

Document of
The World Bank

Report No: 27156-PH

IMPLEMENTATION COMPLETION REPORT
(TF-28698 TF-28699)
ON A GRANT
FROM THE GLOBAL ENVIRONMENT TRUST FUND
IN THE AMOUNT OF SDR 2.03 MILLION (US\$2.87 MILLION EQUIVALENT)
TO THE
REPUBLIC OF THE PHILIPPINES
AND
SDR 12.13 MILLION (US\$ 17.13 MILLION EQUIVALENT)
TO THE
NGOS FOR INTEGRATED PROTECTED AREAS, INC.
FOR A
CONSERVATION OF PRIORITY PROTECTED AREAS PROJECT

May 14, 2004

**Rural Development and Natural Resources Sector Unit
East Asia and Pacific Region**

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of July, 2002)

Currency Unit = Peso (P)
1 Peso = US\$ 0.198
US\$ 1 = 50.42

FISCAL YEAR

Government: January 1 - December 31

ABBREVIATIONS AND ACRONYMS

CADC	Certificate of Ancestral Domain Claim
CADT	Certificate of Ancestral Domain Title
CAS	Country Assistance Strategy
CBF(R)MA	Community Based Forest (Resource) Management Agreement
CENRO	Community Environment and Natural Resources Officer
CPPAP	Conservation of Priority Protected Areas Project
DENR	Department of Environment and Natural Resources
ENR-SECAL	Environment and Natural Resources Sector Adjustment Programme
GEF	Global Environment Facility
GOP	Government of the Philippines
HNGO	Host Nongovernmental Organization
IP	Indigenous People
IPAF	Integrated Protected Areas Fund
LBP	Land Bank of the Philippines
LC	Livelihood Committee
LGU	Local Government Unit
MTR	Mid Term Review
NCIP	National Commission on Indigenous Peoples
NGO	Nongovernmental Organisation
NIPA	NGOs for Integrated Protected Areas Incorporated
NIPAS	National Integrated Protected Areas System
NPPSC	National Programmes and Projects Steering Committee
PA	Protected Area
PAMB	Protected Areas Management Board
PASu	Protected Area Supervisor
PAWB	Protected Areas and Wildlife Bureau
PCU	Project Coordinating Unit
PIU	Project Implementation Unit
POs	Peoples' Organizations
RED	Regional Executive Director
RFI	Retail Finance Institution
TABC	Technical Assistance for Improving Biodiversity Conservation
WB	World Bank
WWF	World Wildlife Fund
QAG	Quality Assurance Group

Vice President:	Jemal-ud-din Kassum, EAPVP
Country Director:	Robert Van Pulley, EACPF
Sector Unit Director:	Mark D. Wilson, EASRD
Task Team Leader:	
at Project Completion	Richard Anson, EASRD
at ICR Preparation	Keith Oblitas, EASRD

PHILIPPINES
CONSERVATION OF PRIORITY PROTECTED AREAS PROJECT

CONTENTS

	Page No.
1. Project Data	1
2. Principal Performance Ratings	1
3. Assessment of Development Objective and Design, and of Quality at Entry	2
4. Achievement of Objective and Outputs	5
5. Major Factors Affecting Implementation and Outcome	9
6. Sustainability	11
7. Bank and Borrower Performance	12
8. Lessons Learned	15
9. Partner Comments	16
10. Additional Information	17
Annex 1. Key Performance Indicators/Log Frame Matrix	18
Annex 2. Project Costs and Financing	20
Annex 3. Economic Costs and Benefits	24
Annex 4. Bank Inputs	25
Annex 5. Ratings for Achievement of Objectives/Outputs of Components	27
Annex 6. Ratings of Bank and Borrower Performance	28
Annex 7. List of Supporting Documents	29

<i>Project ID:</i> P004403	<i>Project Name:</i> CONS. OF PRIORITY PR
<i>Team Leader:</i> Keith Robert A. Oblitas	<i>TL Unit:</i> EASRD
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> May 14, 2004

1. Project Data

Name: CONS. OF PRIORITY PR *L/C/TF Number:* TF-28698; TF-28699
Country/Department: PHILIPPINES *Region:* East Asia and Pacific Region

Sector/subsector: Forestry (30%); Other domestic and international trade (25%);
Roads and highways (24%); Crops (15%); Other social services (6%)

Theme: Biodiversity (P); Participation and civic engagement (P); Rural non-farm income generation (P); Indigenous peoples (S); Other environment and natural resources management (S)

KEY DATES

	<i>Original</i>	<i>Revised/Actual</i>
<i>PCD:</i> 05/23/1989	<i>Effective:</i> 10/14/1994	10/14/1994
<i>Appraisal:</i> 03/02/1992	<i>MTR:</i> 06/16/1998	06/16/1998
<i>Approval:</i> 05/05/1994	<i>Closing:</i> 06/30/2002	06/30/2002

Borrower/Implementing Agency: GOVT. OF PHILS./DENR/NIPA Inc.
Other Partners:

STAFF	Current	At Appraisal
<i>Vice President:</i>	Jemal-ud-din Kassum	Attila Karaosmanoglu
<i>Country Director:</i>	Robert V. Pulley	Gautam Kaji
<i>Sector Manager:</i>	Mark D. Wilson	Donna Dowsett-Coirolo
<i>Team Leader at ICR:</i>	R. Anson (At Completion) K.Oblitas (At ICR)	Thomas Wiens
<i>ICR Primary Author:</i>	TCIP; FAO	

2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: U
Sustainability: UN
Institutional Development Impact: M
Bank Performance: U
Borrower Performance: U

QAG (if available) *ICR*
Quality at Entry: U U
Project at Risk at Any Time: Yes

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

3.1.1. The project objectives were to protect ten areas of high biodiversity value; improve the Department of Environment and Natural Resources (DENR) protected area (PA) management capabilities; incorporate local communities and Non-Government Organizations (NGOs) into the PA management structure; confirm the tenure of indigenous cultural communities and long established residents of PAs; establish a permanent funding mechanism for PA management and development; and develop sustainable forms of livelihood consistent with biodiversity protection.

3.1.2. These objectives were relevant and important for the country's natural resources sector and fully in line with the Country Assistance Strategy (CAS), but somewhat broad and indistinctly focused with an inherent possibility of conflict between the objectives. The project had a considerable degree of complexity as a result of operating in ten locations scattered across the Philippines and having a devolved institutional structure aiming at a high degree of community participation in bio-diversity protection, credit and grant operations. This was further complicated by the need for strong project management, authorization, accounting and funds-flow arrangements. The project was recognized as risky at appraisal, but this was justified by the innovative nature of the project design.

3.1.3. The project was financed through two GEF Grants provided in parallel. Grant TF028698 of value SDR 12,129,000.00 was for a consortium of NGOs, the "NGOs for Integrated Protected Areas Incorporated" (NIPA) which was to be responsible for the bulk of project activities, under the implementation of locally based NGOs at the project sites. Another Grant of value SDR 2,031,000.00 (TF028699) was made available to DENR for site development and protection for each of the PAs.

3.2 Revised Objective:

3.2.1. The Mid-Term Review (MTR) in June 1998 resulted in some reformulation of the components but without changing project objectives.

3.3 Original Components:

3.3.1. The project had four components, namely **Site Development** (25% of total cost) which included access roads/trails, buildings and staff; **Resource Management** (10%) covering establishment of a community based and NGO supported management structure, preparation of management plans, mapping and boundary delineation and demarcation and habitat restoration; **Socio-Economic Management** (49%) especially for development of non-destructive livelihood projects in buffer zones and multiple use areas as well as community consultation and training, population census, registration, and tenure delineation; and **National Coordination, Monitoring and Technical Assistance** (16%) which provided for NGO based project coordination, monitoring of project implementation and trends in biodiversity inventories and assessment of management impacts, and technical assistance (TA) to individual PAs and DENR's Protected Areas and Wildlife Bureau (PAWB). From February 1996 onwards the Government of Denmark funded a Technical Assistance Grant for Improving Biodiversity Conservation in Protected Areas Project (TABCP) implemented by the Danish agency NORDECO and supervised by the Bank.

