

**MID-TERM EVALUATION OF  
GEF PROJECT No. GF/2730-02-4340 ENTITLED  
“REVERSING ENVIRONMENTAL DEGRADATION TRENDS IN THE SOUTH CHINA  
SEA AND GULF OF THAILAND”**

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July 2004

**Executive Summary**

This document contains the report of the Mid-Term Evaluation of the UNEP/GEF Project “*Reversing environmental degradation trends in the South China Sea and Gulf of Thailand*”. The participating countries are Cambodia, China, Indonesia, Malaysia, the Philippines, Thailand and Viet Nam. This project, under GEF Operational Programme 8, began in February 2002 and is one of the largest GEF-supported interventions in the International Waters Focal Area. The overall project costs are US\$ 32.5 million of which US\$ 16.75 million is in the form of a GEF grant. The project is being implemented in two phases. The first phase, due for completion in June 2004, is a preparatory phase<sup>1</sup>.

This Mid-Term Evaluation took place during the period from early February to the end of June 2004; some 2 years after project implementation began. The evaluation covers progress and activities within the project during the period March 2002 to March 2004. It was based on a review of documentation, interviews and consultations with participants, and visits by the evaluators to the Project Coordinating Unit in Bangkok, Thailand. The visits to Thailand included attendance at the fourth meeting of the Regional Scientific and Technical Committee and the South China Sea Regional Scientific Conference convened by the project.

Section 3 of the Mid-Term Evaluation report is devoted to a review of the Project Document (ProDoc) that constitutes the primary frame of reference for the evaluation. The ProDoc is well written and adequately defines the objectives and planned methods of project implementation.

The primary objectives of this project are to establish consultative mechanisms among the countries bordering the South China Sea and to develop a Strategic Action Programme (SAP) for the region. The SAP is intended to be a targeted and costed programme of action and a recommended framework for improved regional co-operation in the management of the environment of the South China Sea. A series of national action plans addressing the primary threats to the marine environment, consistent with the SAP, will also be developed.

Section 5 of the Mid-Term Evaluation report reviews project performance to date. The consultative mechanism created under the project has been developed logically and is working well. It embodies a structured approach to technical consultations, scientific and technical oversight, and decision-making in a hierarchical manner that is both accepted and appreciated by those involved in the project. The consultative mechanism has also provided a vehicle for learning at technical levels and in the area of project design and management. It is evident from the nature of participation in the Regional Scientific Conference in February 2004, that a collegial atmosphere has been engendered by the project and that essentially all the participants have both an understanding of the objectives of the project and a clear appreciation of the roles and responsibilities of each of the project entities.

The project has four components: habitat protection and management, fisheries protection in the Gulf of Thailand, land-based pollution and project management. The habitat component is further subdivided into four subcomponents by habitat type: mangroves, coral reefs, seagrasses and wetlands. A review of progress in each of these components is outlined in Section 5 of the Mid-Term Evaluation

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<sup>1</sup> The term “*preparatory phase*” in this and similar contexts throughout this document is a term adopted within the SCS project and is not to be confused with the term “*preparative phase*” in a GEF context (*i.e.*, meaning the PDF phase). Where the term is used in a GEF context, the words “*GEF preparative phase*” are used to clarify the meaning.

report. Substantive activities in the preparatory phase have been devoted to the characterization of habitat types in the region, the selection of habitat demonstration sites and the planning of pilot projects in the fisheries and land-based pollution components. The subsequent operational phase will cover the conduct of demonstration interventions to protect or restore coastal mangrove, coral reef, seagrass and wetland habitats. It will also include the conduct of pilot projects in the field of fisheries protection in the Gulf of Thailand and pilot interventions in respect to the effects of land-based pollutants in the region. The operational phase of the project will begin in July 2004. This timing reflects a delay of about 6 months in project implementation from that outlined in the project document workplan. This delay is predominantly attributable to the consequences of the Severe Acute Respiratory Syndrome (SARS) outbreak in Southeast Asia in the early months of 2003.

Proposed sites for the conduct of demonstration projects in habitat management have been characterized for each subcomponent. On the basis of numerical ranking of environmental and socio-economic characteristics of the sites and the application of cluster analysis, the sites have been both grouped and ranked. This habitat evaluation process has ranked a total of 26 mangrove sites, 43 coral reef sites, 26 seagrass sites and 41 wetland sites and this has enabled the final selection of project demonstration sites. Some of these overlap national boundaries. In such cases, it is intended that these demonstrations be conducted under bilateral management arrangements. A substantive ancillary product of this work has been the publication of four monographs providing overviews of the nature and distribution of each of the habitat subcomponent types (mangroves, coral reefs, seagrasses and wetlands) within the South China Sea region.

The fisheries component has completed preparative work leading to the demonstration of a blast fishing surveillance system that is planned for the Gulf of Thailand off the east coast of Malaysia. Much of the work in this component has been devoted to the promulgation of the FAO *Code of Conduct for Responsible Fisheries*. The Southeast Asian Fisheries Development Center (SEAFDEC) has prepared similar guidelines to those of the FAO for fishing operations for specific application in Southeast Asia. The approach for promoting responsible fishing activities in the region adopted within the project is to cooperate with SEAFDEC in the promotion of its guidelines that are compatible with the FAO Code but tailored to conditions and practices in the region. The activities in this element of the fisheries component of the project are on track and are ensuring the wider application of the FAO Code in the region. In addition, most of the national reports from the participating countries on fisheries have been completed and public awareness materials have been finalised by some of the participating countries.

The other element of the fisheries component deals with the promotion of *refugia* for fisheries purposes in the region. Because the scope of the project-funded, on-the-ground, activities in the fisheries component is more limited than that for the habitat component, the development of proposals for habitat *refugia* for fisheries purposes is to be considered in the context of the demonstration sites selected for the habitat components of the project. It is therefore planned to evaluate the comparative potential benefits that these sites offer from fisheries perspectives preparatory to the selection and promotion of *refugia* at later stages of the project. Nevertheless, there appear to be no substantive barriers to the technical selection of potential *refugia* for field evaluations of the benefits of their extended implementation and/or duplication elsewhere within the region during the next year of project implementation.

The Land-based Pollution component of the project involves assessments of the sources and impacts of pollutants derived from land-based activities as defined within the Global Programme of Action for the Protection of the Marine Environment from Land-Based Activities agreed in 1995. This component has been subject to slightly greater delay than the other components. Nevertheless, there has been agreement on the adoption of ASEAN water quality standards and Chinese marine biological and sediment quality guidelines. Pollution hot spots in the region have been identified and characterized and a Regional Overview of Land-based Pollution is in preparation. The selection of three areas for the prosecution of pilot project interventions addressing land-based activities has also recently been completed.

Project management and organization has been particularly impressive. The consultation processes within the project were extremely well planned prior to the commencement of the project in February 2002. UNEP/DGEF devoted a great deal of thought and effort to these processes during the extended appraisal phase in 2001 and the first month of 2002. The project structure and consultative mechanism established by the Project Coordinating Unit (PCU) and endorsed by the Project Steering Committee constitutes a model of project management and administration that warrants emulation elsewhere. In addition, the organization of meetings, the preparation of documents, both before and after meetings, and file maintenance by the PCU has been exceptional. The PCU is staffed by a highly competent and committed team of individuals who have risen admirably to the heavy work pressures placed on them during the preparatory phase of the project.

The project has been implemented on the basis of memoranda of agreement, not only with the national entities having overall responsibility for project implementation but also with a range of agencies and organizations within each of the participating countries charged with specific aspects of project execution. These latter agencies and organizations are referred to as “*specialised executing agencies*” (SEAs). This method of project implementation has served the project well and facilitates much enhanced project accounting and financial control. This virtually universal use of memoranda of agreement as a mechanism of project execution merits emulation in other GEF projects. It increases the transparency of financial management of the project, minimizes the decentralization of overheads and markedly improves accountability of all those engaged in project activities.

An outstanding difficulty remains in respect to the absence of a formal commitment of federal government agencies in Malaysia to the mangrove subcomponent and fisheries component of the project. In all other respects, the project has succeeded in obtaining appropriate degrees of commitment from all of the participating countries.

The project has also achieved a commendable level of capacity building among the specialized executing agencies involved in the project. Such capacity building extends from financial management, through project organization, management and administration, to technical issues. To a large extent, this is attributable to the support and counsel provided by the Project Coordinating Unit that has clearly recognized the importance of capacity building as a major deliverable under the project. This is also reflected in the adoption of the internship programme for appointees from the participating countries to gain understanding and familiarity with project management and reporting procedures and increased awareness of UNEP and GEF practices.

The project has not only fully met its projected co-financing commitments from the countries of the region but has also received substantial additional co-financing for project activities, most notably from the Peoples Republic of China. During the Partnership Workshop held in conjunction with the Scientific Conference in February 2004, the GEF Secretariat offered the opportunity of submitting up to seven additional GEF Medium-Sized Project proposals. This will permit a substantial increase in the number of demonstration activities and pilot projects that can be conducted. This reflects both the success achieved to date and the credibility that the project has garnered among the participating countries and in the GEF Secretariat.

The project has a number of relatively innovative features. The process of evaluating potential demonstration sites within the habitat component of the project builds and expands on previous site ranking procedures used in GEF international waters projects. Nevertheless, it has been significantly refined and augmented within the South China Sea project to improve objectivity and the scientific and socio-economic aspects of the intercomparison of sites. A Geographic Information System (GIS) for the archiving, manipulation and retrieval of data and meta-data acquired within the habitat-related components of the project has been developed in cooperation with the South East Asian Regional Centre for START (SysTem for Analysis, Research and Training Programme). This represents admirable exploitation of mutual interest between two differing programmes. The intern programme that has been incorporated into the project is particularly novel. It allows individuals from among the participating countries to spend 6 months in the PCU gaining familiarity with UNEP and GEF reporting requirements and project administration and management procedures. This, again, is a feature of the project that deserves wider replication.

A review of expenditures and budgeting has been conducted as part of the Mid-Term Review. This shows that all budget revisions and financial disbursements and commitments are consistent with the decisions made by the Project Steering Committee and that the relationship between the funds allocated to project management and those devoted to substantive activities is appropriate and consonant with the provisions of the ProDoc.

The two major risks to the project foreseen in the ProDoc, referred to in the Logical Framework Matrix, were a lack of commitment to the project by countries due to territorial disputes and the consequences of a continued economic recession in Southeast Asia. The former of these risks was entirely mitigated by careful forward planning during the project appraisal phase. Fortunately, the latter risk did not materialize. The predominant contemporary risk to the completion of project objectives and outcomes is associated with the unreasonably heavy workload imposed on the PCU. This has been circumvented by the commitment and dedication of members of the PCU staff who are working long hours on a sustained basis. The major concern reflected in this Mid-Term Evaluation is the adverse effect that any unanticipated staff turnover would have in the form of increased work pressure on the PCU staff.

The project is essentially on track and, apart from the delay imposed by the SARS event in 2003, on time. The only major programmatic variance with the ProDoc has been the deferment of SAP development to the operational phase of the project. Such deferment is entirely reasonable in the context of the need to first establish and test multilateral consultation procedures during the preparatory phase of the project and the existence of a “*Framework Strategic Action Programme*” formulated during the GEF preparative phase of the project. The Mid-Term Evaluators held discussions with the Project Director and the Senior Expert on the specific topic of SAP development within the project. The evaluators were satisfied that the PCU had made adequate plans for SAP preparation although the procedure to be used will differ significantly from that commonly outlined in GEF documents. The evaluators are confident that those involved in the project have the commitment and ability to complete the SAP well within the operational phase of the project.

The demonstration projects are being designed in a manner that will promote their subsequent replication in the region and elsewhere. Considerable consideration has been given to the arrangements for the implementation of demonstration projects. Local government interest has been shown in some of the selected demonstrations and this provides confidence that additional co-financing will be secured during the operational phase of the project. The Project Steering Committee, on the suggestion of the PCU, has also taken steps to reduce the proportion of project (GEF) financing to the management component of the project during the final two years of the project cycle. This has been done as a means of stimulating the search for additional project co-financing but more particularly to encourage the countries to develop a mechanism for ensuring the sustainability of the regional consultative mechanism. Indeed, it appears that the consultative mechanisms created under the project are sufficiently well appreciated by the countries involved that an analogous mechanism will undoubtedly be sustained beyond the life of the project. However, at this juncture, it is not clear what form such a mechanism might take.

In summary, the objectives and outcomes projected in the ProDoc all appear to be achievable within the revised period of project implementation (*i.e.*, up to the end of 2007). The Mid-Term Evaluation Report contains only a single recommendation. This is to increase the staffing complement of the PCU by a minimum of one professional. This recommendation is partly justified by the widely held view among the focal points involved in the project that the PCU is operating under an unreasonably heavy workload. It is, however, made here as a means of guarding against any increased workload associated with unexpected staff turnover. Increased workload arising from unexpected staff turnover coupled with the long period required to appoint replacements, currently constitutes the greatest risk of partial non-delivery of products and the completion of project objectives.

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**Table of Contents**

<b>1. INTRODUCTION AND BACKGROUND.....</b>	<b>1</b>
<b>2. MID-TERM EVALUATION PROCEDURE.....</b>	<b>1</b>
<b>3. MAJOR PROVISIONS OF THE PROJECT DOCUMENT .....</b>	<b>2</b>
<b>3.1. Project Goals .....</b>	<b>2</b>
<b>3.2. Project Components.....</b>	<b>2</b>
3.2.1. Component 1: Habitat Degradation and Loss.....	2
3.2.2. Component 2: Over Exploitation of Fisheries in the Gulf of Thailand.....	3
3.2.3. Component 3: Land-based Pollution .....	3
3.2.4. Component 4: Project Coordination and Management .....	4
3.2.5. Other Provisions of the Project Document .....	4
<b>4. CURRENT STATUS OF THE PROJECT (REVIEW HORIZON) .....</b>	<b>5</b>
<b>5. PROJECT PERFORMANCE TO DATE .....</b>	<b>6</b>
<b>5.1. Consultation and Cooperation.....</b>	<b>6</b>
<b>5.2. Evaluation of Project Components in the Context of the ProDoc Workplan.....</b>	<b>7</b>
5.2.1. Component 1: Habitat Degradation and Loss.....	7
5.2.1.1. Mangroves .....	8
5.2.1.2. Coral Reefs .....	9
5.2.1.3. Seagrass .....	9
5.2.1.4. Wetlands .....	9
5.2.2. General Observations on Progress in the Habitat Sub-Components .....	10
5.2.3. Component 2: Over Exploitation of Fisheries in the Gulf of Thailand.....	10
5.2.4. Component 3: Land-Based Pollution.....	11
5.2.6. Other Project Activities Associated with Project Components 1, 2 and 3.....	13
5.2.6.1. Regional Task Force on Economic Valuation .....	13
5.2.6.2. Regional Task Force on Legal Matters.....	14
5.2.6.3. Summary Observations on Regional Task Forces .....	14
5.2.7. Component 4: Project Coordination and Management.....	15
5.2.7.1. Planning of Preparatory Phase Activities.....	15
5.2.7.2. Forward Planning of the Operational Phase Activities.....	16
5.2.7.3. Surveillance .....	17
5.2.7.4. Financial Management .....	17
<b>5.3. Activities of the Regional Scientific and Technical Committee (RSTC) .....</b>	<b>17</b>
<b>5.4. Activities of the Project Steering Committee.....</b>	<b>22</b>
<b>5.5. Project Enhancement beyond ProDoc Provisions.....</b>	<b>22</b>
5.5.1. Project Enhancement through Initiatives of the PCU .....	23
5.5.1.1. Geographical Information System (GIS) .....	23
5.5.1.2. Process of Habitat Demonstration Site Selection Incorporating Cluster Analysis .....	24
5.5.1.3. Internship Programme .....	24
5.5.1.4. Regional Scientific Conference and Partnership Workshop .....	25
5.5.1.5. Method of Estimating In-Kind Co-financing Contributions by Countries.....	26

5.5.2. Project Enhancement through Country Initiatives .....	26
5.5.3. Additional National Benefits Accrued from the Project .....	27
<b>5.6. Overall Project Management and Administrative Arrangements .....</b>	<b>27</b>
5.6.1. Institutional Arrangements and Structures .....	27
5.6.2. Activities of the Project Coordinating Unit (PCU) .....	28
<b>6. SUMMARY OF ACHIEVEMENTS AND PROGRESS TOWARDS OVERALL PROJECT OBJECTIVES .....</b>	<b>29</b>
<b>7. REPLICABILITY .....</b>	<b>31</b>
7.1. Replicability in the Context of Other Projects .....	31
7.2. Replicability in the Context of the South China Sea and its Environs.....	31
<b>8. STAKEHOLDER INVOLVEMENT .....</b>	<b>32</b>
<b>9. SUSTAINABILITY.....</b>	<b>32</b>
<b>10. SCOPE, QUALITY AND SIGNIFICANCE OF PROJECT OUTPUTS TO DATE.....</b>	<b>32</b>
<b>12. CONCLUSIONS .....</b>	<b>34</b>
<b>14. ACKNOWLEDGEMENTS.....</b>	<b>35</b>
<b>15. LIST OF ANNEXES.....</b>	<b>35</b>
<b>16. RATING OF PROJECT SUCCESS.....</b>	<b>36</b>

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## **1. INTRODUCTION AND BACKGROUND**

The GEF Council approved the project “*Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand*”, hereinafter referred to as “*the SCS project*”, under GEF Operational Program 8 in November 2000. This followed the project’s endorsement by the 15<sup>th</sup> Meeting and Special Session of the Co-ordinating Body for the Seas of East Asia (COBSEA) in September 2000. The project was endorsed by the GEF Chief Executive Officer (CEO) on December 12<sup>th</sup> 2001 and the Chief, Bureau of Fund Management Services, UNON, signed the document on 21<sup>st</sup> January 2002. The SCS project is among the largest of GEF interventions in international waters. The overall project costs are US\$ 32.5 million of which US\$ 16.75 million is in the form of a GEF grant.

The project began in January 28<sup>th</sup> 2002 with the appointment of the Project Director by the Implementing Agency, UNEP. The months of February and March 2002 were used by the UNEP to establish a basic, but functioning, Project Coordinating Unit (PCU) within the Regional Co-ordinating Unit for the East Asian Seas Action Plan (EAS RCU) situated in Bangkok, Thailand. The project was intended to run for 63 months in the period January 2002 until March 2007. This is described in the Project Document as a period of 69 months that includes the Appraisal Phase.

The medium-term objective of this project is to develop a Strategic Action Programme (SAP) for the South China Sea region among the countries of Cambodia, China, Indonesia, Malaysia, the Philippines, Thailand and Viet Nam. The SAP comprises a targeted and costed programme of action and a recommended framework for improved regional co-operation in the management of the environment of the South China Sea and a series of national and regional management plans for specific habitats and issues. Memoranda of Understanding with all the governments, except Malaysia, regarding project implementation were signed by the Chief, Bureau of Fund Management Services, UNON, on 21<sup>st</sup> January 2002. A Memorandum of Understanding was subsequently received from the Malaysian focal ministry (the Ministry of Science Technology and Environment) on September 9<sup>th</sup> 2002 and MOUs with four of the six originally-envisaged Malaysian Specialised Executing Agencies were concluded by mid-November 2002.

The project also includes: the creation of nine (9) environmental management demonstrations at sites of regional and global significance; the development of a regional management plan for the maintenance of transboundary fish stocks in the Gulf of Thailand; and pilot activities relating to alternative remedial actions to address priority transboundary pollutants, including the adoption of water quality objectives and standards.

The evaluation covers progress and activities within the project during the period March 2002 to March 2004. The evaluation was carried out by Dr. J. Michael BEWERS and Prof. SU Jilan during the period February 10<sup>th</sup> to June 30<sup>th</sup> 2004 under the terms and conditions laid down in the Terms of Reference shown at Annex I.

## **2. MID-TERM EVALUATION PROCEDURE**

The evaluation procedure was based primarily on the analysis of project documents and records obtained from the PCU augmented by consultations and interviews with a number of individuals (see Annex II). Both consultants attended the SCS Regional Scientific Conference held in Bangkok from February 11<sup>th</sup> to February 13<sup>th</sup> 2004 and one consultant (Dr. Bewers) attended the Fourth Meeting of the Regional Scientific and Technical Committee held in Pattaya from February 15<sup>th</sup> to February 17<sup>th</sup> 2004. In addition, Dr. Bewers interviewed individuals in Thailand and Prof. Su conducted interviews with individuals in the People’s Republic of China. Dr. Bewers and Prof. Su each spent periods in the PCU Office in Bangkok (Dr. Bewers from March 22<sup>nd</sup> to April 9<sup>th</sup> 2004 and Prof. Su from April 7<sup>th</sup> to April 9<sup>th</sup>, 2004) as a means of conducting interviews with PCU staff, acquiring and reviewing a wide range of project documents and finalizing plans for the completion of the evaluation. Dr. Bewers also visited UNEP Headquarters, Nairobi, for 10 days in May 2004. The draft evaluation was submitted to UNEP and the PCU in June 2004 for review and comment. Suggestions made by these organizations were taken into account in the finalization of the Mid-

Term Evaluation during July 2004. The final report of the evaluation was submitted to UNEP and the PCU on July 21<sup>st</sup>, 2004.

### **3. MAJOR PROVISIONS OF THE PROJECT DOCUMENT**

The Project Document (ProDoc) constitutes the basic frame of reference for this review. It provides the objectives and goals of the project and describes its intended activities. It also provides criteria for the assessment of progress in the form of milestones and indicators. The following sections refer to, and/or reproduce, the provisions of the ProDoc in a manner that emphasises the criteria for evaluating project progress towards the achievement of its anticipated objectives, goals and outcomes.

#### **3.1. Project Goals**

The ProDoc specifies the overall and medium-term goals of the project as:

*“The overall goals of this project are: to create an environment at the regional level, in which collaboration and partnership in addressing environmental problems of the South China Sea, between all stakeholders, and at all levels is fostered and encouraged; and to enhance the capacity of the participating governments to integrate environmental considerations into national development planning.”* (Paragraph 17)

*“The medium term objective of the project is to elaborate and agree at an intergovernmental level, the Strategic Action Programme encompassing specific targeted and costed actions for the longer-term, to address the priority issues and concerns. More specifically the proposed activities are designed to assist countries in meeting the environmental targets specified in the framework SAP that was developed over period 1996-1998 (Annex D).”* (Paragraph 18)

It further notes: *“Some of the specific environmental targets set within the framework SAP extend beyond the projected life of the present project. These targets are summarised in Annex D whilst the logical framework matrix presented in Annex B outlines the milestones and indicators that can be used to measure progress towards achieving these targets over the life of the project.”* (Paragraph 19)

This latter statement sets the stage for this review by specifying the milestones and indicators for judging project progress.

#### **3.2. Project Components**

The project is divided into four major components:

- 1) Habitat Degradation and Loss;
- 2) Over-Exploitation of Fisheries in the Gulf of Thailand;
- 3) Land-based Pollution; and
- 4) Project Coordination and Management.

Component 1 is further divided into four sub-components dealing respectively with mangroves, coral reefs, seagrass and wetlands. This reflects the statement in Paragraph 21 of the ProDoc:

*“..... the priority ranking determined at a regional level<sup>1</sup> (Annex D) in which habitats and biodiversity related concerns and over-exploitation of marine resources ranked higher than either pollution or freshwater related concerns. Within the comparative ranking of importance of the habitats in the region, mangroves and coral reefs ranked significantly higher than seagrasses and estuaries/wetlands. Over-exploitation of marine resources ranked almost as high as coral reef degradation whilst from among the pollution related issues land-based pollution and in particular sewage were considered the most important pollution issue in the region. Overall, pollution was considered less important than either, habitat degradation and loss, or over-exploitation of marine resources.”*

Paragraphs 22 – 26 of the ProDoc specify the activities within each of the project components. These are reproduced below to provide additional context to this review.

##### **3.2.1. Component 1: Habitat Degradation and Loss**

*“Actions at the national level, proposed within Component 1 relating to habitat degradation and loss are detailed under four sub-components addressing the four priority habitats in the region (mangroves, coral reefs, seagrass and wetlands). Activities within each sub-component include: establishment or re-vitalisation of National Committees or technical working groups, to review national data on biodiversity; management; restoration and development activities impacting each*

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<sup>1</sup> By means of a preliminary Transboundary Diagnostic Analysis conducted within the PDF-B stage of the project (Talaue-McManus, 2000)



habitat; research and publications; economic evaluation; institutions and legislation; and development of compatible, inter-linked national systems for regional data management. These preparatory actions will provide the background against which to develop or update national management plans, including required legislation, in order to maintain nationally important habitat areas. National, public meetings will be convened for presentation and review of the plans, prior to their adoption by Governments.” (Paragraph 22)

“At the regional level, task teams will be formed, and meetings convened to: develop guidelines for national management plans to maintain regionally significant habitat areas of transboundary significance; draft and finalise, for adoption by governments, the criteria for the selection of priority transboundary habitat areas; apply the criteria to identify and prioritise areas for future management, protection/restoration; select 3 regional priority sites within each habitat class for initiation of demonstration projects; develop and adopt regional priority actions for inclusion in the revised SAP designed to meet the agreed targets of the framework SAP. Regional guidelines for conservation of each of the four habitats of Component 1 will be arrived at between participating countries. Sub-component 1.5 will involve consideration by a regional meeting of senior advisors of the recommendations of each of the regional task teams to ensure overall conformity between the sites of recommendations and to formulate overall recommendations for inclusion in the Strategic Action Programme. The outputs from these activities will be reviewed and adopted at high level intergovernmental meetings which will also adopt a regional portfolio of priority management projects and approve the selection of the sites for initiation of the demonstration projects.” (Paragraph 23)

“Coral reef activities will not be executed on oceanic coral systems but will focus on non-oceanic reef systems outside disputed areas. It is agreed that, in the initial phase, coral reef sites of the project will be selected from those Southeast Asian countries participating in the project. The final sites will be recommended by the regional expert group, reviewed and accepted by the participating countries, and subject to the approval of the Project Steering Committee. The present project will not duplicate the activities pursued by other similar projects, including GEF projects. UNEP, serving as the Secretariat of the project, will invite all participating countries of the project, to participate in the activities, including meetings, workshops, seminars, etc. related to the coral reef activities designing, planning and implementation as well as capacity building efforts, e.g. training.” (Paragraph 24)

### **3.2.2. Component 2: Over Exploitation of Fisheries in the Gulf of Thailand**

“Component 2 focuses on transboundary fisheries issues in the Gulf of Thailand, but does not exclude national level demonstration activities in the Philippines or Indonesia. All activities will be subject to the approval of the Project Steering Committee. Activities are grouped into four sub-components the first of which is designed to secure agreement on the nature of joint actions required to address identified problems in the Gulf of Thailand. A task team will be formed to: develop sub-regional, and national management plans for the spawning and nursery areas of regional and transboundary significance in the Gulf of Thailand. The task team will be responsible for development of criteria to determine the national, sub-regional and transboundary significance of spawning and nursery areas; and for the application of these criteria to determine priorities for management action within the Gulf of Thailand. These activities will result in the establishment of a system of refugia to maintain important transboundary fish stocks in the Gulf of Thailand based on marine protected areas identified as critical habitats for fish stock conservation and protection.” (Paragraph 25)

“This component includes required actions at national level by the countries bordering the Gulf of Thailand to: protect endangered species; evaluate a prototype blast fishing detection system; develop and implement programmes to provide information at the community level, on fish stock conservation and sustainable fishery practices among small and artisanal fishing communities; and to promote the FAO Code of Conduct for Responsible Fisheries through national and regional workshops. Countries participating in this project from outside the Gulf of Thailand are welcome to participate in the activities.” (Paragraph 26)

### **3.2.3. Component 3: Land-based Pollution**

“Component 3 addresses the major problem of land-based pollution through an initial review of national standards and controls, and an examination of actions required to: harmonise such standards at a regional level; review and assess existing knowledge of regional water quality, determine information gaps, evaluate carrying/assimilation capacity of sub-regions and sensitive ecosystems and transboundary movements of contaminants within the South China Sea; produce guidelines/action programmes for implementation of the GPA at the national and regional level; and prepare guidelines

*for the development of national management plans, including capacity building; legislation, and other appropriate components to achieve the agreed water quality objectives; review national capacity to test, monitor, control and enforce water quality and effluent standards and to develop and finalise national and regional management plans to reach specified objectives within defined time frames that will be incorporated into the Strategic Action Programme for the South China Sea; and to initiate capacity building activities and demonstration projects addressing specific pollutants of global, regional and transboundary significance.” (Paragraph 27)*

*“Once agreement has been reached on regional water quality objectives and standards, criteria will be developed and adopted for evaluating the regional and transboundary importance of pollution "hot spots" identified in the Transboundary Diagnostic Analysis (severity of pollution, feasibility/ease of mitigation, transboundary effect). The criteria will be applied to all nationally identified hot spots in order to agree on a regional priority listing for investment. A preliminary evaluation of the costs and benefits of alternative mitigation measures for selected priority hot spots will be undertaken together with pre-feasibility studies for appropriate mitigation measures for priority pollution sources. A South China Sea strategic approach to mitigating priority regional hot spots (including priority investment portfolio, cofinancing arrangements, national and regional actions) will be developed and agreed for inclusion in the Strategic Action Programme for the South China Sea.” (Paragraph 28)*

#### **3.2.4. Component 4: Project Coordination and Management**

*“Component 4, Project Co-ordination and Management are concerned with regional co-ordination of the project and related activities, and management of the project implementation. Initial actions include: appointment of project staff; nomination by the COBSEA Focal Points of Government representatives to the Project Steering Committee and convening of the first meeting to agree the framework master plan for project management and execution; appointment of National Focal Points to Chair the National Inter-ministry Steering Committees and initial country visits by the regional co-ordination staff to meet with the National Steering Committees and prepare national workplans and budgets. Four regional scientific and technical conferences are planned during the course of the project that will be convened in close association with the meetings of the COBSEA to review results and recommendations of the national and regional working groups and to establish and re-reinforce the linkages between the sectorial (sic) working groups. In addition particular attention will be paid to establishing strong linkages with the World Bank/GEF Mekong River Project and the GEF/UNDP/IMO PEMSEA project.” (Paragraph 29)*

*“The Project Steering Committee, as the supreme decision-making body of the project, will be composed solely of representatives of the participating countries of the project. The Committee shall be responsible for reviewing and approving, on an annual basis, project activities, including the location of demonstration sites to be funded by the GEF project. UNEP will act as Secretariat of the Committee. During the execution of the project, decisions of the Project Steering Committee will be made through consultation and on the basis of consensus by all participating countries of the project.” (Paragraph 30)*

#### **3.2.5. Other Provisions of the Project Document**

The ProDoc also specifies an additional activity in Paragraph 31 as follows:

*“A regional expert working group will be convened to: review the current obligations of countries under Global Conventions including inter alia the UNFCCC, the CBD, the UNCLOS, and MARPOL; review the similarities and differences between national legislation; consider ways in which such legislation might be harmonised to achieve the common objectives of the countries as expressed in the Strategic Action Programme; prepare recommendations concerning the optimum mode of countries meeting their obligations under the global conventions and thus protecting the environment of the South China Sea. It is anticipated that the recommendations of this group will be considered by a high level intergovernmental meeting for inclusion as activities in the revised Strategic Action Programme.”*

There is an important caveat in the ProDoc that needs to be noted. This pertains to the limitations on participation by other international agencies. Paragraph 39 of the ProDoc states:

*“Recognising the sensitivity of the South China Sea which includes areas of unresolved territorial dispute, and the desire of some of the governments involved not to "internationalise" issues surrounding the South China Sea, no international organisations (neither inter-governmental nor, non-governmental) other than UNEP will be involved in project design and execution. This decision of the participating countries has significant implications in terms of the transaction costs at a regional*

*level (see Annex A). Both individual experts and national institutions that are members of such organisations may be engaged in project activities in their individual capacity under the direction of UNEP.”*

Under the headings of “*National Execution Arrangements*” and “*Regional Execution Arrangements*”, the ProDoc specifies in considerable detail the mechanisms for project implementation at national and regional levels. Clearly, a great deal of prior thought was given to the mechanisms for national and regional participation in the project and the manner in which these arrangements were to be agreed and documented among the participating countries and UNEP as the Executing Agency.

