs and POs will be required to submit SOEs for consolidation by the RPMO. The RPMO has to provide the necessary training for the preparation of SOEs. The MOA will contain conditions for the funds

released including the documentation and financial reports required to liquidate the advance.

Replenishment of the designated accounts

17. BFAR should apply for replenishment of the Designated Accounts on a quarterly basis or when the amount withdrawn reaches at least one third of the amount advanced, if this occurs sooner. The WAs should be submitted promptly once the monthly and/or quarterly bank statement has been received from the bank where the Designated Accounts are held and bank fund balances reconciled. The replenishment applications documenting the expenditures from the Designated Accounts must be submitted regularly and any ineligible amounts must be promptly refunded to the Designated Account, or justified through the submission of evidence that other eligible expenditures have been financed from BFAR's own resources.

19. The initial deposit transfer of IFAD to the Designated Accounts will be considered as an advance against the loan and/or grant account and thereafter, the releases will be based on the WAs submitted by BFAR supported by SOEs. Release of funds from the PSCO to the RPMOs through fund transfer and/or cheque, as applicable will follow the prescribed national accounting and auditing regulations.

20. The PSCO will monitor the receipt of funds by the Designated Accounts and accordingly advise BTr to notify DBM to facilitate issuing the required Certification of Funds Availability for the release of funds by DBM.

Control of soft expenditure

21. The control of soft expenditures is related to how controls for expenditure on fuel, training, per diems etc. should operate. The purpose is to ensure that all such expenses are properly authorised and that appropriate documentary evidence is available to support the expenditure. The controls related to soft expenditure will include, but not be limited to:

- Procedures and controls for budgeting and expenditure on workshops will include, for example, selection criteria for participants, controls on attendance, controls against budgeted expenditures, with the Finance Section undertaking verification (including where applicable spot checks).
- Procedures for control of fuel use and vehicle log books.
- Maintenance and monitoring of records for advances.

22. Expense items under the various components of the Project will be incurred and disbursed as follows:

No.	Component/Sub-component/Items of Expenditures	Office Concerned	Conditions/Remarks
	Investment Costs		
1.	Participatory CRM analysis and planning		
1.a	Technical assistance and related expenses	PSCO	As per AWPB and signing authority
1.b	Regional workshops	RPMO	As per AWPB and signing authority
1.c	Local surveys/interviews/meetings	RPMO/LGU/PO	As per AWPB and MOA
1.d	Special studies	PSCO/RPMO	As per AWPB and signing authorities
2.	Coastal Resources Management		
2.a	Coastal fisheries infrastructure	PSCO/RPMO	As per AWPB and within authorities, subject to RA 9184
2.b	Coastal law enforcement	RPMO/LGU	As per AWPB and MOA
2.c	Equipment for small patrol boats and for ICT	RPMO/LGU	As per AWPB and MOA, subject to RA 9184
2.d	Technical assistance (national/regional)	PSCO/RPMO	As per AWPB and signing authorities
2.e	Coastal maintenance and operations	RPMO/LGU	As per AWPB and MOA
2.f	Information materials	RPMO/LGU/POs	As per AWPB and MOA
2.g	Gender Strategic Activities	RPMO	As per AWPB and signing authority
3.	Livelihood Development		

No.	Component/Sub-component/Items of Expenditures	Office Concerned	Conditions/Remarks
3.a	Investments in related Rural infrastructure and Equipment	RPMO/LGU	As per AWPB and MOA, subject to RA 9184
3.b	Organizational Strengthening	RPMO/LGU/POs	As per AWPB and MOA
3.c	Microenterprise promotions Sub-projects	RPMO/LGU/POs	As per AWPB and MOA
3.d	Information, education, communication	RPMO/LGU/POs	As per AWPB and MOA
4.	Project Management and Coordination		
3.a	Policy studies and development	PSCO	As per AWPB approved by the Steering Committee
3.b	Project staff training and capacity building (assessment and activities), meetings	PSCO/RPMO	Approved by the Steering Committee
	Recurrent Costs: Salaries and Operating Expenses		
A.	National Project staff and related operating expenses	PSCO	As per AWPB
B.	Regional Project staff and related operating expenses	RPMO	As per AWPB

D. Audit

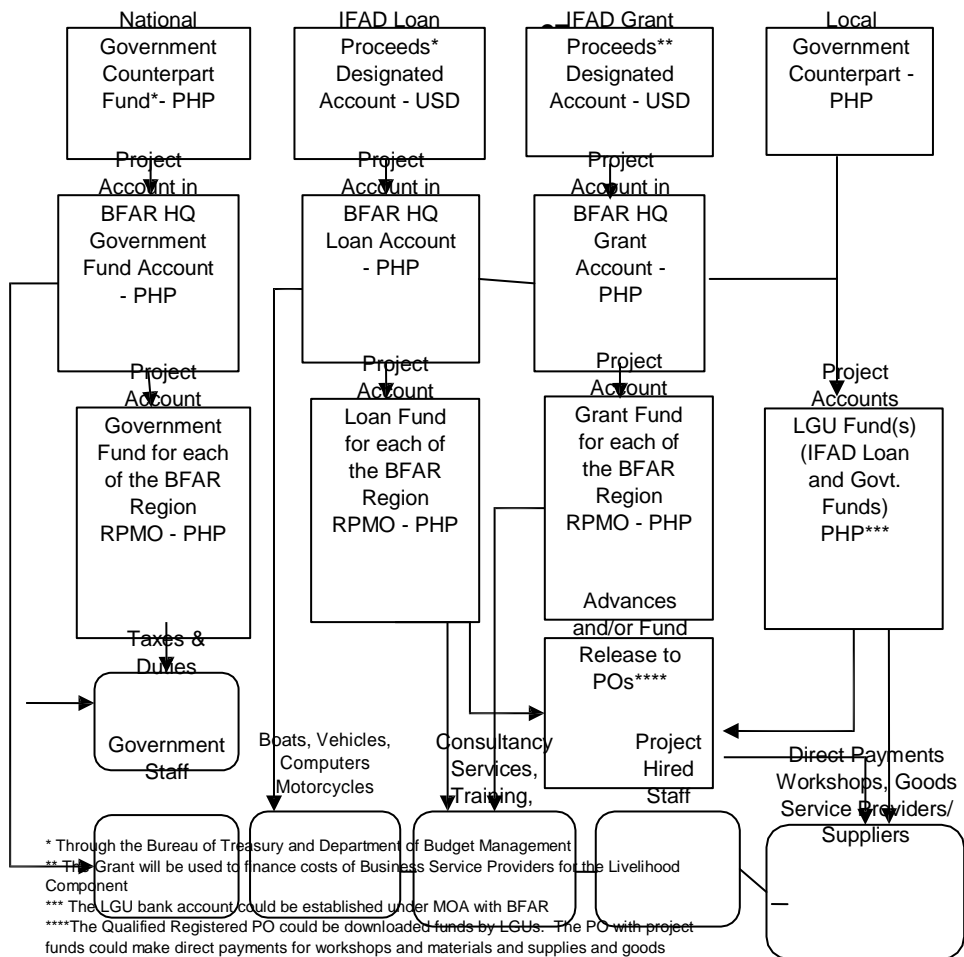
24. The Project audit will follow IFAD's "Guidelines on Project Audits", generally accepted international auditing standards and will be in line with the provisions of the Financing Agreement. Annual financial reports for the use of Project funds will be prepared following the Government's accounting and reporting standards, rules and regulations and the generally accepted accounting principles and standards.

25. COA as the only Independent Audit Institution of the Government of the Philippines will be the external auditor of the Project. The COA Auditors assigned to the disbursing offices will conduct the audit of Project accounts and transactions as prescribed by the auditing rules or as may be specified in the financing agreement or required by IFAD. The COA validates the SOEs and conducts annual audits of the Project's financial statements, designated and Project bank accounts and SOEs.

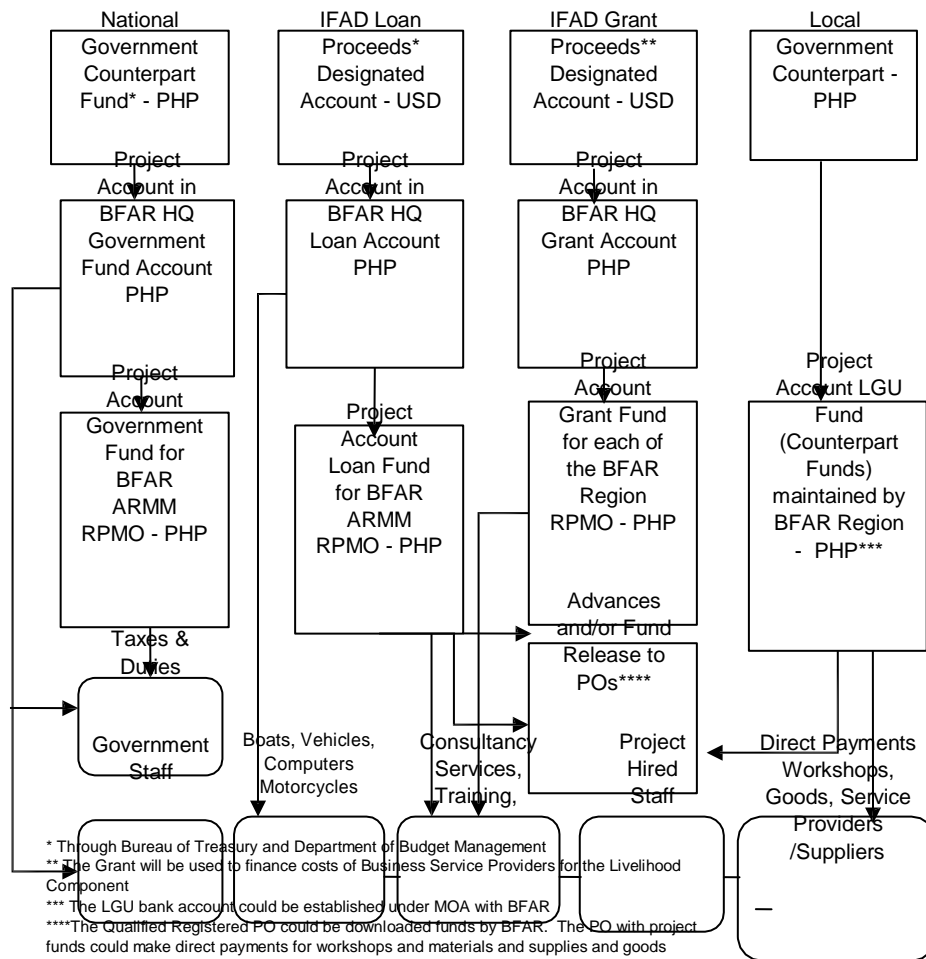
26. A draft TOR for the annual audit is attached to this Appendix. The PSCO will finalise the TOR for the audit in consultation with COA and the Controller's and Financial Services Division of IFAD and submit the final TOR to IFAD for its review and no objection.

E. Funds Flow Charts

Funds Downloaded to BFAR Regions (except ARMM)



Funds Downloaded to BFAR-ARMM



Attachment 1

Draft TOR for an audit of the FishCORAL Project

The following are the draft terms of reference (TOR) on which the Project Support and Coordination Office (PSCO) agrees to engage the Commission on Audit (COA) 'the Auditor' to perform an Audit and to report in connection with the Agreement with IFAD concerning IFAD Loan No. ... and IFAD Grant No., where in these TOR, IFAD has signed the Agreement with the Philippine Government represented by the Department of Finance and finances the Audit services. IFAD is not a party to this engagement.

Responsibilities of the parties to the engagement

The PSCO refers to the entity that executes the Project on behalf of the borrower/recipient that has signed the Agreement with IFAD.

- The PSCO is responsible for providing a Financial Statements for the activities and services financed by the Loan and for ensuring that these Financial Statements can be properly reconciled to the PSCO records and accounts in respect of these services.
- The PSCO accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the PSCO providing full and free access to its staff and records and accounts.
- The PSCO will provide the auditors with all the necessary documentation to perform the assignment properly; in particular the following information shall be provided to the auditors before the beginning of the assignment:
 - Project Financing Agreement;
 - Annual Progress Report;
 - Project Implementation Manual;
 - Organizational charts along with names and titles of senior managers;
 - Names and qualifications of officers responsible for financial management, accounting and internal audit; and
 - Description of information technology facilities and computer systems in use; and copies of the minutes of negotiations, Letter to the Borrower, IFAD Disbursement Handbook, IFAD Procurement Guidelines and Handbook, IFAD General Conditions for Agriculture Financing, project design completion report, annual work plan and budget and annual procurement plan.

'The Auditor' refers to the Auditor who is responsible for performing the agreed-upon procedures as specified in these TOR, and for submitting a report of factual findings to the PSCO.

The Auditor shall provide:

- A separate opinion on Project Consolidated Financial Statements (PFS) and minimum content of the PFS:
 - Yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD's funds, other donors funds, government funds, LGU funds and community beneficiaries funds;
 - Yearly and cumulative SOEs by withdrawal application and category of expenditures; reconciliation of the SA;
 - Reconciliation between the amounts shown as received by the Project and those shown as being disbursed by IFAD should be attached as an annex to the PFS. As part of that reconciliation the auditor will indicate the procedure used for disbursement (Designated Account (DA) funds, letters of credit, special commitments, reimbursement or direct payment) and indicate whether the expenditure is fully documented or uses the Summary of Expenditures format;
 - Cumulative status of funds by category;
 - Designated account statement-reconciliation;

- A statement of comparison between actual expenditures and budget estimates; and
 - Notes accompanying the Financial statements.
- A separate opinion on the use of the Designated Accounts for Loan and Grant (DA); The auditor is also required to audit the activities of the DA associated with the Project including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor must form an opinion as to the degree of compliance with IFAD procedures and the balance of the DA at year end. The audit should examine: (i) the eligibility of withdrawals from the two DAs during the period under review; (ii) the operation of the two DAs in accordance with the relevant financing agreement; (iii) the adequacy of internal controls within the Project appropriate for this disbursement mechanism; and (iv) the use of correct exchange rate(s) to convert local currency expenditures to United States dollars.
 - A separate opinion on the WAs and SOEs; the audit will include a review of SOEs used as the basis for submitting withdrawal applications. The auditor will carry out tests and reviews as necessary and relevant to the circumstances. SOE expenditures will be carefully compared for eligibility with relevant financial agreements, and the IFAD Disbursement Handbook, AWPB, and with reference to the project design completion report for guidance when necessary. Where ineligible expenditures are identified as having been included in a WA and reimbursed, auditors will note these separately. A schedule listing individual SOEs, WAs by reference number and amount should be attached to the PFS. The total withdrawals under the SOE procedure should be part of the overall reconciliation of IFAD disbursements described above. The auditor's opinion should deal with the adequacy of the procedures used by the Project for preparing SOEs and should include a statement that amounts withdrawn from the Project account on the basis of such SOEs were used for the purposes intended under the agreement.
 - A separate management letter addressing the adequacy of the accounting and internal control systems of the Project, including compliance with IFAD's Procurement Guidelines and such other matters as IFAD may notify the PSCO to include in the audit.