3.3.2. Although the components were related to the project objectives, the project's devolved and participative nature led them to be outlined rather than detailed – particularly the components for Socio-Economic Management and National Coordination, Monitoring and Technical Assistance. The whole design demanded an implementing agency with a high degree of competence, both in technical areas and in administrative/financial management capacity. Previous World Bank and other internationally assisted projects in the Philippines had suffered from what were seen as slow and inflexible GOP procedures for

approval, programming, budgeting and disbursement of projects. As well as delaying project implementation this (a) increased the risk for TA contractors, so encouraging them to inflate their charges; (b) tended to discourage NGOs without financial reserves from participation; and (c) failed to provide the flexibility required to operate a social fund with decentralized decision making. The major innovation of the project was therefore to allow for the bulk of implementation to be made the responsibility of NGOs. As originally conceived during preparation/pre-appraisal this was to be provided through a number of NGOs operating in or around the PAs, each as part of a Project Implementation Unit (PIU) consisting of the NGO, the DENR PA Supervisor (PASu) and community representatives drawn from a PA Management Board (PAMB) set up for the purpose for each PA. Each of the NGOs – or Host NGOs (HNGOs) - was to be under the overall coordination of a lead NGO, originally expected to be the World Wildlife Fund (WWF) (USA). Coordination between the major part of implementation undertaken by the NGOs and those items for which DENR was responsible (civil works, equipment, incremental operating costs and technical assistance (TA) for DENR), as well as for overall project management was to be achieved through a central Project Coordinating Unit (PCU). This was to be further assisted by a National Integrated Protected Areas System (NIPAS) Steering Committee - the National Programmes and Projects Steering Committee (NPPSC) – chaired by the Secretary DENR or his representative.

3.3.3. Funds flow for the minor part of the project under DENR control was simple with the GEF grant released to a DENR Special Account in the Central Bank and channeled through the DENR Regional Executive Director (RED) to the PASu. For the NIPA components arrangements were more complicated. The GEF grant was paid into two Special Accounts in the Land Bank of the Philippines (LBP), one the TA Special Account, the other for the Livelihood Fund Special Account. The first of these was to be used to support the HNGOs operations and any linked subsidiary NGOs cooperating with them in the PA, as well as funding both the PCU and the HNGOs to procure TA support. The Livelihood Fund was to be channeled through Retail Finance Institutions at the field level to the HNGOs and their linked or subsidiary NGOs to finance approved sub-projects (see Section 4.5) – either on a credit or a grant basis. Each PAMB was to open a separate account for the Integrated Protected Areas Fund (IPAF). This was to be an account under the control of each PAMB which would receive all taxes, license fees, fines, contributions and other payments. Of these receipts 75% was to be retained by the individual IPAF and the remaining 25% remitted to GOP. Centrally, the operation of the IPAFs was to be overseen by the IPAF Governing Board (IPAF-GB)² of seven members – two from DENR, one from LBP, two from NGOs and two representatives of indigenous communities.

3.3.4. With the increase in awareness in natural resources conservation already generated in the Philippines, further strengthened by the 1992 Rio de Janeiro Earth Summit, there was understandable pressure within the Philippines for implementation to be undertaken by domestic NGOs. Accordingly it was agreed that the major implementation responsibility for this complex project should rest with a consortium of Filipino NGOs newly formed for the purpose – NGOs for Integrated Protected Areas Incorporated (NIPA), and not with WWF as originally planned.

3.4 Revised Components:

3.4.1. At the June 1998 MTR the project components were recast in line with the overall project objectives. The five resulting components were: (i) **Protected Area Planning and Management** – including mobilising/organizing PA residents in participative PA management, strengthening PA Management Boards (PAMBs) and PIUs, preparing community oriented PA management plans, PA gazetting and IPAF establishment; (ii) **Biodiversity Conservation** – including patrolling by staff and communities; information, education and communication (IEC) support, boundary delineation and demarcation, resource assessment and rehabilitation/restoration activities; biodiversity monitoring and

construction of basic infrastructure and installation of equipment; (iii) **Tenurial Security** – covering surveys, claims documentation and processing, issuance of tenurial instruments (TI) and IEC support to enhance care and stewardship of the PA by the TI holders; (iv) **Livelihood Systems** - including the setting up of capital savings and mobilization schemes for organized PA residents, installation of livelihood funds accessing and repayment mechanism, development and implementation of non-destructive livelihood projects with technology and market support, socio-economic profiling and IEC and training support of livelihood development; and (v) **Project Management and Coordination** – covering activities at the PCU level including program coordination, monitoring and evaluation, fund management, procurement and provision of TA and other assistance from experts and from partners, policy advocacy, lobbying and networking.

3.5 Quality at Entry:

3.5.1. Project design was highly innovative. Inclusion of NGOs as the implementing agency in a project directly financed by a GEF grant administered by the World Bank (WB) was a new departure. The project identification/preparation was based on quite extensive sector work³ and dialogue between the Government of the Philippines (GOP) and WB. With increasing interest in environmental concerns and pressure for better natural resources management, GOP prepared an environmental policy framework, the “Philippine Strategy for Sustainable Development”, which was endorsed by the Cabinet in late 1990. Still further studies with involvement of both DENR and NGOs led to the selection of ten areas for early inclusion in a National Integrated Protected Areas System (NIPAS). These sites represented six of the fifteen important bio-geographical zones distinguished in the Philippines. These selected sites included a mix of terrestrial, marine and wetland environments with high endemism and included six existing or candidate national parks. In October 1990 a team of both international and Filipino experts started studies aimed at developing preliminary management plans for the ten sites, financed under a Japan-World Bank Technical Assistance Grant, as part of the IBRD/IDA financed Environment and Natural Resources Sector Adjustment Programme (ENR-SECAL).⁴ The SECAL was designed to have three components amounting to sub-projects, respectively for Monitoring and Enforcement; Regional Resources Management Projects; and CPPAP. Development of legislation to provide security of the protected areas was made a condition of ENR-SECAL financing which became effective in October 1991. The National Integrated Protected Areas System (NIPAS) Act was passed shortly afterwards (on 1 June 1992, Republic Act No. 7586). Although the timing of preparation of CPPAP would have in any case been too slow to have started at the same time as the rest of the ENR-SECAL its start-up was further delayed by changes in implementing agency responsibility. Creation of the NIPA consortium, finalising project design and grant agreement arrangements between WB, NIPA and LandBank took almost a further two years, so that it was only in May 1994 – three and a half years after commencement of preparation, three years behind ENR-SECAL and over two years after appraisal – that the project was approved.

3.5.2. Project design was conceptually soundly based in its technical aspects and with good agreement between the parties involved (GOP, DENR, NIPA and WB). However, the design of the components and institutional arrangements were only outlined, and not detailed. For instance, for the livelihood component, representing nearly half of the project's cost, broad guidelines were provided for the selection of “non-destructive” livelihood sub-projects, financed on a grant or credit basis through Retail Finance Institutions (RFIs). Preparation of operating guidelines for the component was to be the responsibility of NIPA. Institutional arrangements were also left vague with the result that management actions for screening or authorizing were unclear. In addition, no firm arrangements were included at project preparation and appraisal for payment of NIPA’s operating costs, except provision of finance up to US\$100,000 for retroactive financing of some start-up costs incurred after December 1, 1993. From a fiduciary management viewpoint the project was also risky since a large part of procurement would only be

recorded through statements of expenditure (SOEs) originating from remote areas in the ten sites. Also, the project did not plan standard documentation or prior review of a representative sample (five percent) of the contracts distributed over the life of the project. Ex-post auditing was taken to be an adequate mechanism of control. NIPA's lack of experience and track record was also not taken sufficiently into account. The above gaps might have been overcome by an experienced and unified implementing agency, but were prone to create difficulties for a newly formed NGO consortium. In short, quality at entry suffered from lack of detailing of both the project's components and management aspects, including financial management, and was compounded by selection of a main implementing agency, NIPA, that lacked the qualities to administer the project. Quality at entry is therefore rated as Unsatisfactory – which is in line with the findings of the QAG panel in November 2001.

¹ Funding of US\$3 million over the period 1996-2002.

² Chaired by the Secretary DENR or his representative.

³ This included two WB reports in 1989, one by R. Petocz: The Philippines – Establishment and Management of an Integrated Protected Areas System; and the other the Philippines Agriculture and Natural Resource Management Study.