Finally, the “*Logical Framework (or Logframe) Matrix*” annexed to the ProDoc forms an important benchmark for the evaluation of project performance. This annex has been referred to in Section 6 of this report for the purposes of assessing project performance to date, outstanding risks, projected deliverables and probable outcomes.

The ProDoc is both clear and well written. It contains no significant ambiguities and clearly enunciates both the goals and expected outcomes of the project. The extracts from the ProDoc presented *verbatim* in this section form the primary benchmark for this review. They, together with additional extracts from the ProDoc, will be referred to in subsequent sections of this document where appropriate.

#### **4. CURRENT STATUS OF THE PROJECT (REVIEW HORIZON)**

The timing of this evaluation corresponds approximately to the completion of the preparatory phase<sup>2</sup> of the project and the start of the operational phase now planned for June/July 2004. Thus, this evaluation covers the progress made during the preparatory phase, planning for the operational phase and a prognosis regarding operational phase activities and their likely products and outcomes.

The timetable of events in the PDF-B, Appraisal and Preparatory Phases of the project are summarized in Annex III. From this chronology, it can be seen that, as of the end of February 2004, the project has been operational for essentially 24 months, although this includes time taken for the PCU to become fully operational once the Project Director and the Senior Expert took up their duties in February 2002. The project had a distinct startup advantage in having a Project Director appointed who was thoroughly familiar with the GEF and its activities, as well as having considerable project management experience. It must be recognized, however, that the project began under conditions of short staffing in the PCU and with some staff members lacking familiarity with GEF and UNEP requirements.

Activities within the project are summarized in the various reports of meetings and other documents prepared and collated by the PCU, all of which are cited in the reference list (Annex IV). As of the end of April 2004, there have been three meetings of the Project Steering Committee (PSC), four meetings of the Regional Scientific and Technical Committee (RSTC), four meetings each of the Regional Working Groups on Mangroves, Coral Reefs, Seagrass, Wetlands, Fisheries and Land-based Pollution, single meetings of two Regional Task Forces, one on Economic Valuation and the other on Legal Matters, and a single regional meeting to agree on the GIS format. To the list of reports of these meetings can be added documents relating to national reports of activities, reports of national meetings in support of project activities, technical papers and the annual reports of the Project Director for the years 2002 and 2003. As a result there is an extensive library of documents describing project activities and progress. It should be noted at this point that the preparation, assembly and maintenance of records by the PCU has been exemplary. Without the comprehensiveness and quality of the records and documentation maintained by the PCU, this evaluation would have been considerably more difficult.

The preparatory phase is nearing completion. If, as planned, it is completed by the end of June 2004, the time taken for its completion will be between 4 and 6 months longer than the period of 24 months projected in the ProDoc workplan (Annex V). The Project Steering Committee has approved the extension of the preparatory phase until July 2004 and the operational phase until the end of 2007 without additional cost to the project. Consequently, a new workplan has been drawn up to cover all operational phase activities in a revised timetable. The completion of preparatory phase activities would no doubt have been earlier and probably completed by the revised target of January 2004, had it not been for the circumstances surrounding the Severe Acute Respiratory Syndrome (SARS) outbreak in China and Southeast Asia in early 2003. Such an event could not reasonably have been foreseen during the preparation of the project

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<sup>2</sup> The term “*preparatory phase*” in this and similar contexts throughout this document is a term adopted within the SCS project and is not to be confused with the term “*preparative phase*” in a wholly GEF context (*i.e.*, meaning the PDF phase). Subsequently, where the term is used in a GEF context, the words “*preparative (GEF) phase*” or “*preparative (PDF-B) phase*” are used to clarify the meaning.

proposal and the 4 to 6 month delay referred previously can almost entirely be attributed to the travel restrictions within the region imposed by the SARS outbreak.

The nine sites for the demonstration of mangrove, coral reef and seagrass management in Component 1 on Habitat Degradation and Loss have now been selected. In addition, the priority wetlands for restoration and protection have also been identified. As of the end of March 2004, Component 2 on Fisheries Management in the Gulf of Thailand had yet to complete proposals regarding public awareness and education of the fishing communities in habitat demonstration sites and the blast fishing detection trial. This is because the Fourth Meeting of the Fisheries Working Group was delayed as a result of the SARS outbreak. Component 3 on Land-based Pollution has only recently (April 2004) completed its analysis of hot spots and concluded recommendations regarding proposed sites for pilot projects.

Reference has already been made to the Severe Acute Respiratory Syndrome (SARS) and the associated travel restrictions as the primary reason for delays in preparatory phase completion. This event is responsible for a delay of between 3 and 6 months to project activities that were to be undertaken during the latter half of 2003 and this event could not reasonably have been foreseen. The other major sources of risk that were foreseen in the project document were limited commitment due to outstanding territorial disputes in the South China Sea and reduced national cofinancing as a result of the economic downturn of the late 1990s and the early years of new millennium. The first of these risks was entirely obviated by measures adopted during the preparative (PDF-B) and appraisal phases of the project and did not result in material obstructions to the implementation of the project. Such measures were the agreements: (i) that no activities would be undertaken in disputed areas of the South China Sea, nor would issues of sovereignty be addressed; and (ii) that no international organizations, other than UNEP, will be involved in project design and execution. The second risk did not materialize.

This Mid-Term Evaluation is therefore taking place at an appropriate time corresponding approximately to the completion of the preparatory phase of the project and the commencement of its full operational phase.

## **5. PROJECT PERFORMANCE TO DATE**

This section of the document examines project performance to date. It separately addresses activities in each of the project components, including project management, as a means of assessing progress towards the fulfilment of objectives and the achievement of expected outcomes.

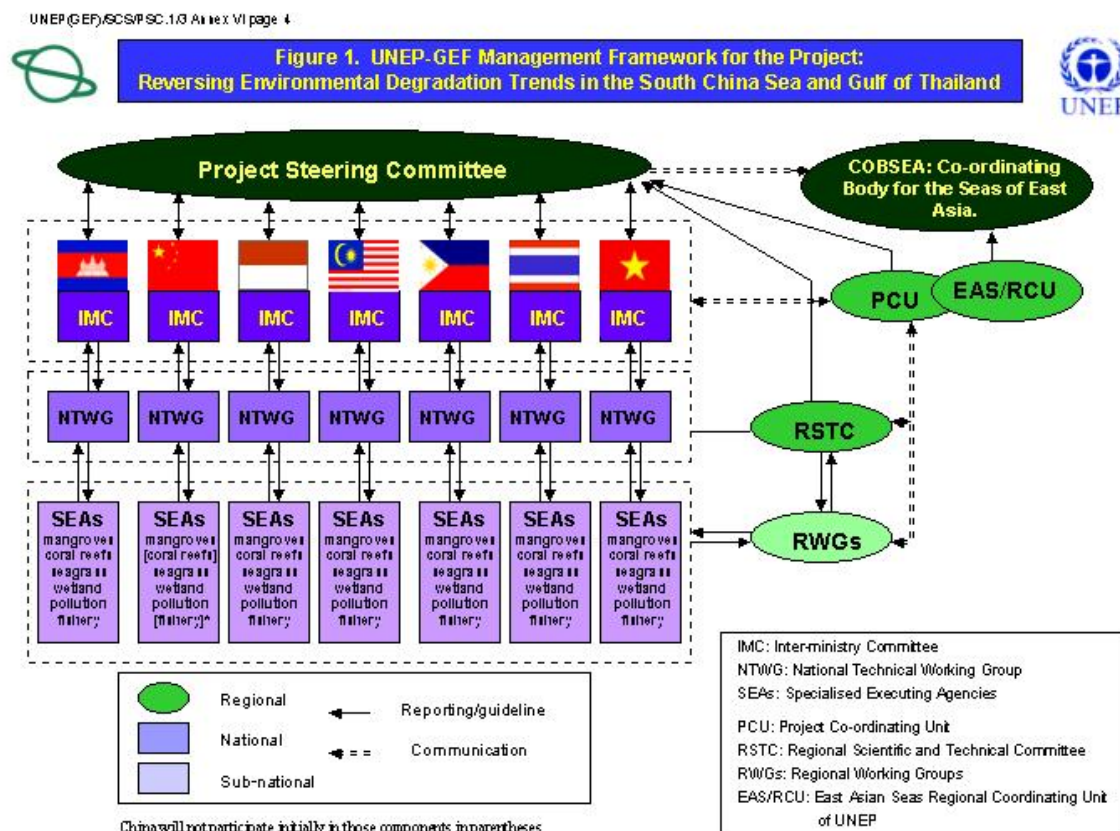
### **5.1. Consultation and Cooperation**

The consultation processes within the project were extremely well planned prior to the commencement of the project in February 2002. UNEP/DGEF devoted a great deal of effort and thought to these processes in the extended appraisal phase in 2001 and the first month of 2002. The entire consultation process is embodied in the structure of the project shown in Figure 1 below. This structure incorporates regional working groups focussed on individual components and sub-components and a mechanism for higher-level regional consultations on scientific and technical activities. It also embodies a hierarchical surveillance and approval mechanism to coordinate national and regional activities on individual components of the project and provide intermediate-level regional scientific and technical oversight on project activities as a whole, while assigning decision making to the Project Steering Committee comprising national focal points. Diagrammatically (see Figure 1) this structure appears complex but has proven to be both simple and effective and has served the project well. The structure intrinsically facilitates two-way flows of information and control that permits the SEAs to bring issues or outstanding problems to the attention of national focal ministries through the regional working groups and the RSTC. The consultation process embodied in this structure has also facilitated the creation and execution of additional ancillary activities that were either referred to in the ProDoc or were added subsequently. Two such activities have been the Task Force on Legal Matters, which was referred to in the ProDoc, and the Task Force on Economic Valuation. The latter was created in recognition of the need for early attention to such evaluations for the purposes of formulating the Regional Strategic Action Programme and the costing of environmental benefits in the analysis of options for management intervention.

A relatively unique facet of this project in relation to other GEF projects in the International Waters Focal Area has been the heavy emphasis on the use of Memoranda of Understanding (MOUs). These have been used not only as the means of formally concluding agreements between UNEP, represented by the PCU, and individual countries, but also between UNEP and the individual nationally-designated entities responsible for project implementation at the national level (see Annex VI). These latter agencies or institutions with which MOUs have been concluded are referred to as 'Specialized Executing Agencies' or SEAs. The use of MOUs effectively devolves national activities relating to individual project components and/or sub-components to specific bodies within each of the participating countries with much enhanced

accountability. The management of individual project activities then becomes much more tractable and traceable from the perspectives of the PCU and the implementing agency. It has also engendered, in most countries, far greater active commitment to project activities than would otherwise have been the case with single national focal points for coordinating all project initiatives. There are also reduced within-country transaction costs. For example, the provision of funds directly to SEAs obviates the need for internal financial allocations. It has also resulted in capacity building within the SEAs in respect to contract and task management, as noted by several of those consulted during this review.

**Figure 1**  
**South China Sea Project Organogram**



As previously mentioned, both consultants attended the South China Sea Scientific Conference in Bangkok, February 11-13, 2004, and one of the consultants (Dr. Bowers) attended the Fourth Meeting of the Regional Scientific and Technical Committee (RSTC) held in Pattaya, February 15-17, 2004. From the first of these meetings, it was abundantly clear that there was universal recognition and acceptance of the project implementation structure, project goals and expected outcomes. The extent of 'buy in' evidenced by the proceedings of this conference was remarkable. Furthermore, the degree of commitment, at all levels, to project activities and the attainment of its objectives is outstanding. The enthusiasm demonstrated by the participants at this conference was also evident from the full participation from beginning to end of the meeting. The Fourth RSTC meeting was equally noteworthy in the participatory and constructive roles played by both the national representatives and the regional experts. At this meeting, the PCU representatives played a key, but wholly responsive and supportive, role in the proceedings by providing clarification and responses to questions for information and advice from the participants. The broad acceptance of the project's goals and structure was again abundantly evident and the meeting adopted its conclusions and recommendations for the Project Steering Committee in a wholly consensual manner.

## 5.2. Evaluation of Project Components in the Context of the ProDoc Workplan

### 5.2.1. Component 1: Habitat Degradation and Loss

This component has four sub-components dealing respectively with four different types of habitat, namely mangroves, coral reefs, seagrasses and wetlands. The working procedures to identify demonstration sites

adopted by the working groups assigned to each of these topics are basically similar. These procedures involve, for each habitat type, the selection of a number of environmental properties and variables (commonly referred in project documents as ‘parameters’) that can be used to characterize each site proposed as a candidate demonstration site by the participating countries. In the environmental characterisation process, emphasis is placed primarily on species diversity (*i.e.*, biodiversity) reflecting the basis originally advanced as project justification within the GEF. In the final set of environmental characterizations, judgements regarding the transboundary, regional and global significance of specific habitat sites and their size scales were included as a means of ensuring a balance between biodiversity considerations and significance at various geographical scales.

The second step of the site evaluation process adopted by each of the four habitat working groups is cluster analysis. This was introduced as a method of improving the objectivity of demonstration site selection within each of the habitat categories. Cluster analysis, a technique fairly commonly used in both taxonomy and geology, is used in this case to group sites having ‘similar’ environmental characteristics. In this project, a so-called z-transform was applied. Through this analysis, a small number of groups (*i.e.*, clusters) can be identified, for each of the habitat sub-components, from among the candidate sites. Comparison of sites among and within clusters provides a rational and convenient way to select demonstration sites. Cluster analysis is, in essence, quite a useful multivariate analysis technique although not yet built on a rigorous mathematical foundation. Therefore, seeking to classify a set of observations into two or more relatively homogeneous groups, its application needs to be judged on the logic and rationale of the procedures adopted in the analysis. It is our view that both the parameters (*i.e.*, the properties and variables) chosen and the transformations employed for the analysis in this project are appropriate.

The third step is to rank the sites within each cluster. Initially, this is done solely on the basis of the environmental characteristics with weightings assigned to each of the characteristics. The top ranked sites are then subjected to an additional ranking exercise. This second-round ranking exercise takes into account not only environmental characteristics but also a set of socio-economic considerations, and the feasibility of implementation. These additional elements are used to judge the relative significance of each of the range of the proposed demonstration sites. The set of socio-economic considerations and the manner in which they have been quantified for ranking purposes differs among the habitat categories; however, each of the criteria selected fall into the categories of stresses and threats, national significance/priority, financial considerations regarding the cost and financing of potential demonstration projects at the sites, the potential range and extent of stakeholder involvement, and management considerations. Ultimately, the participating scientists, through extensive working group discussions, selected the principal characterizations and associated weightings.

This approach was necessary because the number of candidate sites proposed in each habitat type greatly exceeds the number of demonstration sites that can be adopted for execution under the project. Another consideration is the need to maximize the range of environmental conditions and biological diversity that a selected demonstration site can represent. It also enables the preparation of a complete priority list extending beyond the number of demonstration sites adopted under the project, thereby providing a basis for considering proposals for additional sites for funding under other mechanisms. The result is a sub-ranking for sites in each of the identified clusters. The methods of combining the results of independent rankings on environmental and socio-economic grounds differs slightly among the four working groups and the specific weightings assigned to each are indicated in the sub-sections dealing with each of the habitat sub-components presented below.

Following this explanation of the common approach used for evaluating candidate sites for demonstration purposes, the activities and extent of progress in each of the habitat sub-components are presented individually in the following sub-sections.

#### **5.2.1.1. Mangroves**

There have been four meetings of the Regional Working Group on Mangroves. The report of the Third Meeting includes a list of the national contributions of substantive reports relating to the mangrove sub-component on which the working group has been able to base its work. This list provides some measure of the national commitment and contribution to this sub-component of the project and provides an illustration of the nature and volume of material made available to support the group’s activities. A notable feature of this list is the absence of submissions from Malaysia that results from Malaysia having neither identified a focal point and SEA, nor having signed the MOU for this sub-component of the project. The report of the Fourth Meeting includes details of the environmental and socio-economic ranking procedures and the associated cluster analysis for proposed mangrove demonstration sites. The

overall ranking used by the Mangroves Working Group is based on equal weight being assigned to the environmental and socio-economic ranking criteria. The annex to the meeting report devoted to the presentation of this material includes a final table that provides rank scores in each of three clusters of sites.

Despite the heterogeneous nature of the coverage of the region, resulting from the non-participation of Malaysia, essential tasks required for the completion of the preparatory phase of the project in the case of mangroves have been completed in a timeframe and manner comparable with those for the other habitat sub-components. The principle output is the designation of priorities for the selection of demonstration sites in the operational phase of the project.

#### **5.2.1.2. Coral Reefs**

There have been four meetings of the Regional Working Group on Coral Reefs. The report of the Third Meeting provides a listing of substantive reports relating to the coral reef sub-component from the participating countries up to March 12<sup>th</sup> 2003. This exemplifies the type and volume of material that the working group has been able to obtain as contributions to its work and for use in the analysis of coral reef habitat sites. A notable feature of this list is the absence of submissions from Malaysia. Further insight is provided by the inclusion in the report of the Fourth Meeting of reviews of, and PCU comments on, these substantive reports. The report of the Fourth Meeting also provides the basis for the selection of proposed demonstration sites from among the candidates proposed by the countries of the region. It defines the properties and characteristics used for the purposes of ranking on the grounds of environmental considerations and the consequent comparative rankings. It also contains the criteria used for comparing sites on the basis of socio-economic considerations and the resultant rankings. The Coral Reef Working Group chose 70% versus 30% weightings respectively for environmental and socio-economic rankings in the final combination for site ranking. The process of cluster analysis is described and the results presented. The meeting report contains a final table that constitutes the basis for recommendations to the Fourth RSTC Meeting. This table lists the selected priority demonstration sites for coral reefs on the basis of the two comparative rankings and cluster analysis.

An examination of the series of reports of Coral Reef Working Group meetings presents a coherent procedure for evaluating coral reefs in the project area and the manner of dealing with sites identified and characterised by the participating countries for consideration as demonstration sites. The Working Group has completed its work in a timely manner that has enabled the RSTC and the PSC respectively to consider, recommend and make decisions regarding the adoption of demonstration sites in a timely manner consistent with the original project workplan.

#### **5.2.1.3. Seagrass**

The Seagrass Working Group has similarly held four meetings since its inception. The reports of the meetings adequately reflect the activities and *modus operandi* adopted by the working group. The report of the Third Meeting includes a list of substantive reports relating to the seagrass sub-component filed by each of the countries that provides some insight to the volume and content of material from which the working group has been able to prosecute its work. Again, the absence of any submissions from Malaysia is a feature of this list. The report of the Fourth Meeting contains the conclusions drawn from activities during the project preparatory phase and makes recommendations regarding the selection of demonstration sites for seagrass habitat in the region in much the same manner as the Coral Reef Working Group. The Seagrass Working Group chose 60% versus 40% weightings respectively for environmental and socio-economic rankings in the final combination of site rankings. The final table provides the comparative ranking of sites in each of the clusters that is used as basis for recommendations to the RSTC.

From the records of activities carried out by the Seagrass Working Group, it is evident that all essential preparatory work in this habitat sub-component has been completed on time and in a manner that fulfils both project requirements and the original projections of the ProDoc.

#### **5.2.1.4. Wetlands**

The Wetlands Working Group has also held four meetings. The report of the Third Meeting, similar to the reports of the third meetings of the other habitat sub-component working groups, provides a list of substantive documents relating to the wetlands sub-component that have been submitted up to February 2003. A feature of this list is again the absence of submissions from Malaysia. The report of the Fourth Meeting contains the results of cluster analysis and the basis and results of the independent socio-economic and environmental ranking of candidate wetland sites that forms the basis for proposals to the RSTC regarding the selection of demonstration sites. The report concludes with combined ranking

assignments to candidate sites within each cluster based on a comparative weighting of 70:30 between environmental and socio-economic rankings respectively. The report of the Fourth Meeting contains decisions, expressed in tabular form, reached by the working group regarding the structure of the final publications describing national-level preparatory phase outputs. Unfortunately, the meaning and import of this table is difficult to comprehend in the absence of clarifying footnotes<sup>3</sup>. Notwithstanding this minor deficiency, the working group has essentially completed all necessary preparatory work in this habitat sub-component of the project in a time and manner consistent with ProDoc expectations.

### **5.2.2. General Observations on Progress in the Habitat Sub-Components**

It is worth noting that all four working groups on the habitat sub-components have experienced difficulties in the verification of the characteristics of the candidate sites that were subjected to cluster analysis and environmental and socio-economic ranking procedures. Nonetheless, each working group clearly recognized the problem and took appropriate steps to ensure the acquisition of nationally verified information for each of the characteristics and criteria used for overall analysis. Much of this problem can be attributed to a learning process that is an intrinsic characteristic of all multilateral projects of this type, whether supported by the GEF or not.

It is creditable that, despite the delays caused by circumstances beyond the control of those engaged in the project, such as the SARS outbreak and its consequences, the preparatory phases of each of the habitat sub-components have been completed approximately on schedule and in a wholly consensual manner. In all cases, the “*overview*” documents for each sub-component topic were completed and published in advance of the Partnership Workshop convened during the Regional Scientific Conference held in Bangkok February 11-13, 2004. These four monographs (UNEP, 2004a, 2004b, 2004c and 2004d) provide a valuable synopsis of the information acquired under the habitat component of the project. The fact that those involved undertook, with the support of the PCU, to ensure the preparation and publication of these monographs reflects recognition of the wider audience that might find such summaries useful for a variety of purposes. Those involved therefore deserve much credit for ensuring that such information has been made available in published hardcopy form. Furthermore, the working groups have made conscious and reasonable efforts to preserve as much objectivity as possible in their work and this reflects positively on the nature of the commitment to the project at the sub-component level.

The only adverse observation that can be made from this evaluation of habitat subcomponent activities relates to the lower level of participation by, and contribution from, Malaysia.

### **5.2.3. Component 2: Over Exploitation of Fisheries in the Gulf of Thailand**

The primary focus of the fisheries component, which is restricted to the Gulf of Thailand, is the effect of habitat degradation and disturbance on fisheries recruitment, sustainability and yield. This component has three major elements: the promotion and application of the *FAO Code of Conduct for Responsible Fisheries*; the assessment and promotion of *refugia* for fisheries protection and management purposes; and the conduct of a pilot project on the detection of blast fishing activities. Most of the national reports from the participating countries on fisheries have been completed and some of the planned public awareness materials have been finalised by some of the participating countries.

The first element of the fisheries component of the project involves the wide application of the *FAO Code of Conduct for Responsible Fisheries* (FAO, 1995). FAO has developed a series of subordinate guidelines for Articles 7 through 12 of this code. An exemplar is the guidelines on “*Fishing Operations*” (FAO, 1996). The Southeast Asian Fisheries Development Center (SEAFDEC) has also prepared, or is in the process of preparing, similar guidelines for fishing operations for application in Southeast Asia. It has also prepared, or is preparing, companion guidelines on fisheries management, including the relationship to coastal zone management, aquaculture, fisheries research and post harvest practice and trade, either as individual volumes or in amalgamated forms. The decision to work closely with SEAFDEC in the furtherance of this goal is appropriate as there are no evident inconsistencies between the FAO and SEAFDEC guidelines on these topics. There have also been *ad hoc* meetings to ensure a consistent and mutually acceptable regional approach to the promulgation of the FAO Code of Conduct. Future activities of the working group will focus on promoting the *Regional Guidelines on the Code of Conduct for Responsible Fisheries* prepared by SEAFDEC on the basis of the global code of conduct issued by FAO and on activities at the local and community level in the habitat demonstration sites.

The second element deals with the promotion of *refugia* for fisheries purposes in the region as outlined in the ProDoc. Because the scope of project-funded on-the-ground activities in the fisheries component is

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<sup>3</sup> The difficulty of interpreting this table was pointed out to the PCU during the review. The table was expediently and appropriately revised prior to the preparation of the final report of this Mid-Term Evaluation.



more limited than that for the habitat component, it has been recognised that the development of proposals for habitat *refugia* for fisheries purposes needs to be considered in the context of the demonstration sites selected for the habitat components of the project. This will require the evaluation of the potential benefits that these sites offer from fisheries perspectives and will necessarily impose delayed attention to *refugia* in the fisheries component. However, there appear to be no substantive barriers to the technical selection of potential *refugia* for testing and assessment of their benefits for extended implementation and/or duplication elsewhere within the region during the next year of project implementation.

The third element of the fisheries component deals with the pilot demonstration of a blast fishing detection system. The development of a specific proposal for this system for conduct at a specific site has been completed by the Regional Working Group on Fisheries and negotiations are underway to complete the identification of additional sources of co-financing and technical support for the demonstration to be started. The ideal location, because of the advanced level of fisheries surveillance and the frequency of, and susceptibility of fish habitat to blast fishing, is the Sabah (Malaysia) coast. Agreement has been attained with the provincial (state) authority for the execution of the blast fishing detection demonstration in this area. Accordingly, there appear to be no outstanding barriers to the conduct of the pilot demonstration itself. The continued difficulty in completing an MOU on the fisheries component of the project with the Federal Department of Fisheries in Malaysia might further delay the actual application of blast fishing detection systems to fisheries surveillance at a federal level and its possible adoption as part of a National Action Plan for Malaysia. It should, however, not otherwise adversely affect the prosecution and completion of project activities prior to the development and adoption of a regional SAP.

The lack of agreement on an MOU with Malaysian federal authorities regarding the fisheries component of the project has also created some difficulties in information acquisition from Malaysia. Nevertheless, the participation of other Malaysian agencies as SEAs having familiarity with fisheries information and activities in Malaysia has succeeded in partially overcoming these difficulties. Clearly, while these problems have been resolved in the preparatory phase of the project, they may well pose greater impediments to the development of the fisheries components of the Strategic Action Programme during later stages of the project, especially in the process of endorsement of a draft SAP by Malaysia.

#### **5.2.4. Component 3: Land-Based Pollution**

This component of the project has aspects that differ from the other technical components of the project, partly because relevant considerations extend beyond habitat issues. The Working Group on Land-based Pollution, pursuant to the provisions of the ProDoc, was charged with evaluating the ‘*carrying capacity*’ of sub-regions and sensitive ecosystems of the South China Sea for the purposes of estimating acceptable discharge loads. It was also charged with evaluating the transboundary movements of contaminants, to review national capacities to test, monitor, control and enforce water quality and effluent standards, and to prepare guidelines for the development of national action plans for enhancing water quality in the region. These topics are all relevant to the formulation of both a Strategic Action Programme for the South China Sea and an associated set of National Action Plans relating to contaminants derived from terrigenous activities and sources.

In the context of the impacts of land-based pollution, the working group initially resolved differences in terms and definitions that would enable consensus work to be undertaken on the identification of environmental ‘*hot spots*’. It further agreed to examine existing environmental quality standards applicable to parts of the South China Sea region beginning with the marine water quality standards adopted by the Association of South East Asian Nations (ASEAN) and the biological and sediment quality criteria used in the People’s Republic of China. These were subsequently adopted for use in classifying regional pollution hot spots. The meeting report includes a flow chart, as its Annex 6, for actions for the Land-based Pollution component of the project that demonstrates the approach and sequence of activities to be undertaken. The Second Meeting of the working group presents the basis for characterizing potential hot spots in the context of land-based pollution that are partially based on the application of ASEAN and Chinese water and sediment quality criteria. The report of the Third Meeting contains the assignments of each of the characteristics of hot spots defined at the previous meeting and initial conclusions that can be drawn on the basis of these characterizations. The Third Meeting of the Land-based Pollution Working Group also specifies procedures for the preparation of proposals for Pilot Activities. It appears that, with the exception of Malaysia, these proposals have been completed.