The auditor is requested to:

- Comment on economy, efficiency and effectiveness in the use of project resources;
 - Comment on achievement of planned project results;
 - Comment on legal and financial obligations and commitments of the project and the extent of compliance or non-compliance thereof;
 - Comment on systems and procedures such as improvements in accounting, information technology or computer systems, and operations that may be under development, on which the auditor's comments are necessary to ensure effective controls;
 - Comment on other activities on which an auditor may consider it appropriate to report.
- Auditors shall certify :
 - Whether the PFS are drawn up in conformity with accepted accounting standards (IFRS, IPSAS, or national financial standards);
 - Whether the PFS are accurate and are drawn up from the books of accounts maintained by the Project;
 - Whether the provisions of the Project Agreement are adhered to;
 - Whether Procurement has been undertaken by the Project in accordance with applicable procurement procedures and IFAD's Procurement Guidelines;
 - Carry out a physical verification of any significant assets purchased and confirm their existence and use for Project purposes.

- Whether the Project has an effective system of financial supervision or internal audit at all levels; and
- Whether the expenditure claimed through SOEs are properly approved, classified and supported by adequate documentation.

Subject of the engagement

The subject of this engagement is the financial statements dated D/M/Y in connection with the Agreement for the period covering *D/M/Y to D/M/Y*. The information, both financial and non-financial, which is subject to verification by the Auditor, is all the information which makes it possible to verify that the expenditures claimed by the PSCO in the Financial Statements have occurred, and are accurate and eligible. These TOR contain an overview of key information about the Agreement and the services concerned.

Reason for the engagement

The PSCO is required to submit to IFAD an Audit report produced by an external auditor under Article IX of the General Conditions for Agricultural Development Financing.

Engagement type and objective

This constitutes an engagement to perform specific agreed-upon procedures following the IFAD Guidelines on Project Audits (to be provided to the Auditors by the PSCO as Annex 2 of the final TOR). The objective of this audit is for the Auditor to verify that the expenditures claimed by the PSCO in the financial statements for the services covered by the Agreement have occurred ('reality'), are accurate ('exact') and eligible and to submit to the PSCO a report of factual findings with regard to the agreed-upon procedures performed. Eligibility means that expenditure has been incurred in accordance with the terms and conditions of the Agreement.

Scope of work

The Auditor shall undertake this engagement in accordance with these TOR and:

- In accordance with the International Standard on Audit (ISA) to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- In compliance with the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, IFAD requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants.
- In accordance with International Standards on Auditing (ISA) and in line with IFAD's Guidelines for Project Audits.

The Auditor verifies that the funds provided by the Agreement were spent in accordance with the terms and conditions of the Agreement.

The Auditor should plan the work so that effective audit can be performed. For this purpose he performs the procedures specified the IFAD Guidelines on Project Audits and he uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISA and these TOR.

Reporting

The report on this audit should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail in order to enable the PSCO and IFAD to understand the nature and extent of the procedures performed by the Auditor.

Other terms (as necessary)

Information about the subject of the Audit

The table below will be completed by the PSCO and be attached as Annex 1 to the Terms of Reference for use by the Auditor.

Information about the Subject of the Audit	
Reference number and date of the agreement	
Service agreement title	
Country	
Consultant	
Legal basis for the agreement	
Start date of the Agreement	
End date of the Agreement	
Maximum agreement value	
Total amount of the invoice and invoice date	
Total amount invoiced to IFAD to date	
Total amount received to date by the service provider from contracting authority	
Contracting authority	
IFAD	
Auditor	

IFAD Guidelines on Project Audit can be accessed at <http://ifad.org/>

Summary of Project Fiduciary Risk Assessment at Design⁸

Risk	Initial Risk Assessment	Proposed Mitigation	Final Risk Assessment
Inherent Risk			
1. Transparency International Corruption Perceptions Index	3.1	The Philippines ranked no. 105 out of 176 countries a jump from 2.6 in 2011, due to improved government services and cutting of red tape. Need to constantly provide training, dialogue and workshops for government staff for strict adherence to internal controls and following rules and regulations of the New Government Accounting System and the RA 9184 Procurement Reform Act	M
2. Rural Sector Performance Score	4.47	The Philippines has one of the highest scores in the Asia and Pacific Division, showing particularly well in the area of Accountability, Transparency and Corruption and rated at ... in 2012 as there is less corruption in terms of fund disbursements in the rural areas. No proposed mitigation.	L
Control Risks			
3. Organization and Staffing	M	Reorganization of BFAR particularly the finance and administrative services should be implemented soon with DA providing BEFAR with the necessary staff positions; a reassessment of staff capacity, experience and qualifications should be undertaken when filling up the positions.	M
4. Budgeting	M	Training needs to be provided on IFAD budget formats, process and analysis.	M
5. Funds flow and Disbursement Arrangements	M	While the New Government Accounting System is complete and being used by BFAR and the LGUs, there is a need to orient and train the finance and administrative staff in BFAR, LGUs, NGOs and POs receiving Project funds on the IFAD financial and administrative (procurement) regulations, records, processes, and reporting.	M
6. Internal Controls	M	Training required for IFAD financial and administrative (procurement) policies and regulations.	M
7. Accounting Systems, Policies and Procedures	L	With the Government using the New Government Accounting System, there is a need for training on IFAD financial and administrative policies, records and reporting especially for the NGOs and POs.	L
8. Reporting and Monitoring	L	Training is required on the IFAD reporting process, formats and analysis.	L
9. Internal Audit	H	There is a need to establish an Internal Audit office in BFAR, manned with qualified and experienced staff	H
10. External Audit	L	Commission on Audit is the Philippine Government's only Independent Auditor and audits all government offices and agencies in accordance with the international audit standards	L
Project Fiduciary Risk at Design	M	Completion of the proposed BFAR reorganization is necessary, otherwise additional Project financed staff will be needed to handle the financial management of the project.	M

Mission Staff's Name: EDILBERTO C. ANGELES **Date:** 1st July 2013

⁸ This is a summary of the FMAQ in Working Paper 9.

APPENDIX 8: PROCUREMENT

I. INTRODUCTION

1. The Philippine Government Republic Act 9184 or the Government Procurement Reformed Act enacted by the Senate and House of Representative on 10th January 2003 is the act that provides for the modernisation, standardisation and regulation of the government's procurement activities.

2. Article 1, Section 3 of the act provides that: All procurement of the national government, its departments, bureaus, offices and agencies, including state universities and colleges, government -owned and/or-controlled corporations, government financial institutions and local government units, shall, in all cases, be governed by these principles:

- Transparency in the procurement process and in the implementation of procurement contracts.
- Competitiveness by extending equal opportunity to enable private contracting parties who are eligible and qualified to participate in public bidding.
- Streamlined procurement process that will uniformly apply to all government procurement. The procurement process shall be simple and made adaptable to advances in modern technology in order to ensure an effective and efficient method.
- System of accountability where both the public officials directly or indirectly involved in the procurement process as well as in the implementation of procurement contracts and the private parties that deal with government are, when warranted by circumstances, investigated and held liable for their actions relative thereto.
- Public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of this Act and its implementing rules and regulations, and that all these contracts are performed strictly according to specifications.

3. In line with Section 75 of the Act, the Government Procurement Policy Board formulated rules and regulations (known as the Implementing Rules and Regulation) for the proper implementation of the provisions of the Act. The Implementing Rules and Regulation govern and apply to the procurement of: (i) infrastructure projects; (ii) goods; and (iii) consulting services, by any branch, agency, department, bureau, office, or instrumentality of the Government, including government-owned and/or controlled corporations, government financial institutions, state, universities and colleges, and LGUs.

4. All procurement will be through competitive public bidding as the standard method of procurement. However for procurement of PHP 500,000 (USD 12,000) or less, the National Government Agencies can procure goods and services through shopping or small value procurement under certain circumstances and conditions. Such procurement may be through alternative methods, which include the following: (i) limited source bidding; (ii) direct contracting; (iii) repeat order; (iv) shopping; or (v) negotiated procurement.

5. RA 9184 and its Implementing Rules and Regulations have been harmonised with the procurement procedures of foreign funding institutions such as the World Bank and Asian Development Bank. The IFAD Procurement Guidelines however require International Competitive Bidding (ICB) for procurement of more that USD 200,000 for goods; USD 1,000,000 for civil works; and USD 100,000 for consulting and other services. World Bank ICB procurement procedures would be applied for procurement of any international bids.

II. PROJECT PROCUREMENT

6. Accordingly, the project will follow RA 9184 and its Implementing Rules and Regulations

to the extent that they are consistent with IFAD's Procurement Guidelines.

A. Procurement of Goods and Works

7. **Procurement of Goods and Works.** Each contract for goods and works estimated to cost USD 15,000 or more will be procured through competitive bidding, based on the implementing rules and regulation as established by RA 9184. For contracts for goods and works to cost less than USD 15,000, the procurement may be undertaken in accordance with the following methods and established implementing rules and regulations as prescribed by RA 9184 such as (i) limited source bidding; (ii) direct contracting; (iii) repeat order; (iv) shopping; or (v) negotiated procurement.

8. **Direct Contracting.** Procurement valued USD 15,000 and above will be limited to the following scenarios and subject to IFAD's prior review and concurrence for each case:

- Where an extension to an existing contract for goods or works is required under 25% of the existing contract in value.
- Where the equipment required is proprietary, there is only one source and no alternative exists.
- Where there is a need to standardise upon existing equipment and to achieve compatibility in terms of spare parts.
- In cases of emergency, where urgent delivery is required.

9. **Procurement involving community participation.** In accordance with the IFAD Procurement Guidelines, procurement with community participation is not a distinct method of procurement and it would be undertaken in accordance with procedures and processes to be established in the Project Implementation Manual. The PCSO will ensure the following:

- Define the relationships, roles and responsibilities between the BFAR RPMO, LGU and the community through participatory processes which include considerations and application of environmental, gender and other social safeguards.
- Proper handover and ownership of assets to the community.
- Translate documents and records into English (the Philippine official language) as may be required for purposes of audit and review.
- Provide appropriate procedures for regular monitoring and audit of community procurement activities, including the retention of relevant records by BFAR PCSO, BFAR RPMO and the LGU

B. Procurement of Services

10. The methods which are permitted for the procurement of consulting services and services are the following:

- Quality and Cost-Based Selection.
- Selection under a Fixed Budget.
- Least-Cost Selection.
- Selection Based on Consultants' Qualifications.
- Single-Source Selection.

11. Contracts for consultancy and services estimated to cost USD 15,000 equivalent or more the procurement shall be undertaken through the following competitive selection methods:

- a. Quality and Cost-Based Selection.
- b. Selection under a Fixed Budget.

- c. Least-Cost Selection.
 - d. Selection Based on Consultants' Qualifications
12. Consultancy and service contracts estimated to cost less than USD 15,000 equivalent procurement may be undertaken through sole or single source selection.
13. Sole or single source selection for contracts estimated to cost USD 15,000 equivalent or above will be limited to the following scenarios and subject to IFAD's prior review and concurrence for each case:
- a. for tasks that are a natural continuation of previous work carried out by the consultant;
 - b. where rapid selection is essential (for example, in an emergency situation);
 - c. when only one entity is qualified or has the necessary experience for the assignment.
14. Individual consultants would be selected in accordance with the provision of RA 9184 and its Implementing Rules and Regulations. The details of the selection procedures would be detailed and described in the Project Implementation Manual.

C. Review of Procurement Decisions

15. The award of any contract for goods and works estimated to cost more than USD 250 000 and the award for consultancy and services estimated to cost more than USD 100,000 will be subject to prior review by IFAD. The following documents as applicable shall be submitted for IFAD prior review and concurrence:

Procurement of goods and civil works:

- (i) Prequalification documents and shortlist when prequalification is undertaken;
- (ii) Bid Documents for goods and civil works;
- (iii) Evaluation Reports and Recommendations for Award; and
- (iv) Draft contracts and contract amendments.

Procurement of consultancy services and other services:

- (i) Prequalification documents and shortlist when prequalification is undertaken;
- (ii) Request for Proposal (RFP);
- (iii) Technical Evaluation Report;
- (iv) Combined (technical and financial) evaluation report and the recommendation for award; and
- (v) Draft contracts and contract amendments.

D. Contracts and Contract Amendments

16. In the implementation of the Project, IFAD funds, loan and grant, will be used to finance procurement of patrol boats, vehicles and equipment, infrastructure investments, fisheries and livelihood materials and inputs, hire contract staff, procure consultancy services and service providers for training and workshops. The Government Counterpart Funds will be used to finance taxes and duties and honoraria for the government staff working for the project by way of Executive Order issued by BFAR.

17. BFAR will implement the procurement activities of the project through the PSCO and RPMOs supported by BFAR BAC, Finance and Administrative Services in line with the Procurement Plan and following the Implementing Rules and Regulations of the Philippine Procurement Law (RA 9184) to the extent that they are consistent with IFAD's Procurement

Guidelines. The Project's APP for the first 18 months will be completed by the PSCO.

18. A Procurement Register will be maintained by the PSCO and RPMOs to monitor procurement processes. Contract Payment Registers will also be maintained by the same offices to monitor payments to contractors.

19. In order to mitigate against delays the Project will rationalise its procurement schedule prioritising the purchase of, vehicles, motorcycles, and computers in the first year of implementation. These items may be procured by the PSCO or the BFAR based uniformity in specifications and the relative cost. Other items such as services, infrastructure and supplies e.g. NGO, RPRSA, technical trainings, coastal and livelihood infrastructures, fisheries and livelihood materials and equipment can be contracted out by the BFAR Regional Offices (including ARMM) because the signing authority of BFAR Regional Directors has been increased to PHP 10 million. Those LGUs in Region 5, 8 and 13 where funds will be downloaded by BFAR Regional Offices under the MOA to be executed between the LGU and BFAR, procurement of CRM and livelihood infrastructures and supplies will be undertaken by the LGUs in accordance with RA 9184.

20. Coastal rehabilitation and infrastructure support for livelihood projects will be undertaken by the LGUs using Project funds. With the suspension of the National Government/Local Government cost sharing policy and in the absence of any firm rules on LGU cost sharing, the project financing proposals for infrastructure investments will be IFAD 80% and the government including LGU contributions 20%.

21. The tables below provide a summary of the project's proposed procurement.

Procurement Arrangements (PHP Million)

	Procurement Method (PHP Million)				N.B.F.	Total
	National Competitive Bidding	Consulting Services	Consulting Services: CQ	Local Shopping		
A. Civil Works	65.1 (52.3)	26.2 (21.0)	-	-	-	91.3 (73.3)
B. Vehicles	25.1 (22.4)	-	-	-	-	25.1 (22.4)
C. Equipment	124.7 (105.6)	-	-	345.5 (252.0)	-	470.2 (357.6)
D. Materials and Supplies	-	-	-	489.7 (372.8)	-	489.7 (372.8)
E. Services	-	241.7 (187.0)	-	10.3 (9.2)	-	252.0 (196.2)
F. Contract Staff /a	-	6.0	239.8 (238.3)	-	29.5 (11.0)	275.2 (249.3)
G. Government Staff	-	-	-	-	96.9	96.9
H. Operations & Maintenance	-	-	-	-	156.2	156.2
Total	214.8 (180.2)	273.9 (208.0)	239.8 (238.3)	845.5 (634.0)	273.4 (11.0)	1,856.5 (1,271.5)

**Procurement Accounts by Year
(PHP Million)**

	Totals Including Contingencies (PHP Million)						
	2016	2016	2017	2018	2019	2020	Total
1. Civil Works		32.4	37.2	10.8	10.9	-	91.3
2. Vehicles		9.5	15.6	-	-	-	25.1
3. Equipment		83.4	152.8	114.3	119.6	-	470.2
4. Materials and Supplies		61.1	133.2	156.3	108.6	30.5	489.7
5. Seviles		73.6	54.9	38.1	56.6	28.8	252.0
6. Contract Staff /a		37.5	89.6	70.7	56.2	21.1	275.2
7. Government Staff		18.9	19.1	19.4	19.6	19.9	96.9
8. Operations and Maintenance	9.1	20.4	30.2	31.4	32.3	32.7	156.2
Total	9.1	336.8	532.6	441.1	403.9	133.0	1,856.5

\a Contract staff and technical consultants.