⁴ LN 3360-PH (US\$158 million equivalent) and CR 2277-PH (SDR 50 million) were approved 25 June 1991 and became effective 10 October 1991.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

4.1.1. Outcome as against the project objectives (section 3.1.1) has been mixed. Progression towards establishing **protection mechanisms for the ten PA sites** has been positive. All of the sites have operating PAMBs and most of these have successfully integrated NGOs, government, LGUs and communities in management. The majority of sites have been established as functioning entities within the constitutional structure of the Philippines. In particular, good progress has been made in achieving the thirteen legal steps set out in the NIPAS Act, but PAMB self-financing (see below) has not been achieved. **DENR capacity for biodiversity conservation** has been somewhat positively influenced through such capacity enhancement as the biodiversity monitoring system and through the linkages established at field levels with the PAMBs and local communities, though budgetary constraints have meant that not all of the DENR temporary staffing could be transferred after the project to regular DENR payroll. **Community and NGO involvement** at PA sites has been enhanced and **indigenous persons** have been involved in the PAMBs. However, project support to **tenurial security** improvement for indigenous people and long-established residents has been stalled by legal action and administrative changes. **Enhancing livelihoods**, the project's largest component representing nearly half of project costs, has had highly unsatisfactory implementation, and little impact can be expected. As concerns **self-financing of the PAMBs**, all sites have also established IPAF's, but collection is still small in most cases, raising questions regarding long-term sustainability, especially now that the project is completed and local NGO support may not be assured. Major problems were encountered in the **general and financial management** of the project, which affected all components especially the livelihood component. The highly unsatisfactory institutional performance of NIPA (sections 4.2.2 and 7.6), the project's main implementing agency, and the completion of the project's financing, leaves the program with neither an institution to take the program forward nor assured financing. Thus, although positive outcome can be noted for the project's first three components, the overall outcome is not assured, and, further, the livelihood objectives and general and financial management have been highly problematic. Outcome is thus rated as Unsatisfactory. Nevertheless, the positive achievements on the ground of the project's first three components - protected areas, biodiversity conservation and tenurial security (refer section 4.2 below) - merit emphasizing. The DENR in its comments on the draft ICR (see Partner comments in Section 9) referred to these components and some of their impacts, including:

established and operating PAMBs, increased awareness and capacities in biodiversity monitoring, established IPAFs, and awarding of Protected Area Community Based Resource Management Agreements. It is also DENR's view (Section 9) that these achievements might offset the negative performance in other project aspects, contributing to an overall "Modest" assessment of outcome.

4.2 Outputs by components:

4.2.1. Output by component as defined at the MTR is described below and summarized in Annex 1:

(i) Protected Area Planning and Management: (a) Progress in providing the necessary **legal basis** for the ten PAs was substantial. When the project started the political climate and NIPA's membership and influence were all conducive to rapid progress in securing legislation for all the PAs. At project closure 4 PAs were protected by Acts and a further five Bills were under deliberation by Congress. The position of the Bataan and Subic PA is under two different local administrations and for that reason is unlikely to be rapidly resolved. A Presidential Declaration for Bataan has been prepared. Draft Implementing Rules and Regulations (IRRs) have been prepared for the four PAs protected by Acts. (b) **Management Plans** have been produced for all ten PAs⁵ and by international standards the quality of the plans varies from adequate to good and fully incorporates the participatory requirements of the NIPAS Act and the implications of Agenda 21 of the Rio de Janeiro Earth Summit. Implementation of the management plans is still at an initial stage and further work on the plans will be required to take account of developments in community resource management agreements and make them more relevant to the individual PA situation. (c) **PAMB Development.** Has been one of the success stories of the project. All the sites have operating PAMBs and most of these seem to have also successfully integrated contacts with LGUs. Continued sustainability of the PAMBs is an issue discussed later (Section 6.1 and 6.2). Building of community institutions has also generally been to the benefit of Indigenous People (IPs) in the protected areas – PAMBs have become a useful forum for IPs and POs to become involved in the decision making process. (d) **IPAF Development.** All ten sites have established IPAFs which are collecting user fees and contributions. Amounts being collected vary widely from site to site – the most successful being Apo Reef as a result of collection of diver visitor's fees, while other PAMBs have been much less successful. Collections at the ten sites at August 2002 totalled about P2 million (US\$38,000). An encouraging aspect is that in several of the PAs the LGUs are making direct cash contributions towards PA operating costs and identifying with PA management and protection. However, in the majority of cases mechanisms to collect fees for use of the park so that they are self funded either have not yet been developed or are not applied. In some cases this is due to funding constraints or to a lack of political will. There is also a need to ensure that communities are confident that the PAMB will be able to withdraw funds from the IPAF when required and are encouraged to pay money into the IPAF, despite the 25% deduction made by the central fund (Section 6.2).

(ii) Biodiversity Conservation. (a) DENR continues to have a fairly restricted **staff and budget** for PA Operation. Consequently not all of the temporary contract staff employed during the project period could be transferred onto the regular DENR payroll, raising sustainability questions. (b) The TA (TABCO) provided by NORDECO has had a good impact in setting up the biodiversity monitoring system and assistance with community resource management plans and agreements. However, the monitoring system has been in place for too short a time for there to be any indications of the benefits of protection on biodiversity, which would require a time-frame of ten years or more. (c) The most hopeful aspect for future protection has been the growth in interest of communities living in or around the PAs. Their involvement in PA management has resulted in formation of volunteer brigades who receive formal deputation from DENR to patrol the PA in mutual collaboration with the DENR field staff. Although this is a very positive development it is not clear how sustainable this may be without

further project funding and the possibility of inadequate capacity due to the reduction in DENR field staff.

(iii) Tenurial Security. Helping IPs to take collective action in requesting Certificate of Ancestral Domain Claims and Titles (CADC and CADT) and entering into Community Based Forest Management Agreements (CBFMA) has generally served to empower communities – even if the CADC/CADT process became stalled largely as a result of the transfer of responsibility and authority to issue CADTs from DENR to the National Commission on Indigenous Peoples (NCIP). Positive outcomes include the introduction of Community Based Resource Management Agreements for Protected Areas (CBRMA-PAs), participation of IPs in the PAMBs, volunteer action by IPs in PA patrols, and the motivation for the Indigenous Peoples Rights Act (IPRA) passed in 1997. Increased politicization of land ownership could create problems for PA management in the future.

(iv) Livelihood Systems. Performance of this component has been highly unsatisfactory, due both to design weaknesses and poor implementation. Preparation of the draft guidelines took two years. Even when this first attempt was complete it was found that the credit provisions were not appropriate, requiring a further substantial revision which caused a further one year delay. As a result financing of a limited number of beneficiary livelihood projects only started in late 1998. Any livelihood activities in remote protected areas are likely to be extremely difficult to implement. In this case the task was made more difficult by the broadness and lack of detail in the project design, the fact that activities were expected to cover both grants and credit delivery to beneficiaries, uncertainties as to the suitability of activities such as, for example, livestock raising, which were apparently not directly related to conservation activities, the inexperience of the implementing agencies (NIPA and the HNGOs), and deficient procurement and financial management by NIPA. Progress was much slower than originally envisaged. Only about 50% of the funds for livelihood activities have been disbursed. At grant closing a total of 331 livelihood projects were under implementation for an array of activities,⁶ but implementation quality was variable and achievements were half of expectations, with few schemes that were successful. The three years taken up in drafting and redrafting the guidelines, and problems in approval of the individual schemes caused the initial implementation delays. Implementation was subsequently affected by shortage of staff and slow execution in the field. Major procurement problems were also present, affecting implementation quality and contributing substantially to the issues discussed in section 4.2.2.

(v) Project Management and Coordination arrangements have been very weak. The strong implementation partnership expected between DENR and NIPA never developed (as discussed in Section 4.5). However, although centrally the degree of coordination was highly inadequate, at the PA level cooperation between DENR field staff and local NGOs has generally been satisfactory. Management information and financial reporting systems have been very weak, despite repeated attempts to develop an adequate monitoring and evaluation system.