The delayed Fourth Meeting of the Working Group was recently held (30 March – 2 April, 2004) in Guangzhou, China. The meeting discussed a document on the “*Current status of substantive reports on land-based pollution from the Specialised Executing Agencies in the Participating Countries*” containing a summary of the current status of the substantive reports received by the PCU to date. Reviews of these

reports prepared by the regional experts were summarised in a further document presented to the meeting. The working group also adopted a basis for evaluating the proposals for pilot activities prepared by the PCU "*Technical considerations for the Review and ranking of proposals for pilot activities in the land-based pollution component*". It agreed that the proposals for the Lingdingyang sub-catchment of the Pearl River estuary, Tha Chin River mouth and Batam would be recommended to the RSTC for support although it was noted that the total budgets for these three proposals greatly exceed the total available financial resources. These proposals were to be considered at a meeting of an Executive Committee of the RSTC subject to prior revision of the proposals in line with the observations made during the LbP Working Group Meeting. The meeting also adopted a table of contents for a companion document to the overviews of the habitat subcomponents to be entitled "*Regional Overview of Land-based Pollution in the South China Sea*". A deadline of May 30<sup>th</sup> 2004 was agreed for the submission of draft national texts to a Professor at the University of Chulalongkorn who volunteered to coordinate the preparation of the overview.

One topic to which the Regional Working Group on Land-based Pollution needs to devote greater attention to improve the alignment of its activities with the provisions of the ProDoc is the carrying, or assimilative, capacity of coastal water areas. The working group would be well advised to start considering procedures for estimating such capacities in suitable coastal areas for which the hydrology and oceanography is reasonably well established.

### **5.2.5. Summary Observations on Primary Component Activities**

As can be seen from the above summary, there have been delays to project activities in all of Components 1, 2 and 3. Nevertheless, allowing for the delays attributable to SARS, the habitat subcomponent preparatory activities have all been completed in a relatively timely manner with a projected overall delay of approximately 6 months. Perhaps because of the allowance made within the project for funding of demonstration activities in the mangrove, coral reef and seagrass components, these subcomponents have been the most rapidly completed. The wetlands subcomponent has been the subject to a minor additional delay. The greatest delays in the completion of preparatory work have applied to the Fisheries and Land-based Pollution components of the project. The preparatory activities in these latter two components should, however, be essentially completed within the revised preparatory phase that will now extend until the end of June 2004. It remains somewhat unclear what further delays might ensue in the promulgation of the blast fishing demonstration. Clearly, some attention to accelerating the commencement of this demonstration is warranted. This will largely depend on concluding an agreement with the Malaysian federal and provincial authorities for the demonstration to take place on the Sabah coast and acquiring commensurate co-financing for the activity.

It is also somewhat unclear to what extent appropriate and rapid co-financing can be assured for the Land-based Pollution Pilot Projects to proceed at an early date. It is to be hoped that the "*Overview of Land-based Pollution in the South China Sea*" will provide a vehicle for raising awareness of the Land-based Pollution Pilot Project proposals in a way that garners additional support for these activities. The three proposed Pilot Projects have interesting aspects that would be worthy of testing in the region as a basis for capacity building and gaining and disseminating experience in this field.

Some of the minor impediments encountered in project implementation so far are worthy of mention at this stage of the report. It is apparent that data pertaining to many of the environmental characteristics necessary to describe habitats are lacking in countries participating in the project. Accordingly, it would be desirable to combine a strong element of research with the habitat protection demonstrations during the operational phase of the project. This is regarded as particularly important in the cases of the seagrass demonstration sites because in-depth understanding of seagrasses lags behind that of the other aspects of coastal ecosystems across the SCS region.

In most countries, government organs at all levels play an essential role in conservation measures. It is also noteworthy that the Chinese central government has made environment protection one of the criteria for assessing the performance of local officials. Thus, as the participating Chinese officials and scientists have suggested, implementation of demonstration sites in China will most likely succeed if a local official, who has expertise in the area, is made responsible for site management. Government directives are then better followed by all sectors of the community. In addition, an integrated approach between this project and other concurrent national efforts at the demonstration site could more easily be realized. Although part of the associated project funding will benefit provincial and municipal governments, matching, or larger, co-financing contributions might be obtained from these governments in cases where the potential for local benefits is made evident. To enhance the practicality of such an approach, it may well be desirable to recruit site managers from local government agencies. The original requirement for English language proficiency for site managers was relaxed at the third meeting of the PSC. However,

during discussions regarding management of the transboundary site between Viet Nam and Cambodia, all parties agreed on the need for the site manager to have at least basic knowledge of English. For this reason, a budget line for an intensive English Language course for the site managers was included in the finally agreed budgets. An alternative approach would be to consider appointing experts proficient in English as deputy site managers in some countries to permit the appointment of local government officials as site managers.

The intimate inter-dependence of mangrove, coral reef, seagrass and wetland habitats deserves emphasis. Rational management requires a holistic approach encompassing all these ecosystem types and it would therefore be advantageous to initiate an appropriate dialogue towards this end at an early stage in the operational phase of the project. It is clear from the proceedings at the Fourth RSTC Meeting that such dialogue has already commenced. Experience gained in this project may well be useful for new project proposals on related interventions. In this context, the introduction of the GIS through initiatives of the PCU has been a very valuable tool for illustrating the interacting nature of the habitat components and subcomponents.

The Mid-Term Evaluators suggest that the PCU document the procedures used for demonstration site characterization and prioritization within the project. These procedures might be suitable for publication in the open scientific and/or marine policy literature.

#### **5.2.6. Other Project Activities Associated with Project Components 1, 2 and 3**

The Prodoc (Paragraph 22) states: *“Actions at the national level, proposed within **Component 1** relating to habitat degradation and loss are detailed under four sub-components addressing the four priority habitats in the region. Activities within each sub-component include: establishment or re-vitalisation of National Committees or technical working groups, **to review national data on biodiversity; management; restoration and development activities impacting each habitat; research and publications; economic evaluation; institutions and legislation;** and development of compatible, inter-linked national systems for regional data management. These preparatory actions will provide the background against which to develop or update national management plans, including required legislation, in order to maintain nationally important habitat areas. National, public meetings will be convened for presentation and review of the plans, prior to their adoption by Governments.”* [Boldface emphasis added]

The ProDoc also states (Paragraph 28): *“Once agreement has been reached on regional water quality objectives and standards, criteria will be developed and adopted for evaluating the regional and transboundary importance of pollution “hot spots” identified in the Transboundary Diagnostic Analysis (severity of pollution, feasibility/ease of mitigation, transboundary effect). The criteria will be applied to all nationally identified hot spots in order to agree on a regional priority listing for investment. **A preliminary evaluation of the costs and benefits of alternative mitigation measures for selected priority hot spots will be undertaken together with pre-feasibility studies for appropriate mitigation measures for priority pollution sources.** A South China Sea strategic approach to mitigating priority regional hot spots (including priority investment portfolio, cofinancing arrangements, national and regional actions) will be developed and agreed for inclusion in the Strategic Action Programme for the South China Sea.”* [Boldface emphasis added]

Finally, in Paragraph 10, the ProDoc states: *“A significant barrier to planning for more environmentally sustainable modes of development has been the absence of adequate economic evaluation of habitats and the goods and services they provide, resulting in development decisions being made on the basis of short-term economic gains.”*

Accordingly, there are two vital adjuncts to the aggregate activities in Project Components 1, 2 and 3. These are: (i) methods for the valuation of environmental entities as a means of determining the monetary consequences of environmental degradation and the benefits of preventative and/or remedial actions; and (ii) analysis of relevant legislation in the participating countries and the provisions of global conventions and agreements that specify requirements for regional cooperation. Attention within the project to each of these essential aspects of project implementation is addressed in the following two subsections of this review.

##### **5.2.6.1. Regional Task Force on Economic Valuation**

Economic valuations, as well as accounting techniques for examining the net benefits of options for intervention, are essential for the preparation of the Strategic Action Programme for the region. It is for this reason that the project established a Regional Task Force on Economic Valuation. This task force comprises experts, acting in their personal capacity, nominated by countries in the region. It has, to date,

met only once in September 2003<sup>4</sup>. At this meeting, the task force reviewed its terms of reference and the *'Framework Strategic Action Programme for the South China Sea'* prepared during the PDF-B phase of the project. The latter document was regarded as a basic document for the further development of strategic action within the region under the full project. Nevertheless, it was noted that the economic valuations used in this document were derived on a global rather than regional basis and that many of them have changed substantially since 1999 when the framework SAP was drafted. The task force therefore recognized the need to examine and agree upon the underlying issues involved in economic valuation of coastal resources, habitats and environmental goods and services specifically in the region. This would permit the development of regional valuations that could be used as the basis for revising the global estimates used in the 1999 draft for the purposes of further development of the Strategic Action Programme and regional policy objectives.

The Task Force on Economic Valuation adopted a medium-term work plan to prepare a consensus economic valuation framework for each of the habitats represented by project sub-components and to designate leaders for this work. It also noted the need to plan inputs to the finalization of a Regional Strategic Action Programme by the end of 2006 but deferred detailed discussion until its second meeting.

The creation of this task force is entirely consistent with the attainment of the objectives specified in the ProDoc. The task force was created by the PSC at its second meeting in Ha Noi, Viet Nam, in December 2002 in recognition of the limited range of economic expertise included in the national committee structure and weaknesses in the outputs of the SEAs and national committees in respect to economic valuations. The advanced state of activities on the habitat sub-components achieved by the time of the First Task Force Meeting provided greater insights into the economic valuation issues of relevance to the project. By establishing the Task Force on Economic Valuation, the PSC was implicitly acknowledging the need for economic analysis for SAP development and the need to strengthen the national preparative activities and reports.

#### **5.2.6.2. Regional Task Force on Legal Matters**

A Task Force on Legal Matters was created during 2003 and held its first meeting in September 2003. At this meeting, it reviewed its terms of reference and developed a work plan for meeting the outputs required in support of project development, particularly the formulation of a Regional Strategic Action Programme. The task force undertook to complete a comparative analysis of national legislation pertaining to each of the habitat sub-components and the land-based pollution component based upon national reports submitted to the PCU. This work is now at a draft stage in preparation for the second meeting of the task force. The purpose of this review is to identify elements of best practice in environmental protection and management among the countries taking account of legislative provisions applicable at the national and local levels. It also reviewed global international environmental agreements specifically in relation to their provisions regarding regional cooperation. This task has been completed and work is now being undertaken on the nature and modes of regional cooperation in the context of the relevant provisions of global agreements. This latter document is in draft form and is awaiting review during the Second Task Force Meeting to be held in May 2004. The task force also recognized and discussed its responsibilities in relation to the work leading up to the formulation of a Regional Strategic Action Programme.

The Task Force on Legal Matters was created in much the same manner and under similar circumstances and constraints to those pertaining to the Task Force on Economic Valuation. It has evidently taken its responsibilities seriously and is proceeding with its work in an appropriate manner.

#### **5.2.6.3. Summary Observations on Regional Task Forces**

The two Regional Task Forces on Legal Matters and Economic Valuation were created in a timely manner in the context of the demands for advice on these two topics required by the project work plan. Both task forces appear to be well conceived and have appropriate terms of reference for the tasks that they need to accomplish. The expert members of the task forces have already demonstrated commitment through the preparation of draft products for their respective second meetings. These task forces will be required to play a major role in the formulation of the Regional SAP. The SAP will require surveillance and review by the Task Force on Legal Matters. It will also require detailed assessments of the options for environmental protection and intervention based on valuations of environmental resources and amenities provided by the Task Force on Economic Valuation. Thus, the convention of these groups at an

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<sup>4</sup> The Task Force on Economic Valuation convened a second meeting May 31 – June 2, 2004, after the period of information gathering for this review. This second meeting is therefore not covered by this report.

early stage in the project constitutes a stable and essential base for the operational phase of the project and the preparation of the Regional SAP.

The impact of the Task Force on Economic Valuation is likely to extend beyond the project as the topics covered are of considerable contemporary and developing interest in other forums. This should place the project in a pioneering position regarding valuations of regional coastal resources and the procedures for evaluating the net benefits of prospective interventions.

#### **5.2.7. Component 4: Project Coordination and Management**

The coordination and management structure of the project was conceived and documented well before the project became operational in early 2002. This was a consequence of initiatives taken within UNEP/DGEF during the appraisal stage that was extended from six months to one year in relation to the original ProDoc workplan on account of the need to obtain endorsements from all the participating countries and to complete staffing preparations. The now well-known SCS project organogram shown in Figure 1 that was prepared by UNEP/DGEF and adopted within the project has stood the test of time and served the project remarkably well. It specifies the hierarchy of administration and management procedures within the project, the identities and subject topics of the Regional Working Groups in relation to each of the component activities, and the overall consultative mechanisms incorporated into the project. What is particularly pleasing is that the import of this organogram appears to be universally accepted and understood by those involved in project implementation. This was abundantly evident during the Regional Scientific Conference held in Bangkok in February 2004 within which there was wide discussion of all aspects of the project. At no point during this meeting was there evidence of any confusion over the responsibilities or each of the bodies created within the project, disagreements or misunderstandings of the roles and responsibilities of these bodies, or any lack of recognition and acceptance of the *de facto* jurisdiction of the Project Steering Committee. During the Regional Scientific Conference the supportive and advisory role played by the PCU was in clear evidence and evidently appreciated by the participants. It should also be noted that, in discussions with the Chinese scientists and officials participating in the project, there is a unanimous high regard for the project structure. In their view, consensus has been reached largely on scientific merit and/or sound reasoning at all levels within the project

Thus, overall, from an external observer's perspective, the project is being managed and administered in a collegial and respectful atmosphere that appears to be widely approved and accepted by most parties. A further observation worthy of note is that there was no evidence of any divergence in the interpretation of project objectives or expected outcomes. That a project such as this, with such diverse participation, politically, ethnically, socially and culturally, has achieved this level of close-knit consensus and cohesion in the space of 2 years is both remarkable and laudable.

As noted previously, the standards of documentation and consultation maintained by the PCU are exemplary. This is, in large part, due to the effort and commitment of members of the PCU who, despite heavy work pressure, are demonstrating a degree of commitment and initiative that is a credit to the organization. There are minor errors in some of the project documents but these can be attributed primarily to the sheer volume of work carried out by the PCU.

The most objective analysis of management performance in this project that can be acquired is that based on a review of the extensive project documentation (see Annex IV). Project management was therefore reviewed, on the basis of this documentation, from three perspectives: planning, surveillance and financial management. The following subsections of this report are devoted sequentially to these three aspects of project management.

##### **5.2.7.1. Planning of Preparatory Phase Activities**

The entire structure of the project shown in Figure 1, which incorporates both management and consultation mechanisms, together with template MOUs for the Focal Ministries and SEAs, was prepared during the appraisal phase of the project. It is abundantly evident, from the material presented to the initial meetings of each of the working groups and task forces, that the planning of reporting and financial management procedures was rigorous and sufficiently detailed. All required reporting under the project, including the nature and content of 6-monthly and annual financial reports, was thoroughly documented and explained to the participants at the commencement of their involvement in the project. The entire record keeping and filing system established by the PCU was designed at the beginning of project implementation. With periodic revisions to the electronic file structure, necessitated by the increasing volume of material records, this system has well withstood the test of time. Positive observations have already been made about the completeness and quality of the records maintained by the PCU. Apart from the workplan revisions necessitated by the SARS outbreak, little revision of the basic elements of the

project workplan has been required. This reflects well on the commitment and hard work of UNEP/DGEF in preparing for project implementation.

Appropriate planning is also reflected in the early convention of the Task Force on Legal Matters and the Task Force on Economic Valuation. The primary future demands on these two groups will occur in respect to the development of the Regional SAP. The fact that these groups are up and running well in advance of the operational phase of the project shows foresight in the planning process engendered by the PCU and assumed by the PSC.

#### **5.2.7.2. Forward Planning of the Operational Phase Activities**

The extent to which forward planning can be examined is limited because of the effort being devoted to the completion of the preparatory phase of the project. Discussions during the course of the Fourth Meeting of the RSTC and the proceedings of the Third PSC Meeting show that the PCU has already given thought to the manner of management of the demonstration projects within the habitat subcomponents. The intention is to prepare a blueprint for the conduct of demonstrations that involves the establishment of a manager for each demonstration site, specifies the manner of participation by stakeholders, associated stakeholder consultation procedures, and defines training and personnel exchange mechanisms. There is every reason to believe that this blueprint will be completed during the course of the negotiation of new MOUs with the main national agencies and SEAs for the operational phase of the project. In this connection it should be noted that local governments of some countries of this region are likely to exert strong influence on the conduct of site demonstrations in their jurisdictions. For example, local government in China, as one of the stakeholders, exerts much stronger influence than other stakeholders. Accordingly, it has been suggested by the Chinese scientists involved in the project that, where otherwise appropriate, it would greatly benefit the implementation of demonstration activities at sites in China if local officials were appointed as site managers.

A further element of forward planning that was engendered at a relatively early date during project implementation was sustainability. A paper was prepared by the PCU for the second PSC meeting in Hanoi, December 2002, entitled "*Proposals for consideration by the Project Steering Committee concerning the development of mechanisms to secure financial sustainability*" that outlined elements of a strategy and recommended actions, including the hiring of a consultant by the PCU to draft a strategy. In April 2003, a Consultancy in '*Finance and Resource Mobilization*' was established by the PCU (Pernetta, 2002b). The consultant was primarily required to prepare a "*draft overall strategy for raising the co-financing required under the project document; actively initiate actions within the framework of that strategy.*" An initial draft strategy entitled "*A draft overall strategy for the mobilization of additional resources*" (UNEP, 2003a) was placed before the Third RSTC meeting held in June 2003. The record of the RSTC meeting indicates that the financial strategy paper was discussed, primarily in relation to national contributions and the plans for the Partnership Conference, but no decision was made for additional follow up work other than a request for the Fourth RSTC meeting to be briefed on issues relating to financial sustainability. Possibly, this limited follow-up was a consequence of the desire to know the identities of the potential demonstration sites, but this had not been decided by the time of the Third RSTC meeting. Financial issues in the context of the sustainability of consultative and operational project activities beyond the period of GEF support will clearly be a matter of increasing importance as the project proceeds through the operational phase. The PCU should be credited with foresight in addressing this topic at an early stage in project implementation. This allows adequate time during the remaining life of the project to make increasingly focused efforts towards ensuring long-term sustainability.

One of the Mid-Term Evaluators (JMB), during the period spent in the PCU, specifically discussed with the Project Director and the Senior Expert the development of the Strategic Action Programme (SAP) that is a major deliverable under the project. Despite there being no specific document further extending the provisions of the ProDoc regarding the development of the SAP, it is evident that considerable thought has been devoted to this topic within the PCU. It should be noted that there already exists a so-called "*Framework Strategic Action Programme*" that was prepared as part of the PDF-B phase of the project. This was based on the Transboundary Diagnostic Analysis (Talaue-McManus, 2000) also prepared during the PDF-B phase of the project. The approach to be taken in the full project towards the development of a revised SAP for the South China Sea will probably differ somewhat from the procedure commonly adopted within GEF projects and recently advanced within IW Learn (Mee, 2003). The approach to be used in the South China Sea project will be an iterative process using as a basis the original "*Framework SAP*", more recent statements of national priorities within the region, and regional discussions at the technical and policy levels. This process will lead to a revised SAP and associated National Action Plans for the region leading up to the completion of a politically endorsed Regional SAP

by the end of 2006. The PCU clearly intends to document this process, including the formulation of a workplan for SAP development, in the lead up to the operational stage of the project for endorsement by the Project Steering Committee. It is therefore somewhat premature for detailed evaluation of this aspect of the operational phase of the project. Nevertheless, the discussions with members of the PCU lend confidence that the SAP, as a major deliverable from the project, will be prepared and adopted well before the end of the project life.

#### **5.2.7.3. Surveillance**

The PCU has undertaken all surveillance and monitoring activities up to the time of this Mid-Term Evaluation. Such activities have involved all the PCU staff, although the Secretary and Programme Assistant have had to be most diligent in the pursuit of document submissions and ensuring that the PCU staff members follow up as necessary. Overall project surveillance at a more strategic level has been undertaken primarily by the Project Director and the Senior Expert. From the responses to questions addressed to both the staff of the PCU and to the focal points at all levels in the participating countries, there is general satisfaction with the effectiveness of this oversight.

Constant monitoring and the strict reporting and documentation requirements laid down by the PCU have been critical to the successful implementation of the project. However, there exists some criticism of project monitoring on a day-to-day basis. A common view among Chinese officials and scientists is that PCU is severely understaffed, with estimation of personnel shortage of up to about 40%. This view aligns with the widely expressed view among those consulted during this Mid-Term Evaluation that the PCU is currently understaffed in relation to the project workload. This specific issue is addressed later in this review.

#### **5.2.7.4. Financial Management**

Under this heading, two separate evaluations are presented. First is an analysis of budgeting and budget revisions during the course of the project to determine the conformity of planned expenditures with decisions of the Project Steering Committee and coherence with effective project implementation. Second is an analysis of the balance between expenditures on administrative and overhead charges in relation to those on the achievement of substantive outputs. These analyses are presented in Annex VII. Their conclusions are summarized in the next two paragraphs.

##### **Budget Revisions and Their Consistency with Decisions of the Project Steering Committee**

This first analysis is presented in Part 1 of Annex VII. It concludes that all amendments to the project budget during the preparatory phase have been approved by the Steering Committee and have been entirely designed to promote project activities. Some amendments, particularly the reallocation of funds between years during the preparatory phase, have been necessitated predominantly by late or incomplete fiscal reporting by SEAs and the effects of the SARS outbreak. It is clear from the financial reports presented, the records retained of the discussion and the decisions made by the PSC, that both the PSC and the PCU are taking their financial stewardship of the project seriously and in a fiscally responsible fashion. The conclusion is drawn that all budgetary revisions are appropriate and consistent with decisions made by the PSC.

##### **Balance of Expenditures on Administrative and Overhead Charges Versus Substantive Outputs**

The second analysis, presented in Part 2 of Annex VII, comprises a comparative evaluation of the costs of management and administration of the project in relation to the funding devoted to substantive project activities under Components 1, 2 and 3. It is concluded from this analysis that the administrative and overhead expenditures are within the budget projections for the project. Furthermore, from the perspective of effective project implementation and in the context of the functions performed by the PCU during the first 2 years of the project, this proportion of overall expenditure from GEF funds is entirely reasonable. It deserves stressing that the coordination and management costs specified in this analysis represent the total for the entire project and none of the other budget lines in any way subsidizes such costs. Notwithstanding the conclusions of this analysis, as observed in other sections of this document, the PCU is currently staffed at a minimum level to enable it to fully fulfill all its responsibilities without imposing undue pressure on the PCU staff complement. A modest increase in the proportional financial allocation to staffing of the PCU would be warranted despite this resulting in the original project allocations to project support being exceeded. The specific recommendation made in this report regarding the need for additional staff in the PCU involves an additional annual expenditure equivalent to 6 months salary and benefits for a P-5.

### **5.3. Activities of the Regional Scientific and Technical Committee (RSTC)**

The **First Meeting of the RSTC** took place in Pattaya, Thailand, 14 – 16 March 2002, remarkably quickly

after the establishment of the PCU in late January 2002. This, in itself, reflects the rapidity with which the limited staff of the PCU was able to initiate project activities.

At this first meeting, the RSTC discussed the criteria for prioritizing areas on the basis of a range of factors. This resulted in the preparation of three annexes to provide initial guidance to the regional working groups. These annexes are: “*Elements for Consideration by the Regional Working Groups on Habitats in Developing Criteria for Prioritising Areas of Intervention*”; “*Elements for Consideration by the Regional Working Groups for Land-Based Pollution in Developing Criteria for Prioritising Pollution Hotspots in the South China Sea Marine Basin*” and “*Initial Listing of Data and Information Requirements at Regional Site Specific Scales*”.

The RSTC received a presentation from the South East Asian Regional Centre (SEA-RC) for the START (SysTem for Analysis, Research and Training) Programme on the development of a digital database for the South China Sea in GIS format and was briefed on the concept of establishing a regional meta-database for marine and coastal environments. The Committee instructed the PCU to co-operate with Chulalongkorn University to initiate the regional meta-database network with clearly defined data requirements and standard data formats. Finally, the RSTC noted that there is a need to clarify the definition of the wetlands actually covered by the wetlands sub-component of the project. The Regional Working Group on Wetlands was asked to prepare an appropriate definition taking into account the other habitat sub-components of the project. Thus, the first RSTC meeting considered an initial range of scientific and technical issues needing resolution preparatory to the convention of the regional working groups.

The **Second Meeting of the RSTC** took place in Nha Trang, Viet Nam, 11–13 December 2002. It reviewed progress on the development of the GIS system and associated database. A GIS Workshop had been held with participation of GIS experts from all seven countries involved in the project. The workshop had agreed that the first step in preparing the regional GIS database would be to compile a regional base map that includes shorelines, coastal administrative boundaries and river catchments. It was noted that Thailand had provided a 1:50,000 shoreline and the Philippines intended to provide a 1:250,000 shoreline map while both Cambodia and Viet Nam had provided information regarding the correct names of administrative units in the coastal region. Regarding component specific GIS, only the updating of the mangrove distribution prepared by the Philippines had been received in GIS format. Cambodia and Viet Nam had provided geographical information on mangrove distribution but in the form of images. No information had been provided on coral reefs, seagrass, wetland, land-based pollution and fisheries even though the deadline that had been agreed in the GIS workshop had passed. It was noted that GIS questionnaires had been prepared according to the agreements within the regional working groups on the data and information requirements for site characterisation. The GIS Workshop did not create any additional tasks; it merely reformulated the agreed data and information requirements into a uniform format.

The meeting reviewed a document entitled “*A Communications, Networking and Publications Strategy*” prepared by the PCU. This document contained a number of recommendations addressing: internal communications between SEAs and the PCU; external communication at the regional level; and communication at the national level. These recommendations were wide-ranging, covering: email communication; improvement and effective use of the project web-site; electronic discussion groups; networking of scientific communities; and enhancing public awareness of the environment problems of the South China Sea and of the project activities.

The committee, at the suggestion of the PCU, also adopted a procedure for the ranking of potential demonstration sites that comprises three steps:

- Step 1:** Use cluster analysis to review the similarities and differences among all proposed sites and group them using objective parameters encompassing indicators of biological diversity, transboundary significance, regional and/or global significance and area;
- Step 2:** Within the groups, apply weighted scores to the same set of elements used in the cluster analysis for comparative ranking of the importance of the various sites;
- Step 3:** Develop and apply a numerical score to the entries under national significance and financial components of the site characterisation.

However, the RSTC believed that more weight should be given to biological diversity, threats and transboundary significance and recommended that each regional working group carefully consider the parameters to be used in their analyses and ranking of the potential demonstration sites preparatory to the next round of regional working group meetings.

The RSTC further considered the goals and purposes of the demonstration sites and noted that demonstration sites could be directed towards:



- maintaining existing biodiversity;
- restoring degraded biodiversity to former levels;
- removing, or reducing, the cause and, hence, reducing existing rates of degradation; or,
- initiating preventive actions that halt the adoption of unsustainable patterns of use before they commence.

Finally, the RSTC considered plans for the Regional Scientific Conference and Partnership Workshops for which the PSC had approved financial allocations of US \$100,000 in 2003 and 2005.

The **Third Meeting of the RSTC** was held in Phuket, Thailand, 16 - 18 June 2003. This meeting reviewed a status report and demonstration of the GIS data and information received to date according to the format agreed during the Regional GIS workshop. The submissions of data and information had filled a number of gaps at the regional level, particularly with respect to seagrass distribution around the South China Sea. Some countries had not submitted data and information for some components and some of the data received were unaccompanied with geographic co-ordinates. It was noted that, while the regional GIS database is not directly linked to the selection of demonstration sites, it was a useful tool to present data such as the geographic distribution of potential demonstration sites in the various clusters. The RSTC concluded that if a site were lacking in the required data, it would be difficult to warrant including it in the list of demonstration sites unless some form of alternative justification was provided.

The application of the GIS database to the presentation of results from the statistical and cluster analyses and for illustrating aspects of the demonstration site selection process to potential donors was discussed. It was noted that inclusion of the results from the cluster analysis would provide a visual overview to potential donors of the geographic distribution of the sites. It was agreed that the development of the regional GIS database was not at that stage a priority. Nevertheless, the focal points from the participating countries were reminded that, in the MOUs established between the SEAs and UNEP, there is a requirement to develop national meta-databases. The initial establishment of the database was projected for completion by the end of June 2003. However, due to late receipt of the data and information, there would inevitably be some delays in completion of this work. The meeting agreed that a list of immediate requirements should be sent to the focal points of the project components and sub-components of the participating countries accompanied by a request to check and correct the site characterization data intended for use in cluster analyses.

The RSTC reviewed, in considerable detail, the activities of each of the working groups and preliminary assignment of priorities among demonstration sites. It also reviewed the status of national reports and the preparation of regional overviews for habitat subcomponents. In the context of failures to meet deadlines, the following statement was adopted by the meeting.