Procurement Accounts by Financiers

(PHP Million)

	The Government		IFAD Loan		IFAD Grant		LGU		Community		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
1. Civil Works	9.8	10.7	73.3	80.3	-	-	8.2	9.0	-	-	91.3	4.9	36.5	45.0	9.8
2. Vehicles	2.7	10.7	22.4	89.3	-	-	-	-	-	-	25.1	1.3	20.0	2.3	2.7
3. Equipment	50.4	10.7	357.6	76.1	-	-	34.0	7.2	28.2	6.0	470.2	25.3	188.1	231.7	50.4
4. Materials and Supplies	52.5	10.7	372.8	76.1	-	-	39.7	8.1	24.7	5.0	489.7	26.4	49.0	388.2	52.5
5. Seviles	27.0	10.7	196.2	77.9	21.9	8.7	3.4	1.4	3.4	1.4	252.0	13.6	50.4	174.6	27.0
6. Contract Staff /a	18.5	6.7	249.3	90.6	7.5	2.7	-	-	-	-	275.2	14.8	-	275.2	-
7. Government Staff	15.6	16.1	-	-	-	-	81.3	83.9	-	-	96.9	5.2	-	96.9	-
8. Operations & Maint.	83.6	53.5	-	-	-	-	72.6	49.4	-	-	156.2	8.4	29.4	111.0	15.8
Total PROJECT COSTS	260.0	13.6	1,271.5	68.8	29.4	1.6	239.2	12.9	56.4	3.1	1,856.5	100.0	373.4	1,325.0	158.1

/a Contract staff and technical consultants.

APPENDIX 9: PROJECT COSTS AND FINANCING

1. The total Project costs estimate, including duties and taxes and provisions for physical and price contingencies, are estimated at USD43.737 million (PHP1,857 million) spread over an implementation period of five (5) years starting in 2016. A summary of the costs by category of expenditure is shown in the table below. Working Paper 7 gives more details of how project costs were estimated and includes additional summary cost tables and the detailed cost tables for each component.

Expenditure Account Project Cost Summary

	(PHP Million)			(USD '000)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Base Costs
I. Investment Costs								
A. Civil Works	51.6	34.4	86.1	1,216.8	811.2	2,027.9	40	5
B. Vehicles	4.7	19.0	23.7	111.9	447.5	559.4	80	1
C. Equipment	264.1	176.0	440.1	6,220.8	4,147.2	10,368.1	40	25
D. Materials and Supplies	411.2	45.7	456.9	9,687.2	1,076.4	10,763.6	10	26
E. Dev't Service Providers	188.5	47.1	235.7	4,442.0	1,110.5	5,552.5	20	14
F. Technical Assistance	7.0	-	7.0	164.0	-	164.0	-	-
G. Contract Staff	258.8	-	258.8	6,096.0	-	6,096.0	-	15
Total Investment Costs	1,185.9	322.3	1,508.2	27,938.7	7,592.8	35,531.5	21	87
II. Recurrent Costs								
A. Government Staff	93.3	-	93.3	2,198.7	-	2,198.7	-	5
B. Operation & Maintenance	118.4	27.3	145.7	2,789.7	643.7	3,433.4	20	8
Total Recurrent Costs	211.7	27.3	239.1	4,988.4	643.7	5,632.1	12	13
Total BASELINE COSTS	1,397.6	349.6	1,747.2	32,927.1	8,236.5	41,163.6	20	100
Physical Contingencies	36.3	12.2	48.5	854.6	288.3	1,142.9	25	3
Price Contingencies	49.2	11.6	60.7	1,158.2	272.7	1,430.8	19	3
Total PROJECT COSTS	1,483.1	373.4	1,856.5	34,939.9	8,797.4	43,737.3	20	106

7. **Project financing.** The Project will be financed through a loan and a grant from IFAD, and counterpart contributions from the national Government, LGUs and the communities. The IFAD loan, estimated at USD29.956 million, will cover 68.8% of the total estimated Project cost, while the IFAD grant of USD 0.693 million will cover 1.6%. The Government contribution will finance 12.8% of the total project costs. Contributions from the LGUs and community beneficiaries together are estimated at 16.8% of the overall cost of the Project. The table below gives a summary of the Project cost by category of expenditure by financier.

8. The IFAD loan will finance the non-tax elements of all investment cost categories, except for the percentages financed by the LGUs and beneficiaries. The IFAD loan will also finance the cost of employing some of the contract staff, including the community mobilisers. The IFAD grant will finance service providers to undertake the proposed policy studies and capacity development activities.

9. The Government will finance the duties and taxes related to the identifiable taxable expenditures and the honorariums for the government personnel at national, regional and provincial levels involved in project implementation. The government will also finance some of the contract staff positions and all the recurrent operations and maintenance expenditures at the national, regional and provincial levels.

10. The LGUs and community members/beneficiaries are expected to provide counterpart resources in line with their role in project implementation. The LGUs will finance 10% of the costs (excluding duties and taxes) of the investments in civil works for CRM and livelihood development in line with the joint resolution of the DA, DAR, DENR, and DILG related to NG:LGU cost sharing. Excluding duties and taxes the LGUs will finance 10% of the investment costs for law enforcement (equipment etc.), 5% of the investment costs for resource rehabilitation, and 10% the costs of the micro-enterprise equipment and materials. In addition, the LGUs will finance 100% of the recurrent costs of operation and maintenance at the bay level and honorariums for LGU staff. The communities will finance 10% of the costs of the micro-enterprise equipment and materials and 5% of the costs of resource rehabilitation, (both less duties and taxes). Community contributions will be in cash and/or in kind.

Expenditure Accounts by Financier (USD '000)

	The Government		IFAD Loan		IFAD Grant		LGU		Community		Total		Foreign	Local	Duties &
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exchange	(Excl. Taxes)	Taxes
I. Investment Costs															
A. Civil Works	230.4	10.7	1,726.8	80.3	-	-	193.4	9.0	-	-	2,150.6	4.9	860.3	1,060.0	230.4
B. Vehicles	63.3	10.7	527.1	89.3	-	-	-	-	-	-	590.3	1.4	472.3	54.8	63.3
C. Equipment	1,186.8	10.7	8,425.0	76.1	-	-	799.9	7.2	665.0	6.0	11,076.7	25.5	4,430.7	5,459.2	1,186.8
D. Materials and Supplies	1,236.0	10.7	8,781.9	76.1	-	-	936.1	8.1	582.3	5.0	11,536.3	26.5	1,153.6	9,146.7	1,236.0
E. Dev't Service Providers	636.2	10.7	4,622.7	77.9	517.1	8.7	80.8	1.4	80.8	1.4	5,937.5	13.6	1,187.5	4,113.8	636.2
F. Technical Assistance	-	-	-	-	175.7	100.0	-	-	-	-	175.7	0.4	-	175.7	-
G. Contract Staff	435.1	6.9	5,872.2	93.1	-	-	-	-	-	-	6,307.2	14.5	-	6,307.2	-
Total Investment Costs	3,787.7	10.0	29,955.7	79.3	692.7	1.8	2,010.1	5.3	1,328.1	3.5	37,774.4	86.8	8,104.3	26,317.4	3,352.7
II. Recurrent Costs															
A. Government Staff	367.1	16.1	-	-	-	-	1,915.5	83.9	-	-	2,282.6	5.2	-	2,282.6	-
B. O&M	1,969.8	53.5	-	-	-	-	1,710.5	49.4	-	-	3,680.3	8.0	693.1	2,615.9	371.3
Total Recurrent Costs	2,336.9	63.5	-	-	-	-	3,626.0	63.1	-	-	5,962.9	13.2	693.1	4,898.5	371.3
Total PROJECT COSTS	6,124.6	14.0	29,955.7	68.8	692.7	1.6	5,636.1	12.9	1,328.1	3.1	43,737.3	100.0	8,797.4	31,215.9	3,724.0

APPENDIX 10: FINANCIAL AND ECONOMIC ANALYSIS

1. **Financial analysis.** The financial analysis focused on the financial viability of LGU CRM investments and activities and well as possible livelihood enterprises that the fishing communities may implement during the Project. The financial analysis for LGU CRM activities assessed the actual and future management cost and potential revenues that an LGU can generate from CRM. The financial viability of 13 potential livelihood enterprise models was assessed. These models include both fisheries-related and non-fishery related activities deemed useful for providing both supplementary and alternative sources of income while sustainably managing the fishery and coastal resources.

2. As a case study, the financial analysis assessed the cost of management and the revenues generated from CRM-related activities for the LGU of Guian, Eastern Samar. The result shows a financial loss in 2012. The cost of CRM intervention for the years 2014-2020 was estimated based on the LGU's existing multi-year CRM plan, but adjusted to include the cost of CRM intervention expected as a result of the implementation of the Project. Potential revenues were calculated based on the LGU's existing fishery data and the LGUs Basic Municipal Fishery Ordinance. Based on the study, the potential net revenue of the LGU ranges from PHP 0.96 – 4.1 Million depending on the effectiveness and efficiency of the implementation of the LGUs Basic Fishery Ordinance.

3. The financial analysis for each of the livelihood models covers a period of six years. Investment costs generally consist of: (i) equipment, work sheds, cage construction etc.; (ii) working capital required for the initial production cycle; and (iii) contingencies. The projected revenues for each microenterprise were based on the production volume for each year multiplied by the price of output at the point of sale. The cost (i.e., investment, production/operation costs, and revenues) were based from available data for livelihood and enterprise models from the Bureau of Fisheries and Aquaculture, the Department of Agriculture, the Department of Trade and Industry and State Universities and Colleges as well as project proposals submitted from the project sites. The without project scenario used to determine the impact of the sample livelihood/enterprise model was based on the sectoral poverty incidence of 2009. The project assumed that all investment and production cost as well as associated revenues, are incremental and would not have occurred without the Project. Based on the incidence of poverty in 2009, fishing households are the poorest basic sector group with a poverty incidence nationally of 44%. The 2009 Family Income and Expenditure Survey of the National Statistics Office shows that the bottom 30% income class to which the fishing households belong have a negative annual net income. The average annual household income in the proposed sites is PHP 38,879 with 8 sites having the highest average of PHP 47,820 and the Region 5the lowest with PHP 26,588 way below the PHP 62,000 national average income of the bottom 30% income class.

4. Table 1 presents the computed financial rates of return (FIRR) and benefit-cost ratio (BCR) of each enterprise. All enterprises are viable using 6% discount rate as prescribe in Appendix 55 of the Manual of Regulations for Banks by the *Banko Sentral ng Pilipinas* (BSP)¹. However, the menu of livelihood models used does not represent all regions/bays/gulfs as each site may have different suitability for different livelihood/ enterprise. These models are based on the list of proposed livelihood/enterprise proposed from specific project sites that are deemed financially viable. Livelihood/ enterprise will be implemented based on its potential and feasibility in specific sites.

Table 1: Summary of financial indicators for livelihood enterprise models – PHP

Microenterprise	Initial Capital (Php)	Ave. Gross Revenues (Php/Yr)	Ave. Operating Cost (Php/Yr)	Ave. Net Income (Php/Yr)	FIRR	NPV	BCR
1 Seaweed Farming	82,568	212,365	145,638	39,905	60%	161,769	1.27
2 Mudcrab Fattening	47,395	266,673	236,006	27,267	42%	74,425	1.11
3 Abalone and Trochus Pe	290,850	444,658	277,983	131,275	48%	428,448	1.35
4 Aquasilviculture	194,852	735,846	614,172	96,294	50%	302,306	1.15
5 Siganid Cage Culture	249,871	430,040	249,922	143,388	64%	525,158	1.46
6 Bangus Pen Culture	155,031	495,023	372,434	109,671	59%	365,082	1.26
7 Mussel Culture	57,874	153,136	101,121	39,064	49%	137,653	1.32
8 Dried Salted Fish	69,687	756,870	712,296	40,526	51%	115,959	1.08
9 Smoke Fish	78,534	1,513,741	1,463,329	46,841	47%	128,230	1.06

5. Sensitivity analysis was carried out to determine the effect of changes in output and cost. The

¹Interest rate for five-year loan is based on the 5-year T-bond interest rate plus two percent.

sensitivity analysis reveals that the livelihood and enterprise models are more sensitive to changes in output price compared to changes in cost.

6. **Economic Analysis.** The Project has an implementation period of seven years while economic life of the project interventions is assumed to be 20 years. All costs were included in 2011 prices. The values of coastal resources and the products from livelihood resources activities were valued at the border price levels and were adjusted using the shadow exchange rate factor (SERF) of 1.2, while labour costs were shadow priced at 0.60 to take account unemployment and underemployment. The values of the SERF and shadow wage are those proscribed by NEDA.

7. The identified quantifiable benefits that are attributable to the Project are the following: **(i) Increased Municipal Marine Fishery Production** refers to municipal marine fisheries production less production from coral reefs and mangroves; **(ii) Fishery values** refer to the net values of sustainably managed coral reef, mangrove and sea grass fisheries which include catch on the reef, mangrove and sea grass areas as well as the value supported outside of these areas but dependent on it (e.g., through spawning, aggregation); **(iii) Local uses** refer to the myriad of marketed and non-marketed uses from coral reefs, mangroves and sea grass that are not associated with the commercial fishery; **(iv) Erosion control function** refers to the ability of a given ecosystem to prevent coastal erosion or flooding; **(v) Global biodiversity values** are values which often motivate foreign assistance to attempt to conserve biodiversity; and **(vi) Livelihood and microenterprise projects** refer to the development of viable livelihood and microenterprise activities as means of alternate income.

8. The Project is economically viable as shown by the two viability indicators, the economic rate of return (EIRR) and net present value NPV. The Project analysis generated an EIRR of 27.68%, above the prescribed hurdle rate of 15%. The computed NPV of the whole project was PHP 2,354.94million using the 15% discount rate proscribed by NEDA. Table 2 shows the results of the analysis.

9. Sensitivity analysis was conducted to determine the effects of change in cost and benefit to the economic viability of the project. Table 3 presents the results of the sensitivity analysis for the project.

10. Besides the quantifiable benefits already described, there are also potential non-quantifiable benefits from the Project. The major non-quantifiable benefits will be: (i) stronger CRM Institutions; (ii) better inter-LGU cooperation; (iii) improved coastal resource management; (iv) more effective POs; (v) greater community welfare; and (vi) improved capacity of the national and local government staff in coastal resource and fisheries management.