4.2.2. **Financial and Procurement Management** has been Highly Unsatisfactory. Affecting all components managed by NIPA, in particular the livelihood component, has been the very weak capacity and seriously flawed implementation by NIPA of financial and procurement management, including in basic accounting, record keeping, monitoring and oversight. Supervision missions in the later years of the project identified substantial problems in fiduciary management of the project. Further review identified excessive overhead charges on consultant fees, expenditures not consistent with project objectives, excessive expenditures on unfinished works, inappropriate contract splitting to avoid due review processes, and lack of cooperation of NIPA in Bank review of project expenditures. These problems are under review

by a special government investigative committee constituted by the President, and composed of the Department of Justice, Department of Finance and DENR. Following project closure, NIPA has at the time of this report also failed to refund the outstanding balance of the project Special Accounts, and repay the other amounts due to ineligible expenditures.

4.3 Net Present Value/Economic rate of return:

n/a

4.4 Financial rate of return:

n/a

4.5 Institutional development impact:

4.5.1. As outlined at appraisal the organizational structure sought to link bureaucratic and NGO institutions, taking best advantage of the skills of each. Centrally this linkage never happened. As early as the second supervision mission in June 1995 it was agreed that rather than having a Project Manager heading the PCU both DENR and NIPA should each have a Co-Project Manager – subject to adequate guidance from the NIPAS Steering Committee (NPPSC). In practice the two sides of the project proceeded largely independently at the central level although this was partly mitigated by the NPPSC convening at least once a year to discuss CPPAP affairs. In order to capitalize on the NGO's private sector characteristics of generally quicker operation than the more bureaucratic government departments, the project design provided NIPA a high degree of autonomy, flexibility and freedom of operation. In its activities NIPA project staff were effectively only responsible to the NIPA Board. In order to provide for better coordination – particularly for the Livelihood Systems component a Livelihood Committee (LC) was established in early 2000 including a representative from DENR. The LC was subsequently increased to five members in late 2001, with permanent DENR personnel sitting in the committee. At the PA level coordination/cooperation between DENR and HNGOs in the project implementation units was generally much better and development of this linkage has been one of the project's successes.⁷ Similarly the establishment of the PAMBs has been valuable in providing a forum for communities to express their views and to have a say in management of PAs as well as a mechanism for involvement of LGUs. The sustainability of these developments is discussed in Section 6.

4.5.2. While arrangements for involvement of communities in PA development and management were positive those for the Livelihood Systems component were not. The main problem appears to have been the clash between the participative approach catering to communities needs and the requirement to only fund sub-projects of a “non-destructive” nature which was interpreted in a wide variety of ways by those involved in the project. Sub-projects of individuals or groups or Peoples' Organizations (POs) often started as ideas of the HNGOs or their subsidiaries. Having been initially formulated they had to run the gauntlet of a number of approving bodies. At the lowest level the PAMB was able to approve sub-projects up to P150,000.⁸ Above this amount up to P5 million the sub-project had to be approved by the IPAF-GB, which rarely met, and above P5 million had to be submitted to WB. In order to try to speed up the approval process the Livelihood Committee was constituted in early 2000 with the power of approval of sub-projects between P150,000 and P3 million – above which amount approval remained with the IPAF-GB. Sub-projects had to negotiate this system with the risk of being rejected and sent back for modification at any level. The approval process was therefore over centralised and very slow.⁹

4.5.3. DENR institutional development as a result of the project has been significant at field levels in that the field staff have become accustomed to working with local communities in PA management and responsibilities within the DENR staff structure have been streamlined, in many cases making the PASu concurrently the Community Environment and Natural Resources Officer (CENRO).

4.5.4. Arguably the greatest impact has been at the PA level where HNGOs and their subsidiaries and the PASus have in at least some of the areas developed a good system of working in collaboration with the PAMBs and with participation of LGUs. Further capacity building is needed for NGOs and DENR field staff in the technical aspects of conservation.

4.5.5. Centrally and for the livelihood component the project had little institutional impact. However, at the protected area level, PAMBs have been established for each PA, and, in each case, progress has been made in developing working relations between the PAMBs, DENR, LGUs and the local NGOs, with positive field-level impact. Overall, taking account of both central and field level achievements, institutional impact is rated as Modest. This assessment is influenced by the positive assessment of impact at the PA levels. Sustainability would substantially depend on whether the PAMBs find additional revenue sources or find other innovative means of sustaining operations such as promoting volunteerism among local communities.

4.5.6. A lesson emerging is that, especially for a project involving innovative implementation arrangements including a new NGO institution - NIPA - there would likely have been great benefit if an institutional analysis had been undertaken as part of preparation, including the identification of areas where technical assistance was required, and of mechanisms for providing management oversight. A similar focus on institutional aspects during implementation would also have likely identified emerging inadequacies much sooner.

⁵ The management plan for the Mount Apo Nature Park is currently being finalized.

⁶ Production type livelihood projects included: abaca, abalone, backyard hog-raising, banana, bee-keeping, cattle raising, coffee, durian, essential oils, fish-drying, flowers, ginger, handicrafts, integrated mariculture/seaweed culture/aqua-silviculture/mud-crab culture, loofah, marine fishing, mushroom, pandanus, pig breeding, rattan, tilapia, timber and non-timber products, vinegar. Other projects included trading and marketing, agroforestry, reforestation, nursery establishment, sustainable agri-land technologies (natural contour/alley farming) and mangrove reforestation/marine and fish sanctuary.

⁷ Although generally cooperation appears to have been good the fact that funding channeled to the HNGO was often more than received by the PASu sometimes led to friction.

⁸ At appraisal the limit was P100,000. The figure of P150,000 was equivalent to about US\$5,700 in 1994, but only US\$3,700 when the Livelihood System component finally started disbursing. Subsequent Peso figures in 1998 US\$ terms are as follows: P150,000 – P3 million (US\$3,700 – US\$73,300), P3 –5 million (US\$73,300 – US\$122,000).

⁹ An average period of almost two years from proposal preparation to approval is stated in one of the project documents (CPPAP Phase 1 Qualitative Assessment Final Report. Volume V – Institutional Impact Assessment of Mt. Kitinglad Range and Natural Park, 2001, Orient Integrated Development Consultants, Inc.).

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

5.1.1 The project was affected by a number of factors. Most significant were the 1995 floods and landslides in Mindanao and Negros, the 1997/98 East Asia financial crisis, the return of the El Niño in 1998 and changes of Government in 1998 and late 2000. Some of the project sites have been affected by various forms of civil disturbance or insurgency. In particular this has been a factor in Mindanao (Agusan Marsh Wildlife Sanctuary) and the Northern Sierra Madre Nature Park. Any activity in the Turtle Island Nature Park is severely constrained by the extreme remoteness of the site. Difficulties were created for the project by the poor coverage of project sites by retail finance institutions (RFIs) and the lack of interest of those that did exist in channeling credit to POs in remote locations. Similar problems also existed in finding suitable NGOs to act as HNGOs for the ten sites.

5.2 Factors generally subject to government control:

5.2.1. The increase in sovereignty of Local Government Units (LGUs) as a result of the decentralization program put into effect under the Local Government Code (Republic Act 7160 of 1991) influenced the conduct of field operations, with LGUs having more influence on PA actions, generally positively. For the longer term, involvement by the LGUs is likely to be important to sustainability of the protected areas, as they can provide administrative support to the PAMBs, help generate revenue sources and influence community decisions to protect the PAs.

5.2.2. The two changes of government had an unsettling effect on the project since in the Philippines with each change the senior departmental civil servants are replaced, with consequent alterations in government commitment to the project and relations between DENR and NIPA.

5.2.3. Government commitment to the project throughout its implementation appears to have been only moderate, judging by the funding made available to PAWB, compared with the rest of DENR. Due to budget restrictions – particularly during the financial crisis period in 1997/98 – lack of budget releases by DENR disrupted project implementation.