*“To ensure the effective and efficient implementation of the project plans and schedule, the RSTC endorses the following principles for application in future:*

- *the overall work plan will only include countries that have submitted the required inputs, including demonstration site proposals, on time;*
- *regional working group meetings will only be hosted by countries which have submitted the required inputs by the due date; and*
- *all future meetings shall be held only in potential demonstration sites considered as high priority by the RSTC.”*

The **Fourth RSTC Meeting** was held in Pattaya, Thailand, 15 – 17 February 2004. The meeting considered the extension of MOUs with the SEAs, under-expenditures by project component, substantive reports and outputs of the preparatory phase, the reports of the RWGs and progress to date and arrangements for the creation and operation of demonstration sites. It drafted recommendations to the PSC regarding the selection of demonstration sites and revisions to the project workplan.

The meeting considered progress in each of the habitat subcomponents in turn. Regarding the seagrass subcomponent, it was noted that the ranking procedure had not taken account of the purposes of the demonstration site proposals. While this was regrettable and too late to be retroactively corrected, the purpose of each of the demonstration sites was outlined during the meeting. These purposes included community-based management, restoration of seagrass beds, integrated management of various marine habitats, and trans-sectoral management of seagrass beds.

Some concern was expressed regarding the independent nature of the comparative weighting of environmental and socio-economic factors in the ranking procedure and the absence of associated sensitivity analysis in the selection of weightings. Nevertheless, the RSTC decided to accept the

recommendations of the working groups while noting that the comparative weightings differed among the subcomponents.

In considering the report of the Regional Working Group on Land-Based Pollution, several achievements were noted including:

- Agreement on the format for regional data collection and comparison;
- Agreement on use of water quality criteria (ASEAN water quality criteria) and the Chinese standards for biological and sediment samples;
- Agreement on criteria for ranking hot spots in the region within the framework of this project;
- The completion of national reports by most countries;
- The submission of pilot activity proposals by four countries; and,
- Preliminary ranking of hot spots and associated pollution problems.

The fourth meeting of the Regional Working Group on Land-based Pollution had been postponed as a consequence of delays in the preparation of the pilot activity proposals by some focal points of the SEAs for this component. Consequently, the recommendations of the regional working group could not be provided to the fourth meeting of the RSTC. Arrangements were made to allow an executive committee of the RSTC to meet following the Fourth LbP Working Group meeting and make recommendations on the land-based pollution activities to the Project Steering Committee.

The meeting examined the results of each of the habitat subcomponents individually and concluded as follows (UNEP/GEF/SCS, 2004d):

*“The meeting noted that the Mangroves Working Group had applied equal weighting to both the environmental and socio-economic indicators and approved the final ranking result submitted by the Regional Working Group on Mangroves.*

*The Committee reviewed the results prepared by the Regional Working Group on Coral Reefs and noted with regret that the Committee had not received a complete proposal for the Tun Mustafa National Park in Sabah, Malaysia. However, in view of the potential for transboundary management between Malaysia and Philippines at the proposed site and the fact that this proposal had been ranked as the first priority within the third cluster, the meeting urged the focal point for coral reefs from Malaysia to finalize this proposal. In other respects the meeting approved the results presented by the working group.*

*In discussing the results of the Regional Working Group on Seagrass it was noted that, for some sites, the proposed demonstration activities encompass more than one sub-component. It was recognized that the management activities planned for demonstration sites would focus on the management of human activities and, therefore, due consideration should be given to combining the plans from different sub-components. The recommendations of the Seagrass Working Group were otherwise endorsed.*

*The RSTC realized that there were still some residual problems of data quality regarding the wetlands proposals and that therefore less reliance could be placed on the outcome of the cluster and ranking procedures than was the case for the other habitat subcomponents.”*

Following this review, the RSTC concluded that the results obtained from the cluster analysis and ranking process were well presented in the regional GIS database and observed that the GIS is a very useful tool for making decisions on the selection of demonstration sites.

The project budget contains specific funding provisions (US \$3.5 million) to national level executing agencies for the operation and management of three demonstration sites in each of the mangrove, coral reef and seagrass subcomponents. Thus, a total of nine demonstration sites were foreseen as receiving GEF financial support through the project.

The RSTC recommended the following demonstration sites for funding from the GEF project grant.

**Mangroves:** Trat Province (Thailand), Batu Ampar (Indonesia) and Fengchenggang (China).

**Coral Reefs:** Mu Koh Chang (Thailand), Belitung (Indonesia) and Masinloc (Philippines).

**Seagrass:** Hepu (China), Cape Bolinao (Philippines), and Bai Bon, Phu Quoc Island (Viet Nam).

Sites for future consideration under other funding arrangements were designated as:

**Mangrove** sites at Busuanga (Philippines), Xuan Thuy (Viet Nam), Welu River Estuary (Thailand). Can Gio (Viet Nam), Quinglangang (China) and Bengkalis (Indonesia).

**Coral reef** sites at Ninh Hai (Viet Nam), Mu Koh Ang Thong (Thailand), Phu Quoc (Viet Nam) and Batangas (Philippines).

**Seagrass** sites at Trikora Beach (Indonesia), Pattani Bay (Thailand), Sarat Thani (Thailand) and Tanjung Adang Laut Shoal (Malaysia).

In relation to potential wetland demonstration sites, the RSTC noted outstanding issues regarding the quality of data in some areas. Accordingly, the results of the cluster analysis and ranking of wetlands could not be accorded the same degree of confidence as those for the other habitat sub-components. The RSTC agreed that the data should be checked and verified that any sites for which data were unsubstantiated should be deleted or the data concerned removed before final clustering and ranking were undertaken. In this context, the meeting agreed that of the five demonstration site proposals, Koh Kapik (Cambodia), Balat Estuary (Viet Nam) and Shantou (China) should be accorded first priority. Thale Noi Non-hunting Area (Thailand) and Malampaya Sound (Philippines) were accorded second priority for possible financial support from co-financing sources.

Following these decisions, the RSTC considered sites having proposals in more than one sub-component and agreed that:

- (i) It would be operationally difficult to combine the mangrove site in Trat with the coral reef site in Koh Chang as different local administrations were involved and one site was located on the mainland and the other on an island.
- (ii) With regard to the proposed mangrove demonstration site in Xuan Thuy, Viet Nam, and the wetland site in the Balat Estuary, it was noted that there were overlaps in area and executing agencies and similarities in proposed activities. Therefore, it was recommended that a single joint proposal be prepared under the mangrove sub-component.
- (iii) The committee noted similar issues in the case of the coral reef demonstration site proposal in Phu Quoc and the seagrass proposal for the same site. It was recommended that a joint seagrass and coral reef proposal be prepared for funding under the seagrass sub-component.
- (iv) It was recognized that potential joint management between Phu Quoc in Viet Nam and Kampot in Cambodia had already been discussed in a preliminary manner between the National Technical Focal Points. The meeting encouraged the National Technical Focal Points, working in close association with the relevant focal points in the SEAs from both countries, to continue these discussions and to prepare a joint proposal.

The RSTC further recommended that, in the cases of the two joint proposals and the transboundary management proposals, a portion of the unallocated funds from the preparatory phase be assigned to each proposal in addition to the funds allocated under the existing budget for demonstration sites.

It was agreed that fisheries issues should be carefully considered in relation to each potential demonstration site and that, in the specific cases of mangrove activities in Trat and coral reef activities in Koh Chiang, planned activities should include interventions in the field of fisheries. The Working Group on Fisheries should consider the demonstration site proposals of the habitat sub-components and develop suggestions for contributions in the context of the fishery component of the project.

The meeting then discussed the list of demonstration site proposals for which financial support should be sought through the avenue of GEF Medium Sized Project proposals. Such proposals should be for demonstrations meeting similar conditions to those laid down under the project, namely that the grants should not exceed US\$ 400,000 and that all such proposals should be selected using the same criteria and procedures as for those sites supported through the project grant.

The RSTC agreed that the following highly ranked sites should be included:

- |                     |   |
|---------------------|---|
| <b>Mangroves:</b>   | Busuanga (Philippines)<br>Xuan Thuy (Balat Estuary) Viet Nam) |
| <b>Coral Reefs:</b> | Ninh Hai (Viet Nam)   |
| <b>Seagrasses:</b>  | Trikora beach, Indonesia                                      |

Regarding the wetland sub-component, the Committee made the following recommendations:

1. Thale Noi is the only peat swamp proposal and since this habitat has high global importance it should be considered a high priority for financial support through an MSP;
2. Malampaya sound was a reasonable proposal with low funding requirements and should also be supported;
3. Shantou has reasonable proposed activities, but the committee can only support the proposal if the budget is reduced to less than US\$ 400,000;
4. The proposal in Koh Kapik needs to be improved since it lacks a causal chain analysis. The committee would support the proposed activity if the total budget were reduced to a level comparable to that of Malampaya sound.

The PCU would contact the proponents of the priority demonstration site proposals regarding the technical and administrative arrangements for finalizing the demonstration proposals and drafting associated

Memoranda of Understanding. The Project Director noted that the proposals were weak in a number of respects, particularly the manner in which budgets had been prepared. He proposed therefore to convene an *ad hoc* meeting in Bangkok of the involved focal points during which the principles to be used in costing the proposals would be outlined and advice and assistance given to the focal points in finalizing the proposals. In the case of joint transboundary proposals, it would be necessary to discuss the implementation arrangements at the local and/or provincial level and therefore individual meetings should be convened for such purposes.

The RSTC then considered a proposal relating to the management and operation of demonstration sites entitled “*Framework for Regional Co-ordination, Dissemination of Experiences and Personnel Exchange between Sites*” that outlined the general principles and manner of proceeding with the arrangements for the initiation of activities. This document was adopted for consideration by the PSC. Finally, the RSTC undertook a revision of its workplan that took account of the decisions reached and projected future work.

#### **5.4. Activities of the Project Steering Committee**

With the preceding discussion of the activities of the Regional Working Groups and the RSTC, there is little need to go into great detail regarding the activities of the Project Steering Committee in respect to scientific and technical issues (the terms of reference of the PSC are reproduced at Annex XIII). The following text summarizes the topics discussed during PSC meetings.

The **First Meeting of the Project Steering Committee** (PSC) took place in Bangkok on 22-23 October 2001 before the project became operational. This meeting discussed national management frameworks and their relationship to the regional organizations to be created under the project, the terms of reference for the National Inter-Ministry Committees, the National Technical Working Groups and the National Committees for each project component, the use of MOUs as legal instruments permitting fund transfers by UNEP to countries and to Specialized Executing Agencies within the countries, the procedures for calculating co-financing contributions, and the project workplan including a budget for the entire project. In respect to the calculation of co-financing contributions, an innovative decision of the PSC was to agree on the application of a uniform cost coefficient of US\$70 per person per day for costing in-kind contributions of governments derived from individual participation in project activities. This coefficient is applied to all participants regardless of whether they are field officers or ministers and across all countries regardless of salary levels. This appears to be the only project in which all participating countries have agreed a common in-kind cost coefficient. This first meeting laid the groundwork for the rapid commencement of the project once CEO approval had been obtained.

The **Second Meeting of the PSC** took place in Hanoi on 16-18 December 2002 some nine months after project commencement. This meeting discussed: anticipated outputs for 2003 from the National Technical Working Groups, the Regional Working Groups and the RSTC; the selection procedures for demonstration sites; the operational budget for 2003; the framework budget for the balance of the life of the project; mechanisms for securing financial sustainability; and approaches to securing wider involvement of stakeholders at national and regional levels.

The **Third Meeting of the PSC** took place in Manila on 25-27 February 2004. This meeting discussed the status of administrative reports, the extension of MOUs between UNEP and the SEAs, major outputs from the project preparatory phase, the reports of the regional working groups and the progress in the completion of preparatory phase activities. Throughout this meeting, the dominant topic of discussion was the recommendations regarding the habitat demonstration sites prepared by the RWGs as endorsed by the RSTC. This meeting took decisions regarding the conclusion of the project preparatory phase and finalized planning for the operational phase of the project. The PSC agreed to extend the preparatory phase until the end of June 2004 to ensure that all expected outputs of the preparatory phase and all arrangements for activities in the operational phase were completed by that time. A corresponding decision was made to extend the overall project life until mid-2007 and a revised project workplan and budget were prepared and approved for project operational phase activities to commence in July 2004 and be completed by mid 2007. It is worth noting that, at this meeting, the PSC exercised its discretionary responsibilities by deciding to phase out GEF grant support to national activities over the operative phase, to reallocate unspent budget funds to additional demonstration sites and make amendments to the demonstration sites list proposed by the RSTC through inclusion of two activities in Cambodia using unspent funds.

#### **5.5. Project Enhancement beyond ProDoc Provisions**

Project enhancements derive from initiatives adopted by two categories of participant. First, there are project enhancements that have been made largely on the initiative of the PCU through proposals to the PSC and endorsed by that body. The second category comprises enhancements made as a result of

initiatives within the participating countries. Each of these categories of project enhancement is dealt with separately in the following two subsections.

### **5.5.1. Project Enhancement through Initiatives of the PCU**

There are four project enhancements specifically stimulated by the PCU and subsequently endorsed by the PSC on the basis of their benefits to component activities under the project, the broader context of improving regional consultations, or improving the administration of the project. These are: the creation of a Geographic (or Geoscience) Information System (GIS) to archive and present data on regional environmental resources of relevance to project components; the process of evaluating proposed demonstration sites, including the incorporation of cluster analysis as a means of increasing insight and objectivity in the selection process; the creation of an internship programme; the convention of a Regional Scientific Conference and Partnership Workshop; and the establishment of a uniform basis for estimating in-kind contributions to project activities. Each of these initiatives is briefly discussed below.

#### **5.5.1.1. Geographical Information System (GIS)**

The South East Asian Regional Centre for the START Programme (SEA START) is situated at Chulalongkorn University, Bangkok. One of its principal activities is the use of a regional Geographical (or Geoscience) Information System for the archiving, retrieval and analysis of data from the region relating to environmental change. The potential mutual value of cooperation between SEA START and the SCS project was recognized by the PCU at an early stage in the implementation of the project. Contacts were initiated between the two entities that led to the conclusion of a Memorandum of Agreement between the PCU and the SEA START RC in July 2002 as a framework for the SEA START RC to share data and technical expertise with the SCS Project. A GIS Workshop was later convened in Bangkok in August 2002 at which a workplan for GIS development and application within the SCS project (UNEP/GEF/SCS and SEA START, 2002) was developed. The SCS Project adopted GIS as a primary tool to assemble and integrate data provided for each of the nominated demonstration sites so that the selection of demonstration sites to be funded during the operational phase of the project would be fair and objective.

The first phase of the GIS activity was sub-divided into three steps carried out by the Specialised Executing Agencies in each country in close collaboration with the Southeast Asian START Regional Centre.

In Step 1, each SEA in each country was required to locate and identify the distribution of each habitat, pollution impact site and those habitat areas that are significant nursery, spawning or feeding areas for transboundary fish stocks. At the same time, the SEA START Regional Centre would commence the compilation of national information from the SEAs into a regional GIS.

In Step 2, for completion by the end of 2002, the SEAs would correlate the national locations identified in Step 1 with general data/information to be agreed in the Regional Working Groups for each component and the SEA START RC would continue the compilation of national information from the SEAs into a regional GIS.

In Step 3 the SEAs were required to compile detailed data/information required on the basis of the criteria established during the second Regional Working Group meetings for specific sites within each country that are considered national priorities for nomination as candidate regional demonstration sites.

These steps were planned in relation to meetings of the Regional Working Groups, the RSTC and PSC with the objective of permitting the RSTC to consider, and the PSC to decide at its Third Meeting, the selection of project demonstration sites.

To date, seven annexes to the MOU between the PCU and SEA START have been agreed to cover various cooperative activities:

- Annex I: GIS Workshop in support of the UNEP/GEF SCS Project, Bangkok, Thailand, 7-9 August 2002 (signed in July 2002);
- Annex II: Hosting and maintaining a UNEP/GEF SCS Project Homepage (signed in July 2002);
- Annex III: Hosting and maintaining a UNEP/GEF SCS Project Homepage (signed in January 2003);
- Annex IV: Hosting and maintaining a UNEP/GEF SCS Project Homepage and web-based GIS system (signed in June 2003);
- Annex V: Review of mangrove demonstration site characterization reports (signed in August 2003);
- Annex VI: Preparatory work of the regional learning centre (signed in January 2004); and

- Annex VII: Hosting and maintaining a UNEP/GEF SCS Project Homepage (signed in January 2004).

A summary of the present status of the GIS system in relation to project is presented at Annex XI.

The history of the incorporation of GIS into the project reflects activities of mutual benefit to the SCS project and SEA START included at minimal cost to the project. Annex X contains an outline of the work conducted by SEA START for the SCS Project and specifies the financial support derived from the SCS project. The effort devoted to this work by SEA START staff at Chulalongkorn University made a most positive contribution to the project and is a model of the benefits provided by synergy among different ventures having differing client communities. The PCU deserves credit for this augmentation of project activities that represents, in essence, a further contribution by Thailand to the project. The development of the GIS has meant, for example, that, for the first time, data on seagrass beds in China is included in an international database.

#### **5.5.1.2. Process of Habitat Demonstration Site Selection Incorporating Cluster Analysis**

A systematic process for selecting demonstration sites from among those proposed by the participating countries was devised and applied in a previous GEF project. However, the mechanism specifically developed within the South China Sea project is considerably more comprehensive and facilitates a markedly enhanced level of objectivity. The inclusion of cluster analysis as a means of broadening the basis for comparing proposed demonstration sites was made by the PCU. The topic was subsequently reviewed by the RSTC and endorsed as an additional means of comparative evaluation that would offer the advantage of improved objectivity and transparency in selection of demonstration sites within each of the habitat subcomponents. Each of the habitat sub-component working groups subsequently employed cluster analysis for site intercomparison. An evaluation from scientific perspectives of the manner in which the cluster analysis technique has been used in the project is presented elsewhere in this review (Section 5.2).

#### **5.5.1.3. Internship Programme**

The ProDoc contains a budget line for "*Supporting (sic) for young scientists in project management and implementation*". In that context, the concept of internships was subsequently devised by the PCU and a concomitant proposal and presented by the PCU to the Second Meeting of the PSC held in December 2002 as an annex to a document entitled "*Regional Framework Activities for Implementation in 2003 and Beyond*" (UNEP/GEF/SCS, 2002r). The rationale for the proposal for project internships was primarily the lack of understanding within the participating countries of the modes of operation of the United Nations System, particularly in the areas of project reporting. Such lack of understanding had given rise to delays to project activities particularly among the Specialized Executing Agencies in the participating countries.

A proposal for internships was made having the following objectives:

- (i) to familiarize interns from the focal ministries with the operation of the United Nations System in general and the UNEP/GEF SCS project in particular;
- (ii) to enhance and facilitate communication between the participating governments and the PCU in the implementation and management of project activities;
- (iii) to provide interns with training in project design, financial planning and management of activities that can be used to support the design and execution of activities at demonstration sites;
- (iv) to provide interns with training in the convening, administration and reporting of regional expert meetings; and
- (v) to provide interns with the basic skills required to formulate sound project proposals for the GEF and other potential funding sources.

The proposal further laid down the planned level of participation and the qualifications and experience required of prospective interns. Finally, it outlined the selection process and financial arrangements. In brief, these latter sections indicated the capacity and intent of the PCU to receive seven interns in the period 2003 to mid-2004, the intent to have National Technical Focal Points nominate at least 3 candidates from each country from which the PCU would select one from each country. The financial arrangements were that the countries would continue to pay the salaries of interns while the PCU (*i.e.*, the project) would provide a return airline passage and an allowance of US \$ 1,500 per month to each intern during his/her period in Bangkok (except for those interns normally resident in Bangkok).

The Project Steering Committee subsequently approved the proposal and the intern programme was created. To date, the PCU has received one intern each from four countries: Cambodia, China, Indonesia

and Thailand. Unfortunately, the period of the Thai internship was limited to 3 months because of the strictures imposed by the Thai government system and this intern filed no final report. The final report submitted by the Indonesian intern (Yunus, 2003) does, however, provide some basis for evaluation of the internship programme. First, he notes that the administration system within the PCU differs significantly from that he was familiar with. It is clear, however, that the intern gained considerably from his period in the PCU, especially in relation to experience with the United Nations System and GEF requirements. He concludes, however, that the better the intern's command of English, the greater is the benefit gained from the internship. Interviews with the two interns resident in the PCU at the time of this Mid-Term Evaluation (one from Cambodia and one from China) showed that there exists some heterogeneity in their background and their perception of their future roles within their respective national organizations. These interviews illustrated the potential of the internships as a learning device of significant benefit to both the participating countries and the PCU in improving contact and communications, especially those associated with the reporting of activities. They also served to reinforce the conclusions drawn by the Indonesian intern regarding the advantages gained through a good prior working knowledge of the English language. Indeed, in the case of one of the latter interns, a clearly perceived potential benefit from the internship was the opportunity to improve his English language skills. This potential could not be entirely realized because of the heavy workload within the PCU that gave limited opportunity for conversation during working hours (this issue is readdressed in relation to the activities of the PCU elsewhere in this report).

The internship programme is a novel and useful adjunct to the project that would justify more widespread adoption within similar GEF projects elsewhere, perhaps as an initiative under IW:Learn. Its adoption within the SCS project is a further reflection of the comparatively imaginative initiatives engendered by UNEP/DGEF and the Project Director in favour of broadening the capacity building features of the project.

#### **5.5.1.4. Regional Scientific Conference and Partnership Workshop**

Although the intent to convene Scientific Conferences during the course of the project is reflected in the ProDoc budget, there is no detailed specification of the nature and purposes of such conferences in the text of the ProDoc itself. This contrasts with the specific reference in the ProDoc to the convening of partnership conferences to assist the governments in seeking bilateral and multi-lateral financing for ensuring that the lessons learned from the demonstration sites are transferred to others in the region. The First PSC Meeting, in approving the framework budget for the project, had approved an allocation of US\$ 150,000<sup>5</sup> in 2003 and a similar sum in 2005 for the convention of two regional scientific conferences and partnership workshops at which the results and outcomes of the project would be presented and discussed. Further discussion of the topic took place at the Second RSTC Meeting on the basis of a document entitled "*A Note on the Regional Scientific Conference and Partnership Workshop*" that had been prepared by the PCU. In this document, the purposes of the Conference were defined as:

- *to review the outputs from the first two years (such a review providing the independent evaluators with the opportunity to see first hand, the outputs);*
- *to provide an opportunity for wide and extensive discussion and review of the next stage of project development;*
- *to provide the opportunity for engaging the wider scientific community in the region; and*
- *to provide the opportunity for engaging the donor community in the next phase of project activities.*

A Regional Scientific Conference on the South China Sea was held 11-13 February 2004 in Bangkok. On February 13th, at the end of the Conference, a Partnership Workshop was convened but this meeting was closed to observers. However, at the subsequent fourth meeting of the RSTC, it was confirmed that an offer of potentially seven GEF Medium Sized Projects (MSPs) for additional demonstrations or pilot activities selected by the SCS project had been made by the GEFSec. Through discussions with the PCU we understand that other follow-up to the Partnership Workshop includes: partner support for a SEAFDEC workshop on the Code of Conduct; an agreement to convene a SEAFDEC expert consultations meeting in conjunction with the fifth meeting of the Coral Reef RWG at a UNEP/GEF/SCS demonstration site; detailed discussions with the UNESCO Regional Office concerning UNESCO support for demonstration site activities; and several meetings and discussions with the FAO Regional Office about partnership and joint actions between UNEP and FAO.

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<sup>5</sup> This allocation was subsequently reduced to \$100,000 per scientific conference.

The Regional Scientific Conference itself, which occupied two and a half days, was clearly successful in providing a forum for all those involved in project activities and external observers to gain an overall appreciation of activities and progress. It also provided a vehicle for collective examination of the scientific basis of project activities and seeking explanations and clarification wherever warranted. The evaluators were able to observe the entire Conference and draw their own conclusions accordingly. These conclusions, which parallel those drawn by the GEFSec representative and included in his remarks at the closure of the Conference, are as follows:

1. Common understanding of project objectives;
2. Widespread appreciation of the importance of sustainability;
3. Evidence of a strong collegial atmosphere;
4. General recognition of the value and suitability of the mechanisms and structures created for project implementation;
5. Clear understanding of the need for objectivity and a scientific basis for the selection of demonstration sites;
6. Standards of presentation commendably high - most notably in the context of the vast majority of the participants operating in a second language;
7. Extent of commitment evidenced by few absentees and consistent size of the audience;
8. Standards of GIS and data acquisition and quality checks appear appropriate; and
9. There is a high degree of confidence in the PCU.

More specific observations, drawn from the Conference presentations and ensuing discussions, were also made in respect to: (i) the considerable pioneering work had been carried out by the Task Force on Economic Valuation in respect to the valuation of habitats; (ii) a good discussion, on the afternoon of February 12<sup>th</sup>, regarding communications between the scientific and decision making communities; and (iii) some concerns expressed about delays in hiring procedures applicable to the PCU.

Overall, the Scientific Conference can be regarded as an outstanding success both for the project and for the region. It appeared to adequately justify the associated costs incurred by the project.<sup>6</sup>

#### **5.5.1.5. Method of Estimating In-Kind Co-financing Contributions by Countries**

A further innovation within the project is represented by the agreement reached by the Project Steering Committee on a procedure for estimating in-kind costs on the basis of a manpower cost coefficient common to all parties of US\$70 per person per day. This coefficient is used to cost the in-kind contributions of governments derived from individual participation in project activities and is applied for all participants regardless of whether they are field officers or ministers and across all countries regardless of the salary levels of individuals.

#### **5.5.2. Project Enhancement through Country Initiatives**

The Chinese government has provided additional in-kind and cash contributions to the SCS Project. The cash contribution amounts to 14,880,000 RMB, or about US \$1.8 million, including contributions to the demonstration sites and pilot projects. It should be stressed that this funding is new and additional co-financing for project activities and was made available to the Chinese Specialized Executing Agencies for the collection of additional information to enhance the project. By using the demonstration sites and pilot projects as a basis for environmental measures of enlarged scope, the State Environmental Protection Administration (SEPA), the National Focal Point for China, intends to seek additional funds from other ministries, as well as from regional/local governments, for the implementation of these sites/projects. The Chinese National Technical Working Group on Mangroves was able to raise around 1.3 million RMB (about US \$157,000) from provincial/local governments for the demonstration site at Fangchenggang City.

Other than in Hong Kong, China has carried out very little study of seagrass in the past. Through the SCS project, a general survey of the seagrass resources in the southern coastal region of China has been completed extending beyond the areas bordered by the South China Sea. Similarly, the Chinese National Technical Working Group on Mangroves has extended its review of mangroves to areas bordering waters just north of the South China Sea in two provinces (Fujian and Zhejiang).

The Swedish International Development Agency (SIDA) support to SEAFDEC, partially for the promotion of the FAO Code of Conduct for Responsible Fisheries and the development and application of

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<sup>6</sup> Although the budget allocation for the first Regional Scientific Conference was US\$ 100,000 (as noted previously), through cost-saving measures adopted by the PCU, the actual cost of the Conference was US\$ 40,588. This creates an opportunity for the convening of an additional Regional Scientific Conference within the funding allocated to the first Conference.



associated guidelines, has enhanced commitments and collaboration under the project. This is not a form of additional co-financing *per se* but does represent an additional benefit to the project provided indirectly by an external source<sup>7</sup>.

### **5.5.3. Additional National Benefits Accrued from the Project**

Prior to this project, Cambodia did not have the resource capacity to develop a national policy on marine fisheries, despite having the ambition to do so before the project began. The project has provided a vehicle for Cambodia to undertake the development of elements for incorporation into such a policy thereby providing additional national benefits.

Following on from the discussion in the previous section on enhancements in co-financing, China, for example, has benefited considerably at a national level from project activities through the extension of seagrass and mangrove surveys beyond the area covered by the project. The associated benefits at the provincial level are difficult to estimate but the evident desire on the part of provincial and local government agencies to become increasingly involved in the project provides evidence of disseminated benefit at such subsidiary levels.

The interest of the Sabah State government in Malaysia in becoming involved in a demonstration project reflects a similar pattern of disseminated benefit engendered below the national level.

## **5.6. Overall Project Management and Administrative Arrangements**

This section deals sequentially with evaluations of the structures established for project implementation, the activities of the PCU, and financial management.

### **5.6.1. Institutional Arrangements and Structures**

The basic institutional structures created for project implementation shown in Figure 1 appear ideal. The Project Steering Committee has fulfilled its role well in acting upon the information provided to it by the other project bodies, especially the RSTC and the PCU. It has not shied away from difficult decisions and has maintained an appropriate level of monitoring and oversight. The RSTC has fulfilled its role equally well by evaluating the technical aspects of working group activities and products and making appropriate recommendations to the PSC. The six Regional Working Groups and two Task Teams have all fulfilled their responsibilities although it is evident that there is some diversity in the manner and speed with which this has been done. This is referred to in the section dealing with the activities and products of the Habitat, Fisheries and Land-Based Pollution Working Groups in Section 5.2 of this document. It is somewhat more difficult to pronounce on the work of the National Inter-Ministerial and Technical Committees. From consultations with those involved in the project, it is evident that, for example, the Thai National Committee meets regularly and has been a profitable vehicle for national coordination of activities carried out in conjunction with the project. It is also evident that some national committees meet less frequently and that there exists a more *laissez faire* approach to national coordination for the purposes of project implementation in some of the participating countries. However, this does not constitute a criticism of the organs established for project implementation and their functions; rather it is a comment on the diversity in the manner in which the national organs carry out their functions.