11. Working Paper 8 has the detailed financial and economic analysis.

Table 2: Economic rate of return and net present value calculations

Years	Project Costs	Net O&M	Without Project Cash Flow	With Project Cash Flow	Net Cash Flow
1	621.84	166.53	7,350.49	7,350.49	(788.37)
2	516.29	167.36	7,205.00	7,314.21	(574.44)
3	346.98	168.30	7,062.40	7,302.78	(274.90)
4	178.71	168.72	6,922.62	7,306.23	36.17
5	110.78	168.72	6,785.62	7,302.14	237.02
6	-	171.91	6,651.33	7,328.46	505.22
7	-	171.91	6,519.71	7,330.46	638.84
8	-	171.91	6,390.70	7,326.76	764.16
9	-	171.91	6,264.24	7,330.45	894.31
10	-	171.91	6,140.29	7,344.75	1,032.55
11	-	171.91	6,018.80	7,386.44	1,195.74
12	-	171.91	5,899.72	7,444.74	1,373.11
13	-	171.91	5,783.00	7,519.19	1,564.28
14	-	171.91	5,668.59	7,594.38	1,753.88
15	-	171.91	5,556.46	7,670.32	1,941.96
16	-	171.91	5,446.54	7,769.26	2,150.81
17	-	171.91	5,338.80	7,885.52	2,374.81
18	-	171.91	5,233.20	8,003.53	2,598.42
19	-	171.91	5,129.70	8,123.30	2,821.70
20	-	171.91	5,028.24	8,244.88	3,044.73
Economic Internal Rate of Return (%)					27.68%
Economic Net Present Value at a Discount Rate of 15% (PhP million)					2,354.94

Table 3: Sensitivity analysis

Economic Indicator	Base Value	Decrease in Benefit by 10%	Increase in Cost by 10%	Decrease in Benefit by 10%, Increase in Cost by 10%	Decrease in Benefit by 20%	Increase in Cost by 20%	Decrease in Benefit by 20%, Increase in Cost by 20%
EIRR	27.7%	25.5%	26.4%	23.6%	23.1%	23.9%	19.8%
NPV	2,354.94	1,881.58	2,223.29	1,643.72	1,408.22	1,879.21	932.49

APPENDIX 11: DRAFT PROJECT IMPLEMENTATION MANUAL

A. Introduction

1. To ensure smooth start-up and implementation of the Project, BFAR (with consultancy assistance) will prepare the Project Implementation Manual (PIM) which will be reviewed by IFAD, before the start of PY1 and before any withdrawal applications can be submitted to IFAD. IFAD's review of the Project Implementation Manual (PIM) will be a pre-condition for disbursement. The guidelines in the PIM will be consistent with the Government's and IFAD policies, systems and procedures. Preparation of the PIM will start following the project design completion mission, with the final modifications made following the financing negotiations between IFAD and the Government. The PIM will be discussed during the start-up workshops. The PIM should be simple, but sufficiently informative so that the users can easily follow the procedures. The use of diagrams and flow charts will make the contents easier to understand.

2. A proposed outline is shown below which has been adapted from the PIM for an ongoing project, namely the Rapid Food Production Enhancement Programme.

B. Table of contents

Acronyms

Introduction

- A. Rationale
- B. Objectives
- C. Statement of policies
- D. Logical framework
- E. Social and environmental considerations

Project management and coordination

- A. Organizational structure
- B. Staffing arrangements
- C. Administration and communication flow
- D. Equipment provision
- E. Planning and budgeting
- F. Financial management and disbursement
- G. Procurement arrangements
- H. Reporting procedures
- I. Monitoring and evaluation
- J. Project reviews and supervision arrangements
- K. Mid-Term and project completion reports
- L. Handling of complaints

Coastal resources management

- A. Coverage and targets
- B. Eligible Investments and selection criteria
- C. Implementation roles and responsibilities
- D. Mechanisms of implementation and guidelines
- E. Implementation schedule
- F. Monitoring forms

Livelihood development

- A. Coverage and targets
- B. Eligible investments and selection criteria
- C. Implementation roles and responsibilities
- D. Mechanisms of implementation and guidelines
- E. Implementation schedule
- F. Monitoring forms

Tables

Table 1:	Summary of project costs by category of expenditure by financier
Table 2:	Summary of project costs by component by financier
Table 3:	IFAD loan and grant financing - categories of expenditure with financing percentages
Table 4:	Procurement arrangements
Tables:	Detailed project costs by year – current prices (COSTAB generated)

Figures

Figure 1:	Project organization structure
Figure 2:	Communication flow
Figure 3:	Flow of funds and financial reports
Figure 4:	Monitoring and evaluation system framework - results flow

Appendices

Appendix	Administrative Order No. ..
Appendix	Draft memoranda of agreement (BFAR/LGU)
Appendix	Draft sub-project agreement (LGU/PO)

Annexes

Annex 1:	List of eligible LGUs and coastal <i>barangays</i>
Annex 2:	Process for preparing programmes of work for rural infrastructure investment
Annex 3:	Execution of local minor contract-procurement and implementation
Annex 4:	Standard monthly progress report guidelines
Annex 5:	Pro-Forma contract agreement
Annex 6:	Financial management form

APPENDIX 12: COMPLIANCE WITH IFAD POLICIES

A. Compliance with IFAD policies

1. As described in the Main Report and the preceding Appendixes, the Project design is consistent with key IFAD policies relating to targeting, gender, Indigenous Peoples, private sector participation and rural financial services.

B. Environmental Screening and Scoping Note

Brief description of project and components

2. The Project will have three components namely: (i) Coastal Resource Management; (ii); Livelihood Development; and (iii) Project Management and Coordination. Adaptation to climate change, capacity building and gender mainstreaming will be an integral part of all the Project-financed activities in the communities of the target bays.

3. The Project will adopt the ecosystem approach to CRM and include among its interventions, activities that will protect both the aquatic and coastal zone habitats including mangroves, coral reefs and sea grasses. The Project's design adopts a bay-wide approach to the management of coastal resource and municipal fisheries involving contiguous municipalities that need to work together to protect and rehabilitate and sustainably manage the coastal and fisheries resources of the individual bays, with support from BFAR and other relevant government agencies as part of the NCI. The details are included in the Main Report and in Appendix 4.

Major site characteristics

4. Under the FishCORAL Project, 11 bays and gulfs were selected as Project sites located in 14 provinces of 4 regions and covering about 1,098 coastal *barangays* in 97 municipalities and 6 cities. These are **Region 5**: Ragay Gulf (Bicol-side), Asid Gulf and Albay Gulf; **Region 8**: Matarinao Bay, Leyte Gulf, Silago-Cabalian Bays, and Maqueda Bay; **Region 13** (Caraga): Butuan Bay, and Lianga/Hinatuan/Bislig Bays; and **ARMM**: Illana Bay and Sulu Sea. Working Papers 1 and 2 include details of the resources of the bays/gulfs

Issues in natural resources management

5. The target groups experience the effect of over fishing which is common. According to the available data the average fish catch has declined and is now 2-3 kg per person per trip (six hours) in lean months and 8-10 kg per person per trip (six hours) in peak months. Related issues and concerns in the target bays are intrusion of commercial vessels, dynamite fishing, use of sodium cyanide, compressor fishing, use of fine mesh nets, degradation of coral reefs and mangroves, the latter due to unsustainable practices of cutting trees, conversion of mangrove forests to fishponds or settlements, pollution, siltation and erosion. These problems have reduced the productivity of the coastal resources and affect the livelihood of households dependent on the municipal fisheries and living in the coastal *barangays*. Most of these issues relate to: (i) the failure to enforce the existing regulations and manage the resources sustainably; (ii) a lack of alternative sources of livelihoods to reduce the incidence of poverty among the fishing communities; and (iii) inadequate technical assistance to develop the capacity of local communities and government units to improve coastal resource use and management. Specific examples are described in the following paragraphs.

6. The households living in the coastal zones are vulnerable to an increasing number of extreme weather events e.g. typhoons, and an increase in sea water temperatures and a depletion of the oxygen levels, which is resulting in declining fish populations. The latter is contributing to reduced catches of key fish species and lower household incomes.

7. **Region 5**. Bicol has one of the highest risk environments in the country, with about 20 tropical cyclones a year. Mayon and Bulusan volcanoes threaten residents in Albay and Sorsogon. The regional development plan's objective is to 'achieve zero casualty and minimum damage to property during emergencies and disasters and includes CRM strategies that the Project will be promoting e.g. mangrove reforestation.

8. **Region 8**. The Project bays/gulfs face environmental risks including earthquakes, volcanic

eruptions, tsunamis, liquefaction and landslides. One of the strategic development objectives of the region is the promotion of an ecosystem-based management approaches, conservation efforts, and sustainable environment to reduce climate change risks and vulnerability of natural ecosystems.

9. In Silago-Cabalian Bay of Southern Leyte, Region 8, coral reefs are endangered by the invasive “Crown of Thorns”, a predator of live coral, and so destroying the bay’s fish spawning grounds and the fish sanctuary. In Maqueda Bay, particularly in the Municipality of Jiabong, the mussel industry is in decline because of heavy pollution, depletion of oxygen and increasing sea water temperature.

10. In Matarinao Bay, a seaweed farming area is seriously affected by heavy siltation due to unregulated small-scale mining upstream of a river flowing into the bay. Seaweed farmers have experienced damage to their enterprises incurring losses and discouraging them from continuing further with this livelihood enterprise.

11. **Region 13.** The depletion of coastal and marine resources can be associated with siltation of major river systems and coastal areas; mining of corals for landfill; blast fishing and other unsustainable fishing practices; and slow but continued destruction of mangroves and lowland forests for agricultural purposes, resettlement, tourism development, and firewood making. The Regional Development Plan includes strategies to address these issues that are consistent with the Project proposals e.g. establishment of fish sanctuaries, enforcement of fishery laws, aquaculture development, mangrove rehabilitation and other CRM initiatives, investment in fish ports and processing facilities.

12. **ARMM.** Decades of logging and pollution pose a threat to the natural resources of the ARMM region, yet the fishing industry with rich marine resources – offers an excellent opportunity for improving the economic wellbeing of the people. The seaweed culture in Illana Bay is subject to strong winds from March to September each year affecting production during those months. The region is currently preparing their Two-Year Regional Development Plan.

Potential environmental impact and risks

13. **Rural infrastructure support** - Rural infrastructure required by this Project will primarily be to support sustainable fisheries and enterprise development for members of the fishing communities in the target bays as well improving the management of the coastal resources. It will also improve the coordination capability of BFAR, the participating LGUs and the coastal communities by providing the necessary facilities and equipment to effectively and efficiently safeguard the fragile resources of the target bays/gulfs.

14. The rural infrastructure proposed is basically small-scale and would not have any substantial impact on the environment. However, minor impacts during construction are expected and these could readily be mitigated through proper implementation procedures. Enumerated below are potential issues and impacts for each type of rural infrastructure with the corresponding recommended mitigation measures.

15. **Building structures:** (e.g. Watch tower, processing building and community-based multi-species hatchery). The environmental and social impacts of building these structures may include entry of an external workforce that may trigger interpersonal conflicts and possible illegal or unauthorised sourcing of construction materials from private property or prohibited areas during construction. It is therefore necessary to give a preference to hiring qualified members of the local community, including women and IP (if any), and to limit the employment of external workers to highly specialised skills unavailable locally and ensure these workers are briefed as to what is proper behaviour while on site. Procurement of construction materials will be from sources with valid environmental clearances, i.e. for sand and gravel, from those with DENR- Mines and Geosciences Bureau/Environmental Management Bureau permits; for timber resources, from those with valid DENR- Forest Management Bureau/Environmental Management Bureau permit. The use of mangrove and coral as building materials will be strictly prohibited and monitored and is included on the Project’s negative list. Buildings may generate garbage and this can be mitigated with the provision of rubbish bins for proper segregation and disposal of biodegradables and non-biodegradable materials and by assigning janitors when the building is operational.

16. **Livelihood support facilities:** (e.g. solar dryer on stilts with storage area, fish cages, fish dryers, and eco-tourism boardwalk). The majority of the materials necessary for these facilities would be indigenous to the locality such as bamboo and hardwood timbers from local suppliers. However, since mangroves are also ideal for this purpose and available in coastal areas, a possible adverse impact would

be the illegal sourcing of these materials from areas with a substantial area of mangroves. It is therefore imperative that the *barangay* officials and the community members keep a close watch for illegal sourcing of these construction materials. Opening up mangrove areas by constructing eco-tourism boardwalks will also expose the area to possible resource exploitation with the easy access provided. Constant monitoring of illegal activities will help in preventing this from happening.

17. **Access infrastructure:** (e.g. fish landing facilities - jetty or timber type, and access road improvements). The biggest potential adverse environmental impact for these types of facilities during construction is the use of coral as a building material. It must be stated beforehand that using dead coral for construction is strictly prohibited by law as is the use of mangroves for timber. Access road rehabilitation will also possibly cause obstruction to traffic, expose the children to traffic accidents, and increase the amount of suspended dust particulates causing air pollution. However, these impacts are temporary in nature and can be readily mitigated through proper implementation procedures such as using traffic enforcers and regular wetting of dusty roads especially on sunny days.

18. **Delineation markers and artificial coral reefs** may pose a danger to those diving to observe the fish, if they get tangled up with the nylon cords and concrete blocks (supplementary artificial coral reefs). Warning signs need to be installed at strategic places above and below the water surface.

19. To mitigate the impact of rising sea levels and violent storms, the location of rural infrastructure sub-projects will avoid areas prone to rough seas and be constructed in areas beyond the reach of high tides. Structural members of each sub-project will be made of reinforced concrete and designed to withstand the latest observed maximum wind velocities during tropical storms. For sea-based structures like fish landing facilities, careful selection of sites will ensure that these are the least affected areas by rough seas and the structures will have a freeboard allowance of at least 1.00 metre above the highest observed sea level.

20. **Mitigation measures.** Given these potential adverse environmental impacts and to safeguard the interest of the community and visitors alike, procedures for including mitigating measures will be established during construction and subsequent operation of the completed facilities. The Project will use recommended safeguards for each sub-project contract and incorporate construction Best Management Practices guidance in the design of each type of rural infrastructure financed by the Project. Project will strictly comply with ECC/CNC in its implementing guidelines. The CNC for the project has been issued by the DENR-EMB. As advised by EMB, ECC for sub-projects will be issued by the concerned DENR regional offices.

21. **Impact of mining operations on marine based farming.** As a rule, the fishing communities are advised not to engage in marine based cultivation or farming activities, e.g. seaweed farming or fish cage cultivation, where mining operations have a negative environmental impact.

Potential social impact and risks

22. The Project will finance coastal resource management and livelihood development proposals that have been proposed by the communities and POs and included in municipal/city development plans. One potential risk is that some individuals may become over involved e.g. as a leader of the PO, member of the FARMC, a FLET volunteer and a *Barangay* Official. A careful matching of roles, interests, needs, and skills is necessary and will be more sustainable in the long run than an overconcentration of the same people in multiple positions.

23. In terms of site selection the following considerations will be taken into account: (i) the infrastructure would not obstruct any navigational routes; (ii) it complies with any zoning ordinances; (iii) does not disturb any fishing grounds; (iv) is not located in an IP domain (unless operated by IPs); (v) is not located in a MPA or FS or would adversely affect a MPA or FS by affecting the water flows; and (vi) the fish cages would not be located on the coral reef or seagrass beds, while any loose anchors cannot damage the coral reef or seagrass beds. In terms of management the use of fresh fish as a feed stuff must not compete with the use of fish for human consumption or adversely impact on the ecosystem (e.g. unconsumed fish), while the over use of artificial feeds would be avoided to prevent an adverse impact on water quality.