5.3 Factors generally subject to implementing agency control:

5.3.1. DENR was slow to provide adequate staffing for both the PCU and the project sites. Staffing levels at the ten sites during implementation were only sufficient to provide a minimum core capability and have declined by about a quarter since grant closing at end June 2002. A key gap was the limited oversight that DENR provided over NIPA. The split of the PCU meant that NIPA had little oversight by DENR, and the NIPAS Steering Committee never assumed its intended role (Section 4.5.1). NIPA was unable to draw up guidelines for the Livelihood Systems component sufficiently quickly to give the component a timely start. Even when draft guidelines were produced after two years they were found to be unacceptable to LBP and to RFIs which required their further amendment and caused another delay of almost a year. Neither DENR nor NIPA were successful in developing a project monitoring and evaluation system. With the TA provided by NORDECO a biodiversity monitoring system has been successfully established, but is constrained by staff and budget shortages. Above all were the major deficiencies in fiduciary governance. NIPA was markedly deficient in failing to develop and operate a financial management and accounting system suitable for providing and controlling funding and implementation for the ten project sites in an efficient and transparent manner, and fiduciary management problems became so severe that they are under special review by government (section 4.2.2).

5.4 Costs and financing:

5.4.1. Estimated total project costs including contingencies at the time of approval of the grant were US\$22.85 million. The grant for US\$20 million was to be complimented by US\$2.85 million equivalent of counterpart funds. About half of total project costs were to be devoted to livelihood activities in the form of a mixture of grants and credit – mainly for individuals or formal or informal groups. At the grant closing date, actual project cost is estimated at US\$16.65 million, with financing from GEF totaling US\$15.52 million complimented by only US\$1.13 million of counterpart funds. In January 2001, US\$2 million of the GEF grant was cancelled, and, at the closing date, a further US\$2.48 million of the grant was cancelled. It is notable that actual expenditure by component under the project entailed significant departures from appraisal intentions. The field activities of socio-economic management and site development had expenditures at 51% and 33% of appraisal expectations, while national coordination and resource management had expenditures 206% and 152% of appraisal targets. In particular, the high central costs are noteworthy. National coordination expenditures were US\$ 6.76 compared with the appraisal estimate of US\$ 3.28, yet coordination and fiduciary management were the project's weakest aspects.

6. Sustainability

6.1 Rationale for sustainability rating:

6.1.1. Two factors which will have a major influence in determining the project's sustainability are the adequacy in future DENR budgets to continue work on park development, management and protection and the interest of the communities and POs at the various sites in continuing to help protect the PAs in the absence of further project finance. Both of these are at present uncertain. Further financial support may be anticipated from LGUs, from donors or from collection of fees and other payments related to the PAs. In particular the role and involvement of LGUs in the future is likely to be a crucial issue for sustainability. In some PA areas the LGU is already paying into the IPAF and this is a very encouraging development. There continues to be considerable support from the donor community – including a newly sanctioned project with assistance from the Netherlands for the Northern Sierra Madre Natural Park valued at around US\$12 million over seven years. The situation on collections varies from one PA to another. Some have already started to accumulate funds in their IPAF, while others still have to develop and/or apply mechanisms for collection. In some cases communities are reluctant to pay money into the IPAF account for the reason that by doing so 25% is immediately lost to the central fund, as well as a degree of uncertainty as to how easy it will be to get disbursements from IPAF in the future. The original project design optimistically expected significant return flows from the livelihood component being paid into the IPAF, but with the small number of projects financed, the absence of well defined recovery mechanisms, the complication of provision of credit in parallel with grants, the inevitable failure of a proportion of the sub-projects financed and the reluctance to pay monies into the IPAF mentioned above, these flows are unlikely to be very significant. A further worrying aspect is the situation regarding HNGOs and their subsidiaries. These have been crucial in the project in supporting POs, IPs and other groups as well as the PAMB the PIU and the DENR field staff. With the completion of project funding there is no certainty of any future NGO support to the project PAs. This could have been mitigated if the NGOs with advocacy skills had been more active in soliciting funding for NGO activities post project implementation. Based on all the above considerations, which will require several years before their outcome is known, the project's sustainability is uncertain at the present time. In the absence of this more conclusive knowledge, overall rating is set at Unlikely, but this could turn to Likely if positive developments take place in the areas above.

6.2 Transition arrangement to regular operations:

6.2.1. DENR has tried as far as its funds allow to absorb temporary project staff onto its regular payroll. At grant closing CPPAP project staff numbered 127 or only about 75% of the 169 in December 2001. The budget available for 2003 more or less only covered salaries/transport and staff expenses, with minimal allowance for the cost of further work in park development and management. Future operation of the PAs and the quality of such operations will depend on the funds which can be applied. Since PAWB's budget is probably likely to remain fairly constant or only slowly rising, the main opportunities for additional funds are from LGUs, donors and collection of user fees. Given an adequate minimum level of financing the chances of the project being fully sustainable would be better, since the project has achieved considerable success in formation of the PAMBs and empowerment and motivation of the PA communities. Further action will be required to support the passing of legislation for the remaining six PAs; drawing up and implementing the Implementing Rules and Regulations (IRRs); implementing the Management Plans for each site; provision of adequate DENR staff to each site; further support and strengthening of the PAMBs in a range of aspects including the technical aspects of biodiversity conservation as well as management and book-keeping competence; full involvement of the LGUs in the PAMBs; improvement of the PA fee fixing and recovery arrangements; and smooth handover of those aspects formerly looked after by NIPA to DENR responsibility. Most importantly the arrangements for operation of the IPAF need to be made very clear and if necessary amended. At present there is the perception that monies paid into the IPAF are

credited to the central GOP Treasury, which then returns 75% to be applied locally. There is also a lack of confidence that it will be easy to draw on IPAF funds when they are required. Furthermore there is a reluctance to pay into the IPAF due to the 25% take by the central fund referred to above. If the IPAF is to operate successfully as the main mechanism for making PAs increasingly self-sustaining and autonomous entities these uncertainties need to be expeditiously resolved.¹⁰

¹⁰ The history of funds in the rural sector is not good – the Coconut Levy being a case in point.

7. Bank and Borrower Performance

Bank

7.1 Lending:

7.1.1. Project design was innovative and based on good sector work, with an adequate technical and scientific basis. In contrast the institutional and management arrangements were only broadly outlined and the project components, particularly the Livelihood Systems component, were not detailed. This approach might have been adequate in the case of a highly competent and experienced implementing agency, but was unsuitable for implementation by a freshly formed organization without adequate management experience. Quality at entry is therefore rated Unsatisfactory.

7.2 Supervision:

7.2.1. In the initial years of the project it was supervised together with the ENR-SECAL. As a result it seems that more attention was devoted to the much larger and more advanced ENR-SECAL than to CPPAP. Also, based on earlier Bank experience of livelihood projects not being feasible until the zonal delineation of the PAs had been completed, the necessary urgency was not given to preparing for the Livelihood Systems component and in particular to pressing for NIPA to come up with suitable guidelines. Subsequent supervision failed to remedy deficiencies in project design or to tackle the implementing agency's management and financial/procurement control weaknesses. The opportunity of major modification to the project at MTR was also lost. With hindsight, the clear need was to have had a fundamental project restructuring to provide for better project management, financial control, coordination, monitoring and evaluation – all of which were seriously lacking. Post MTR, the project's problems remained as before with only slow progress in achievement of its development objectives and implementation. Since the project was now considered a 'problem project' under the Bank's pro-active management guidelines some strong measures had to be taken. The measure chosen was to cancel US\$2 million from the GEF grant for the Livelihood Systems component, without the more fundamental management improvements needed to tackle the issues above.

7.2.2. The quality of staff used on supervision missions was good on the technical aspects of park management and biodiversity conservation, and resultantly, the quality of the Bank's technical supervision was generally good. Also, the technical TA provided by Denmark through NORDECO (TABCO) with Bank supervision support performed well. However, procurement and financial expertise in the supervision teams was limited, with financial and procurement staff only starting to be involved in 1998, four years after Grant approval. In the first three years of project implementation, reviews of statements of expenditure appear to have been limited, and the project's internal control issues only started to be understood in 1998. Ratings on procurement and financial issues gave a false sense of security till the last years of the project. Supervision is therefore rated Unsatisfactory. This rating is at variance with the November 2001 Quality Assurance Group (QAG) which found supervision to be satisfactory, although finding the impact and effectiveness of Bank actions and accuracy and consistency of supervision mission ratings all marginal.¹¹

¹¹ In particular the QAG found that in FY99 and FY00 the main Development Objectives (DO) and Implementation

Performance (IP) ratings were incorrectly assessed as satisfactory when the project was far behind schedule.