The apparent success of the project management structure appears to stem from two key factors that clearly underpinned the design of the management framework. The first is a clear separation between the policy and decision-making body, the PSC, and the scientific and technical forum, the RSTC. By separating these two aspects of decision-making, each body is able to focus on its primary area of responsibility and scientific and technical considerations do not become obfuscated by political discussions. The second factor is that all the expertise used in the project is derived from within the region. All consultants and reviewers hired to date come from the participating countries and Singapore. This has resulted in the PSC more readily accepting the recommendations of the RSTC, which wholly comprises 'insiders' who clearly have no external (*i.e.*, extra-regional) agenda.

Consultations in China revealed that Chinese officials and scientists involved in the SCS project have high regard for the functionality of the institutional structure. At the initial stages of project implementation they viewed the structure as complicated and administratively demanding. With the passage of time, however, they have become increasingly appreciative of the scientific, democratic and efficient manner in which such a structure enhances implementation of the project. They now view this as a modern way of managing science projects and intend to implement similar measures elsewhere within China. The scientists have particularly appreciated the functions of the regional working groups. Chinese scientists

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<sup>7</sup> In a GEF context this constitutes "associated financing".

believe that both the open exchange of views and the consensus approach within the working groups have greatly promoted their scientific content, as well as the implementation of project activities.

### **5.6.2. Activities of the Project Coordinating Unit (PCU)**

The PCU has done an outstanding job in supporting the project through effective coordination and administration of activities. As already noted, the documentation prepared and maintained by the PCU is comprehensive and internally consistent, which makes the task of tracking activities within the project relatively straightforward. In the first place, it is remarkable and creditable that the PCU was able to prepare for, and convene, regional working group meetings within 2 months of project commencement. The service and support that the PCU has provided to all the regional bodies within the project (the regional working groups, the RSTC and the PSC) has been excellent. The timely preparation of working documents in advance of such a large number of meetings alone reflects a strong commitment on the part of PCU staff. The secretarial and administrative support functions provided by the PCU during meetings have been witnessed first hand. They set a standard seldom rivaled in developed areas of the world. In addition, the maintenance of budgets for expenditures and planned activities has been exemplary and has contributed to transparency and the provision of up-to-date information to both those within the project and external observers<sup>8</sup>.

The PCU has maintained communications with all the various focal points involved in the project through a variety of media and taken a strong leadership role in ensuring the preparation and publication of reports and other documents that serve to enhance the credibility of project activities and products. The close rapport between members of the PCU and individuals in the participating countries has been evident throughout the meetings attended by the Mid-Term Evaluators. It was clear from the Regional Scientific Conference that the expertise and abilities of the PCU are well appreciated throughout the countries of the region and there appear to be few complaints about deficiencies in the organization. Furthermore, the PCU has adhered to its role as a supportive and advisory body and carefully avoided encroaching upon the responsibilities of the several regional bodies, particularly the PSC. In this latter context, the PCU has fulfilled its role of keeping the PSC informed of problems and delays encountered in receiving necessary documentation and responses from national bodies and organizations and left it to the PSC to make relevant decisions. The partitioning of members of the PCU among the various scientific and technical bodies in a coherent and consistent manner has allowed the Regional Working Groups to develop a collegial spirit in their work and to know whom to contact in the event they have questions or need for information during intersessional periods.

This does not mean that the project is devoid of problems. The problem of late and incomplete reporting of activities, expenditures and audits to the PCU has been a recurring one throughout the project. The PCU has taken all reasonable steps to rectify these deficiencies and provided detailed guidance to those concerned regarding the exact nature of the reporting required. Such problems therefore cannot be laid at the feet of the PCU; the difficulty lies within the national organizations that are required to submit these documents. The Mid-Term Evaluators are not able to offer any additional suggestions to resolve these problems beyond the measures already taken by the PCU.

In China, scientists from Zhongshan University, the research institutes of SEPA, the Chinese Academy of Sciences and Guangxi Province are working on this project under SEPA. Both the Chinese officials and scientists have praised the excellent and efficient contact (coordination, management and administration) that the PCU has maintained with them through all levels of the project structure (*i.e.*, in the RWGs, RSTC and PSC).

Some communication problems have arisen such as those specifically referred to in the report of the Fourth RSTC Meeting. During this meeting, the Chairman of the Regional Working Group on Wetlands, "*expressed concern about breakdown in communication and the need to improve communication between focal points from the participating countries and the PCU, to ensure smooth implementation of the project activities.*" These problems appear to relate to modes of communication rather than faults in the timeliness and provision of information by the PCU. The PCU concluded that both fax and e-mail should be used to transmit time-sensitive communications and that, if acknowledgement of receipt was not obtained within 10 working days, the individuals concerned should contact the PCU by telephone to check that the documents had been received. From the responses received from individuals consulted during the course of the Mid-Term Evaluation, it is clear that the connection between reporting and the release of funds is still not universally understood. This is unlikely to be due to poor communication on the part of the PCU. Rather, it is more likely to be attributable to the complexities of communication within the participating countries and

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<sup>8</sup> Meeting reports, including full budgetary information, are available both in published form and on the project website.

the limitations of contemporary electronic mail systems, such as mailbox sizes, and the blocking of domains by the United Nations main server in New York through which all electronic communications to and from the PCU are routed.

The PCU currently has one vacant L.2 position. Even if this position had been filled as previously intended, it is likely that the staff members of the PCU would still have had to maintain the long hours that are presently required to meet project commitments. The fact that the members of the PCU maintain such long working hours reflects admirable degrees of dedication and commitment. The Senior Expert, who has been assigned on a half-time basis to the project, is undoubtedly exceeding his commitment to the project by one or two months per year. Thus, while the PCU could probably maintain the number and quality of its activities with its current staff complement, any unforeseen loss of staff would inevitably place an intolerable burden on the remaining PCU members. A common theme of many of the responses to invitations for views on the project from those involved in the seven participating countries is a concern about the work demands on the PCU. The Mid-Term Evaluators came independently to similar conclusions during this review before a substantial body of comments from correspondents and interviewees became available. In the view of the Mid-Term Evaluators, the PCU complement needs to be increased by a minimum of one professional over its current level of staffing. This would provide some much-needed flexibility in the event of an unexpected departure of a current member of staff and, at the same time, offer the possibility of reducing the work burden upon existing staff. The unfilled L2 position salary could provide partial recompense in terms of cost but, even if the originally projected PCU salary costs were to be exceeded, this recommendation would still be valid. Therefore, it is recommended that the PCU be given authority to fill its allocated staff complement by filling the vacant L-2 post and increasing the time devoted by the Senior Expert to the project from the current 6 months to a full year. Such action should result in an appropriate balance between the available human resources and the demands for management and administrative imposed by the project.

## 6. SUMMARY OF ACHIEVEMENTS AND PROGRESS TOWARDS OVERALL PROJECT OBJECTIVES

Paragraph 17 of the ProDoc specifies that "*The overall goals of this project are: to create an environment at the regional level, in which collaboration and partnership in addressing environmental problems of the South China Sea, between all stakeholders, and at all levels is fostered and encouraged; and to enhance the capacity of the participating governments to integrate environmental considerations into national development planning.*"

While project management is primarily directed towards the overall project goals, the logical framework (or so-called 'logframe') matrix primarily addresses the medium term project objectives. Accordingly, it is the one of the most appropriate frames of reference for the evaluation of achievements and progress towards project objectives for the purposes of the Mid-Term Evaluation.

The preceding section 5 provides a descriptive presentation of activities and progress in the project to date. In this section, an examination of progress is made principally in relation to the provisions of logframe matrix. For this purpose, the logframe matrix has been annexed to this review as Annex XI but has been subjected to minor revision largely to reflect the revised timetable for the operational phase of the project. The annotations in Annex XI take the form of coloured typeface and colour highlighting of individual sections of the text with a key to these annotations. This is used as a reference for, and guide to, this section of the mid-term evaluation. The following paragraphs relate to entries in individual columns of the logframe matrix.

Entries in the **Summary** and **Objectively verifiable indicators** columns of the logframe matrix highlighted in green indicate instances in which the relevant outcomes, results and/or components/activities have already either been fulfilled or there is every confidence that they will be fully satisfied on the basis of project performance to date. Thus, for example, "*the adoption of improved mechanisms for regional cooperation in the management of the environment of the South China Sea*" and the "*regional database for planning and management*" have both been completed.

The entries of the **Summary** column relating to **Overall objectives** in the **Outcomes** column of the logframe matrix highlighted in yellow signify that the relevant objectives can reasonably be assumed to be met based on an assessment of project performance to date. There is already evidence of improved regional coordination and improved national management of marine and coastal habitats manifested by the extent and nature of participation in, and contributions to, the project. It also seems highly probable that there will be improved integration of fisheries management and biodiversity protection and enhancement in the Gulf of Thailand at the conclusion of the project.

The **Objectively verifiable indicators** highlighted in yellow and the corresponding means of verification also appear appropriate. The mid-term evaluators are satisfied that the indicators will be available within the operational phase of the project. In respect to the overall objectives of the project, these largely hinge on the completion and adoption of a regional Strategic Action Programme and the adoption by individual governments of associated National Action Plans as reflected in the **Critical Assumptions and Risks** column of the table. There appears to be little risk of these accomplishments not being satisfied even if final adoption of National Action Plans at a political level is somewhat delayed beyond project life. Although the drafters of the ProDoc were correct in assigning higher risk to the adoption of integrated approaches to fisheries management and environmental issues in the Gulf of Thailand, it would appear from progress in the project, that, aside from some outstanding difficulties in the area of fisheries (see below), evidence for such integration already exists as a result of project activities during the preparatory phase.

Entries in the **Summary** and **Objectively verifiable indicators** columns in the **outcomes, results and components/activities** sections of the logframe matrix highlighted in blue indicate cases in which there is less confidence that the specified outcomes or indicators will result from the project. Nevertheless, on the basis of project performance and planning to date, these all seem to be instances in which the project can reasonably be expected to deliver within the adjusted timeframe for the operational phase. The blue highlighting merely indicates instances in which there is limited evidence currently available on which to make an assessment of confidence that the item will be met.

Entries in the **Means of verification** column in purple text signify instances in which the means of verification already fully or partially exist. The high proportion of such entries within two years of project commencement lends credence to the success of the project and its performance to date.

Entries in the **Critical assumptions and risks** column of the logframe matrix in blue text have been reassessed by the Mid-Term Evaluators and confirmed as constituting minimal risk. However, the entries in this latter column highlighted in yellow indicate instances in which the originally perceived risks still persist. These highlighted risks are those that deserve primary attention during the operational phase of the project. Although it appears anachronous, the last highlighted statement in this column of the logframe matrix (that pertaining to the hiring of staff within three months of the completion of the internal project document) has been flagged to indicate that, although this risk was fully mitigated, limited staff size in the PCU remains an impediment to the project. It has been almost universally recognized that the PCU staff needs to be increased. From the perspective of the Mid-Term Evaluators, however, the primary concern relates to further decreases in the staff due to unanticipated personnel turnover. Thus, while the evaluators agree with those who view the PCU as understaffed, it is primarily the need to minimise disruptions caused by future loss of staff that is the risk that needs to be mitigated. To this end, this review is recommending an increase in the staff complement of the PCU.

The other documents relevant to this review of progress are the original draft workplan in the ProDoc (which contains a footnote regarding possible delays in project commencement) and the revised version prepared at the First Project Steering Committee Meeting that was held prior to the receipt of CEO approval. Making allowances for the revision of the project timing between the original ProDoc workplan and that adopted at the First Steering Committee meeting, there remains one aspect for which the timing of project activities have been substantially revised; this is SAP development. This could be the result of some ambiguity in the differing ways in which the workplan has been presented in the several documents reviewed in this evaluation but it appears that the original intent was to address the development of the SAP in the early stages of the project. In section 4.2 of the ProDoc workplan, for example, activities on the formulation of the SAP are primarily conducted during the first three years of project implementation. There is also a reference, in the PSC-adopted workplan, to the convention of “*two regional scientific meetings in conjunction with partnership conferences for presentation of the SAP and priority actions portfolios*”, the first of these in late 2003.

Notwithstanding this apparent inconsistency with actual project activities, the actual approach adopted within the project to the later development of the SAP, based on the preparatory phase assessment work leading to the selection of demonstration projects and pilot activities, is inherently more defensible. It will mean that, as clearly intended within the PCU, the primary work leading to a regional SAP and associated National Action Plans will take place during the operational phase of the project and be thoroughly grounded on the considerable preparative work undertaken in the first 2 years of project implementation. Indeed, the planned starting point is the completion of draft National Action Plans by the end of June 2004 using the “*Framework Strategic Action Programme for the South China Sea*” prepared during the PDF-B phase of the project as an initial frame of reference.

Such an approach is substantiated by the emphasis on the development of coherent and constructive cooperation among the countries involved during the preparatory phase. In this respect, the project has exhibited outstanding success. It is abundantly clear that most of the countries involved have benefited substantially from project activities during this period and this has stimulated enhanced degrees of commitment to marine environmental protection throughout the region. The extent of this commitment is not, however, universal and the most major deficiency remains the limited commitment among federal government agencies in Malaysia.

## **7. REPLICABILITY**

There are two aspects of replicability that are relevant to this project. The first of these is the replicability of the project and its components and procedures in other projects elsewhere, including GEF projects. The second aspect relates to the replicability of elements of the project within the region. Each of these distinct aspects is addressed respectively in the following two sub-sections.

### **7.1. Replicability in the Context of Other Projects**

There are several facets of this project that merit wider application in other GEF projects. The first is the universal use of Memoranda of Understanding (MOUs) as a basis for contractual agreements, not only with the Focal Points of participating countries, but with all the national level agencies (SEAs) involved in project execution. Unique from a GEF perspective is the process by which the Implementing Agency, UNEP, has directly engaged 43 Executing Agencies at the national level. Both the SEAs and Project Focal Ministries are all Full Executing Agencies in a GEF context because they are directly contracted by the GEF Implementing Agency, UNEP, without the use of any intermediaries. The use of MOUs provides a vehicle for the assignment of accountability and responsibility directly to the national executing agencies, with the PCU having assigned authority to monitor and manage activities on behalf of UNEP. Thus, the conclusion of MOUs with national executing agencies clarifies responsibilities and accountability; moreover they result in direct financial transfers, reduced transaction costs and enhanced feeling of project ownership. This mechanism for project execution is worthy of wider emulation.

The second novel facet of this project is the commitment to providing internships for individuals from within participating countries to provide an opportunity for gaining broader experience in project management and the policies, procedures and reporting requirements of the GEF and the implementing agency. This is a practice that deserves more widespread application in other projects.

Above all, though, the detail and comprehensiveness of the institutional arrangements fostered within this project through the preparation of detailed documentation, the maintenance of exemplary records of activities and transactions and the clear enunciation of responsibilities, both within the project office and among all participants, is a notable feature of this project that deserves being used as a model for others.

The systematic approach to characterizing potential habitat demonstration sites and for assessing priorities among them is also worthy of emulation in other projects. Those involved in the project regard this approach as inherently scientifically based and reasonably objective. This in itself is a marked advantage over other options for selecting sites for detailed attention on a multilateral basis.

### **7.2. Replicability in the Context of the South China Sea and its Environs**

The potential replicability of the demonstrations and pilot activities in this project, both within the South China Sea region and elsewhere, cannot be judged until the project is well into its operational phase. Nevertheless, the nature and rigour of the procedures used to select and define these activities lends credence to their being implicitly replicable. It should be noted that the characterization and prioritization of a wide range of potential demonstration sites has enhanced the opportunities for replication. In other words, not only has the selection of primary sites for demonstration projects been made within the project, but the mechanism used has also established the priorities, locations and purposes for similar additional projects in the region.

The process of site selection has already been referred to in the preceding section. Nevertheless, in the context of replication at a national level within the region, it is also worth noting that a similar approach has been adopted by Thailand and Viet Nam for determining priorities for intervention.

The procedures employed in characterizing pollution hot-spots in this project partially benefited from work conducted within the preparative (PDF-B) phase of a UNEP/GEF project on the Russian Arctic, exhibiting some replicability of a component of a previous GEF activity. However, the refinement and augmentation of these procedures within the SCS project have substantially enhanced their potential replicability.

## **8. STAKEHOLDER INVOLVEMENT**

The extent of stakeholder involvement to date is partly reflected by the MOUs concluded between UNEP and the Specialized Executing Agencies. In addition to the seven focal ministries, a total of thirty-one government-designated organizations have signed Memoranda of Understanding with UNEP as Specialized Executing Agencies (SEAs) for the project. These institutions and organizations comprise 14 government departments, 11 research institutions, 5 Universities and one NGO. A number of SEAs have also established institutional sub-contractual links with other organizations, such that the network of institutions directly involved to the project has expanded to in excess of 100, whereas the number of institutions indirectly involved through individual participation on National Committees and Sub-committees and Regional Working Groups exceeds 400. These kinds of linkage facilitate wider stakeholder involvement of local and national NGOs and provincial and local government agencies in the project.

## **9. SUSTAINABILITY**

The topic of sustainability comprises two components: first, the sustainability of the regional consultative mechanism and, second, the maintenance of the demonstration site activities in the form of habitat management mechanisms.

It is apparent that the multilateral consultative process engendered by the project is regarded as valuable among those involved in the project, including National Focal Points. Accordingly, we have considerable confidence that there will be strong regional interest in preserving the consultative mechanism created by the project although, at this juncture, it is not possible to predict what form this will take. There are clearly those in the project that would like to see a formal regional agreement being concluded among the participating countries. It is not yet possible for us, as external observers, to judge how realistic such a goal would be.

To a large extent, the magnitude of co-financing, additional to that assumed within the Project Document, that has already been attracted by the project is impressive even if it is disproportionately distributed among the participating countries. If this success can be maintained throughout the remaining 3+ years of project implementation, it augurs well for the eventual handover and external support of those regional activities that warrant being continued. The recent rates of economic development of many of the participating countries suggest that the financial capacity to maintain such activities will increase rather than decrease. Therefore, it is likely that the long-term sustainability of the regional consultative mechanism and those component activities fostered by the project will predominantly depend upon the value that they offer to the participating countries, actual and/or perceived. This provides a strong incentive to those involved in the project to capitalize on the success achieved during the preparatory phase and foster innovative and inherently practical demonstrations of what can be achieved from intervention measures to preserve marine habitats and resources for future generations and illustrating the overall net benefit of such actions. This challenge will not only be faced in the prosecution of the demonstrations and pilot projects carried out under the auspices of the project but most significantly in the consultations on the preparation of a refined Strategic Action Programme and associated National Action Plans.

The maintenance of the demonstration site activities beyond project life, probably in the form of habitat protection and management systems, involves questions of sustainability in the context of national and provincial (state) policies and funding mechanisms. This will partly hinge on convincing displays of habitat management through the demonstration site activities during the operational phase of the project. From consultations undertaken during the course of this Mid-Term Evaluation, the evaluators are of the opinion that the commitment and energy evident during the project preparatory phase and the extent of local and provincial (state) interest in these activities augurs well for their subsequent continuation and replication within the countries of the region.

Finally, the Project Steering Committee deserves congratulation for the proactive approach it has adopted in agreeing to a staged reduction in the level of project grant support to national coordination activities during the final two years of the project. This will provide an additional incentive towards ensuring sustainability.

## **10. SCOPE, QUALITY AND SIGNIFICANCE OF PROJECT OUTPUTS TO DATE**

This section of the report addresses the scope, quality and significance of the project outputs produced to date and the extent to which project outputs to date have scientific credibility. It addresses each of the project components separately.

### **Component 1: Habitat Degradation and Loss:**

The goal and purpose of this component to date has been to select demonstration sites within which all

project activities will be managed in a coordinated and sustainable manner. Demonstrations could be directed to maintaining existing biodiversity, restoring degraded biodiversity to former levels, or to other purposes. This interim assessment of the project outputs produced to date is limited to the processes leading to site selection. These processes comprise two elements, namely, (i) identification of comparable environmental characteristics and socio-economic indicators to be used for all candidate sites, and (ii) ranking of the candidate sites according to their significance in terms of global and regional biodiversity. The identification of comparable environmental characteristics involves consideration of their scientific merit and the availability of necessary data, whereas identification of socio-economic indicators involves subjective judgments regarding their relevance to management issues. These have been the subject of detailed and sound discussion among the participating scientists and invited experts at three levels, namely the RWGs, the RSTC and the PSC. The methodologies used in the ranking of the demonstration sites are quite rational. The sites are first grouped according to their similarity through cluster analysis, ranking is then carried out for each group based on their environmental characteristics to screen out the low-ranking sites and, finally, ranking is carried out for the remaining sites within each group based on both environmental characteristics and socio-economic indicators. Weights for the characteristics and indicators used for ranking have been chosen by consensus after much discussion. In short, the demonstration sites chosen form a reliable and sound basis to implement the next phase of the project. The site evaluation process has ranked a total of 26 mangrove sites, 43 coral reef sites, 26 seagrass sites and 41 wetland sites. The process of site selection constitutes a regionally agreed process for determining regional priorities that is independent but which takes account of national priorities. It provides a basis for the future comparison of sites in the region, at either a national or regional level. An important additional product of the habitat subcomponent has been the publication of the four overviews of each of the habitat types in the region. These documents represent not only valuable guides to coastal resources in the region but reflect well on the scientific foundation of project activities.

### **Component 2: Over Exploitation of Fisheries in the Gulf of Thailand**

The primary focus of this component is the effect of habitat degradation and disturbance on fisheries recruitment, sustainability and yield. The major activities of the concerned countries in the first two years were to review their fish stocks and habitats of regional, global and transboundary significance in the South China Sea. Like the *modus operandi* of Component 1, through thorough discussion at the three levels among participating scientists and invited experts, a set of species of transboundary significance were identified as the priority focus of the work of the National Committees. This set includes the top 13 pelagic and 9 demersal fish species, together with 10 cephalopod and 11 crustacean species. The national reports cover the current status of, and threats to, these species and their habitats, areas of importance in the maintenance of exploited fish stocks, current management regimes, and recommended actions. In addition, the Regional Working Group on Fisheries has proposed to test a blast fishing detection device in Sabah, Malaysia. These activities form a good basis for focusing during the next few years on activities that the fishery component could contribute at the local and community level in the habitat demonstration sites. They are also important for the promotion of the *Regional Guidelines on the Code of Conduct for Responsible Fisheries* prepared SEAFDEC on the basis of the FAO global code of conduct.

### **Component 3: Land-Based Pollution**

This component of the project focuses on a topic of considerable relevance to the development of a Strategic Action Programme for the South China Sea, the development of associated National Action Plans and the implementation of the Global Programme of Action on Land-based Activities. The nature of land-based pollution dictates that the issue is complex. For example, some issues require activities in entire drainage basins to be considered. This is not currently feasible for large river basins such as Zhujiang in China that covers an area of over 0.45 million square kilometers. Difficulties and workloads facing the Land-Based Pollution sub-component were initially underestimated by the RWG on Land-based Pollution. Restrictions on the release of pollutant data also hindered progress in the Chinese Working Group on Land-Based Pollution. Initially, too many indicators were selected by the working group but this list was rapidly refined through discussion among the participating scientists and invited experts. The criteria for ranking hot spots have been agreed by consensus within the framework of this project. The results form a sound basis for pilot activities addressing regionally significant impacts of specific contaminants in hot spots of the region and capacity building. The pilot projects will be necessarily limited in scope as it is impractical to attempt to manage all the sources of land-based pollution within each hot-spot with the limited funds available to the project.

### **Overall**

The selection of funded demonstration sites from many proposals by several countries is always a rather tricky undertaking. The PCU deserves credit for devising a process that is scientifically sound and

implementing it in such an abundantly transparent manner. Although the PCU has prepared documents suggesting environmental characteristics, socio-economic indicators, and other factors for use in the selection process, these documents were readily revised and modified during technical discussions. Such a scientific and consensual approach has helped greatly in the execution of project activities.

Of particular significance in making judgements about the scientific quality and credibility of project activities have been the four overviews on each of the habitat categories: mangroves, coral reefs, seagrass and wetlands (UNEP 2004a, 2004b, 2004c and 2004d respectively). These documents constitute credible scientific products of the project and should engender external confidence in its validity.

In summary, project activities to date appear to have been scientific credible while being undertaken in a politically realistic and sensitive manner. This is largely due to the excellent project structure and consultative arrangements formulated during the project appraisal phase.

## **12. CONCLUSIONS**

The project constitutes an outstanding example of regional consultation and effective management. Although delayed by about 6 months, primarily as a result of the Severe Acute Respiratory Syndrome outbreak in Southeast Asia, the project is otherwise on track and on target in terms of the completion of preparatory phase activities, particularly the selection of demonstration projects and pilot projects. It already has an impressive list of products including overviews of habitat issues in the region. The quality and comprehensiveness of the documentation associated with project implementation is also impressive and this has aided this Mid-Term Evaluation immeasurably. Both those involved in the project from the participating countries and the PCU deserve considerable credit for a job well executed to date. The fact that the project was brought on line in record time following CEO approval is a reflection of the prior planning and commitment made by UNEP/DGEF. Project implementation has been equally energetically prosecuted by the PCU that is currently staffed by a cadre of highly competent and dedicated individuals. The major outstanding problem in project implementation has been the difficulty of concluding MOUs with all the relevant Malaysian federal entities. It would, however, be both presumptive and potentially prejudicial for the Mid-term Evaluators to make further comment on this problem. We are confident that the PCU is using all avenues available for resolving this issue while avoiding it becoming one of increased political sensitivity within Malaysia. Essentially all other faults in project implementation are of a relatively minor nature and many of these have already been overcome. Inevitably, a few such minor problems still remain to be surmounted as the project proceeds into its operational phase. Nevertheless, the groundwork laid for resolving these outstanding problems lends confidence to the view that the project will be successfully completed within budget.

The overall objectives and expected outcomes of the project are likely to be met. A series of workable national and regional management plans for specific habitats and issues are likely to be realized. The primary effort in the project, once the demonstrations are underway, will necessarily be devoted to the development of the Regional Strategic Action Programme, the preparation of associated National Action Plans and to ensuring the sustainability of the consultative mechanism created by the project. The project clearly embodies a rational framework for improved regional co-operation in the management of environmental issues in the South China Sea. This and the steps already taken towards sustainability by the Project Steering Committee promotes confidence that the remaining tasks will be undertaken in a timely and coordinated manner well within the revised life of the project.

The fisheries and land-based pollution components of the project are somewhat lagging by comparison with the habitat component. There remains adequate time to resolve difficulties associated with the commissioning of a demonstration blast fishing surveillance system and other aspects of the fisheries component. The complex nature of land-based pollution issues, coupled with the limited funding potentially available for activities in this component of the project, will no doubt limit the achievements in this component during the operational phase of the project. Land-based pollution issues are, however, not the most important in the region as reflected in the conclusions of the transboundary diagnostic analysis completed during the PDF-B phase of the project. The suggestion has been made in Section 5.2 of this report that more emphasis be devoted to the development of procedures for estimating the environmental, or assimilative, capacities of marine receiving areas. This should ultimately provide a means of developing tailored marine water and sediment standards that can be used as benchmarks for determining the severity of human impacts arising from human activities in adjacent catchments. This type of work, combined with efforts to obtain appropriate funding for the pilot project activities already identified, should allow the regional working group to make an increased contribution to this topic within the region. It should lead to improved identification of priority transboundary pollutants requiring remedial measures to reduce their effects on coastal resources and amenities in the South China Sea.

## **13. RECOMMENDATIONS**



The quality of the implementation of the South China Sea project is reflected by the fact that this Mid-Term Evaluation contains but a single recommendation as follows:

1. It is recommended that the current staff complement of the PCU be augmented by a minimum of one additional professional as a means of more equitably sharing technical support and compensating for the unduly heavy workload on the existing staff of the PCU. To this end, the vacant L-2 position should be filled and the assignment of the Senior Expert to the project should be increased from the current 6 months per year to a full time commitment.

#### Justification for the recommendation

It is widely perceived by those involved in the project that the PCU is not currently staffed at a level that enables all its responsibilities to be fulfilled without undue work pressure being placed on the staff. The Mid-Term Evaluators are also of this view and drew similar conclusions during the course of their work. Nevertheless, a more compelling justification can be made for increasing the PCU staff complement; this is the current absence of any further flexibility in adjusting activities and commitments if a staff member were to resign at short notice. This is mainly imposed by the inordinately long period required to recruit a replacement. It should be stressed that the current members of the PCU clearly have a heavy workload and it is to their considerable credit that they exhibit the dedication and commitment to work long hours to meet the demand. However, such heavy workloads currently being placed on the staff, in the view of the Mid-Term Evaluators, do not provide any margin for meeting any additional demand, particularly that arising from unexpected staff turnover at relatively short notice.

#### Consequences of the recommendation

The existing salary allocation to the PCU includes the currently vacant L-2 position. Thus, filling this position should not incur any additional expenditures beyond those allowed for in the project budget. The recommendation for an increase in the time allocation of the Senior Expert to the project from 6 to 12 months per year does, however, represent a significant increase in the personnel budget. Nonetheless, in the view of the Mid-Term Evaluators, such additional expenditure is entirely justified on the basis of the excellent progress that is being made within the project and the fact that workloads are likely to increase, rather than decrease, during the operational phase of the project. The consequences of increasing the PCU staff complement involve much less risk to the project than that posed by any limitations in future support to the project during its critical operational phase.

Further to this sole recommendation, some suggestions are made in Section 5.2 regarding regional working group initiatives, demonstration activities during the project operational phase and documentation of the procedures for potential demonstration site characterization and prioritization.