24. To address the issue of overfishing and law enforcement issues, the Project will support LGUs to: (i) develop their capacity to manage the municipal fisheries, including the registration of municipal fishermen, boats and gear; (ii) raise awareness among the local communities concerning the issues of

overfishing and environmental issues e.g. impact of an increase in extreme weather events; and (iii) educate the municipal prosecutors and judges in fisheries and environmental law. In addition, the Project will develop the capacity of the FLETs and include any pre-existing fisheries management systems as part of the approach to the management of the municipal fisheries. The Project will also assist BFAR to work with the civilian law enforcement agencies to implement the fisheries law. Finally, the Project will support the monitoring by BFAR of sea temperatures and acidification, including the provision of laboratory equipment for BFAR in ARMM, as an addition to the regular BFAR monitoring that focuses on red tides and algal blooms. It was agreed with BFAR Central Office that when other three regions require support to their laboratories, BFAR Central Office would provide its support from the government regular budget. The project will link this monitoring to the Early Warning System (Nationwide Operational Assessment of Hazards) for disaster risk reduction, introduced earlier in 2013 by the Department of Science and Technology.

Environmental category

25. Under the Philippine Environmental Impact Statement System, the Project is classified both as **Category “C”** and **Category “D”** for the following reasons:

- **Category “C”** since the Project is intended to directly enhance the quality of the environment or address existing environmental problems in coastal areas; and
- **Category “D”** since the rural infrastructure components are small-scale and do not fall under other categories i.e. **Category “A”** are Environmentally Critical Projects –with significant potential to cause negative environmental impact and **Category “B”** are not environmentally critical in nature, but which may cause negative environmental impacts because they are located in Environmentally Critical Areas, and unlikely to cause adverse environmental impacts.

26. Given this classification, no further data collection or assessment is necessary. **Category “C”** projects are required to submit Project Description for issuance of Certificate of Non-Coverage and a **Category “D”** project is considered to be outside the purview of the Philippine Environmental Impact Statement System, and will be issued Certificate of Non-Coverage upon request by BFAR. However, DENR-EMB may require such projects to provide some additional environmental safeguards as it may deem necessary.

27. The Project’s emphasis will be on capacity building of poor coastal communities and on improving their livelihoods and incomes by improving product quality and market links. Neither of these directly impinges upon the environment. The Project’s awareness raising activities will increase community consciousness of the need to follow sustainable production practices.

28. Finally, avoiding interventions to increase fish capture, while advocating fish culture and other marine related livelihood activities will hopefully reduce the pressure on the fisheries resources and allow fish capture volumes to increase in the near future. However, more direct efforts to reduce the fishing effort may be necessary to avoid a collapse of some fish stocks.

Environmental and social safeguard policies

29. Environmental and social safeguard policies are an integral part of the Project’s overall design. Selection criteria that ensure full involvement of women and IPs and protecting the environment from the adverse effects of construction and operation and maintenance of completed rural infrastructure facilities will be established as the basis for Project financing. The design of rural infrastructure sub-projects to support both CRM and livelihood activities will consider the effects of extreme climate events and ensure that climate proofing measures are in place (see above).

30. Each type of proposed infrastructure sub-project will incorporate an Environmental Impact Assessment and Management and Monitoring Plan to ensure that any potential adverse impact, although small and temporary in nature will be addressed and mitigated appropriately and monitored accordingly. The Environmental Impact Assessment and Management and Monitoring Plan will include a forecast of potential impacts, when and what will possibly happen through all stages from pre-construction, construction, to operation and maintenance, what are the recommended mitigating measures, who will be responsible for complying with the measures, and who will be monitoring compliance with the plan.

31. Sustainability of completed rural infrastructure facilities will be ensured through the establishments of Operation and Maintenance (O&M) Committees and Associations with the full involvement of the *barangay* officials. These organizations will be trained and will be involved from the identification stage

until completion to build up a sense of ownership. Local ordinances for proper use of facilities with sanctions for erring users will be legislated and enforced accordingly.

32. During the community consultations, a significant number of women from the communities attended and stated that their fishermen-spouses need to focus on improving their fishing activities, while the women require assistance with fish processing and trading and in managing the POs. It will be important for the Project to ensure that women participate in these POs as members and as leaders, but not just a token participation, but through a significant involvement e.g. as 40-50% of both the membership and leaders.

33. It will be important to refer to the Magna Carta for Women, ARMM GAD Code, Magna Carta for the fishermen and the Fatwa for the Coastal Resource Use in the ARMM for guidance on the involvement of men and women in the Muslim fishing communities.

Environmental monitoring

34. The Project will adopt a community-based approach to implementation, including aspects of participatory monitoring. Environmental protection and social safeguard monitoring will be part of the Project's M&E system. Capacity building interventions will be provided for organized O&M committees, associations, and organizations including *barangay* officials for each type of rural infrastructure interventions financed under the Project (Working Paper 4).

35. Gender-sensitive monitoring and evaluation needs to be adopted to ensure that measures to address poverty and increase incomes include data on the environment, and the effects and benefits to both women and men. The IFAD Gender Policy and the NEDA's Harmonized GAD Guidelines will be an important input in designing the M&E system.

Consultations with beneficiaries

36. The IFAD Design Mission conducted beneficiary consultations in eight bays in 10 provinces in five regions from 17th-31st October, 2012 and the mission, divided into two teams, and visited selected communities (see table below). The purpose was to validate the Project Concept Paper prepared previously by BFAR and to gather first-hand information on the current issues and concerns that beset the target sample bays/gulfs to serve as inputs to the initial Project design, and inspect the proposed Project areas.

37. Consultations were held with representatives from the BFAR Regional and Provincial Offices and the municipal LGUs represented by the MPDCs and the MAOs, representatives from the FARMC, team members of the FLET and some *barangay* officials. A few other members of the community also joined the consultations. The participants were a mix of fishing households, other community members, NGOs and LGU representatives. About 40% were women and 60% men with 15 to 60 attending each consultation. Separate discussions were also held with the women's groups, the MAOs and MPDCs.

38. Depending on those present, the consultations revolved around current livelihood activities, existing issues and problems, suggestions and recommendations for future development, validation of data and data collection, possible Project roles, gender issues and suggestions from community women. For the rural infrastructure, a site inspection to look at their pressing infrastructure needs was also conducted.

Region	Province	Date	Participants
IV-B	• Quezon, Palawan	23 rd October 2012	20 (women); 30 (men)
V	• Calabanga, Camarines Sur	26 th October 2012	30 (women); 30 (men)
	• Casiguran, Sorsogon	27 th October 2012	15 (women); 20 (men)
VIII	• Hernani, Eastern Samar	23 rd October 2012	9 (women); 21 (men)
	• Hinunangan, Southern Leyte	24 th October 2012	12 (women); 28 (men)
XIII	• Cabadbaran City, Agusan del Norte	18 th October 2012	8 (women); 20 (men)
	• San Agustin, Surigao del Sur	19 th October 2012	13 (women); 30 (men)
ARMM	• Kapatagan, Lanao del Sur	29 th October 2012	15 Muslim women only
Total	8 consultations		122 (women); 179 (men)

39. These consultations exclude those undertaken during the preparation of the BFAR concept note.

References

1. Procedural Manual for DENR DAO 2003-30
2. Magna Carta for Women
3. ARMM GAD Code
4. Fatwa for Resource Use in Region ARMM
5. IFAD Gender Policy
6. NEDA's Harmonized GAD Guidelines
7. Region5, NEDA Regional Development Plan (2011-2016)
8. Region8, NEDA Regional Plan (2011-2016)
9. Region13, NEDA Regional Development Plan (2011-2016)
10. Striking the Balance: Ownership and Accountability in Social and Environmental Safeguards, Gaia Larsen and Athena Ballesteros, World Resources Institute, April, 2013
11. World Bank Safeguard Policies
12. FAO and IFAD Environmental Safeguards.

Targeting and Gender

Targeting checklist for project design

Targeting Checklist	Design
1. Does the main target group - those expected to benefit most- correspond to IFAD's target group as defined by the Targeting Policy (poorer households and food insecure)?	The design targets the fisher folk and the women and men fishers in coastal communities.
2. Have target sub-groups been identified and described according to their different socio-economic characteristics, assets and livelihoods - with attention to gender and youth differences? (matrix on target group characteristics completed?)	Sub-groups have been identified also such as women-headed households, out-of-school and the indigenous peoples in coastal communities. The matrix of sub-groups has been completed also.
3. Is evidence provided of interest in and likely uptake of the proposed activities by the identified target sub-groups? What is the evidence? (matrix on analysis of project components and activities by principal beneficiary groups completed?)	The sub-projects that have been incorporated have been generated from the coastal communities and the poor fisher organizations in consultation with the poor women and men fishers in the coastal communities. These were confirmed and validated during the consultations with the fisher folk during the appraisal and design missions conducted. The matrix of components and analysis have been discussed and completed also in the various working papers.
4. Does the design document describe a feasible and operational targeting strategy in line with the Targeting Policy, <i>involving some or all of the following measures and methods:</i>	
4.1 <i>Geographic targeting – based on poverty data or proxy indicators to identify, for area-based projects or programmes, geographic areas (and within these, communities) with high concentrations of poor people</i>	Geographic targeting conducted based on poverty data of the proposed bay/gulf sites with high concentration of poor households where poverty indices were collected.
4.2 <i>Direct targeting - when services or resources are to be channelled to specific individuals or households</i>	Direct targeting has been incorporated in terms of the poor women-headed households, out-of-school youth and indigenous peoples living in coastal communities.
4.3 <i>Self targeting – when goods and services respond to the priority needs, resource endowments and livelihood strategies of target groups</i>	Self-targeting has been incorporated in terms of the fisher folk organizations who comply to the eligibility criteria and compliance to the requirements for eligibility
4.4 <i>Empowering measures - including information and communication, focused capacity- and confidence-building measures, organisational support, in order to empower and encourage the more active participation and inclusion in planning and decision making of people who traditionally have less voice and power</i>	The design calls for a 40% participation rate of women as members and leaders of the fisher folk organizations. Strategies for the strengthening of fisher folk organizations have been incorporated likewise. Likewise their participation in decision-making bodies has been encouraged for greater participation in planning and implementation.

<p>4.5 <i>Enabling measures –to strengthen stakeholders’ and partners’ attitude and commitment to poverty targeting, gender equality and women’s empowerment, including policy dialogue, awareness-raising and capacity-building</i></p>	<p>These measures were also incorporated to ensure targeting of poor people (women and men). Strategies for women empowerment and pro-active gender mainstreaming have been incorporated likewise. Policy-related actions have also been included.</p>
<p>4.6 <i>Attention to procedural measures - that could militate against participation by the intended target groups</i></p>	<p>Measures have been incorporated that the target groups who have registered as fishers are prioritized and strongly considered for project assistance. The presence of their registration certificates demonstrate their interest in participating in this project.</p>
<p>4.7 <i>Operational measures - appropriate project/programme management arrangements, staffing, selection of implementation partners and service providers</i></p>	<p>Management arrangements, staffing and selection have been clarified. Partners and service providers will have to be procured following procurement guidelines of the IFAD and the Philippine Government and transparency in procurement has been encouraged.</p>
<p>5. Monitoring targeting performance. Does the design document specify that targeting performance will be monitored using participatory M&E, and also be assessed at mid-term review? Does the M&E framework allow for the collection/analysis of sex-disaggregated data and are there gender-sensitive indicators against which to monitor/evaluate outputs, outcomes and impacts?</p>	<p>The monitoring of targeting performance have been likewise incorporated using participatory m&e and assessed at mid-term review. Sex disaggregation will also be collected and gender sensitive indicators have been included to be monitored/evaluated in terms of outputs, outcomes and impacts.</p>

Gender checklist for project design

<ul style="list-style-type: none"> Strengthen women's decision-making role in the household and community, and their representation in membership and leadership of local institutions; 	
1. The project design report describes the key elements for operationalizing the gender strategy, with respect to the relevant project components.	
2. The design document describes - and the project implements - operational measures to ensure gender- equitable participation in, and benefit from, project activities. These will generally include:	
2.1 <i>Allocating adequate human and financial resources to implement the gender strategy</i>	Allocation has been incorporated to implement the gender strategy
2.2 <i>Ensuring and supporting women's active participation in project-related activities, decision-making bodies and committees, including setting specific targets for participation</i>	Women's active participation has been targeted where 40% participation rate of women as members and as leaders have been incorporated.
2.3 <i>Ensuring that project/programme management arrangements (composition of the project management unit/programme coordination unit, project terms of reference for staff and implementing partners, etc.) reflect attention to gender equality and women's empowerment concerns</i>	Program management, staff and partners have been ensure that attention to gender consideration is promoted; gender balance recruitment of staff and partners to be ensured that these are gender-aware and supportive at procurement stages to ensure that those procured or tapped for collaboration are gender-aware and supportive.
2.4 <i>Ensuring direct project/programme outreach to women (for example through appropriate numbers and qualification of field staff), especially where women's mobility is limited</i>	Staff recruitment is to be gender-balanced and women field staff is encouraged. In a review of the gender of current extension workers, there was gender balance.
2.5 <i>Identifying opportunities to support strategic partnerships with government and others development organizations for networking and policy dialogue</i>	Partners have been identified and the project is encouraged to expand these partnerships. Government gender-sensitive structures and gender focal persons are also to be mobilized and the project to become an active member of the FAD-Philippine Gender Network. Gender Focal Person of the project has also to be identified.
3. The project's logical framework, M&E, MIS and learning systems specify in design – and project M&E unit collects, analyses and interprets sex- and age-disaggregated performance and impact data, including specific indicators on gender equality and women's empowerment.	The logical framework of the project will collect sex disaggregated data and gender-relevant information and other specific indicators on gender equality and women's empowerment.