7.3 Overall Bank performance:

7.3.1. Overall performance of the Bank, based on the above review, is rated as Unsatisfactory.

Borrower

7.4 Preparation:

7.4.1. There is no borrower for this project since it was financed by a grant. The implementing agencies were NIPA and DENR.

The vision and dedication in identifying and starting preparation of the project, including the drafting and passing of the NIPAS Act were highly satisfactory. Government's role in the finalization of project preparation was less successful. The decision to implement the project through a new consortium of Filipino NGOs rather than an already proven international NGO should have been accompanied by the realization that such a change in management responsibility could not be successful without significant changes to the project design. This could, for instance, have included provision for a technical assistance component to support project management and financial/procurement systems for the project. Most importantly these would have included more detail on institutional arrangements and responsibilities, accounting, financial management and procurement systems, and more detail on the Livelihood Systems component, including a very clearly defined list of the items which would be financed, arrangements for their authorization and agreed arrangements for channelling of project funds. Similarly, NIPA should have been able to recognize its limitations, and insist on provisions for strong financial management and oversight. Although Government should have recognized the danger and the need for project revision it may have relied too heavily on the Bank to provide a project design suitable to the county's needs. Overall, and notwithstanding the highly satisfactory proactive drafting and passing of the NIPAS Act, the performance of NIPA and Government in preparation is rated as Unsatisfactory.

7.5 Government implementation performance:

7.5.1. Government commitment to the project and the strategies to be adopted in implementation have not been constant over the project period. In general, although the project appears to have been well supported by communities and in some cases LGUs at the PA level, commitment centrally has been inadequate. PA development and management activities have had only limited budget support compared with other DENR interests. Project performance has been adversely affected by inadequate or late government budget releases. In particular, arrangements for oversight of the NIPA implemented component, including arrangements for oversight of NIPA's fiduciary management, were inadequately implemented. The NIPAS Steering Committee (NPPSC), intended to provide guidance and oversight, never developed into this role. Further, once it had been agreed that the PCU would be split into two (section 4.5.1), the NIPA and DENR implemented components operated largely independently, without an institutionalized mechanism for oversight of the NIPA component.

7.6 Implementing Agency:

7.6.1. Of the two implementing agencies, NIPA and DENR, DENR has had a comparatively simpler task in implementing PA development, management and protection activities under its own direct control and with its own staff. Constraints encountered included that DENR budget for these activities was limited and staffing consequently less than required. Demarcation of zones and boundaries within and around the PA areas have proceeded more slowly than originally envisaged. The issue of tenurial instruments (CADC and CADT) has been stalled as a result of transfer of responsibility from DENR to the National Commission on Indigenous Peoples (NCIP) which is seriously under-budgeted. Similarly the issuance of conservation and

resource use agreements with POs has moved slowly and the progress of gazetting and agreement on indigenous lands within PAs has also been slow .

7.6.2 NIPA's performance has been the critically serious problem and warrants a Highly Unsatisfactory assessment. The key deficiency was in management, particularly in fiduciary management (section 4.2.2). Working on the ten sites with a range of NGOs delivering services to a large number of community groups, POs, IP groups and individuals often in remote situations and generally without any book-keeping competence, required a good management and financial control system which NIPA failed to create. With the agreement in 1999 that livelihood funds could be channelled through reputable NGOs, good financial control became still more necessary. In a number of cases the arrangements for credit recovery are unclear, both as to who is responsible for recovery and what should subsequently be done with the funds returned.

7.6.3. At the PA level there are a number of examples of good management by HNGOs working well with DENR at the Regional, Provincial and Community levels and strong Peoples Organisations (POs). Nonetheless, good management in the field is not the universal condition and where it was good, the outputs were often limited by poor upper management - especially in terms of cash flow. Provision of technical assistance and training by NIPA to field staff and beneficiaries has generally had a positive impact, even if performance was by no means uniform, since the PCU could not provide adequate supervision and the quality of the TA provided was variable. Success of field level operations and degree of cooperation between DENR the HNGO and involvement of LGUs has depended largely on individual personalities rather than any structure or guidelines for cooperation.

7.6.4. At the central level, coordination between DENR and NIPA has not been adequate, both parties largely working independently of the other. It had been foreseen at project negotiations that DENR should have an overall oversight function over NIPA and this was also included in the Grant Agreement¹². However, mechanisms for DENR to have effective oversight of NIPA were not created, and only from late 2001 did DENR have any substantial representation on the Livelihood Committee.

7.6.5. NIPA failed to establish good financial management and procurement internal control mechanisms at the PCU. The project accounts were maintained on computers without adequate safeguards. The Government's own processes outside the CPPAP system provided safeguards for the part of the project implemented under DENR. The part implemented under NIPA did not have such parallel oversight. In addition, project financial personnel and external auditors for the NIPA managed part were changed repeatedly exacerbating the project's fiduciary management problems.

7.6.6. Despite some encouraging results at the field level the overall implementation performance is, therefore, rated as Unsatisfactory.

7.7 Overall Borrower performance:

7.7.1. Based on the above review, and in particular the highly unsatisfactory performance of the primary grant recipient and implementor, NIPA, the overall performance of the implementing agencies is rated Unsatisfactory.

¹² Report no. 11309-PH The Project Document Part I memorandum and Recommendation, (b) Conditions of Project Implementation (iv) Joint Project Management Office. DENR would be responsible for general oversight, coordination , and monitoring of the project. It would establish a joint Project Coordinating Unit (PCU) with NIPA, with qualified management

staff, which would be given the responsibilities and resources, including office facility, required to undertake day-to-day supervision and coordination of project implementation. GETF Grant Agreement, Section 3.02. The Recipient (that is NIPA) shall at all times until the completion of the Project, carry out Parts B and C of the Project under the general oversight and overall national coordination and monitoring of the project by the DENR.

8. Lessons Learned

8.1.1. Suggested lessons learned as a result of the project are:

A. Lessons on Project Design

- i. The more difficult a project component task or objective, the greater the need for careful focus and clarity in description and operational arrangements to provide clear guidance and to remove any uncertainties over what is required.
- ii. Attention to technical aspects of a project, and strength of an agency or its performance in technical areas, is not enough. Successful project implementation also requires strength in management areas including in finance, procurement, monitoring and oversight.
- iii. Technical assistance (TA) should not be confined to purely technical matters. CPPAP and the supporting Danish grant included substantial TA for biodiversity monitoring and other technical areas, but this should have been paralleled by TA in managerial and financial/procurement support.
- iv. Entrusting the management of large flows of funds and procurement to a new agency without a track record is risky. At least, an institutional capacity analysis of the proposed entity's strengths and weaknesses, especially in management, finance and procurement, should be undertaken and should inform the decision on choice of agency.
- v. Where implementation is to be the responsibility of a non-government agency, care needs to be taken not only in the choice of the agency, but also to ensure that the project design is appropriate for implementation by that agency. Where necessary, changes should be made to tailor the design to mitigate any foreseen weak points in implementing agency capabilities, and the agency needs to take steps to strengthen itself in areas where capacity is weak. An institutional analysis is desirable where institutions are untested, with recommendations incorporated in design and implementation.
- vi. All projects should have some formal mechanisms for coordination and oversight of the implementing agency and field activities.
- vii. Investments in natural resources such as forestry, protected areas or watersheds tend to require continuous activity over an extended period of time. They do not lend themselves to being treated as projects and may best be conceived as programs which would ensure the longer-term support required. This program could have been presented as two or more projects, in order to give adequate control and allow for stocktaking and any necessary changes in project design between the various project phases.
- viii. Credit schemes such as the project's Livelihood component, are typically quite difficult. Credit in remote areas is extremely difficult due to lack of RFIs and a lack of interest to provide small loans in remote areas. Projects or components which have a mix of both credit and grants are particularly difficult to operate.

ix. Benefits from a decentralized scheme for project implementation will be reduced if there is also centralized project management and decision making. A truly decentralized project design requires only minimal central coordination and support.

x. Care is required in project design to make sure that mechanisms are in place to ensure that as high a proportion as possible of project funds are delivered to the beneficiaries – rather than being absorbed in higher level institutional costs.