## **14. ACKNOWLEDGEMENTS**

We wish to extend our thanks to all those who made themselves available for discussions and interviews during the course of this Mid-Term Evaluation, especially the staff of the PCU. Particular appreciation is deserved by Sriskun Watanasab who provided a wide range of assistance to us during the period we spent in the PCU and to John Pernetta and Yihang Jiang for the considerable time they made available to us for discussions before and during this period. We similarly wish to record our appreciation to all those others whom we either consulted or who provided comments and perspectives on the project. All such individuals are listed in Annex II to this document.

## **15. LIST OF ANNEXES**

- |             |  |
|-------------|--|
| Annex I:    | Terms of Reference for the Mid-Term Evaluation.                                  |
| Annex II:   | Individuals consulted during the course of the Mid-Term Evaluation.              |
| Annex III:  | Project chronology.  |
| Annex IV:   | Reference list of documents.   |
| Annex V:    | Workplan and Timetable drawn from the Project Document.                          |
| Annex VI:   | Use and status of Memoranda of Understanding.                                    |
| Annex VII:  | Budgetary analyses.  |
| Annex VIII: | Terms of Reference of the Project Steering Committee                             |
| Annex IX:   | Status of the SCS Geoscience Information System (GIS).                           |
| Annex X:    | Summary of GIS work carried out by SEA START RC for UNEP/GEF SCS project.        |
| Annex XI:   | Logical Framework (Logframe) Matrix drawn from the Project Document (Annotated). |

## 16. RATING OF PROJECT SUCCESS

The Terms of Reference for the Mid-Term Evaluation (Annex I) contain a requirement in Section 6 “to rate the success of the project on a scale of 1 to 5, with 1 being the highest (most successful) rating and 5 being the lowest”. The items specified for individual ratings are those in Table 1 that depicts the ratings assigned by the Mid-Term Evaluators. The Terms of Reference stipulate “each of the items should be rated separately with comments and then an overall rating given.”

**Table 1**  
**Table of Project Success Ratings**

<b>Item</b>	<b>Rating Assignment</b>	<b>Comments</b>
Achievement of objectives and planned results	2	This rating is made in the context of the delays suffered by the project that were not primarily under the control of the implementing agency.
Attainment of outputs and activities	1	This rating is made in recognition of the number and quality of outputs that were produced despite delays imposed by factors outside the control of the implementing agency.
Cost-effectiveness	1	By comparison with similar GEF projects elsewhere, this project is a model of cost-effectiveness.
Impact	1	This rating is given largely in the context of the establishment of consultative arrangements and their success within the region.
Sustainability	2	The probability is high that the consultative mechanisms established under the project will be both sustainable and sustained but the form cannot be predicted at this juncture. The degree of buy-in and co-financing of demonstrations in China, in particular, lends credence to a high probability assignment to the sustainability of the habitat management demonstration projects in that country.
Stakeholder participation	1	The extent of stakeholder participation is not only high but the magnitude of commitment demonstrated by stakeholders is noteworthy and commendable.
Country ownership	2	Aside from the incomplete participation of one of the countries, the project presents a model of how to promote country ownership of such projects and to ensure wide stakeholder buy-in to activities.
Implementation approach	1	Outstanding. The organizational structure and the mechanisms for engaging national entities in project execution are excellent and promote full participation and buy-in by all those involved. This is wholly due to the time and effort devoted by UNEP to the development of the implementation approach and preparations for project execution. Many facets of the administration of this project warrant emulation within other GEF projects and elsewhere.
Financial planning	1	The planning and implementation of the financial management of the project provides full transparency and accountability. The clear separation of all overhead costs from the funding allocated to substantive activities particularly laudable.
Replicability	1	This rating is provided in the context of the replicability of project innovations and that of the habitat management demonstrations within the region.
Monitoring and evaluation	2	
<b>Overall Rating</b>	<b>1</b>	

As requested in the Terms of Reference for the Mid-Term Evaluation, consideration has been given to the project evaluation system proposed in the *International Waters Program Monitoring Questionnaire* recently distributed by the GEF Secretariat under the File Name: *IW Program indicators questionnaires\_Jan\_1\_04* (sic). However, in the absence of clear definition of terms and instructions on how to interpret the questions posed in this proposed rating system, it was found impossible to rate this project in a manner that lends confidence that the responses to questions would provide a reasonable guide to project performance and that the responses could be correctly interpreted.

## ANNEX I

### MID-TERM EVALUATION OF THE UNEP/GEF PROJECT

#### *“REVERSING ENVIRONMENTAL DEGRADATION TRENDS IN THE SOUTH CHINA SEA AND GULF OF THAILAND”*

### TERMS OF REFERENCE

#### **Purpose of the Evaluation**

To determine the progress, performance and achievement of objectives and outcomes of the project following two years of implementation.

#### **Background and Legislative Mandate**

The objective of this project is to develop an approved Strategic Action Programme involving Cambodia, China, Indonesia, Malaysia, Philippines, Thailand and Viet Nam. This will include a targeted and costed programme of action and a recommended framework for improved regional co-operation in the management of the environment of the South China Sea; a series of national and regional management plans for specific habitats and issues; 9 demonstration management activities at sites of regional and global significance; a regional management plan for maintenance of transboundary fish stocks in the Gulf of Thailand; pilot activities relating to alternative remedial actions to address priority transboundary pollutants and adopted water quality objectives and standards. Activities are clustered into four major components of a) Habitat Degradation and Loss; b) Over Exploitation of Fisheries in the Gulf of Thailand; c) Land-based Pollution; d) Project Co-ordination and Management and include national level analyses and reviews, management of demonstration activities and regional harmonization and co-ordination of national level actions.

The project is relevant to the waterbody-based Operational Program #8 focusing on international waters with relevance to biological diversity.

#### **Scope of the Evaluation**

The scope of the mid-term evaluation will cover all activities undertaken in the framework of the project. The evaluators will compare planned outputs of the project to actual outputs and assess the actual results to determine their contribution to the attainment of the project objectives. The evaluation will diagnose problems and suggest any necessary corrections and adjustments. It will evaluate the efficiency of project management, including the delivery of outputs and activities in terms of quality, quantity, timeliness and cost efficiency. The evaluation will also determine the likely outcomes and impact of the project in relation to the specified goals and objectives of the project.

The findings of the evaluation will be based on:

- a) Desk review of project document, outputs, monitoring reports (such as quarterly progress reports, mission reports and the GEF annual Project Implementation Review reports, minutes of meetings and relevant correspondence;
- b) Review of specific products including datasets, management and action plans, publications and other material and reports;
- c) Interviews with the Project Director, the Project Manager and other project staff
- d) Consultations with relevant UNEP and UNEP/GEF staff; and
- e) Consultations and/or interviews with relevant stakeholders involved, including government representatives; local communities, NGOs, private sector, donors, other UN agencies and organizations, etc.

## **Terms of Reference**

Under the overall supervision of the Chief, Evaluation and Oversight, and the overall guidance of the Project Director of the UNEP/GEF Project Coordinating Unit, the evaluators shall undertake a mid-term evaluation of the project during the period 10<sup>th</sup> February to 31<sup>st</sup> July 2004.

The evaluation will comprise the following elements.

1. A summary evaluation of the project and all of its major components undertaken to date and a determination of progress towards achievement of its overall objectives.
2. An evaluation of project performance in relation to the indicators, assumptions and risks specified in the logical framework matrix and the Project Document. Determine the usefulness of the indicators specified.
3. An assessment of the scope, quality and significance of the project outputs produced to date in relation to expected results.
4. An analysis of the extent of cooperation engendered and synergy created by the project in each of its component activities, between national and regional level activities and the nature and extent of commitment among the countries involved.
5. An assessment of the functionality of the institutional structure established and the role of the Steering Committee, the Regional Scientific and Technical Committee and national committees and working groups.
6. Identification and, to the extent possible, quantification of any additional outputs and outcomes beyond those specified in the Project Document.
7. An evaluation of the timetable of activities and the allocation of financial resources to project activities and a determination of their consistency with the Project Document. Where activities and/or outputs have been delayed the cause of the delay should be identified, and where appropriate remedial actions proposed.
8. Identification of any programmatic and financial variance and/or adjustments made during the first 2 years of the project and an assessment of their conformity with decisions of the Steering Group and their appropriateness in terms of the overall objectives of the project.
9. An evaluation of project coordination, management and administration provided by the Project Coordinating Unit. This evaluation should include specific reference to:
  - a) Organizational/institutional arrangements for collaboration among the various agencies and institutions involved in project arrangements and execution;
  - b) The effectiveness of project management in terms of assignment and execution of project activities, and flexibility of management in terms of responsiveness to the need for changes in financial allocations, timing of activities, or mode of operation;
  - c) The effectiveness of the monitoring mechanisms currently employed by the Project Co-ordinating Unit in monitoring on a day to day basis, progress in project execution;
  - d) Administrative, operational and/or technical problems and constraints that influenced the effective implementation of the project and present recommendations for any necessary operational changes; and
  - e) Financial management of the project, including the balance between expenditures on administrative and overhead charges in relation to those on the achievement of substantive outputs.
10. A qualified assessment of the extent to which project outputs to date have scientific credibility.
11. An assessment of the extent to which scientific and technical information and knowledge have influenced the execution of the project activities.
12. An evaluation of the strategy and approaches adopted by the PSC and PCU regarding the raising of co-financing support to ensure financial sustainability.
13. Specification of any deficiencies in project performance, administration and management that warrant correction with associated recommendations.

14. A prognosis of the degree to which the overall objectives and expected outcomes of the project are likely to be met.

15. Lessons learned during project implementation.

Recommendations regarding any necessary corrections and adjustments to the overall project workplan and timetable for the purposes of enhancing the achievement of project objectives and outcomes.

#### **4. Responsibilities and Conduct of the Evaluation**

4.1 Two consultants shall be engaged to undertake the evaluation working concurrently and in consultation in the period 10<sup>th</sup> February and 31<sup>st</sup> July.

4.1.1 Two consultants, Mr. Mike Bowers and Mr. Su Julan, will conduct the evaluation as a joint evaluation with Mr. Mike Bowers being the lead consultant.

4.1.2 The consultants shall at the commencement of the work agree with Project Coordinator upon the *modus operandi* and timetable for the completion of all sections of the report. This workplan will include:

- tentative proposals for the attendance of either one or both consultants at parts or all of meetings convened during the period of the evaluation;
- proposals for any country visits that shall be deemed appropriate;
- a delivery schedule for a draft the report for comment by the Chief, EOU, the Director, UNEP Division of GEF Co-ordination and the Project Director; and
- a timetable of the periods each consultant will work from the Project Co-ordinating Unit in Bangkok, Thailand.

4.1.3. In respect to the last of these requirements, the Project Director undertakes to provide office space and internet access to the consultants during the period spent by them in the Project Co-ordinating Unit.

4.1.4. This workplan is attached as Annex A and constitutes the basis of agreement between the Project Director and the Consultants.

4.2 The consultants shall attend, if practical, the Regional Scientific Conference to be convened in Bangkok, 11th to 13th February 2004.

#### **5. Evaluation Reporting Format**

The final evaluation report shall comprise:

1. A concise summary, jointly prepared by both evaluators, not exceeding five pages, including findings and recommendations
2. A detailed evaluation report covering items 1 - 15 of the Terms of Reference above with attention to lessons learned and recommendations. The detailed report without annexes should not exceed 35 pages.
3. Annexes prepared by the consultants, either individually or jointly, on specific topics deemed appropriate by the consultants. The annexes should correspond to, and amplify the contents of the sections of the main report<sup>1</sup>.

The report together with the annexes, shall be written in English and shall be presented in electronic form in MS Word format.

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<sup>1</sup> Where annexes are prepared jointly, or the contents are agreed by both consultants this shall be so indicated.

## 6. Rating Project Success.

For this rating the evaluators may take into consideration the level of implementation of the activity *i.e.*, regional and national levels and the number of countries involved in each component, activity or output.

The evaluators may also consider the form of the rating used in the *International Waters Program Monitoring Questionnaire* recently prepared by the GEF Monitoring and Evaluation Unit. This will be provided to the consultants by the Project Director at the inception of the review.

The evaluation will rate the success of the project on a scale from 1 to 5, with 1 being the highest (most successful) rating and 5 being the lowest. The following items should be considered for rating purposes:

- Achievement of objectives and planned results
- Attainment of outputs and activities
- Cost-effectiveness
- Impact
- Sustainability
- Stakeholders participation
- Country ownership
- Implementation approach
- Financial planning
- Replicability
- Monitoring and evaluation

Each of the items should be rated separately with comments and then an overall rating given. The following rating system is to be applied:

1=Excellent	(90 % -100 % achievement)
2=Very Good	(75 % - 89 %)
3=Good	(60 % - 74 %)
4=Satisfactory	(50 % - 59 %)
5=Unsatisfactory	(49 % and below)

## 7. Outputs of the Evaluation

The outputs of the evaluation will be a draft, and a final, evaluation report to UNEP.

Subject to the agreements reached under article 4.3 above, drafts of all sections of the report together with the associated annexes will reach UNEP (specifically, the addressees listed below) no later than 30<sup>th</sup> June 2004, unless otherwise agreed in writing.

Subject to the receipt by the consultants of comments on the draft report from UNEP Evaluation and Oversight Unit, UNEP/GEF and the Project Director by July 15<sup>th</sup>, 2004, an electronic version of the final evaluation report will reach UNEP no later than 31<sup>st</sup> July 2004 and will be addressed to the following individuals:

Mr. Segbedzi Norgbey, Chief, Evaluation and Oversight Unit  
United Nations Environment Programme,  
P.O. Box 30552, Nairobi, Kenya  
Tel: 254-020-623387  
Fax: 254-020-623158  
Email: [Segbedzi.norgbey@unep.org](mailto:Segbedzi.norgbey@unep.org)

Mr. Ahmed Djoghlaif, Director, Division of GEF Co-ordination,  
United Nations Environment Programme,  
P.O. Box 30552, Nairobi, Kenya,  
Tel: 254-02-624166  
Fax: 254-02-623162  
Email: Ahmed.djoghlaif@unep.org

and

Mr. John Pernetta, Project Director,  
UNEP/GEF Project Co-ordinating Unit,  
United Nations Environment Programme,  
United Nations Building, 9<sup>th</sup> Floor Block A,  
Rajadamnern Avenue,  
Bangkok 10200, Thailand  
Tel: 66-2-288-1886  
Fax: 66-2-281-2428  
E-mail: Pernetta@un.org

The evaluation report will be printed in hard copy and published on the Evaluation and Oversight Unit's web-site [www.unep.org/eou](http://www.unep.org/eou)

## ANNEX II

### INDIVIDUALS CONSULTED DURING THE COURSE OF THE EVALUATION

All members of staff of the Project Coordinating Unit (PCU), as listed below, were interviewed during the course of the Mid-Term Evaluation.

<b>PCU Staff</b> <sup>1</sup> :	John C. Pernetta (Project Director)
	Yihang Jiang (Senior Expert)
	Kelvin Passfield (Expert: Fisheries and Seagrass)
	Boon Tiong Tay (Financial Sustainability Consultant) <sup>2</sup>
	Sulan Chen (Associate Expert: Legal and Wetlands)
	Nita Tangsujaritvichit (Associate Expert: Reporting and Finance)
	Unchalee Kattachan (Programme Assistant)
	Sriskun Watanasab (Secretary)
	Mingqing Liu (Intern)
	Vinarin Sour (Intern)

The following individuals were all contacted directly by e-mail and regular mail at the commencement of the Mid-Term Evaluation (see letter appended to this Annex) to solicit views and perspectives regarding the project and its execution. Written responses were received from those individuals indicated with ‡. In addition, some of these individuals were interviewed by one of the Mid-Term Evaluators during the course of the evaluation. These latter individuals are signified by an asterisk (\*).

#### Experts and Country Representatives:

<b>Cambodia:</b>	H.E. Dr. Mok Mareth	
	Mr. Koch Savath	NTFP
	Mr. Ke Vongwattana	RWG-M
	Mr. Sok Vong	RWG-W
	Mr. Kim Sour	RWG-SG&CR
	Mr. Ing Try	RWG-F
	Mr. Pak Sokharavuth	RWG-LbP
<b>China:</b>	Mr. CHEN Mingjian*	NFP
	Mr. HUANG Zhengguang*	NTFP
	Dr. FAN Hangqing ‡*	RWG-M
	Mr. HUANG Xiaoping ‡*	RWG-SG
	Ms. CHEN Guizhu*	RWG-W
	Prof. HAN Baoxin*	RWG-LbP
<b>Indonesia:</b>	Mr. Sudariyono	NFP
	Mr. Heru Waluyo	NTFP
	Mr. Nyoto Santoso ‡	RWG-M
	Dr. Suharsono	RWG-CR
	Mr. Tri Edi Kuriandewa ‡	RWG-SG
	Mr. Dibyo Sartono	RWG-W
	Ir. Parlin Tambunan	RWG-F
	Dr. Johanes Widodo	RWG-F
	Mr. Daud Silalahi ‡	TF-LM

<sup>1</sup> It should be noted that the assignment of titles in parentheses in the above list does not circumscribe all the project responsibilities of the specific individuals on this list.

<sup>2</sup> Resigned from the PCU during the course of the Mid-Term Evaluation.



<b>Malaysia:</b>	Dr. Zulkifli Idris	NFP
	Ms. Hajah Rosnani Ibarahim	NTFP
	Mr. Zainal Abidin Abdullah	Alternate
	Mr. Abdul Khalil bin Abdul Karim *	RWG-CR
	Mr. Kamarruddin bin Ibrahim	RWG-SG
	Dr. Ebil Bin Yusof	RWG-W
	Mr. Mohamad bin Jaafar	RWG-LbP
<b>Philippines:</b>	Ms. Elisea Gozun	NFP
	Dr. Gil Jacinto *	NTFP
	Mr. Florendo Barangan	RWG-M
	Dr. Porfirio Aliño	RWG-CR
	Dr. Miguel Fortes	Former RWG-SG
	Dr. Marco Nemesio E. Montaña ‡	RWG-SG
	Ms. Marlynn M. Mendoza *	RWG-W
	Mr. Noel Barut ‡	RWG-F
Mr. Vicente R. Diaz	RWG-LbP	
<b>Thailand:</b>	Dr. Wanee Samphantharak	NFP
	[Mr. Kasemsun Chinnavaso ‡ <i>per pro</i> ]	
	Mr. Santi Boonprakub	NTFP
	Dr. Nawarat Krairapanond	Alternate
	Dr. Sonjai Havanond	RWG-M
	Dr. Thamasak Yeemin	RWG-CR
	Dr. Suvaluck Satumanatpan	RWG-SG
	Mr. Narong Veeravaitaya	RWG-W
	Mr. Pirochana Saikliang	RWG-F
Dr. Pornsook Chongprasith	RWG-LbP	
<b>Viet Nam:</b>	Dr. Nguyen Ngoc Sinh	NFP
	Dr. Vo Si Tuan ‡	RWG-CR
	Dr. Do Dinh Sam ‡	RWG-M
	Dr. Nguyen Van Tien ‡	RWG-SG
	Dr. Mai Trong Nhuan	RWG-W
	Dr. Dao Manh Son	RWG-F
Dr. Sc. Pham Van Ninh *	RWG-LbP	

The following individuals were consulted during the SCS Scientific Conference in Bangkok, February 11-13, 2004, or otherwise during the course of the evaluation.

Andrea Merla	GEF Secretariat, Washington, D.C.
Dr. Chua Thia-Eng	PEMSEA
Prof. Anond Snidvongs	Department of Marine Science and Southeast Asia START Regional Center, Chulalongkorn University, Bangkok, Thailand.
Prof Gullaya Wattayakorn	Department of Marine Science, Chulalongkorn University, Bangkok, Thailand.

Finally, the following individuals were consulted in Nairobi by one of the Mid-Term Evaluators during the period May 10 – 19, 2004.

Ahmed Djoghlaif	Director, UNEP/DGEF
Takehiro Nakamura	UNEP/DGEF
Vladimir Mamaev	UNEP/DGEF

## **Appendix: Text of E-Mail/Fax to National Focal Points and Technical Focal Points**

Dear Colleague:

As you are probably aware, Professor Su Jilan and I are conducting the Mid-Term Evaluation of the UNEP/GEF South China Sea (*Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand*) Project. In summary, the purpose of the evaluation is to:

- evaluate the consistency of project implementation with the provisions of the Project Document (ProDoc) approved by the GEF in January 2001;
- assess progress in all aspects of the preparative phase of project implementation;
- make a prognosis regarding the fulfillment of project objectives and outcomes with those conceived in the ProDoc;
- document lessons learned so that these can be made available to others engaged in projects of a similar nature; and
- make recommendations to enhance the achievement of project goals and outcomes.

Both Prof. Su and I were able to attend both the SCS Regional Science Conference in Bangkok February 11-13, 2004. I was also fortunate to be able to attend the Fourth RSTC Meeting in Pattaya the following week.

I am now visiting the SCS PCU for a period of at least three weeks. This provides me with an opportunity to follow-up with you regarding any observations you wish to make regarding the project.

Please understand that it is not my intention to place you under additional pressure or to add to your workload. I am most interested in offering increased opportunity for those involved in the project to contribute to the Mid-Term Evaluation. I would like to invite you to provide me with any observations that might help Professor Su and me in completing as comprehensive and insightful evaluation as possible. I would also welcome any suggestions for improving project execution to ensure that these are adequately considered in the evaluation report provided to both UNEP and the GEF Secretariat.

I particularly welcome any comments you would like to make from the following topics:

- Any forms of additional national support to the project that has gone, or goes, beyond that estimated according to the agreed guidelines;
- Your satisfaction with the achievements during the preparative phase of the project, especially the rationale for the definition of project activities during the operational phase; and
- The likelihood of project objectives being met and any expected project outcomes that might not be obvious and may not be adequately reflected in meeting reports and other project documents.

I would similarly welcome any additional comments or suggestions that you might wish to offer on any other aspects of the project including the following:

- Progress in achieving project objectives in the preparative phase;
- Preparations for the operational phase of the project commencing in mid-2004;
- The role played by the Project Director and the PCU;
- National commitments to the project, especially those that might not be evident from an analysis of project documentation;
- Any unresolved problems that you feel might be overlooked or underestimated by the evaluators; and
- Any other observations on the work of, and communications with, the PCU during your period of involvement in the project.

Responses can be sent to my attention c/o the PCU by Fax [(662) 288 1094] or directly to me by e-mail. If you would prefer to talk to me by telephone rather than by e-mail or fax, please send me an e-mail with a suggested time and phone number for contacting you and I will do my best to call.

My best regards and appreciation,

J. Michael (Mike) Bowers

## ANNEX III

### PROJECT CHRONOLOGY

[Source: Project Director's Annual Reports (Pernetta, 2003a; 2004)]

<b>PROJECT DEVELOPMENT (PDF-B) PHASE</b>		
<b>Year</b>	<b>Month</b>	<b>Event</b>
1996	July	Regional expert meeting requests UNEP/GEF assistance to prepare a GEF Project
1996	October	GEF Secretariat approves the PDF-B proposal.
1996	3-4 December	12 <sup>th</sup> Intergovernmental meeting of COBSEA approves project activities.
1997	January-March	Inter-ministry committees formed in participating countries; National Coordinators designated by Ministries of Environment and Contracts signed with UNEP.
1997	31 March – 4 April	First meeting of National Coordinators, Bangkok Thailand.
1997- 1998		Visits of regional consultants and EAS staff to countries, preparation of draft national reports
1998	23-29 June	Second meeting of National Coordinators, Bangkok Thailand, to review draft national reports prepare the outline of the TDA and Framework SAP
1998		National Reports expanded and amended; TDA drafted; Framework SAP prepared.
1998	15-17 November	Third meeting of National Coordinators, Bangkok Thailand, to review and endorse the draft TDA, SAP and Project brief.
1998	November	13 <sup>th</sup> Intergovernmental meeting of COBSEA endorsed the Framework SAP as a working document to be further elaborated during the full project.
1998	December	Project brief elaborated and submitted to the GEF Secretariat for inclusion in the Work Programme.
1999	January-February	Brief endorsed by six countries.
1999	March	Project Brief withdrawn from the March work programme.
1999	April	Initiation of bilateral negotiations between UNEP and participating governments.
2000	July	Finalization of negotiations; revised project brief prepared and submitted to Governments .
2000	7-9 September	National Experts for the UNEP GEF Project in the South China Sea revises project brief.
2000	September	15 <sup>th</sup> Intergovernmental Meeting of COBSEA endorses revised project brief.
2000	December	GEF Council adopts work programme containing the Project Brief.

<b>APPRAISAL PHASE</b>		
<b>Year</b>	<b>Month</b>	<b>Event</b>
2001	March	EAS/RCU Hires consultant Professor Ong Jin Eong to assist in project appraisal.
2001	March - October	Appraisal visits by EAS/RCU and consultant to each country to finalize MOUs.
2001	March	DGEF Deputy Director visits Bangkok to draft management framework, TOR and to brief consultant in collaboration with EAS/RCU staff.
2001	October 22-23	1 <sup>st</sup> meeting of the Project Steering Committee endorses and approves the Project Document including budget, management frameworks, Terms of reference and MOUs for submission to GEF Secretariat.
2001	November	DGEF submits final project document to GEF Secretariat for final CEO clearance.
2001	December	GEF CEO clearance received.

<b>IMPLEMENTATION (PREPARATORY) PHASE (To Date)</b>		
<b>Year</b>	<b>Month</b>	<b>Major Event</b>
2002	January 21st	Chief Bureau Fund Management Services signs Project Document on behalf of UNEP.
2002	January 28	Deputy Director UNEP/DGEF transferred to Bangkok as Project Director and PCU formally opens.
2002	February 1	Senior Expert assumes half time responsibilities within the PCU.
2002	March 14-16	1 <sup>st</sup> meeting of the Regional Scientific and Technical Committee.
2002	December 11-13	2 <sup>nd</sup> meeting of the Regional Scientific and Technical Committee.
2002	December 16-18	2 <sup>nd</sup> meeting of the Project Steering Committee.
2003	June 16-18	3 <sup>rd</sup> meeting of the Regional Scientific and Technical Committee.
2004	11-13 February	South China Sea Regional Scientific Conference and Partnership Workshop held in Bangkok, Thailand.
2004	February 15-17	4 <sup>th</sup> meeting of the Regional Scientific and Technical Committee.
2004	February 25-27	3 <sup>rd</sup> meeting of the Project Steering Committee.

## ANNEX IV

### REFERENCE LIST OF DOCUMENTS

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- FAO, 1996. *FAO Technical Guidelines for Responsible Fisheries: Fishing Operations*. Food and Agriculture Organization of the United Nations, Rome, 26 pp + Ann.
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- UNEP, 2001. *Project Document: Cambodia, China, Indonesia, Malaysia, Philippines, Thailand & Viet Nam: Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand*. 3 December 2001, 45 pp.
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- UNEP, 2004a. *Mangroves in the South China Sea*. UNEP/GEF/SCS Technical Publication No. 1 UNEP/GEF Regional Working Group on Mangroves, 14pp.
- UNEP, 2004b. *Coral Reefs in the South China Sea*. UNEP/GEF/SCS Technical Publication No. 2 UNEP/GEF Regional Working Group on Coral Reefs, 11pp.
- UNEP, 2004c. *Seagrass in the South China Sea*. UNEP/GEF/SCS Technical Publication No. 3 UNEP/GEF Regional Working Group on Seagrass, 12pp.
- UNEP, 2004d. *Wetlands Bordering the South China Sea*. UNEP/GEF/SCS Technical Publication No. 4 UNEP/GEF Regional Working Group on Wetlands, 11pp.
- UNEP, 2004e. *Report of the Seventeenth Meeting of the Coordinating Body on the Seas of East Asia (COBSEA) on the East Asian Seas Action Plan*. Document UNEP(DEC)/EAS IG.17/3, 11 March 2004, i + 9 pp + Ann.
- UNEP/GEF/SCS, 2001. *Report of the First Meeting of the Project Steering Committee for the UNEP/GEF Project "Reversing Environmental Degradation Trends in the South China Sea*

- and Gulf of Thailand", Bangkok, Thailand, 22-23 October 2001. Document UNEP/GEF/SCS/PSC.1/3, 23 October 2001, 11 pp + Ann.*
- UNEP/GEF/SCS and SEA START, 2002. *Report of the UNEP/GEF/SCS and SEA START RC, GIS Workshop in Support of the UNEP/GEF Project "Reversing Environmental Degradation Trends in the South China Sea and Gulf Of Thailand", Bangkok, Thailand, 7 - 9 August 2002. Document UNEP/GEF/SCS/EW.1/3, 9th August 2002, iii + 14 pp + Ann.*
- UNEP/GEF/SCS, 2002a. *Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand: Report of the First Meeting of the Regional Scientific and Technical Committee, Pattaya, Thailand, 14 - 16 March 2002. Document UNEP/GEF/SCS/RSTC.1/3 March 2002, ii + 8 pp + Ann.*
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**Workplan & Timetable - Overall duration of the project 69 months including the appraisal phase (Continued)**

Component	Appr. Phase	GEF Project Implementation														
		2000	2001		2002		2003		2004		2005		2006			
<b>Sub-component</b>																
<b>2. Over Exploitation of fisheries in the Gulf of Thailand</b>																
<b>2.1 Regional determination of priorities for action</b>			I	I	I		E		E							
2.1.1 Regional Task Force; regional fisheries overview (R)																
2.1.2 Criteria for stocks and areas & priority actions (R)																
<b>2.2 Develop regional and national management plans</b>																
<b>2.3 Evaluation of a prototype blast fishing detection system</b>																
<b>2.4 Information and public awareness</b>																
2.4.1 Provide info. to artisanal fishers in the priority areas;																
2.4.2 Workshops on Code of Conduct for Responsible Fisheries						E		I		E		E				
<b>3. Land-Based Pollution</b>																
<b>3.1 Regional Water Quality standards (2005)</b>			I	F	F	E		E			E					
3.1.1 working groups; review data (N & R)																
3.1.2 Prepare & adopt regional water quality objectives & standards																
3.1.3 National and Regional management plans (N & R)																
3.1.4 Capacity building & demonstration activities (N & R)																
<b>3.2 Determination of Regional Priority Hot Spots (2005)</b>																
3.2.1 Criteria; priority actions and areas																
3.2.2 Evaluation of costs & benefits & pre-feasibility studies																
3.2.3 Adopt a strategic approach to priority transboundary hot spots for inclusion in the SAP for the SCS																
<b>4. Project Co-ordination and Management</b>																
4.1 Establishment of co-operative framework																
4.2 Convening of regional expert meetings for elaboration of the SAP.					F			E		E			I			

## ANNEX VI

### USE AND STATUS OF MEMORANDA OF UNDERSTANDING (MOUs)

#### 1. MOUs with National Government Agencies

The South China Sea project utilizes Memoranda of Understanding (MOUs) extensively as an instrument for the documentation and management of project activities among the seven countries participating in the project during the life of the project.