APPENDIX 13: CONTENTS OF THE PROJECT LIFE FILE

A. Documents

1. The following project design related documents are available in the Project Life File:
 - Concept note, September 2012.
 - Aide-mémoire of the project design mission, 6th November 2012.
 - Aide-mémoire of the project design completion mission, 1st July 2013.
 - Revised draft project design report (including 17Appendixes).
 - Working Papers 1-8 prepared by the project design mission, have been used to help prepare the project proposals described in the project design report and the appendixes. These working papers include much background material but more details than is possible to include in the appendixes where there the page numbers are restricted. Not all the proposal included in the Working Papers has been included in the final Project design.
 - Working Paper 1: Poverty, targeting and gender mainstreaming.
 - Working Paper 2: Coastal resource management.
 - Working Paper 3: Livelihood development.
 - Working Paper 4: Rural infrastructure.
 - Working Paper 5: Institutions and implementation arrangements.
 - Working Paper 6: Monitoring and evaluation, learning and knowledge management.
 - Working Paper 7: Project costs and financing.
 - Working Paper 8: Financial and economic analysis.
 - Working Paper 9: Financial management assessment.
2. Other relevant documents are:
 - IFAD Country Strategic Opportunities Programme (COSOP) for the Republic of the Philippines 2010-2014

APPENDIX 14: TIMETABLE FOR THE IFAD FINANCING

Task/Activity	Responsible Agency	Outputs	Actual
Project Design Review and Approval Process			
Wrap-up meeting for Design Completion Mission	BFAR (Central and Regions V, VIII, XIII and ARMM), DA, NEDA, DOF and IFAD mission	Aide-Mémoire agreed by all parties, with three Annexes: Action Plan and Timetable for IFAD Financing; a Preliminary List of Assurances for Negotiations; and a Draft Letter to the Borrower	1 st July 2013 in Manila
Confirmation of agreement to the Aide-Mémoire	IFAD and BFAR in consultation with NEDA, DBM	Letters of confirmation of agreement to the Aide-Mémoire exchanged between the Government and IFAD	By 31 st July 2013 ²
Preparation of the Revised Project Design Report	Project Design Completion Mission	Revised Project Design Report submitted to IFAD	Early August 2013
Distribute Revised Project Design Report	IFAD and BFAR	Revised Project Design Report submitted to government for the DA clearing house review and to prepare the documents for the NEDA/ICC review	Early September 2013
Review of Revised Project Design Report	DA - EXCOM and DA-TECHCOM	Revised Project Design Report complies with DA readiness criteria of the DA clearing house prior to NEDA/ICC submission	September 2013
Quality Assurance Review	IFAD	Any substantive changes agreed during the Review will be incorporated into the Project Design Report with the changes communicated to the government	23 rd September to 5 th October 2013
Prepare documents needed for the NEDA/ICC review	BFAR Project Management Office with oversight assistance of an IFAD consultant	Submission of draft Project Design Report plus documents required by NEDA to NEDA	Mid- October 2013
Recruit the Project Coordinator as PSCO head	BFAR and IFAD	Project Coordinator recruited with TOR based on Appendix 5.	October 2013
Carry out the RIMS + baseline survey in the target bays	BFAR and IFAD	RIMS baseline survey undertaken by a service provider in all target bays on a sample basis. IFAD will provide the TOR (by 15 th July)	February 2014
Government review process	NEDA/ICC	Government review of the Revised Project Design Report and documents required by NEDA and prepared by BFAR	March 2014 – May 2015

² If no confirmation received by the deadline, it means that the government or IFAD agrees to the contents of the signed aide memoire.

Task/Activity	Responsible Agency	Outputs	Schedule
Project Design Review and Approval Process			
Preparation of Report and Recommendation of the President	IFAD	Report and Recommendation of the President submitted to IFAD Executive Board members	May 2015
Government approval process	NEDA Board and DOF	Project design approved by Government and proposed financing by IFAD	May 2015
Submit draft Project Financing Agreement	IFAD	Draft Project Financing Agreement and invitation to negotiations sent to the Government for review and preparation for Negotiations.	January 2015
Negotiations in Manila or Rome	Government and IFAD	Negotiated Text of Project Financing Agreement and Minutes of Negotiations initialled and signed	June 2015
Finalise Project Design Report to incorporate changes agreed during the negotiations	IFAD	Project Design Report finalised based on the results of the financing negotiations	June 2015
Submission of Duly Cleared President's Report to IFAD Secretary	IFAD	Translation and Dispatch of Report	June 2015
Present the project to the Executive Board of IFAD for approval	IFAD	Approval by the EB of IFAD, and DOF, BFAR, NEDA and DBM informed of the decision	September 2015
Signing of Project Financing Agreement	DOF and IFAD	Project Financing Agreement countersigned by President of IFAD and authorised representative of the Borrower	September
Preparation and Approval of the Project Implementation Manual (PIM)			
Prepare Draft Project Implementation Manual	BFAR Project Management Office with the assistance of a BFAR recruited consultant	A draft of the Manual based on the outline in the Draft Project Design Report, including formats for the Memoranda of Agreement (MOA) and submitted to IFAD for review and comment	February 2015
Review of the draft PIM	IFAD	PIM reviewed with comments from IFAD submitted to BFAR	May 2015
Finalisation of the PIM	BFAR	Final version of the PIM prepared with IFAD comments reflected in the final PIM	May 2015
Conditions Precedent to Withdrawals			
Fulfilling Conditions precedent to withdrawal of the IFAD Financing, as provided in the Project Financing Agreement	BFAR, DOF/BTr, DBM, IFAD	All Conditions precedent to withdrawal as provided in the revised Project Design Report and the Project Financing Agreement met and evidence submitted to IFAD and accepted	
Submit the PY1 AWPB and APP to IFAD for review and comment	BFAR	PY1 AWPB and APP submitted to IFAD for review and comment	
Start Up Workshop	IFAD, BFAR	Clear understanding of project strategy, approaches, activities, management structure, and implementation arrangements, planning and budgeting procedures, financial management, procurement and loan disbursement procedures, reporting and M&E/KM (including the RIMS). Project implementation strategy and schedule agreed.	

Task/Activity	Responsible Agency	Outputs	Schedule
Project Management Staffing and Systems			
Establish the Project Steering Committee (PSC)	BFAR	The PSC will have representatives from all national agencies involved in project implementation and chaired by DA Secretary or Undersecretary for Fisheries, with BFAR Director or Assistant Director as Co-Chair	
Establish the Project support and Coordination Office (PSCO)	BFAR	Office established under the BFAR Project Management Office with staff designated and contracted by BFAR (including a full-time contract Project Coordinator), and TA as indicated in the Project Design Report. Designated staff to stay in position until the Mid-Term Review	
Establish the Regional Coordination and Support Committees	BFAR in Regions V, VIII, XIII and ARMM	Committees established with a membership from all regional agencies with a role in project implementation, and including beneficiary representatives. Chaired by the BFAR Regional Director, but in ARMM co-chaired by DAF ARMM Secretary and BFAR Regional Director	
Establish the Regional Project Management Offices (RPMOs)	BFAR in Regions V, VIII, XIII and ARMM	Offices established under the BFAR Regional Directors with staff designated and contracted by BFAR as indicated in the Project Design Report. Designated staff to stay in position until the Mid-Term Review	
Establish the Municipal/City Project Management Offices (MPMOs/CPMOs)	LGUs with PY1 Sub-Projects in Regions, V, VIII and XIII	Offices headed by the Municipal/City Agriculturalist with the Fisheries Technicians and community facilitators; assisted by the municipal/city natural resources officer and other LGU departments (e.g. planning and coordination, engineering, finance and the Bids and Awards Committee)	
Establish the Municipal Project Implementing Units (MPIUs)	Provinces with PY1 Sub-Projects in ARMM	Offices established in each BFAR Provincial Office under the Provincial Fisheries Officer and staffed by a BFAR ARMM municipal fisheries coordinators and community facilitators	
Setting up the financial management system	BFAR	Sound financial management system, including fund flow procedures, disbursements, internal controls, accounting procedures and physical and financial reporting procedures established at central, regional, municipal levels	
Setting up the systems for M&E, reporting and impact assessment	BFAR with IFAD assistance	An effective and functioning system of M&E, physical and financial reporting and impact assessment (including the RIMS) set up with clear procedures and formats; training in the M&E operations provided to the concerned staff	

Task/Activity	Responsible Agency	Outputs	Schedule
Procurement of Goods, Services and Civil Works			
Prepare the assessment of existing vehicle inventories for approval and specifications for vehicles and major purchases of office equipment	BFAR PSCO, RPMOs and DBM,	Government approves the procurement of the proposed vehicles and final specifications prepared and approved at regional and central levels for review by IFAD	
Prepare bidding documents for major PY1 procurement of goods and services	BFAR PSCO and RPMOs	All bidding documents ready for tendering following the procurement procedures in the Project Financing Agreement and submitted to IFAD for prior review and approval	
Advertising, tendering of procurement of goods, services and negotiation of contracts	BFAR PSCO and RPMOs	Procurement process is completed up to the stage of completion of negotiation of contracts	
Award of negotiated contracts	BFAR PSCO and RPMOs	Contracts awarded	After Loan Effectiveness
Other Pre-project Activities			
Prepare a proposal for retroactive financing of key project start-up activities	BFAR	A proposal for the retroactive financing from the IFAD loan for key activities e.g. preparation and finalisation of the PIM, preparation of bidding documents etc. for procurement in PY1, establishment of the PSCO, RPMOs etc. submitted to IFAD for inclusion in the Project Design Report	
Ensure that the LGUs with PY1 sub-projects include their counterpart contribution in the their Annual Investment Programme for 2016	BFAR Regions	All LGUs with sub-projects starting in PY1 have included their counterpart contributions in the their Annual Investment Programme for 2016	

APPENDIX 15: GOOD GOVERNANCE FRAMEWORK

1. In all instances, the Project Financing Agreements will be the overriding legal document. The Government procurement policies, procedures and documentary requirements under Philippine Republic Act 9184 will be applicable to the extent there is no discrepancy with the Financing Agreements or the Procurement Guidelines of the IFAD. In the event there is a discrepancy, then the Financing Agreements and the Procurement Guidelines of the IFAD will apply.

No.	Issues/Risks	Action to Mitigate Risks/ Responsible Entity	Targets/Frequency
1	Risks of corruption and fraud <ul style="list-style-type: none"> • Collusion during bidding process. • Biased bid evaluation. • Suppliers and contractors offering incentives for favourable treatment. 	BFAR as the lead agency will use its BAC at the Centre and in the four Regional Offices (Centre and Regions, 5, 8, 13 and ARMM), and likewise in the implementing LGUs, in Regions 5, 8 and 13, where funds are provided as per MOAs between the BFAR RPMO and LGU to ensure that the procurement process is in accordance with the Government's Standard Operating Procedure and Procurement Guidelines of RA 9184. The BAC in coordination with the BFAR PSCO will, in all stages of the procurement process, invite, in addition to the representative of the COA, at least two observers to sit in on its proceedings, one from a recognised private group in a sector or discipline relevant to the procurement at hand, and the other from a NGO: provided, however, that they do not have any direct or indirect interest in the contract to be bid. The observers will ensure the propriety of the procurement process including documentation and will report to the BFAR PSCO any deviation and/or irregularities from procurement rules and regulations. Procurement policy and procedures will be included in the PIM.	Throughout the duration of the Project for every procurement which requires submission to the BAC for review, evaluation and award.
1b	Ensure transparent and efficient procurement.	Procurement financed by Project funds will be undertaken by the PSCO, RPMOs and as applicable LGUs within the authority limits of officials of each office. For procurement funded by Project funds, each office BAC will prepare bidding documents, advertise, call and evaluate bids and approve the award. No Objection Letter (NOL) will be obtained by the PSCO from IFAD for procurement of goods and works of USD 250,000 or more and for consultants' services of USD 100,000 or more. Procurement: the Project will be subject to a higher level and expanded scope of ex-post reviews by IFAD to include checks for indicators of collusion, end-use deliveries, and procedural compliance, among other measures.	Throughout the duration of the Project. Based on Procurement Plan, PSCO will request NOL from IFAD for procurement of goods and works valued at USD 250,000 or more and of consultants services valued at USD 100,000 or more for any procurement reaching this threshold. At least once a year.
1c	Strengthen staff capacity at all levels and avoid inadequate or delayed Procurement Plans	The PSCO will ensure that: (i) the BAC officials and supporting organic staff are provided with adequate guidance and training in procurement in line with RA 9184; (ii) officials involved in the Project are appointed by an Executive Order; (iii) contractual staff are hired on time to implement the Procurement Plan. All project implementation personnel will receive hands-on training and assistance from the consultants recruited by the Project. Prepare and implement procurement training programme for the BFAR Regional and concerned LGU of Region 5, 8 and 13 in line with the provisions of the PIM. Project to closely monitor and review procurement processes, and where necessary, take measures to improve procurement procedures based on lessons learnt from each successive procurement activity.	BAC officials involved are appointed under an executive order at the date when the financing agreement becomes effective. Contracting of a specialist for the development of the PIM sections on Procurement and Financial management for submission to IFAD. Upon receipt of NOL from IFAD for the PIM, PSCO to conduct training to staff and officials involved in procurement. PSCO will arrange procurement training for the BFAR Regional and LGU staff at the start of the Project.

No.	Issues/Risks	Action to Mitigate Risks/ Responsible Entity	Targets/Frequency
1d	Reduce risk of informal payments by contractors, suppliers and consultants.	<p>All contractors, suppliers and consultants – firms or individuals – bidding for contracts under the Project will submit a sworn statement attesting compliance to the responsibilities of a Prospective or Eligible Bidder as provided in Section 17.7 of the Implementing Rules and Regulations - Responsibility of Prospective or Eligible Bidder.</p> <p>Sections 17.7.1; 17.7.2; 17.7.3 (details in IRR)</p> <p>17.7.4. Before submitting their bids, the bidders are deemed to have become familiar with all existing laws, decrees, ordinances, acts and regulations of the Philippines which may affect the contract in any way. However, in cases where the cost of the awarded contract is affected by any applicable new laws, ordinances, regulations or other acts of Government promulgated after the date of bidding, a contract price adjustment shall be made or appropriate relief shall be applied on a no loss-no gain basis, provided such is not covered by the contract provisions on price adjustment.</p> <p>Procurement personnel caught for soliciting and/or accepting bribes can be criminally and administratively penalised under any or all of the following laws: (i) PD No. 46 – Prohibition against Gifts; (ii) RA No. 9184 – Government Procurement Reform Act (Sections 65-71); (iii) RA No. 3019 -Anti-Graft and Corrupt Practices Act (Section 9); (iv) RA No. 6713 – Code of Conduct and Ethical Standards (Section 11); (v) RA No. 7080 – Plunder Law (Section 2, as amended by R.A. No. 7659); (vi) Revised Penal Code (Articles 210, 211, 211-A, 212); and (vii) RA No. 1379 – Law on Unexplained Wealth (Section 2).</p> <p>RA No. 9184 also provides for the imposition of civil liabilities upon conviction that may either consist of restitution for the damage done or the forfeiture in favour of the government of any unwarranted benefit derived from the act or acts in question or both at the discretion of the courts. All procurement contracts covered by the said law requires the inclusion of a provision for liquidated damages which shall be payable in case of breach thereof.</p>	At all levels during the procurement and payment processes throughout the Project period.
1e	Insufficient procedures	The PSCO, RPMOs and concerned LGU officials are to adhere strictly to the procedures and guidelines set forth in the Financing Agreement, the Procurement Guidelines and PIM that covers competitive bidding and national shopping.	Throughout the Project period.
1f	Procurement Plan	<p>Preparation of realistic initial 18 month Procurement Plan as guided by the Procurement Guidelines, tied to the AWPB for PY1.</p> <p>Preparation of APP tied to the AWPB.</p>	<p>An initial 18 month procurement plan prepared by BFAR PSCO to be submitted to IFAD as a condition for the withdrawal of funds.</p> <p>APP is prepared, thereafter 60 days prior to the beginning of the following calendar year.</p>

No.	Issues/Risks	Action to Mitigate Risks/ Responsible Entity	Targets/Frequency
2a	Ensure strong internal controls at central, regional and LGU levels.	<p>Apply detailed procedures in the PIM, which will cover:</p> <ul style="list-style-type: none"> • financial policies and standards; • elements of internal control; • financial accounting system, ledgers, journals; • bank accounts and credit/grant withdrawals; • Project expenditure, payroll, petty cash, advances; and • Financial Management reports, audit, counterpart funds withdrawals. <p>BFAR to recruit required staff to strengthen Financial Management and Procurement capacity at the Central and Regional levels.</p>	Throughout the Project period.
2b	Strengthen financial management capacity	<p>Staff at all levels to receive hands-on training and technical assistance from consultants recruited by the Project. The Government and IFAD Procurement Guidelines will be used as well as relevant provisions of the Financing Agreement.</p> <p>PSCO to monitor closely and review the financial management and make necessary improvements as required.</p> <p>There will be intensive IFAD supervision in the initial years to ensure the successful implementation of the financial management arrangements and at least one on-site financial management visit, either as part of the annual supervision mission, or through a separate monitoring mission complemented by desk-based review of interim financial reports.</p>	<p>At Project start-up staff at PSCO, RPMO and LGU levels.</p> <p>Throughout the Project period and twice a year during the supervision and implementation support missions and the post-supervision missions.</p>
2c	Provide internal audit capacity at central, regional and provincial levels.	<p>The Internal Audit is part of the Government system and will be installed at the Project start-up for the conduct of pre-audit or prior review of financial documentation and adherence to financial policies and procedures.</p> <p>The Internal Auditors' Office will likewise provide guidance and training of internal audit staff and assist in internal auditing at all levels.</p>	PSCO, RPMO and LGU levels throughout the Project period.
2d	External audit.	Adopt the Terms of Reference (TOR) for external audit as provided in the PIM.	PSCO will enter into a MOU with the COA as the supreme audit institution of the Government.
2e	Minimise cash transactions.	<p>All progress payments to contractors, suppliers and consultants – firms, individuals, national and international – to be made by cheque or bank transfer. Retain evidence for audit and IFAD supervision and post review missions.</p> <p>Projects will be permitted to open Project accounts in commercial banks for Project disbursements.</p>	PSCO, RPMO and LGU levels throughout the Project period.