B. Lessons on Implementation

i. Implementation which relies for reimbursement almost entirely on Statements of Expenditure (SOEs) for a large number of small expenditures in remote locations in ten project sites has inherent risks and requires operation of appropriate mitigating mechanisms including standard documentation, a strong oversight capacity and sampling for post review.

ii. Implementing agencies need to have personnel strong in financial management and procurement, or to train personnel and, as needed, hire technical assistance in these areas.

iii. A MTR is an opportunity to significantly restructure a project if that is required. The same should be done by any supervision mission that finds restructuring necessary.

iv. Institutional development in PAs including provision of land tenure security, joint management through community based forest management agreements and PAMBs can provide a strong basis for increased community participation and empowerment. In particular this was valuable for IPs who became involved in conservation and PA management.

9. Partner Comments

(a) Borrower/implementing agency:

Comments were provided by DENR in a letter from the Secretary DENR dated May 7, 2004 (on file, refer Annex 7). The letter comprised five points of detail and a general comment. In subsequent discussion with the Secretary, it was agreed that all of the points of detail would be incorporated in the relevant ICR text, which has been done, and that, therefore, only the general comment would be included in Section 9. The DENR general comment is provided verbatim below:

QUOTE

"While we find some of the performance ratings justified albeit regrettable, we nevertheless would like to suggest the following amendments to the report.

On Item 4, Achievement of Objective and Outputs (and) 4.1 Outcome/Achievement of Objective, the rating should at least be **modest (M)**.

With the Bank's scepticism over the financial management by NIPA Inc, the livelihood component may deserve an **unsatisfactory (US) rating**. However, the positive outcomes on the three components (PA Protection, Biodiversity Conservation and Tenurial Security) in the forms of operating PAMBs, increased awareness and capacities in biodiversity monitoring, established IPAF, awarding of PA Community Based Resource Management Agreement (PACBRMA), etc. should be considered as substantial accomplishments

and should offset the negative output in a single component. Taking this into account, the whole project outcome should at least be considered **Modest (M)**.

In closing, we would like to reiterate that while we may have failed in some aspects, we nevertheless significantly achieved our major GOP deliverables."

UNQUOTE

Section 4.1.1 has been modified to take account of the above comment, to highlight more the areas of positive achievement and to note the DENR view on rating of the project's outcome.

(b) Cofinanciers:

n/a

(c) Other partners (NGOs/private sector):

The draft ICR was also provided to NIPA for review and contribution to the ICR, but no comments were received by the time indicated to NIPA.

10. Additional Information

n/a

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
1. Protect ten areas of high biodiversity value	Provide legal basis for PAs: 4 bills passed, 5 bills re-filed and 1 bill filed.	4 bills passed 5 bills re-filed 1 bill filed Implementing rules and regulations (IRRs) still in draft and to be approved by Secretary, DENR
2. Improve DENR PA management capabilities	A limited number of sites adequately funded from DENR, LGUs, IPAF or other sources for basic operations, but most not. DENR to ensure PPA allocations for all CPPAP PAs for FY03 Need to ensure minimum of P400,000 per site for PASu op. expenses. PAWB has submitted proposal to DBM for regular DENR positions based on the NIPAS law. Actions have been taken to regularize CPPAP contractual staff	DENR have tried to take on as many of the contract staff as possible, but total staff numbers now about 75% of those at end 2001. This is inadequate for implementation of basic management. Budget allocation for 2003 is sufficient for salaries, staff expenses and transport but does not allow for continued PA development and management.
3. Incorporate local communities and NGOs into the PA management structure	Making operational the PA Management Plans, including reconciling zoning and land-use conflicts and issuing appropriate tenurial instruments (TIs).	In 9 of the 10 sites comprehensive management plans developed. To an extent these have become operational but need to produce summarized versions more relevant to the individual PA situation and budget. OP/IP proposed zoning schemes not properly incorporated in management plans. Park boundary insufficiently demarcated and user zones not demarcated. Guidelines on PA TIs based on sound CBRM principles, but needs finalization. DENR issue of TIs delayed. Problems of overlap between NIPAS and IPRA Acts. Redelineation of existing issue CADCs or granting of TIs and rights of IPs Ancestral Domain Mgt. Plans stalled by NCIP. New Wildlife Conservation Act deprives PA dwellers of rights and will increase conflicts.
4. Confirm the tenure of indigenous cultural communities and long-established residents of PAs.	Making operational the PA Management Plans including reconciling zoning and land use conflicts and issuing appropriate tenurial instruments (TIs)	Generally good involvement of indigenous persons in community institutions
5. Establish a permanent funding mechanism for PA management and development	IPAF-GB established and functioning Livelihood guidelines approved by IPAF-GB All ten sites have IPAF guidelines approved by their respective PAMBs Draft Implementation Rules and Regulations (IRR) for recovery/reflows prepared, but not approved by IFAP-GB Prepare and implement standard guidelines for collecting user fees	Wide variation in collection from site to site, but generally insufficient. The right of PAMBs to request withdrawals from the IPAF for legitimate purposes and the ease of obtaining funds from the IPAF needs further confirmation. Also the fact that 25% is deducted for the central IPAF is said to be a deterrent to payments into the fund by NGOs/POs/individuals.

Output Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
a) Effective PAMBs operational; b) PA management plans approved by PAMB; c) Core staffing and budget provided by DENR for sustained PA operations; d) Integrated	a) 10 bills (cum.); b) 10 PAMBs (cum.); c) 10 PA plans (cum.); d) PA as line item in FY 03 budget; National and 10 site level IPAFs (cum.) Bills & PAMBs already mentioned	At completion, 4 bills passed, 5 bills refiled and 1 bill filed. PAMBs established in all sites, but self-generated funding of IPAFs generally not sufficient for PA operations.

Protected Area Fund (IPAF) functioning.	above.	
Biodiversity: Terrestrial, marine and wetland ecosystems Biodiversity Monitoring System (BMS) established.	Operational in 9 sites	Biodiversity monitoring system established. Post-project staff reductions may limit operational effectiveness.
Tenurial Security Improvement Component: CBRMAs issued.	25 CBRMAs (cum.)	Tenurial instruments issuance delayed due to legal complications.
Livelihood Systems Devt.: Viable livelihood activities linked to biodiversity conservation implemented.	At least 6 subprojects per site	331 livelihood projects commencing or under implementation at grant closing. Completion of these affected by funds cut-off at Grant closure (current status unknown).

¹ End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
Site Development	4.95	1.64	33.08
Resource Management	1.99	3.02	152.09
Socio-Economic Management	10.32	5.23	50.61
National Coordination & Monitoring	3.28	6.76	206.35
Total Baseline Cost	20.54	16.65	
Physical Contingencies	0.33		
Price Contingencies	1.98		
Total Project Costs	22.85	16.65	
Front-end fee			
Total Financing Required	22.85	16.65	

Project Costs by Procurement Arrangements (Appraisal Estimate) (US\$ million equivalent)

Expenditure Category	Procurement Method 1/				Total Cost
	ICB	NCB	Other2	N.B.F.	
1. Works					
Government	0.00 (0.00)	0.56 (0.56)	1.41 (1.41)	0.00 (0.00)	1.97 (1.97)
NGO	0.00 (0.00)	0.24 (0.24)	0.00 (0.00)	0.00 (0.00)	0.24 (0.24)
2. Goods					
Government	0.00 (0.00)	0.22 (0.22)	0.23 (0.23)	0.00 (0.00)	0.45 (0.45)
NGO	0.00 (0.00)	0.00 (0.00)	0.20 (0.20)	0.00 (0.00)	0.20 (0.20)
3. Consultancies					
Government	0.00 (0.00)	0.00 (0.00)	0.14 (0.14)	0.00 (0.00)	0.14 (0.14)
NGO					
- Local NGO TA	0.00 (0.00)	0.00 (0.00)	3.52 (0.00)	0.00 (0.00)	3.52 (0.00)
- Ecological Monitoring	0.00 (0.00)	0.00 (0.00)	0.59 (0.59)	0.00 (0.00)	0.59 (0.59)
4. Miscellaneous					
Government	0.00 (0.00)	0.00 (0.00)	3.16 (0.31)	0.00 (0.00)	3.16 (0.31)
NGO					
- Project Management	0.00 (0.00)	0.00 (0.00)	2.57 (2.57)	0.00 (0.00)	2.57 (2.57)
- Livelihood Fund	0.00 (0.00)	0.00 (0.00)	10.01 (10.01)	0.00 (0.00)	10.01 (10.01)
Total	0.00 (0.00)	1.02 (1.02)	21.83 (18.98)	0.00 (0.00)	22.85 (20.00)