Existing MOUs with the seven focal ministries cover:

- the purpose of the project;
- tasks assigned to designated institutions;
- management framework;
- administration of project activities;
- administration of funds at the national level; and
- commitment of funds, release of funds and refunds of unspent balances.

These MOUs are well conceived and provide adequate attention to detail without being overly onerous. Not only have they provided a vehicle for communication and understanding between parties at the national level during their development but they have also been a touchstone for the PCU to fulfill its responsibilities for ongoing administration of what is both a sizeable and complex project. The MOUs have introduced a degree of rigour in the delivery and reporting of project activities and financial accountability that, in turn, has led to effective financial management by the PCU. It is also evident that MOUs have been a key instrument in the success of the project to date.

An example of the structure of the MOUs with the focal ministries is shown in Figure 1. While the MOUs permit the adoption of uniformity among national contributions to the project, there has been sufficient flexibility in their design to permit adjustments where national concerns have warranted. An example of such flexibility is the amalgamation of the National Mangrove and Wetlands Committees and the National Coral Reef and Seagrass Committees in the case of Cambodia.

It is acknowledged that the MOUs present demands on both the PCU and the participating countries that are challenging to satisfy. This can be a double-edged sword. On the one hand, it presents difficulties for some countries unaccustomed to demands for timely delivery of quality products under circumstances of limitations in local capacity. On the other hand, it provides a unique opportunity for innovative thinking about how to overcome problems and resolve difficult issues. In this sense, it provides a valuable learning opportunity for the countries involved. The project has demonstrated that members of governments, the scientific community and policy leaders in the region can meet these challenges successfully. This contributes to one of the principal objectives of the project in terms of capacity building within the region.

The key roles played by the National Focal Points and the National Technical Focal Points are appropriately prescribed in the MOUs between the PCU and individual countries as well as in the terms of reference of the Inter-Ministry Committees and National Technical Working Groups.

#### **Reporting Requirements**

The MOUs are uniform in the requirement for a duly authorized official to report at six-monthly intervals the activities and outputs that have been materially completed in that period together with information on activities that have been altered, the justification for such alterations, the reasons for any associated delays and the projected dates of activity completion. Information requiring to be reported includes reports of meetings and workshops (accompanied by attendance lists), services, printed materials and technical and public information released. Much of this information is required to calculate annual in-kind contributions to the project from governments and other institutions.

**Figure 1**  
**Government Focal Point MOU Structure**

- General Description of Context and Responsibilities (Text)
- UNEP-GEF Management Framework for the Project (Figure)
- Approved Workplan for the years 2001 and 2002 (Figure)
- GEF Budget by activity ..... (in thousand US dollars for the first 2 years) (Table)
- Operational Budget - GEF Funds ..... (in thousands US dollars) in UNEP Format (Table)
- Annex 1 - The United Nations Standard Conditions for Memoranda of Understanding
- Annex II - Inter-ministry Committee
- Annex III - National Mangrove and Wetlands Committee
- Annex IV - National Coral Reef and Seagrass Committee
- Annex V - National Fisheries Committee
- Annex VI - National Land-based Pollution Committee
- Annex VII - Regional Scientific and Technical Committee
- Annex VIII - National Technical Working Group
- Annex IX - Format of six monthly project expenditure accounts for supporting organizations
- Annex X - Six Monthly Progress Report
- Annex XI - Cash Advance Request

**Financial Management**

A standard format for cash advance requests with the requestor's name and required fund transfer dates has been devised. Cash advances are authorized subject to the receipt of project activity status reports as prescribed by the MOU. The PCU has been diligent in adhering to the processes agreed upon for distribution of cash advances that are reflected in the MOUs.

There are two further requirements: first, for a duly authorized official to report the end-of-year expenditures on accounts as of the 31<sup>st</sup> December in a given year; second, for an audit by a recognized firm of public accountants (in the case of government agencies, this may be effected by government auditors) to be submitted to UNEP via the PCU by 31 March. This audit report must confirm that:

- *Proper books of account and records have been maintained;*
- *All project expenditures are supported by vouchers and adequate documentation; and,*
- *Expenditures have been incurred in accordance with the objectives outlined in the Memorandum of Understanding.*

**2. MOUs with Specialised Executing Agencies (SEAs)**

The MOU approach has similarly been used in respect to Specialized Executing Agencies designated to deliver specific services in furtherance of project implementation. A total of thirty-one government-designated organizations have signed Memoranda of Understanding with UNEP as Specialised Executing Agencies (SEAs) for the project. These institutions and organizations comprise 14 government departments, 11 research institutions, 5 Universities and one NGO. The utility of this approach was demonstrated when project delays were experienced and a revised workplan had to be developed. To the

extent shown in Table 1 below, the MOUs have been extended by six months to deal with delays in the completion of the project preparative phase. The use of SEAs to undertake specific project tasks rather than independent external contractors underscores the focus of the SCS project on capacity building within the region. The diversity of the organizations listed in Table 1 reflects this.

**Table 1**

**Dates of Finalization of Extensions to Memoranda of Understanding between UNEP and Specialized Executing Agencies**

[Source: Pernetta, 2004]

Institution	MOU Code	Date of Signature of the Extension
<b>Cambodia</b>		
Department of Nature Conservation & Protection	UNEP/GEF/SCS/Cam/MOU 2a	22/12/2003
Department of Fisheries	UNEP/GEF/SCS/Cam/MOU 2b	30/11/2003
Department of Fisheries	UNEP/GEF/SCS/Cam/MOU 2e	15/03/2004
Department of Pollution Control	UNEP/GEF/SCS/Cam/MOU 2f	15/03/2004
<b>People's Republic of China</b>		
Guangxi Mangrove research centre	UNEP/GEF/SCS/Chi/MOU 2a	15/12/2003
South China Sea Institute of Oceanology	UNEP/GEF/SCS/Chi/MOU 2c	2/12/2003
Institute of Environmental Sciences, Zhongshan University	UNEP/GEF/SCS/Chi/MOU 2d	18/12/2003
South China Institute of Environmental Sciences	UNEP/GEF/SCS/Chi/MOU 2f	15/03/2004
<b>Indonesia</b>		
Institute of Mangrove Research & Development	UNEP/GEF/SCS/Ind/MOU 2a	01/12/2003
Puslitbang Oseanologi Lipi	UNEP/GEF/SCS/Ind/MOU 2b	30/11/2003
Puslitbang Oseanologi Lipi	UNEP/GEF/SCS/Ind/MOU 2c	02/12/2003
Wetland International Asia Pacific - Indonesia Programme	UNEP/GEF/SCS/Ind/MOU 2d	18/12/2003
Secretariat of Directorate general of Capture Fisheries	UNEP/GEF/SCS/Ind/MOU 2e	No workplan/budget received
Ministry of Environment	UNEP/GEF/SCS/Ind/MOU 2f	29/03/2004
<b>Malaysia</b>		
<i>No focal Point designated</i>	UNEP/GEF/SCS/Mal/MOU 2a	<i>Original not signed</i>
Department of Fisheries	UNEP/GEF/SCS/Mal/MOU 2b	11/12/2003
Department of Fisheries	UNEP/GEF/SCS/Mal/MOU 2c	17/12/2003
Conservation & Environment Management Division, MOSTE	UNEP/GEF/SCS/Mal/MOU 2d	Finalised signature pending
Department of Fisheries	UNEP/GEF/SCS/Mal/MOU 2e	<i>Original not signed</i>
Department of Environment	UNEP/GEF/SCS/Mal/MOU 2f	26/03/2004
<b>Philippines</b>		
Coastal Environment Programme, DENR	UNEP/GEF/SCS/Phi/MOU 2a	25/02/2004
Marine Science Institute, University of the Philippines	UNEP/GEF/SCS/Phi/MOU 2b	01/12/2003
Marine Science Institute, University of the Philippines	UNEP/GEF/SCS/Phi/MOU 2c	05/12/2003
Protected Areas and Wildlife Bureau, DENR	UNEP/GEF/SCS/Phi/MOU 2d	25/02/2004
Bureau of Fisheries & Aquatic Resources	UNEP/GEF/SCS/Phi/MOU 2e	25/02/2004
Environmental Management Bureau DENR	UNEP/GEF/SCS/Phi/MOU 2f	27/02/2004
<b>Thailand</b>		
Coastal and Marine Department, DNRE	UNEP/GEF/SCS/Tha/MOU 2a	12/12/2003
Faculty of Science of Ramkhamhaeng University	UNEP/GEF/SCS/Tha/MOU 2b	30/11/2003
Faculty of Environment & Resource Studies, Mahidol Univ.	UNEP/GEF/SCS/Tha/MOU 2c	09/12/2003
Kasetsart University	UNEP/GEF/SCS/Tha/MOU 2d	18/12/2003
Department of Fisheries	UNEP/GEF/SCS/Tha/MOU 2e	02/03/2004
Pollution Control Department	UNEP/GEF/SCS/Tha/MOU 2f	25/12/2003
<b>Viet Nam</b>		
Forest Science Institute of Viet Nam	UNEP/GEF/SCS/Viet/MOU 2a	29/02/2004
Institute of Oceanography	UNEP/GEF/SCS/Viet/MOU 2b	30/11/2003
Hai Phong Institute of Oceanology	UNEP/GEF/SCS/Viet/MOU 2c	02/12/2003
Vietnam National University	UNEP/GEF/SCS/Viet/MOU 2d	18/12/2003
Research Institute of Marine Fisheries	UNEP/GEF/SCS/Viet/MOU 2e	22/03/2004
Centre for Marine Environment Research, Survey & Consultation	UNEP/GEF/SCS/Viet/MOU 2f	22/03/2004

## ANNEX VII

### BUDGETARY ANALYSES

#### Introduction

The South China Sea project is sizeable, complex and currently involves administrative and financial arrangements with 45 entities in 7 different countries. Indeed, this project is the second largest in the International Waters focal area in the history of the GEF. It is therefore critical that the overarching administrative and management structure and processes that are in place are equal to the demands of the project. They must provide an appropriate blend of checks and balances while at the same time ensuring that overly burdensome administrative processes do not impede project activities.

Some of the mechanisms used by UNEP in implementing activities were modified to take into consideration the specific requirements of the project. For example, as a result of the efforts of relevant staff, the financial ceiling for MOUs has been waived for this project; the MOUs drafted are now used as models for future UNEP MOUs; and UNON management is currently reviewing the financial ceiling for MOUs with a view to increasing it from US\$50,000 to US\$150,000.

The following text contains two independent analyses from budgetary perspectives: first, the alignment of expenditures with decisions of the Project Steering Committee; and, second, the balance of expenditures on administrative and overheads versus those on substantive outputs.

#### Part I: Budget Analysis in the Context of Decisions of the Project Steering Committee

The mandate of the Project Steering Committee is specified as follows:

The ProDoc states: *“The Project Steering Committee, as the supreme decision-making body of the project, will be composed solely of representatives of the participating countries of the project. The Committee shall be responsible for reviewing and approving, on an annual basis, project activities, including the location of demonstration sites to be funded by the GEF project.”*

It further states: *“The Project Steering Committee will monitor progress on an annual basis and will advise the Project Director and National Specialised Executing Agencies on the overall progress and any necessary adjustments to the subsequent year's workplan and timetable that may be necessary as a consequence of unplanned contingencies. The Project Steering Committee, which will serve as the primary oversight body on behalf of the participating governments, will report, through the Chairperson, on an annual basis to the intergovernmental meetings of COBSEA.”*

The Project Steering Committee has met three times to date (see Table 1 below) in accordance with the frequency envisaged in the ProDoc. The third meeting, which was originally scheduled for late 2003, was justifiably deferred to February 2004 in the light of the delays to working group activities and reports imposed as a consequence of the SARS outbreak.

**Table 1.**  
**Meetings of the South China Sea Project Steering Committee**

Meeting	Location	Date
PSC1	Bangkok, Thailand	22-23, October 2001
PSC2	Hanoi, Viet Nam	16 – 18, December 2002
PSC3	Manila, Philippines	25-27, February 2004

The terms of reference for the Project Steering Committee, the Regional Scientific and Technical Committee and the Regional Working Groups in relation to the components and activities of the project were approved at the first meeting of the Project Steering Committee, October 22-23, 2001. One of the key responsibilities of the Project Steering Committee<sup>1</sup> is to review and approve the annual work programme and budget for project execution.

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<sup>1</sup> The Terms of Reference for the Project Steering Committee are given in Annex VIII to the Mid-Term Evaluation report.

The records of all PSC meetings have been examined from budgetary and expenditure perspectives in relation to the provisions of the ProDoc. The following analysis addresses financial management of the project during its first 2 years of implementation. It does not address co-financing issues, which are referred to in the main report.

The First PSC meeting dealt with:

- Financial report for the PDF-B phase of the project;
- Budgetary allocations by project component 2002-2007; and
- Proposed budget for 2002 consequent to the project workplan.

The Second PSC meeting addressed:

- Expenditure report for 2002;
- Proposed operational budget for 2003; and
- Framework budget, 2004 to 2007.

The PSC discussion and conclusions on these topics is summarized in the following two subsections.

### **Expenditure Report 2002**

During the discussion it was noted that some SEAs in Malaysia and Cambodia had apparently not received funds although the authorisation for fund transfers had been issued some time previously. The PCU agreed to follow up regarding the reasons for these delays.

There was a thorough discussion and rationale for the projected under-expenditure of US\$ 1,042,161 for 2002 (see Table 2 below). Each line entry in the expenditure report has an explanatory note regarding variances.

**Table 2**  
**Year 2000 Budget, Expenditure and Variance**

[Source: UNEP/GEF/SCS, 2002q]

Line Item	Approved Budget 2002 US\$	Projected Expenditure 2002 US\$	Projected Variance 2002 US\$	Projected Variance % of total
Project Personnel	845,000.00	478,172.50	366,827.50	35
Sub Contracts	2,113,000.00	1,736,122.00	376,878.00	36
Training	398,000.00	170,103.66	227,896.34	22
Equipment	99,000.00	60,640.77	38,359.23	4
Miscellaneous	79,000.00	46,800.00	32,200.00	3
<b>Total</b>	<b>3,534,000.00</b>	<b>2,491,838.93</b>	<b>1,042,161.07</b>	<b>100</b>

The expenditure performance for each component was reviewed and the highlights are noted below:

**Project Personnel:** Late engagement of professional personnel and replacement of some consultants by institutional contract accounted for part of this under-expenditure. Some other project activities were deferred with the result that consultants did not need to be engaged.

**Sub-Contract:** Only five MOUs were signed with Malaysia and these were signed late, in September, 2002. Therefore, only one tranche of funds was released to Malaysia in 2002. A number of SEAs have not requested full disbursement of a second tranche of funds.

**Training:** Costs of the first round of meetings were lower than anticipated because a full complement of regional experts were not available to participate in the first meetings of the regional working groups and all such meetings were convened in Thailand.

The Project Steering Committee endorsed the expenditure report as being consistent with the budget approved in October 2001.

**Budget for 2003 and the Framework Budget for 2004 to 2007**

The third meeting of the PSC addressed:

- Expenditure report for 2003; and
- Proposed operational budget for 2004 onwards.

It was brought to the attention of the PSC that the totals for sub-component line object 3300 (Meetings/Conferences) were incorrect and that US\$ 330,000 had been omitted from the total for this sub-component. This error had been detected subsequent to CEO clearance but prior to document signature in Nairobi. Accordingly, adjustments were made to individual budget lines within this sub-component in order to reduce the total of US\$1,978,000 to US\$ 1,648,000, thus ensuring that the overall GEF grant total of US\$ 16.414 million over five years was not exceeded.

The Project Director introduced a discussion document containing proposals for a revised budget, taking into account: under-expenditure in the period to December 31<sup>st</sup> 2002; agreed changes to the work programme; operational requirements based on the first year of operation of the Project Coordinating Unit; and regional activities completed in 2002.

The Project Steering Committee approved the revised operational budget for 2003, the framework budget for the period 2004 – 2007, and the carry-forward of unspent funds allocated for expenditure in 2002 under each sub-contract line in Sub-component 2000, for reallocation and expenditure in 2003, subject to an acceptable budget revision by the Specialized Executing Agencies concerned.

It was noted that the administrative support provided by UNESCAP continues to be exemplary, as has the support of the Bureau of Fund Management Services of the United Nations Office in Nairobi in processing sub-allotment advice to UNESCAP that has enabled the PCU to obligate funds on schedule.

The conclusions of the consideration of the main topics are summarized in the following two subsections.

**Expenditure Report 2003**

The expenditure report for 2003 is shown in Table 3.

**Table 3**  
**Expenditure Report 2003**  
[Source: UNEP/GEF/SCS, 2004c]

<b>Line Item</b>	<b>Budget 2003</b>	<b>Act 2003 Expenditure</b>	<b>Variance</b>	<b>Expenditure as % of Total</b>	<b>Variance as % of Total</b>
Project Personnel	772,971.85	556,178.59	216,793.26	33	10
Sub Contracts	2,263,927.25	915,904.48	1,348,022.77	54	65
Training	573,961.58	148,897.65	425,063.93	9	21
Equipment	57,536.83	24,914.46	32,622.37	1	2
Miscellaneous	87,885.18	45,466.95	42,418.23	3	2
<b>Total</b>	<b>3,756,282.69</b>	<b>1,691,362.13</b>	<b>2,064,920.56</b>	<b>100</b>	<b>100</b>



Overall, under-expenditure during 2003 totaled just over 2 million dollars due in large part to the deferral of US\$ 1.34 million of contracts with the National Specialized Executing Agencies to cover the first phase of the demonstration site activities. Had matters proceeded according to schedule, the first disbursement for these sites (US\$ 600,000) would have occurred in December 2003 to ensure initiation of activities in January 2004. This delay partly reflects delays at the national level in completion of preparatory activities including the preparation of the site proposals and partly the deferment of the PSC meeting from December 2003 to February 2004 as a consequence of meeting delays earlier in the year attributable to the SARS outbreak.

Under-expenditures by budget component are as follows:

**Project Personnel:** US \$ 216,793.26 for the personnel component reflecting difficulties in recruiting staff and under-expenditures on travel reflecting the workload of staff in place;

**Sub-Contract:** US \$ 1,348,022.77 for the sub-contract component including:

- US \$ 730,000 for demonstration site and operational activities;
- US \$ 618,022.77 in unobligated allocations to the SEAs for preparatory activities.

**Training:** US\$ 425,063.93 for the training component reflecting delays in convening two Regional Working Group meetings, the Regional Scientific Conference, the 4<sup>th</sup> RSTC and 3<sup>rd</sup> PSC meetings (of the order of \$240,000) and delays in implementing the intern programme.

**Equipment:** Under-expenditure of US\$32,622.37 for the equipment and premises component.

**Miscellaneous:** Under-expenditure of US\$42,418.23 for the miscellaneous component.

The bulk of the under-expenditure is a consequence of the delay in moving from the preparatory to the operational phase of the project.

Disbursement to the Specialized Executing Agencies was behind schedule during 2003 for a variety of reasons. Delays in submission of the routine progress and expenditure reports at six monthly intervals have delayed subsequent disbursements. The fourth tranches of funds could not be disbursed in many instances during 2003 due to the non-receipt of audits of 2002 expenditures (Note that there are three administrative reports required: an expenditure report; a progress report; and a cash advance request). Delays in the submission of such routine reports continues to cause substantial problems in the implementation of project activities agreed by the Project Steering Committee and in the management of the project generally.

The committee took note of the problems arising from the late submission of administrative reports and agreed that the National Technical Focal Points would once again discuss this matter with the focal points of the SEAs, drawing their attention to the decision of the Project Steering Committee that all such reports be submitted within 10 working days of the closure of the period in question.

The PSC also agreed that no deferment of future meetings on the ground of non-completion of outputs (deliverables) by some countries

The committee endorsed the expenditure report presented by the Project Director as being consistent with the previously approved project budget.

### **Consequences of Under-expenditures**

A major consequence of delays in meeting the agreed milestones and deadlines is the under-expenditure of funds in the sub-contract component compared with the approved budget. This accounts for the bulk (approximately 65%) of the under-expenditure. Such delays were accommodated by reallocating the unspent funds to the subsequent period.

One consequence of extending the existing Memoranda of Understanding to June 30<sup>th</sup> 2004 to permit carry over of preparatory phase funds and the completion of anticipated outputs at the national level, is that the operational phase of the project cannot now commence until July 1<sup>st</sup> 2004 at the earliest. This means that the operational phase of the project will have to be extended to June 2007 to permit the uninterrupted operation of the demonstration sites for a three-year period.

These extensions themselves, however, do not create serious difficulties. The operational activities were originally planned to run to December 31st 2006, enabling final accounts to be rendered by March 31st 2007. The contracts and salaries of PCU staff were originally budgeted to run to June 2007, permitting closure of financial accounts and documentation of the overall project budget and operations by that time. Some PCU staff salaries consequently needed to be extended to December 2007. Under conditions of full staffing in the PCU, this would have resulted in a requirement to transfer funds from the regional co-ordination and national budgets to personnel costs. This was not necessary because the under-expenditure in 2002 and 2003 has merely been transferred forward to ensure continuity of project management until project closure in December 2007.

### **Operational Budget for 2004 Onwards**

The budget issues that were discussed included:

- extension of the project operational phase to June 2007 and related amendments of current MOUs with SEAs providing for extensions to June 2004 to cover an extended preparative phase of the project;
- extension of some PCU staff to December 2007 without increase in the personnel component of the budget beyond that already approved in previous budgets;
- Approval of RSTC recommendations on demonstration sites; and
- Progressive reductions in GEF support to national co-ordination activities in the period 2005-2007 (to 50% in 2005-2006 and 25% in 2006-2007) as a means of promoting the sustainability of the project.

The following key points were made:

- (i) The total cost of the personnel component of the project had been kept constant, even though the project duration would be extended for an additional 6 months. This was done with the intent that funds available to institutions in the countries be maximized while administrative costs are minimized.
- (ii) The unspent balance of funds from the preparatory phase in the amount of US\$ 517,908.19 could be re-allocated to future MOUs with national institutions or to additional demonstration sites.
- (iii) The pilot activities in the land-based pollution component had a lower budget allocation than the demonstration site activities of the habitat component because the Transboundary Diagnostic Analysis, completed during the preparatory (PDF) phase, had identified habitat loss and degradation as the highest priority for the region and solving problems resulting from land-based pollution requires much larger budgets than the total project budget. Therefore, it was the intention of the project to test innovative approaches to dealing with regional priority contaminants in hot spots rather than to "clean up" individual hot spots.
- (iv) The costs for reporting had been increased as there were more publications produced and there had been higher demand than originally anticipated.
- (v) The costs of the independent evaluation, both mid-term and terminal, had been transferred to the UNEP GEF Division fee account, releasing US\$ 96,000 for allocation to concrete project related activities.
- (vi) The committee noted the omission of budget provisions for the Task Force on Economic Valuation for 2005 and 2006. It was agreed that this was an oversight and that the budget would be revised accordingly.
- (vii) An analysis of the budget requirements of the existing demonstration site proposals suggested that there would be a balance of around \$600,000 available from the project budget for allocation to sites other than those already approved by the Committee for support. Based on this analysis, the meeting agreed to re-allocate the savings to support demonstration sites in Malaysia and Cambodia and to provide additional support to the two joint habitat proposals and the two transboundary co-management proposals.

Based on the suggestions and decisions made by the PSC, a revised operational budget for the period 2004 onwards was approved.

## Conclusions

All amendments to the project budget during the preparative phase have been approved by the Steering Committee and have been entirely designed to promote project activities. Some amendments, especially the reallocation of funds between years during the preparative phase, have been due primarily to late or incomplete fiscal reporting by SEAs and the effects of the SARS outbreak. It is clear from the financial reports presented, the records retained of the discussion and the decisions made by the PSC, that both the PSC and the PCU are taking their financial stewardship of the project seriously and in a fiscally responsible fashion. Furthermore where opportunities present themselves, they are seeking to derive maximum value from the investment of available funds to the benefit of the project outcomes.

## Part II: Budget Analysis in the Context of Expenditures on Administration and Overhead Versus Those on Substantive Outputs

The starting point for this analysis is the budget depicted in the ProDoc, which is presented in Table 4 below.

**Table 4**  
**Project Budget Summary and Component Financing in Million US \$**

[Source: ProDoc]

Project Activities	GEF	Co-financing		Grand Total
		Governments	Other Sources	
1. Habitat Degradation & Loss				
1.1 Mangroves	2.733	2.374	1.585	6.692
1.2 Non-oceanic Coral Reefs	2.587	2.326	1.560	6.473
1.3 Seagrass	2.529	2.305	1.585	6.419
1.4 Wetlands	0.975	0.400	0.082	1.457
2. Over-exploitation of fisheries in the Gulf of Thailand	1.650	0.735	0.960	3.345
3. Land-based Pollution	1.760	0.461	0.110	2.331
4. Project Co-ordination and Management	3.580	0.294	0.505	4.379
EA Overheads	0.600			0.600
<b>PROJECT TOTAL</b>	<b>16.414</b>	<b>8.895</b>	<b>6.622</b>	<b>31.931</b>
PDF-B	0.335	0.176	0.076	0.587
<b>GRAND TOTAL</b>	<b>16.749</b>	<b>9.071</b>	<b>6.698</b>	<b>32.518</b>

Table 4 shows that the GEF funding provides 81.7% of the total allocation to Component 4 (*i.e.*, Management and Administration). The allocation of GEF funding to Component 4 represents 21.8% of the GEF support for the project overall. This reflects the projected workload of the PCU in handling the regional coordination, financial management and administration of the entire project. It should be stressed that Component 4 costs represent only 13.7% of the total costs of the project when project co-financing is taken into consideration.

Table 5 provides detailed figures for the approved budget and subsequent budget revisions. Figure 1 depicts the breakdown of costs among project activities for the entire project and the years 2002 and 2003 together with budget revisions approved by the PSC in 2001 and 2002 and the budget revisions proposed to the PSC in 2004.

**Table 5**  
**Project Budget Revisions**  
 [Source: UNEP/GEF/SCS, 2004c]

Component	Total Budget as approved by PSC in 2001		Total Budget as approved by PSC in 2002		Total Budget as proposed to PSC in 2004		Changes between original budget and most recent revision
	US \$	% of total	US \$	% of total	US \$	% of total	
Project Personnel	3,672,000.00	22.4	3,672,000.00	22.4	3,672,000.00	22.4	Same
Sub-contracts	8,941,040.00	54.5	8,941,040.00	54.5	8,965,734.00	54.6	Increased
Training	3,058,000.00	18.6	3,057,970.00	18.6	3,079,745.80	18.8	Increased
Equipment & premises	260,000.00	1.6	226,440.00	1.4	201,033.98	1.2	Decreased
Miscellaneous	482,960.00	2.9	516,550.00	3.1	495,486.22	3.0	Increased
<b>Total</b>	16,414,000.00	100.0	16,414,000.00	100.0	16,414,000.00	100.0	

Table 5 illustrates that the budget revisions reflect a downward trend in the overall provisions for overhead expenditures from 26.9% in the original budget to 26.6% in the proposed budget to PSC-3. The budget for project personnel has remained unchanged, the equipment and premises budget has been reduced and the miscellaneous budget shows a modest increase.