No.	Issues/Risks	Action to Mitigate Risks/ Responsible Entity	Targets/Frequency
2f	Planning of training, workshops and study tours.	<p>Establish Annual Training and Workshop Plans and ensure their inclusion in the AWPB. The Plans should include:</p> <ol style="list-style-type: none"> 1. Detailed costs estimates; 2. Eligibility rules for attending training, workshops and study tours. Attendees must: <ul style="list-style-type: none"> • Be engaged in work relevant to the training; • Be competent in the language used; and • On return, report on, and share their experiences for the benefit of the Project. 3. Evidence that training, workshops, study tours and other similar activities: <ul style="list-style-type: none"> • Are in line with Project aims and objectives; • Meet identified needs within the sub-component plans; and • Have a budget in line with planned expenditure. 4. Cost guidelines to be established for selected training/workshop activities: <ul style="list-style-type: none"> • Venue rental with refreshments/meals; • Sound and projection equipment hire; • Stationery/hand-outs ; • Project-specific training and workshop materials; • Simultaneous translation; and • Photocopying, reproduction, translation. 5. Define evidence to be submitted by attendees for reimbursement of expenses which may include: <ul style="list-style-type: none"> • Proof of attendance for period claimed with signed statement by the workshop, training or study tour organizer or host; • Proof of travel by air – ticket stubs, travel agent's receipt, airline boarding passes; • Receipted hotel bills (for proof of stay); • Receipts for incidental travelling expenses; • Receipted invoices for venue rental, food and beverage, sound/projection equipment, hire of simultaneous translator, stationery and hand-outs, use of photocopying facilities. • Evidence of payment for attendees' per diem and allowances. 	PSCO with RPMO and LGU once a year to be reflected in the AWPB.
2g	Delayed or non-existent reconciliation of advances for operating costs and expenses	Project to reconcile operating expenses of staff or field offices within one week of the end of each month. No further advances to be paid until the previous advance reconciled and cleared against documentary evidence.	Finance staff in BFAR Central PSCO, RPMOs and LGUs, once a month throughout the Project period.

No.	Issues/Risks	Action to Mitigate Risks/ Responsible Entity	Targets/Frequency
3a	Minimise possible conflict of interest among Project staff.	Project staff to disclose in writing any private and public affiliations or personal interest before becoming involved in any Project-related transaction, such as contract award or decision making.	PSCO to ask for and retain written disclosures from the staff.
3b	Enhance transparency through greater public disclosure of Project information.	<p>A sworn affidavit to be submitted by the bidder of compliance with the Disclosure Provision under Section 47 of the Procurement RA 9184 in relation to other provisions of RA3019</p> <p>Section 47 Disclosure of Relations</p> <p>In addition to the proposed contents of the Invitation to Apply for Eligibility and to Bid as mentioned under Section 21 of the internal rules and regulations, all bids will be accompanied by a sworn affidavit of the bidder that it is not related to the head of the procuring entity by consanguinity or affinity up to the third civil degree. Failure to comply with the aforementioned provision will be grounds for the automatic disqualification of the bid in consonance with Section 30 of this IRR-A. For this reason, relation to the head of the procuring entity within the third civil degree of consanguinity or affinity will automatically disqualify the bidder from participating in the procurement of contracts of the procuring entity. On the part of the procuring entity, this provision will also apply to any of its officers or employees having direct access to information that may substantially affect the result of the bidding, such as, but not limited to, the members of the BAC, the Technical Working Group, the BAC Secretariat, the members of the PSCO, RPMO and concerned LGU and the designers of the Project. On the part of the bidder, this provision shall apply to the following persons:</p> <ul style="list-style-type: none"> (i) If the bidder is an individual or a sole proprietorship, to the bidder himself; (ii) If the bidder is a partnership, to all its officers and members; (iii) If the bidder is a corporation, to all its officers, directors, and controlling stockholders; and (iv) If the bidder is a joint venture, the provisions of items (i), (ii) or (iii) will correspondingly apply to each of the members of the said joint venture, as may be appropriate. 	<p>BAC to include in the required bid documents. For every procurement throughout the Project period.</p> <p>PSCO and RPMOs as well as LGUs to arrange disclosure of procurement information on Phil GEPS.</p>
4	Provide overall complaints and grievances mechanism covering all aspects of the Project.	<p>To be included in the PIM, a well-defined complaints handling mechanism and procedures with staff of BFAR and the provinces designated to handle complaints and inquiries which will be systematically recorded and responded to properly in a timely manner.</p> <p>Complaints handling mechanism (and the use of sanctions), whereby the fishermen beneficiaries, households and others can channel complaints or inquiries e.g. through the use of mobile phone text messaging. Complaints and inquiries will be systematically recorded and answered. The Project will also post complaints on the Project's website so that case processing will be more transparent. Designated staff at BFAR PSCO and RPMO will handle complaints and respond in a timely fashion.</p>	PSCO and RPMOs, throughout the Project period.
5	Require all Project staff to adhere to a Code of Ethical Conduct.	Project to provide copies of the relevant laws and articles on Code of Ethical Standards for Government Officials and Employees (RA 6713) to all Project staff, including contracted staff. Project will maintain signed declaration of receipt of these documents by all Project staff, including contracted staff.	Extend to PSCO, RPMO and LGU levels.
6	Reinforce Code of Ethical Conduct with	IFAD to apply sanctions available in its general and project-specific legal agreements, including the IFAD Policy for preventing fraud and corruption adopted in December 2005. Sanctions against unintended	PSCO, RPMO and LGU levels to disseminate sanctions with Code of Ethical

No.	Issues/Risks	Action to Mitigate Risks/ Responsible Entity	Targets/Frequency
	sanctions for fraudulent and corrupt activity by Project staff, contractors, suppliers and consultants.	recipients of loan/credit/grant proceeds may include: <ul style="list-style-type: none"> • Letter of reprimand, debarment, conditional non-debarment, debarment with conditional release and restitution; • Ineligibility, either indefinitely or for a period of time, to receive IFAD loan/grant proceeds or otherwise participate in any IFAD funded projects; • Suspension or cancellation of un-disbursed loan amount, or repayment of misused amounts, if a recipient has failed to take timely action to redress fraudulent, corrupt, collusive, coercive or obstructive practices. 	Conduct. IFAD throughout the Project period.
7	Monitoring of Results Framework.	The Project will establish and implement an operational M&E system from the municipal level to the national level to proactively monitor and report on Project activities and performance (including financial and physical progress).	PSCO throughout the Project period.

APPENDIX 16: PRELIMINARY LIST OF ASSURANCES

The following assurances, among others, will be sought from the Republic of the Philippines through the Department of Finance as the Representative of the Borrower during the Negotiations of the Project Financing Agreement:

- 1) The Borrower shall ensure that the Project will be implemented within the framework of the agreed project objectives, approaches and strategy.
- 2) The Borrower shall ensure that the Project activities will be financed in accordance with the agreed financing plan.
- 3) The Borrower shall ensure that the proposed targeting criteria, eligibility criteria and financing criteria provided in the Project Documents will be strictly adhered to during project implementation.
- 4) The Borrower shall ensure that due consideration is given to gender issues in Project implementation, both with respect to project beneficiaries and to recruitment of project staff and ensure, among other things, that:
 - (a) Women are encouraged to apply for Project posts and equally-qualified women candidates are given preference in the recruitment and selection of Project staff; and
 - (b) Over the project period 40-50% of the members and leaders of the People's Organisations in Project assisted activities are women.
- 5) The Bureau of Fisheries and Aquatic Resources shall establish and maintain in Manila until completion of the project a Project Support and Coordination Office with a full time contracted Project Coordinator, and staff designated and/or contracted by BFAR as required by Project implementation including, finance/budget, accountant, monitoring, evaluation and knowledge management, MIS and support staff.
- 6) In each of the Regions V, VIII, XIII and ARMM, the Bureau of Fisheries and Aquatic Resources shall establish and maintain until completion of the project a Regional Project Management Office under the Regional Director and staffed with, a full time contracted Regional Manager and staff designated and/or contracted by BFAR as required by Project implementation including the following technical specialists: Coastal Resources Management, Livelihoods, Engineering and Institutions and Gender; and the following staff: bay coordinators (the Provincial Fisheries Officers), finance/budget, accountant, monitoring, evaluation and knowledge management, MIS and support staff.
- 7) No project-financed activities shall start in a region, bay or municipality or city until all the agreed positions in the Central, Regional and Provincial Project Management Offices are staffed with suitably qualified staff.
- 8) In the municipalities in each of the 11 target bays/gulfs in Regions V, VIII and XIII, where project interventions are proposed, the local government units shall establish Municipal/City Project Management Offices under the Agricultural Officers with designated fisheries technicians, hired Community Facilitators, and assisted by other relevant staff from the municipality/city.
- 9) In the target provinces in ARMM, the Bureau of Fisheries and Aquatic Resources shall establish and maintain until completion of the project an office in each BFAR Provincial Office under the Provincial Fisheries Officer and staffed by BFAR ARMM municipal fisheries coordinators and community facilitators.
- 10) Key Government staff designated to the Project, *inter alia*, the Project Director of the Project Support and Coordination Office, the Regional Directors, and the Finance and Budget Officers at national and regional levels shall remain in their positions until the completion of the Mid-Term Review, except in the case of unsatisfactory job performance. The Borrower shall consult the IFAD three months before any planned transfer.
- 11) The Department of Budget Management shall make available the government counterpart contribution as required for Project implementation during the entire project period, annually as part of the budget to the Bureau for Fisheries and Aquatic Resources, to finance the agreed Project activities.
- 12) The Bureau for Fisheries and Aquatic Resources shall provide IFAD with a draft Annual Work Plan and Budget for Project activities for review and approval, not later than 15th November in each Fiscal Year, commencing 15th November 2014 and until completion of the project.

- 13) The Department of Budget Management shall open and maintain two Designated Accounts, one for the IFAD loan and one for the IFAD grant at the Central Bank in the currency of United States of America for the Project.
- 14) The Department of Budget Management shall make available the required proceeds of the IFAD Financing to the Bureau for Fisheries and Aquatic Resources in the annual national budget.
- 15) The Bureau for Fisheries and Aquatic Resources shall ensure that the Project accounts at central, regional and local government levels shall be maintained and consolidated in accordance with sound accounting practices and government accounting procedures to reflect the progress of the Project and to identify its resources, operations and expenditures. The Project accounts shall reflect all financial transactions during the project implementation period for the IFAD financing and by project component and by standard expenditure categories. The Project accounts shall be maintained separately from any routine budget accounts or other externally funded project or project accounts.
- 16) Starting from the Date of Effectiveness, the Bureau for Fisheries and Aquatic Resources shall prepare consolidated financial statements for the entire project, on an annual basis, ending on 31st December of each year, and submit the detailed statement of the project expenditures during the period under review to the Government and IFAD no later than three months after the end of each fiscal year.
- 17) Starting from the fiscal year of 2014, the Commission on Audit of the Borrower shall audit the consolidated project financial statements annually, including the IFAD and government counterpart contributions to the project in accordance with the International Standards on Auditing. The audited financial statements, in a format agreed with IFAD, and including a separate opinion on the statement of expenditure, the operation of the Designated Accounts, and government counterpart contribution, shall be submitted to IFAD no later than six months after the end of each government fiscal year, until closing of the IFAD Financing. The audit report shall be a Long-Form Audit and shall contain a separate management letter. The reply of the Project to the management letter shall be submitted to IFAD within one month of the receipt of the audited accounts.
- 18) The Borrower shall ensure that the Bureau for Fisheries and Aquatic Resources shall establish a project monitoring and evaluation system at all levels (local government unit, regional and central), satisfactory to IFAD and including monitoring of and reporting on the Results Impact Monitoring System indicators, not later than three months after the Date of Effectiveness.
- 19) The Bureau for Fisheries and Aquatic Resources shall make effective arrangements to coordinate with other development projects or programmes operating in the target bays to ensure that: (i) uniform policies are adopted for the same sector or activity, such as beneficiary contribution in labour and/or kind for the development of livelihood activities; (ii) other project activities in the target bays are carefully phased to avoid constraints on the available human and financial resources; and (iii) particular care is taken to supervise and coordinate Project implementation and take prompt actions to resolve any emerging constraints.
- 20) The Borrower shall ensure that legislation remains in place to provide the necessary legal basis to allow People's Organizations, to establish themselves, and to operate and maintain their activities.
- 21) As part of maintaining sound environmental practices, Government shall ensure, among other things, that:
 - (a) The project parties shall maintain appropriate pest management practices under the project and ensure that pesticides procured under the project do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organisation of the United Nations (FAO), as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the WHO Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time;
 - (b) Effective policies and measures are enforced to safeguard forest and fishery resources and endangered species in the 11 target bays;
- 22) Under the National Convergence Initiative and where appropriate, the Bureau for Fisheries and Aquatic Resources, as the lead project agency, shall effectively coordinate with other government agencies in Project implementation, including the Department of Environment and Natural Resources, Department of Science and Technology, the Department of Trade and Industry and the National Commission on Indigenous Peoples and individual Municipalities in the ..bays/gulfs.