1/ Figures in parenthesis show GET financing

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US\$ million equivalent)

Expenditure Category	Procurement Method 1/				Total Cost
	ICB	NCB	Other ²	N.B.F.	
1. Works					
Government	0.00 (0.00)	0.83 (0.83)	0.00 (0.00)	0.00 (0.00)	0.83 (0.83)
NGO	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2. Goods					
Government	0.00 (0.00)	0.32 (0.27)	0.20 (0.17)	0.00 (0.00)	0.52 (0.44)
NGO	0.00 (0.00)	0.00 (0.00)	0.15 (0.15)	0.00 (0.00)	0.15 (0.15)
3. Consultancies					
Government	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
NGO					
- Local NGO TA	0.00 (0.00)	0.00 (0.00)	1.99 (1.99)	0.00 (0.00)	1.99 (1.99)
- Ecological Monitoring	0.00 (0.00)	0.00 (0.00)	1.56 (1.56)	0.00 (0.00)	1.56 (1.56)
4. Miscellaneous					
Government	0.00 (0.00)	0.00 (0.00)	2.48 (1.43)	0.00 (0.00)	2.48 (1.43)
NGO					
- Project Management	0.00 (0.00)	0.00 (0.00)	5.15 (5.15)	0.00 (0.00)	5.15 (5.15)
- Livelihood Fund	0.00 (0.00)	0.00 (0.00)	3.99 (3.99)	0.00 (0.00)	3.99 (3.99)
Total	0.00 (0.00)	1.14 (1.10)	15.51 (14.43)	0.00 (0.00)	16.65 (15.52)

1/ Figures in parenthesis show GET financing

Project Financing by Component (in US\$ million equivalent)

Component	Appraisal Estimate		Actual/Latest Estimate		Percentage of Appraisal	
	Bank	Govt.	Bank	Govt.	Bank	Govt.
Site Development	2.91	2.82	1.64	0.00	56.6	-
Resource Management	2.22	0.00	3.02	0.00	136.00	-
Socio-Economic Management	11.31	0.00	5.21	0.02	46.09	-
National Coordination & Monitoring	3.56	0.03	5.65	1.11	158.53	3475
Total	20.00	2.85	15.52	1.13	77.61	39

Annex 3. Economic Costs and Benefits

n/a

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
	Month/Year	Count	Specialty	Implementation Progress
Identification/Preparation 11/6/1993	2	MISSION LEADER(1); ANTHROPOLOGIST (1)		
Appraisal/Negotiation 10/23/1994	4	TASK TEAM LEADER (1); NRM SPECIALIST (1); GEF COORDINATOR (1); INSTITUTIONAL CONSULTANT SPECIALIST		
Supervision				
06/19/1995	3	MISSION LEADER (1); SR. ECOLOGIST (1); ANTHROPOLOGIST (1)	U	HS
02/23/1996	4	SR. ECONOMIST (1); MISSION LEADER (1); BIODIVERSITY EXPERT (1); ENVIRONMENTAL ECON (1)	HS	S
10/04/1996	3	SR. ECOLOGIST (1); LAND RESOURCES (1); SR. REG. COORDINATOR (1)	S	S
06/26/1997	3	SR. ECOLOGIST/LEADER (1); LAND RESOURCES SPEC. (1); ANTHROPOLOGIST (1)	S	U
03/23/1998	3	SR. ECOLOGIST/LEADER (1); NAT. RES. SPECIALIST (1); OPERATIONS OFFICER (1)	U	U
10/19/1998	6	NAT. RES. SPEC (1); RD SPEC./TTL (1); FINANCIAL MGT. (1); PARTICIPATION OFFICER (1); PROCUREMENT OFFICER (1); ECOLOGIST (1)	S	S
04/29/1999	5	SR. RD SPECIALIST (1); RD OPERATIONS OFFICER (1); PARTICIPATION OFFICER (1); PROCUREMENT OFFICER (1); FINANCIAL CONSULTANT (1)	S	S
12/07/1999	1	SR. RURAL FINANC. SPEC (1)	S	S
06/16/2000	8	SR. RURAL DEVL P SPECIA (1); OPERATIONS OFFICER (2); PROCUREMENT OFFICER	S	S

			(1); TEMPORARY (1); FINANCIAL CONSULTANT (1); ENVIRON. SPECIALIST (1); CONSULTANT (1)		
	12/21/2000	7	TASK TEAM LEADER (1); TEAM MEMBER (6)	U	U
	05/29/2001	12	TASK TEAM LEADER (1); TEAM MEMBER (11)	U	S
	12/21/2001	8	TASK TEAM LEADER (1); OPERATIONS OFFICER (1); NRM SPECIALIST (1); INSTITUTIONAL MGMT. (1); PROCUREMENT OFFICER (1); FINANCE SPECIALIST (1); M & E (1); COMMUNITY DEVELOPMENT (1)	U	U
ICR	06/24/2002	9	TASK TEAM LEADER (1); NRM SPECIALIST (1); BIODIVERSITY EXPERT (1); FINANCIAL MGT SPECIALIST (2); NRM CONSULTANT (1); CONSULTANTS (2); PROCUREMENT OFFICER	U	U

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	-	127.8
Appraisal/Negotiation	-	-
Supervision	-	898.4
ICR	-	-
Total	-	1,026.2

Above includes Bank-financed and Trust Fund consultants

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<u>Rating</u>				
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Physical</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Financial</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input checked="" type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA

Social

<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input checked="" type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Gender</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input checked="" type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<i>Indigenous people</i>					
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

Rating

- | | | | | |
|--------------------------------------|--------------------------|-------------------------|------------------------------------|--------------------------|
| <input type="checkbox"/> Lending | <input type="radio"/> HS | <input type="radio"/> S | <input checked="" type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Supervision | <input type="radio"/> HS | <input type="radio"/> S | <input checked="" type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Overall | <input type="radio"/> HS | <input type="radio"/> S | <input checked="" type="radio"/> U | <input type="radio"/> HU |

6.2 Borrower performance

Rating

- | | | | | |
|--|--------------------------|-------------------------|------------------------------------|-------------------------------------|
| <input type="checkbox"/> Preparation | <input type="radio"/> HS | <input type="radio"/> S | <input checked="" type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Government implementation performance | <input type="radio"/> HS | <input type="radio"/> S | <input checked="" type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Implementation agency performance | <input type="radio"/> HS | <input type="radio"/> S | <input type="radio"/> U | <input checked="" type="radio"/> HU |
| <input type="checkbox"/> Overall | <input type="radio"/> HS | <input type="radio"/> S | <input checked="" type="radio"/> U | <input type="radio"/> HU |

NB: Implementation agency performance rating refers to NIPA

Annex 7. List of Supporting Documents

1. Report No. 11309-PH CPPAP Project Document: Part I: Memorandum and Recommendation; and Part II: Technical Report. World Bank April 15, 1994. Report No. 11309-PH CPPAP Project Document: Part I: Memorandum and Recommendation; and Part II: Technical Report. World Bank April 15, 1994.
2. Global Environmental Trust Fund Grant Agreement (GET Grant No. TF 028698) (NIPA grant)
3. Global Environment Trust Fund Grant Agreement (GET Grant No. TF 028698) (GOP grant)
4. Project Supervision Reports (June 1995 – July 2002).
5. Report No. 20256-PH Philippines: Environment and Natural Resources Sector Adjustment Program ICR May 30, 2000.
6. Quality of Supervision of Risky Projects (QSR) Final Assessment November 14, 2001.
7. NIPAS Act: R.A. No. 7586 and Implementing Rules and Regulations DAO25, S. 1992 (PAWB/DENR).
8. CPPAP Livelihood Fund Guidelines.
9. Integrated Impact Assessment of the CPPAP. Final Report and Institutional Impact Assessment, NIPA/DENR by Orient Integrated Development Consultants Inc. (OIDCI), October 2001.
10. Letter of May 7, 2004 from the Secretary, DENR, with GOP comments on the final draft ICR.