**Figure 1**  
**Budget Revisions 2001-2004 and Actual Expenditures in 2002 and 2003**

[Source: UNEP/GEF/SCS, 2004c]

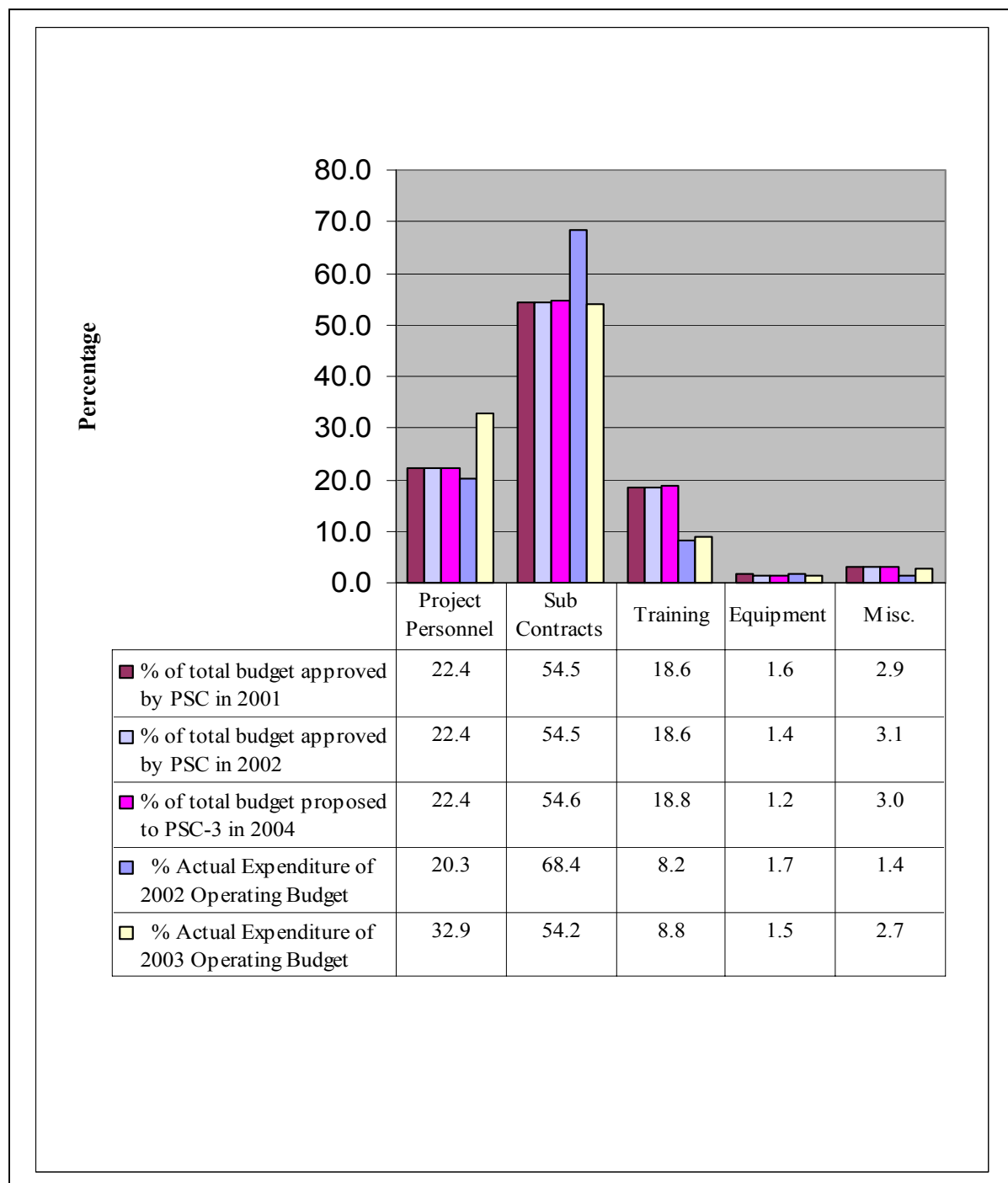


Figure 1 shows that, in 2002, the project personnel component constituted 20.3% and the total management and administration costs were 23.4% of actual project expenditures. This compares with the 68.4% of the budget devoted to subcontract. In 2003, the project personnel component was 32.9% and total overhead was 37.1% of expenditure. This manner of representation of proportional expenditure, however, gives a somewhat misleading picture of the proportion of the budget allocated to Project Management and Administration.

In 2002, only 54.3% of the approved personnel budget was actually spent and this kept the overall allocation to project management and administration comparatively low (*i.e.*, 23.4%). The higher proportion of funds devoted to total overhead, expressed as a percentage, for 2003 is due only to a modest extent to additions to the staff complement of the PCU. It should be noted that only 68.2% of the approved budget for management and administration was actually spent during 2003. The primary cause of the increase in the proportion of the budget devoted to project administration and management in 2003 was the lower expenditure than intended on other component activities. This resulted from the deferral of US \$1.34 million in contracts with the National Specialized Executing Agencies. These deferrals are attributable partly to the postponement of meetings in 2003 as a result of the SARS outbreak, partly to the withholding of funds from SEAs in response to deficiencies in the reporting of activities and accounting for 2002 expenditures, and partly to delays at the national level in completing preparatory activities, including site proposals.

### **Comparison of Expenditures on Administrative and Overhead with Expenditures on the Achievement of Substantive Outputs**

The management and administrative support to the project provided by the PCU includes PCU representation and the fulfillment of secretariat functions at all meetings convened within the project, project planning and oversight, English language preparation and publication of meeting reports and product documents, record maintenance and the preparation and organization of meetings, including associated travel and subsistence arrangements.

The original GEF budget was examined to determine the projections of administrative and overhead charges for the duration of the entire project. These expenditures can be found in the 'Project Personnel', 'Equipment and Premises' and 'Miscellaneous' components of the budget.

All of the *Project Personnel*, *Equipment and Premises* and *Miscellaneous* components constitute administrative and overhead costs with two exceptions. The following were considered to be exceptions:

- In the Project Personnel budget, the allocations to consultancies in financial sustainability, environmental law and environmental economics and resource valuation have been excluded on the basis that they are an intrinsic component of substantive project activities.
- The second exclusion was reporting costs as these were judged to be an integral component of the cost of publishing substantive outputs from the project.

Using the original GEF budgeted projections for the entire project, the ratio of projected overhead to the total budget was calculated to be 24%. The breakdown of overhead is as follows:

- Project Personnel 20.7%
- Equipment & Premises 1.6%
- Miscellaneous 1.7%

Using the actual GEF expenditures for the years 2002 and 2003 and the projected commitments for the balance of the project (*i.e.*, for the period 2004-2007), the ratio of projected overhead to the actual budget is projected as 23.6% broken down as follows:

- Project Personnel 21.4%
- Equipment & Premises 1.2%
- Miscellaneous 1.0%

If the calculations are performed for the balance of the life of the project only, that is for the years 2004- 2007, the projected overhead ratio is 22.7% with the following composition:

- Project Personnel 20.6%
- Equipment & Premises 1.1%
- Miscellaneous 1.0%

### **Conclusions**

It can therefore be concluded that the administrative and overhead expenditures are within the budget projections for the project. Furthermore, from the perspective of effective project implementation and in the context of the functions performed by the PCU during the first 2 years of the project, this proportion of overall expenditure from GEF funds is entirely reasonable. It should, however, be noted, as in other sections of this document, that the PCU is currently staffed at a minimum level to enable it to fully fulfill all its responsibilities without imposing undue pressure on the PCU staff complement. A modest increase in the proportional financial allocation to staffing of the PCU would be warranted despite this resulting in the original project allocations to project support being exceeded.

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## ANNEX VIII

### **Terms of Reference for the Project Steering Committee for the UNEP/GEF Project entitled: “Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand”**

[Source: UNEP/GEF/SCS, 2001]

The Project Steering Committee (PSC) for the UNEP/GEF Project entitled: “Reversing Environmental Degradation Trends in the South China Sea and Gulf of Thailand” (hereafter called the South China Sea Project) is established under the Project Brief as approved by the Fifteenth meeting of COBSEA and the Sixteenth meeting of the GEF Council as follows:

*“The Project Steering Committee, as the supreme decision-making body of the project, will be composed solely of representatives of the participating countries of the project. The Committee shall be responsible for reviewing and approving, on an annual basis, project activities, including the location of demonstration sites to be funded by the GEF project. UNEP will act as Secretariat of the Committee. During the execution of the project, decisions of the Project Steering Committee will be made through consultation and on the basis of consensus by all participating countries of the project.” [Project Brief Paragraph 30].*

The responsibilities of the Project Steering Committee are further amplified in Paragraph 40 of the Project Brief which states:

*“As noted above, oversight on behalf of the Governments will be the responsibility of the Project Steering Committee, which will convene meetings in conjunction with those of COBSEA. The Project Steering Committee’s primary responsibility will be to ensure synergy and integration in the planning and execution of the project sub-components. At the national level the national co-ordinators will be responsible for convening regular meetings of the national inter-ministry committees which should include within their membership, the chairs of the various national technical and expert committees created in support of each component and/or sub-component. Regional technical expert groups will be convened to prepare reviews and recommendations and their membership will be drawn from the national committees and working groups and other regional experts. In the case of Component 1, the number of regional expert groups (4) will necessitate the creation of a regional “aquatic biodiversity advisory group” comprised of senior experts from the region to advise the Project Steering Committee on matters relating to the execution of the mangroves, non-oceanic coral reefs, seagrass and wetlands components.*

In the light of the above, the following membership and draft Terms of Reference are prepared for consideration and adoption by the first meeting of the project Steering Committee.

#### **1. MEMBERSHIP OF THE COMMITTEE**

1.1 Full members of the PSC shall consist solely of representatives of all participating countries in the project. Each country shall designate two members.

- One member shall represent the government with authorisation to make decisions on project matters;
- One member should be a regionally recognised, national expert with good knowledge and experience of the marine environment and shall provide guidance on the scientific and technical aspects of the project.



- 1.2 The PSC shall elect a Chairperson and a Vice-Chairperson from amongst its full members with responsibility for chairing each formal meeting of the Committee and for acting as Chairperson and Vice-Chairperson of any meetings convened during the subsequent inter-sessional period;
- 1.3 The Chairperson and Vice-Chairperson of the Regional Scientific and Technical Committee shall participate as observers in the meetings of the Committee to present the reports, advice and recommendations of the RSTC to the Project Steering Committee.
- 1.4 The PSC may agree, by consensus at the commencement of each meeting to co-opt additional experts as observers or advisors to any meeting or meetings of the Committee or part thereof, as the committee shall deem appropriate.

## **2. SECRETARIAT OF THE COMMITTEE**

- 2.1 UNEP shall designate for the first PSC meeting, one individual each from the EAS/RCU and the UNEP/GEF Co-ordination Office to act as Secretariat to the work of the Committee.
- 2.2 The Project Co-ordinator shall act as Secretary to the meetings of the Committee

## **3. MEETINGS OF THE COMMITTEE**

- 3.1 The Project Co-ordinating Unit (PCU) shall convene regular annual meetings of the Project Steering Committee immediately in advance of COBSEA meetings when the latter are convened at an appropriate time.
- 3.2 *Ad hoc* meetings may be convened by the Chairperson:

- when a majority of the Committee members make a request for such a meeting to the Project Co-ordinating Unit.
- at the request of the Project Co-ordinating Unit when circumstances demand;

## **4. TERMS OF REFERENCE**

The Project Steering Committee shall operate on the basis of consensus to:

- (i) Provide direction, and strategic guidance to the Project Coordinating Unit and to the national Inter-ministry Committees regarding project implementation and execution of agreed activities over the entire period of the project;
- (ii) Review and approve the annual work programme and budget for project execution;
- (iii) Facilitate co-operation and co-ordination among the participating countries, particularly in transboundary environmental issues and inter-country technical co-operation;
- (iv) Review and evaluate progress in project implementation and execution, and provide guidance to the PCU regarding areas for improvement;
- (v) Assist UNEP and the PCU in raising such additional co-financing as may be required from time to time;

- (vi) Approve annual progress reports for transmission of the Co-ordinating Body on the Seas of East Asia (COBSEA); and
- (vii) Consider and approve such recommendations as shall be presented to the Committee by the Project Co-ordinating Unit and the Regional Scientific and Technical Committee.
- (viii) Agree at their first meeting:
  - a) the membership, meeting arrangements and terms of reference of the committee as prepared in draft in this document;
  - b) such standing orders and manner of conducting business as may be considered necessary by the committee.

## **5. CONDUCT OF COMMITTEE BUSINESS**

The Committee shall operate and take decisions on the basis of consensus, regarding any matter relating to project execution that has regional or transboundary significance.

Where full consensus cannot be achieved in reaching agreement during a full meeting of the Committee, on any matter relating to project execution that has regional or transboundary significance, the Secretariat shall, in consultation with the Chairperson, facilitate negotiations during the subsequent inter-sessional period with a view to seeking resolution, and will report the results of these negotiations to the Committee members.

## **6. OTHER MATTERS**

Notwithstanding the membership and terms of reference contained in this document the Project Steering Committee shall have the power to amend, from time to time, the membership and terms of reference of the Committee.

## ANNEX IX

### STATUS OF THE SCS GEOSCIENCE INFORMATION SYSTEM (GIS) IN RELATION TO PROJECT COMPONENTS

(Summary provided by Prof. Anond Snidvongs)

#### 1. Habitat Components (Coral Reefs, Mangroves, Seagrasses and Wetlands)

##### Regional GIS

Data from global and regional GIS datasets, mainly from SEA START RC's past project on "*Geosciences Information System for Sustainable Management of the South China Sea*" and from WRI Reef at Risk in Southeast Asia were used as the starting basis for the Project regional GIS. These regional GIS were revised and updated by national data contributed by some partners in the UNEP/GEF SCS Project, namely:

Cambodia NTFP: revised administrative boundary and national shoreline

Thailand NTFP: revised national shoreline

Thailand Coral Reef SEA: national coral reef GIS dataset

Thailand Seagrass SEA: national Seagrass GIS dataset

Thailand Wetland SEA: national wetland GIS dataset

##### Site Specific GIS

Questionnaires in the format that was agreed in GIS Workshop were distributed to appropriated SEAs in all countries. Geographic as well as flora and fauna data for each site, regardless whether the site was or was not nominated by country for demonstration site, was extracted from those questionnaires. However only data agreed by the RWG for each habitat were put into the GIS as the attributes to data points (Tables 1 to 4).

As the questionnaires only asked for dominant and total number of species of each flora and fauna groups in each site, another initiative was experimented for mangrove habitat to extract a more completed list of flora and fauna species from the descriptive National Reports submitted to PCU. A mangrove expert, Dr. Pitiwong Tantichodok, was commissioned to carry out the task (Table 5).

##### Cluster Analysis and Ranking

Cluster analysis results for mangroves, coral reefs and seagrasses were converted into GIS as points where their cluster number and rank within each cluster were associated with those points.

#### 2. Land-Based Pollution

Indonesia, Thailand and Viet Nam, had submitted pollution related data according to format agreed in the Initial GIS Workshop at coastal locations along their South China Sea coastlines (Table 6). As for the Hotspots, three countries—Cambodia, Indonesia and Thailand—had revised their site characteristics that were in the TDA report according to the new formats adopted in the Second Meeting of the RWG on Land-based Pollution (18-21 September 2002; UNEP, 2002b). The numbers of Hotspots in these countries were also changed (Table 7). All these revised hotspot data were put into the regional GIS for Land-based Pollution.

#### 3. Fisheries

Questionnaires in the format that was agreed in GIS Workshop were distributed to all Fisheries SEAs. However, only responses from Philippines and Thailand were received and data given by these countries (Table 8) were put in the regional GIS.

## ANNEX X

### SUMMARY OF GIS WORK CARRIED OUT BY SEA START RC FOR THE UNEP/GEF SCS PROJECT

(Summary provided by Prof. Anond Snidvongs)

#### Computer Systems

Hardware, software and regional datasets provided by SEA START RC includes:

1. Pentium III and IV PC's to manage and archive data in table and GIS formats (total storage space allocated for SCS data is about 3 Gigabytes)
2. Specialized Software
  - 2.1 ArcView GIS V.3.1 (retail price \$1,500 per license)
  - 2.2 ASPMap for Internet Map Server (retail price \$300 per license)
  - 2.3 Mapinfo V.6
3. Regional and Global Datasets as basemaps
  - 3.1 Geo-Science Information System for Sustainable Development of Coastal Zone of South China Sea (CIDA-funded project to SEA START RC via UBC)
  - 3.2 World Vector Shoreline (available from U.S. National Imagery and Mapping Agency)
  - 3.3 Digital Chart of the World (available from Environmental System Research Institute, Inc.)
  - 3.4 Reef at Risk Southeast Asia (available from World Resource Institute)
4. Internet linkages

#### Initial GIS Workshop

A three days workshop was held in Bangkok, 7-9 August 2002, for GIS personnel from all participating countries to agree on data formats and procedures to be used in the project. Human resources used to prepare data and organize/facilitate the workshop was 100 person-days and 15 person-days, respectively.

The UNEP/GEF SCS PCU provided \$3,060 to support data preparation for this workshop.

#### Incorporating National Data into Project GIS

1. Updating and correcting regional GIS for the distribution of habitats (coral reef, seagrass, mangrove and wetland) in the South China Sea which included:
  - 1.1 Converting national data into GIS shape files;
  - 1.2 Reprojecting geographic coordinates;
  - 1.3 Manually adjusting inconsistencies; and
  - 1.4 Check and verify attribute tables.(Human resources used: 1 person-month)
2. Incorporating site data into the project GIS
  - 2.1 Manually entering site characteristic data of each site (*e.g.*, area, number of species of flora and fauna, as agreed upon by each RWG) provided by countries in hardcopy form into attribute tables:
    - Coral reefs, 53 sites;
    - Mangrove, 46 sites;
    - Seagrass, 89 sites;
    - Wetland, 83 sites;
    - Fisheries, 63 provinces/states; and
    - Land-Based Pollution, 21 monitoring stations.

- 2.2 Hiring an external expert on mangrove (Dr. Pitiwong Tantichodok) to review all national reports on mangrove and extract data and complete attribute table for mangrove sites
- 2.3 Grouping of habitat sites into cluster according to the cluster and ranking analysis results  
(Human resource used: 5 person-month; External expert: 1 man-month)  
UNEP/SCS PCU provided approximately \$3,400 to support these activities

### **Information and Decision Making In Support of RSTC Meetings**

GIS Personnel of SEA START RC attended the 3<sup>rd</sup> and 4<sup>th</sup> RSTC Meetings to provide the committee with geospatial data on habitats and nominated sites in the SCS region.

## ANNEX XI

### LOGICAL FRAMEWORK MATRIX

[SOURCE: ANNEX B OF THE PROJECT DOCUMENT]

The following table has been reproduced, but with editorial corrections, from the Project Document. It has been used as a basis of assessing progress in meeting project objectives and, where appropriate, commenting on the projection and manifestation of risks that may have hampered or delayed project implementation. It has also been used as a guide to a prognosis regarding the likely achievement of expected project outcomes contained in the body of the Mid-Term Evaluation report.

To this end, the entries in the table have been colour coded as a guide to the analysis. This colour coding is as follows:

Entries in the “*Summary*” column highlighted in green signify the **outcomes, results and activities** that have either been fully satisfied or there exists a high degree of confidence (>90%) that they will be fully satisfied by the time of project completion.

Entries in the “*Summary*” column highlighted in yellow signify the **objectives, outcomes, results and activities** that can reasonably be expected to be met during the life of the project based on an analysis of performance and achievements to date. In some cases, significant achievement of the relevant objectives or outcomes has been accomplished. The nature of the associated risks are known to those involved in the project, especially within the PCU, and appropriate steps have been, or are being, taken to control these risks. Accordingly, there exists limited risk of not meeting these objectives and outcomes or of ensuring the availability of indicators by the time of project completion.

Entries in the “*Summary*” column highlighted in blue signify **outcomes, results and activities** for which there is less confidence regarding their fulfillment. Individual entries are commented upon in the main text of the mid-term evaluation.

Entries in the “*Objectively verifiable indicators*” column highlighted in green signify that both the **indicators** of outcomes, results and activities are wholly appropriate and have partially been created as a result of project activities to date.

Entries in the “*Objectively verifiable indicators*” column highlighted in yellow signify that the indicators are appropriate and can reasonably be expected to devolve from project activities in the operational phase with minimal risks (<10%) of non-completion.

Entries in the “*Objectively verifiable indicators*” column highlighted in blue signify that there remains a significant risk of the indicators not devolving to the extent expected. Individual entries are commented upon in the main text of the mid-term evaluation.

Entries in the “*Means of Verification*” column of the table in purple type indicate that such means of verification are already partially or fully available.

Entries in the “*Critical Assumptions and Risks*” column of the table in blue type have been re-evaluated and confirmed as constituting minimal risk by the mid-term evaluation.

Entries in the “*Critical Assumptions and Risks*” column highlighted in yellow signify that specific comments are warranted and these are presented in the main text of the mid-term evaluation report.

## LOGICAL FRAMEWORK MATRIX

PROJECT PLANNING MATRIX			
SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS AND RISKS
<b>Overall Objectives</b>			
Improved regional co-ordination of the management of the South China Sea marine and coastal environment.	Finalised Strategic Action Programme (SAP).	Adoption by an Intergovernmental meeting of COBSEA (Mtg. Rpt.).	Elaborated SAP will be accepted by the participating Governments. This assumption seems likely to be met since agreement was reached on the framework during the XIIIth meeting of COBSEA.
Improved national management of the marine and coastal habitats.	Development and Adoption of up to 7 National Action Plans in support of the regional SAP.	Adoption of NAPs by National Governments and integration into sustainable development planning.	That governments will develop and adopt NAPs. This assumption is likely to be met since the approved framework SAP contains specified actions for development of such plans.
Improved integration of fisheries and biodiversity management in the Gulf of Thailand.	Agreement on joint priorities for regional action among the government representatives attending COBSEA.	Adoption by Governments of goals and objectives relating to fisheries and environment (Mtg. Rpts.).	That governments support more integrated approaches at national level to management of fisheries and environmental issues in the Gulf of Thailand. This assumption presents a higher risk than those outlined above due to inherent sectorial approaches at the national level. The inter-ministry committees will play a critical role in reducing this risk.
<b>Outcomes</b>			
Adoption of improved mechanisms for regional co-operation in the management of the environment of the South China Sea.	Finalisation of agreements on mechanisms for improving regional co-operation at an intergovernmental level. Increased support for regional co-operative mechanisms.	Adoption by a high level intergovernmental meeting on agreements for co-operation. Increased government contributions to regional trust funds.	That unresolved territorial claims may distract from the primary target of achieving improved regional co-operation. The extent of this risk cannot be fully evaluated however it is considered to be low to medium and subject to events outside the control of the project.
Jointly agreed actions relating to fisheries and environment in the Gulf of Thailand.	Development of regional management plans to establish a system of <i>refugia</i> to maintain important transboundary fish stocks.	Adoption by appropriate intergovernmental forums of a regional management plan (Mtg Rpts of EAS/RCU)	That joint agreement can be reached between environment and fisheries ministries at the national level. This assumption presents a higher risk than the others given the sectorial approach to fisheries and environment at national government level.
Adoption of the SAP at a regional level.	Finalisation of the SAP through the work of regional task forces of experts.	Adoption of the SAP by a meeting of COBSEA (Mtg. Rpt.) Publication of the SAP by the EAS/RCU	That the SAP can be finalised in a manner acceptable to the Governments. This assumption seems likely to be met since the framework for the SAP has already been approved by governments.
Acceptance of the TDA and SAP at national levels.	Inclusion of transboundary and regional considerations in the National Action Plans.	Adoption of NAP's containing such elements (Nationally Published NAPs)	That governments will include regional considerations in their assessment of National priorities for action. This assumption seems likely to be met given existing national commitments to regional action under the East Asian Seas Action Plan.
Implementation of components of the SAP.	Development & adoption of regional guidelines and standards for various sources of pollution. Development of criteria for selection and adoption of priority areas for: habitat management; protection as <i>refugia</i> for fish stocks; Hot Spots of regional & transboundary significance.	Endorsement by appropriate meetings of COBSEA (Mtg. Rpt.)  Endorsement of the criteria by regional expert meetings and adoption of the priority listing at national and regional level (Mtg Rpts.)	Governments will agree and adopt the priority listing of pollution hot spots at national and regional level. This assumption will likely be met since the TDA has identified the 36 regional hot spots through the national reports prepared as part of the TDA preparation process.  Governments will agree and adopt the priority listing of habitat areas for improved management at national and regional level. This assumption presents a slightly higher risk in that discussion of specific areas for protection and sustainable management has not yet commenced.

### LOGICAL FRAMEWORK MATRIX (CONTINUED)

SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS AND RISKS
Regional database for planning and management.	Development of comparable national data and information sets by each participating country.	Publication of meta-data catalogues and inclusion of plans for data management as a component of national management plans.	Limitations of capacity at a national level pose a significant risk in some countries. The project is designed to maximise inter-country exchange of expertise and to support the work at national level.
<b>Results</b>			
7 sets of national management plans for 4 specific habitats.	Preparation and publication of 7 sets of national management plans.	Adoption of the management plans by national governments (Mtg. Rpts. Publication by the EAS/RCU).	That management plans can be drafted that are acceptable to national governments. This assumption is likely to be met since the development of such guidelines plans was agreed as a component of the SAP
7 national databases for 4 specific habitats.	Establishment of operational capacity for data management.	Adoption of the data management function by countries.	That insufficient support will be provided by governments. This risk is low since in a number of cases such capacity already exists.
Adopted portfolio of priority habitat projects within the region.	Preparation of a draft portfolio by task teams and expert groups.	Presentation to and adoption by a meeting of COBSEA.	That agreement can be reached among governments on the regional priorities. This risk seems low since the framework SAP calls for development and adoption of such regional priorities.
4 national and one regional management plans to establish a system of <i>refugia</i> to maintain important transboundary fish stocks.	Preparation and publication of 4 national and 1 regional management plan.	Adoption of the regional plan by appropriate expert group and intergovernmental meetings of environment and fisheries ministries (Mtg. Rpts. plus publication by the EAS/RCU).	That a regional plan can be drafted that is acceptable to national governments. This assumption is likely to be met since the development of such a regional plan was agreed as a component of the SAP
Educational and Public awareness materials on sustainable fisheries practices and fish stock conservation in the Gulf of Thailand.	Preparation and publication of materials in local languages.	Use of the materials in workshops with local communities.	That such materials can be disseminated in the multiplicity of languages involved. This assumption is dependent upon governments' active participation and past practice suggests that this presents a minimal risk.
Evaluation of a blast fishing detection device.	Published report of field test results of the effectiveness of a prototype as a deterrent.	Presentation of the results to a meeting of COBSEA.	That fisheries officers will be reluctant to participate in field testing. This is a low risk since blast fishing is a regional problem, banned in all countries.
Agreed regional priority listing of transboundary pollution hot spots.	Preparation of criteria, analysis and listing of priorities from among the 36 identified hotspots. Completion by countries of national evaluations of water quality objectives and standards. Priority portfolio of projects for investment studies or remedial action and preliminary cost benefit analyses.	Adoption of the priority listing of hot-spots at a regional expert and subsequent COBSEA (Mtg. Rpts). Adoption at national level of water quality objectives and standards. Presentation of preliminary evaluation of costs and benefits of alternative actions to a partnership conference.	That agreed criteria can be developed and the resulting priorities accepted at a regional level. This assumption is likely to be met since the initial listing has been presented to COBSEA in the TDA.  That countries will agree to adopt water quality objectives and standards. This seems likely to be met since this is a target of the framework SAP adopted by COBSEA.
Regionally adopted water quality objectives, water quality and effluent standards.	Review of water quality data for the SCS sensitivity analysis of critical habitats and regional overview of transboundary movement of pollutants.	Adoption at the regional level of water quality objectives and standards (Mtg Rpts & publications).	That countries can agree on common water quality standards for the South China Sea. The extent of the risk of non-agreement cannot be evaluated although agreement does exist to initiate such a process in the framework SAP.
Meta-database of national legislation relating to the environment of the South China Sea.	Preparation of national reviews and presentation to relevant expert working group meetings.	Publication of a metadatabase.	That translations of appropriate legislation can be compiled according to the revised workplan and timetable. The extent of this risk depends in part on the volume of legislation involved but seems low.



## LOGICAL FRAMEWORK MATRIX (CONTINUED)

SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS AND RISKS
Regional review of countries obligations under global conventions.	Preparation of a draft review and presentation to a relevant expert meeting.	Publication of the review.	None.
<b>Components/Activities</b>			
Establishment of National working groups and preparation of 4 habitat specific data and information reviews; national reviews of restoration activities; and national management plans.	National data and info. management plans National reports Draft national management plans	Presentation of national reports to regional Task Force meetings	That governments will be slow to respond and that reviews and plans are not produced according to the workplan and timetable. Based on experiences in the PDF-B phase the timetable has been prepared to allow adequate time.
Establishment of regional task forces and preparation of regional management plans.	Preparation of draft national guidelines regional plans and convening of expert and COBSEA meetings.	Publication of regional outputs; Mtg Rpts & publications	None
Determination of criteria, preparation of priority actions and investment portfolios.	Preparation of drafts and convening of regional expert and subsequent COBSEA meetings according to the agreed workplan.	Publication of regional outputs; Mtg Rpts & publications	That countries will agree to select priority demonstration sites is an assumption likely to be met since this is an action approved in the framework SAP.
Implementation of 9 demonstration activities.	9 Management plans for selected priority transboundary sites.	Adoption of the priority listing and endorsement of the management plans for selected sites	As above
Prioritisation of regional and transboundary pollution hot spots for management intervention.	Development of criteria & impact analysis. Selection of priority hotspots & determination of management actions.	Publication of criteria and listing of selected priorities	As above
Fisheries and Environment: identification of areas for protection and management for maintenance of stocks of transboundary importance in the Gulf of Thailand.	Detailed Analysis of issues relating to transboundary stocks and joint resolution of priority areas for action.	Publication of Analysis and priority areas for action	As above
Sustainability and implementation of the SAP.	Development of economic evaluations; priority investment portfolios.	Adoption of a regional approach to economic evaluation of environmental goods and services and priority investment portfolios.	An assumption is that national governments will take action at a national level to implement the recommendations. The risk associated with this assumption cannot be evaluated since this will depend on other national development and investment priorities. However through careful integration of the regional priorities into national action plans it is hoped that this assumption will be met.
Establishment of the Management Framework	Hiring of staff Meetings of the Project Steering Committee Donors Consultations	Issuance of contracts. Publication of Meeting reports. Mtg reports and donor investment.	That staff can be hired within three months of completion of the internal project document.
Drafting of National Action Plans for the 4 critical habitats.	Preparation of drafts according to an agreed timetable.	Adoption of National Action Plans by governments.	It is assumed that governments will be willing to adopt such national plans an assumption which is likely to be met since this is an action specified in the framework SAP.