- 23) For the Project's enterprise development, the Bureau for Fisheries and Aquatic Resources shall work closely with eligible People's Organisations, NGOs, academic institutions and private sector companies.
- 24) The Bureau for Fisheries and Aquatic Resources shall finance proposals for coastal resources management and support for marginal fishing households to develop alternative/supplemental sources of livelihoods that meet the agreed eligibility criteria.
- 25) Following agreed procedures, the Bureau for Fisheries and Aquatic Resources shall prepare Memoranda of Agreement with the other government agencies implementing project activities and with Municipalities, NGOs and private sector service providers and investors, based on the Project design report. The Memoranda of Agreement shall include, among other things, the procedures for planning, budgeting, financing, reporting, procurement, disbursement of funds, provision of support services and operation of accounts and auditing.
- 26) The Borrower shall pay from its counterpart funds for the project, or exempt from duties and taxes on all equipment and vehicles, and materials and exempt from income tax the fees of national and international consultants financed by the IFAD Financing.
- 27) The Borrower shall: (a) undertake necessary measures to create and sustain a corruption-free environment for activities under the Project; (b) institute, maintain and ensure compliance with internal procedures and controls for activities under the Project, following international best practices to prevent corruption, money laundering and the financing of terrorists; all relevant ministries and agencies to refrain from engaging in any such activities; (c) comply with the requirements of IFAD's Policy on Preventing Fraud and Corruption in its Activities and Operations (2005, as amended to date); and (d) ensure that the Project's Good Governance Framework is implemented in a timely manner.
- 28) The Borrower shall also ensure: (i) allowing potential Project beneficiaries and other stakeholders to channel and address any complaints they may have concerning the implementation of the Project; and (ii) after conducting any necessary investigation, immediately reporting to the Fund any malfeasance or maladministration that has occurred under the Project.

The following are proposed as conditions precedent to withdrawal of the IFAD Financing:

- (a) The Bureau for Fisheries and Aquatic Resources shall have duly established the Project Support and Coordination Office within the Project Management Office and four Regional Project Management Offices under the Regional Directors.
- (b) The Bureau for Fisheries and Aquatic Resources shall have hired full-time: (i) a Project Coordinator; and four Regional Managers.
- (c) The Bureau for Fisheries and Aquatic Resources shall have designated or hired the following staff for the Project Support and Coordination Office; Finance/Budget Officer, a Chief Accountant, Finance Assistant, Administration Assistant, Monitoring, Evaluation and Knowledge Management Officer, and a Management Information System Staff.
- (d) In each of the four regions the Bureau for Fisheries and Aquatic Resources shall have designated or hired the following staff for each of the Regional Project Management Offices the following: (i) technical specialists; Coastal Resources Management, Livelihoods, Institutions/Gender and Infrastructure; (ii) Bay Coordinators (Provincial Fisheries Officers); and (iii) Finance/Budget Officer, an Accountant, Finance Assistant, Administration Assistant, Monitoring, Evaluation and Knowledge Management Officer, and a Management Information System Staff.
- (e) The Borrower shall have duly opened the Designated Accounts.
- (f) The Annual Work Plan and Budget for the first Project Year with a procurement plan for the initial 18 months shall have been duly reviewed by the Fund and approved by the Project Steering Committee.
- (g) The Project Implementation Manual shall have been duly approved by the Fund and Bureau for Fisheries and Aquatic Resources.
- (h) The Borrower, through the Department of Budget and Management, shall have confirmed to the Fund: (i) the availability of counterpart funds in the national budget for financing the first twelve months of project implementation; and (ii) the inclusion of the Project in the BFAR Budget Strategy for 2014-2020.

APPENDIX 17: DRAFT LETTER TO THE BORROWER

Honourable Cesar V. Purisima
The Secretary for Finance
Department of Finance
Fifth Floor DOF Building
BSP Complex
Roxas Boulevard
1004 Manila
Philippines

.. 2014

Mr Secretary,

Letter to the Borrower

Country: Republic of the Philippines
IFAD Financing: Loan N. _____ and Grant N. _____
Project: Fisheries, Coastal Resource and Livelihood Improvement Project

1. Reference is made to the Financing Agreement between the Government of the Republic of the Philippines (hereinafter the Borrower) and the International Fund for Agricultural Development (IFAD), which entered into effect on _____.

2. IFAD's Loan Disbursement Handbook (LDH),³ as may be amended from time to time, is enclosed. It is intended to facilitate the withdrawal of financing proceeds and the maintenance of appropriate programme records. In the event of any conflict between the provisions of the LDH and the Financing Agreement, the provisions of the latter will prevail.

3. The Loan Account has been credited with _____ Special Drawing Rights (SDR _____) and the Grant Account has been credited with _____ Special Drawing Rights (SDR _____) as of the date of entry into force of the Financing Agreement.

Disbursement Procedures

4. Four standard disbursement procedures may be used for withdrawal of financing:

- (i) Advance withdrawal
- (ii) Direct payment
- (iii) Special commitment
- (iv) Reimbursement

5. The forms, instructions, information and explanatory notes on their preparation and operation are provided in Section 3 and in Annexes 2 and 3 of the LDH.

Taxes

6. The proceeds of the financing may not be used to pay taxes. However, in Schedule 2 Allocation and Withdrawal of Loan and Grant proceeds, the alternative lower percentage has been included to assist processing of withdrawal applications in those cases where the tax element is not easily identifiable.

Designated Account

7. The Borrower shall open and thereafter maintain in the BSP, or another bank proposed by the

³ Copy available on IFAD's website, www.ifad.org/pub/manual/disbursement/english.pdf

Borrower and accepted by the Fund the following Designated Accounts:

- Designated Account denominated in USD, for the purpose of receiving Loan proceeds to finance the FishCORAL Project (the "Special Account A");
- Designated Account denominated in USD, for the purpose of receiving Grant proceeds to finance the FishCORAL Project (the "Special Account B");

8. In accordance with Section 3.1 of the Loan Disbursement Handbook, the Designated Account will be administered following Imprest Account arrangements.

9. The Authorised Allocation of the Designated Accounts for the IFAD loan and grant will be respectively up to the first six months estimated disbursement amount of IFAD's share of the eligible project expenditures according to the approved PY1 AWPBs.

10. Documentation evidencing the opening of the bank account(s) designated to receive loan/grant resources in advance, with advice of the persons/titles authorized to operate this/these account(s), must reach IFAD before withdrawal can begin.

Instructions for Withdrawal

11. Explanatory notes and forms to be used for the preparation of the withdrawal application under IFAD disbursement procedures are provided in Section 2 and in Annex 2 of the LDH.

12. Before withdrawal can begin, IFAD needs to receive from the Secretary of the Borrower responsible for Finance a letter designating the name(s) of official(s) authorised to sign withdrawal applications, which includes their authenticated specimen signature(s).

Statement of Expenditure

13. Section 4 of the LDH provides details regarding the use of the Statement of Expenditure (SOE) facility for withdrawals covering certain expenditure from the Loan and/or Grant Account.

14. SOE threshold for all items of expenditure is up to USD 50,000 equivalent. Beyond USD 50,000 equivalent single disbursement, full documentation is required.

15. The SOE threshold above may be amended by the Fund during the course of programme implementation.

16. The financial reports submitted to the PSCO from the RPMOs in Regions V, VIII and XIII and the BFAR-ARMM will be supported by relevant documentation (contract, proof of payment, bank statements, etc.) in line with the SOE ceilings and IFAD disbursement procedures.

Allocation of Financing Proceeds

17. Paragraph 1 of schedule 2 of the Financing Agreement provides details of the IFAD financing.

Procurement, Procurement Plan and Applicability

18. Procurement under this Project shall be undertaken in accordance with The Philippine Government Republic Act 9184 and its rules and regulations (known as the Implementing Rules and Regulation) formulated by the Government Procurement Policy Board as mandated by Section 75 of RA 9184. The Implementing Rules and Regulation govern and apply to the procurement of: (i) infrastructure projects; (ii) goods; and (iii) consulting services, by any branch, agency, department, bureau, office, or instrumentality of the Government, including government-owned and/or controlled corporations, government financial institutions, state, universities and colleges, and LGUs as long as it is consistent with IFAD Procurement Guidelines.

19. As provided in appendix I, paragraph 1 of IFAD's Procurement Guidelines, IFAD review of and no objection to the Recipient's procurement plans is compulsory and the 18 month procurement plans submitted by the Borrower/Recipient must include as a minimum:

- a. A brief description of each procurement activity to be undertaken during the period and name of the implementing agency responsible for the procurement;
- b. The estimate value of each procurement activity;
- c. The method of procurement to be adopted for each procurement activity and;

- d. The method of review IFAD will undertake for each procurement activity indicating either post review or prior review.
20. Any amendments to the Procurement Plan shall be subject to the Fund's no objection.
21. International Competitive Bidding (ICB) shall be the mandatory method of procurement for contracts above the following values:
- Goods: above USD 200,000 equivalent;
 - Civil works: above USD 1,000,000 equivalent; and
 - Services: above USD 100,000 equivalent.
22. **Procurement of Goods and Works.** Each contract for goods and works estimated to cost USD 15,000 or more will be procured through competitive bidding, based on the implementing rules and regulation as established by RA 9184. For contracts for goods and works to cost less than USD 15,000, the procurement may be undertaken in accordance with the following methods and established implementing rules and regulations as prescribed by RA 9184 such as (i) limited source bidding; (ii) direct contracting; (iii) repeat order; (iv) shopping; or (v) negotiated procurement.
23. **Direct Contracting.** Procurement valued USD 15,000 and above will be limited to the following scenarios and subject to IFAD's prior review and concurrence for each case:
- Where an extension to an existing contract for goods or works is required under 25% of the existing contract in value.
 - Where the equipment required is proprietary, there is only one source and no alternative exists.
 - Where there is a need to standardise upon existing equipment and to achieve compatibility in terms of spare parts.
 - In cases of emergency, where urgent delivery is required.
24. **Procurement involving community participation.** In accordance with the IFAD Procurement Guidelines, procurement with community participation is not a distinct method of procurement and it would be undertaken in accordance with procedures and processes to be established in the Project Implementation Manual. The PCSO will ensure the following:
- Define the relationships, roles and responsibilities between the BFAR RPMO, LGU and the community through participatory processes which include considerations and application of environmental, gender and other social safeguards.
 - Proper handover and ownership of assets to the community.
 - Translate documents and records into English (the Philippine official language) as may be required for purposes of audit and review.
 - Provide appropriate procedures for regular monitoring and audit of community procurement activities, including the retention of relevant records by BFAR PSCO, BFAR RPMO and the LGU.
25. **Procurement of Services.** The methods which are permitted for the procurement of consulting services and services are the following:
- Quality and Cost-Based Selection.
 - Selection under a Fixed Budget.
 - Least-Cost Selection.
 - Selection Based on Consultants' Qualifications.
 - Single-Source Selection.
26. Contracts for consultancy and services estimated to cost USD 15,000 equivalent or more the procurement shall be undertaken through the following competitive selection methods:
- Quality and Cost-Based Selection.
 - Selection under a Fixed Budget.
 - Least-Cost Selection.
 - Selection Based on Consultants' Qualifications.

27. Consultancy and service contracts estimated to cost less than USD 15,000 equivalent procurement may be undertaken through sole or single source selection.

28. Sole or single source selection for contracts estimated to cost USD 15,000 equivalent or above will be limited to the following scenarios and subject to IFAD's prior review and concurrence for each case:

- a. for tasks that are a natural continuation of previous work carried out by the consultant;
- b. where rapid selection is essential (for example, in an emergency situation);
- c. when only one entity is qualified or has the necessary experience for the assignment.

29. Individual consultants would be selected in accordance with the provision of RA 9184 and its Implementing Rules and Regulations. The details of the selection procedures would be detailed and described in the Project Implementation Manual.

30. **Review of Procurement Decisions.** The award of any contract for goods and works estimated to cost more than USD 250 000 and the award for consultancy and services estimated to cost more than USD 100,000 will be subject to prior review by IFAD. The following documents as applicable shall be submitted for IFAD prior review and concurrence:

A. Procurement of goods and civil works:

- (i) Prequalification documents and shortlist when prequalification is undertaken;
- (ii) Bid Documents for goods and civil works;
- (iii) Evaluation Reports and Recommendations for Award; and
- (iv) Draft contracts and contract amendments.

B. Procurement of consultancy services and other services:

- (i) Prequalification documents and shortlist when prequalification is undertaken;
- (ii) Request for Proposal (RFP);
- (iii) Technical Evaluation Report;
- (iv) Combined (technical and financial) evaluation report and the recommendation for award; and
- (v) Draft contracts and contract amendments.

31. A Procurement Register will be maintained by the PSCO and RPMOs to monitor procurement processes. Contract Payment Registers will also be maintained by the same offices to monitor payments to contractors.

32. Coastal rehabilitation and infrastructure support for livelihood projects will be undertaken by the LGUs using Project funds. With the suspension of the National Government/Local Government cost sharing policy and in the absence of any firm rules on LGU cost sharing, the project financing proposals for infrastructure investments will be IFAD 80% and the government including LGU contributions 20%.

33. All contracts, with or without prior IFAD approval, should be listed in the Register of Contracts with the dates of approval as provided by IFAD. As this report facilitates the review and approval of payment requests on contracts, please ensure that the Register is updated and submitted to the IFAD country programme manager on a monthly basis. The sample form to be used and instructions are detailed in annex 6 of the LDH.

Financial Reporting and Auditing

34. Article IX of the General Conditions applies to Financial Reporting and Information, inclusive of time frames for delivery of financial statements to the Fund.

35. Within 90 days of the Effective Date, the Borrower shall appoint, with the prior approval of the Fund, independent auditors, selected by the Borrower in accordance with the procedures and criteria set forth in the IFAD Guidelines on Project Audits (for Borrowers' Use) as may be amended from time to time, to audit the Financial Statements relating to the programme for the first fiscal year. Thereafter, as soon as practicable but in no event later than 90 days after the beginning of each succeeding fiscal year, the Borrower, with the prior approval of the Fund, shall confirm such auditors' appointment or so appoint new

independent auditors for such fiscal year in accordance with this subsection (a).

36. Annex 8 of the LDH includes a template for the Log of Audit Observations, which should be maintained and updated regularly. A copy of this Log is to be included as part of supervision and mid-term review reports.

37. Detailed requirements are provided in the IFAD Guidelines on Project Audits (for Borrower's Use)⁴ and the IFAD Operational Procedures for Project Audits,⁵ as both may be amended from time to time.

Programme Completion/Financing Closure

38. Details pertaining to information and actions to satisfy programme completion requirements and closure of the Loan and/or Grant Account(s) are detailed in Section 1.3 of the LDH.

Authorised Representatives

39. In accordance with Section 15.03 of the General Conditions, the following persons are designated as the authorized representatives of the Fund for the purpose of supervising the Programme and administering the Financing:

Mr. Hoonae Kim, Division Director Asia and the Pacific Division (APR)
Mr. Benoit Thierry, Country Programme Manager (APR)
Ms. Ruth Farrant, Director, Controller's and Financial Services Division (CFS)
Mr. Dario Rimedio, Loans and Grants Officer (CFS)

40. The persons named above have the authority to take action with respect to the matters set out herein and other matters related to the implementation of the Programme.

Other

41. A copy of this letter is being sent for information to the Implementing Agencies and concerned government offices. If you have any queries regarding matters detailed in the foregoing, please do not hesitate to contact us.

Accept, Mr. Secretary, the assurances of our highest consideration.

Kanayo F. Nwanze
President

Cc:

Honourable Proceso J. Alcala
Secretary for Agriculture
Department of Agriculture
Elliptical Road
Diliman, Quezon City
Philippines 1100
Fax No.: (63-2) 929 8183
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Mr. Benoit Thierry, Country Programme Manager
Asia and the Pacific Division
IFAD

Mr Dario Rimedio , Loans and Grants Officer
Loans and Grants Section
Controller's and Financial Services Division
IFAD

⁴ Copy available on IFAD's website at www.ifad.org/pub/basic/audit/borrower_e.pdf.

⁵ Copy available on IFAD's website at www.ifad.org/pub/basic/audit/operational_e.pdf.