



**ONGOING MONITORING REPORT
REGIONAL PROJECT**

Project title: SUSTAINABLE MANAGEMENT OF PEATLAND FORESTS
IN SOUTH EAST ASIA

CRIS Number: 2010/221-659

I. INTERVENTION DATA

Project:	Regional – consolidated report
Project Management:	Project managed by the Delegation (devolved)
Financed via a thematic budget-line:	Yes
Keyword:	008 (climate change)
DAC – CRS Sector:	31210 Forestry policy and administrative management
Additional DAC-CRS code:	N/A
Date Financing Agreement/Financing Decision/Contract signed:	15/12/2010
Geographical zone:	RAE - South East Asia Region
Person responsible at Delegation	Viktorija KAIDALOVA
Monitor:	Egbert TOPPER
Project Authority:	Global Environment Centre
Type of implementing partner:	International NGO/CSOs/Universities (at EU and international level)
Start date – planned:	16/12/2010
End date – planned:	16/12/2014
Start date – actual:	16/12/2010
End date – likely:	16/12/2014
Monitoring visit date: from: 30/09/2013	To: 11/10/2013

II. FINANCIAL DATA

Primary commitment (EC funding):	€ 1,789,063.00
Budget allocated for TA:	€ -
Secondary commitment (funds contracted of EC contribution):	€ 1,789,063.00
Other funding (government and/or other donors):	€ 1,235,891.00
Total budget of operation:	€ 3,024,954.00
Total EC funds disbursed:	€ 1,474,251.25
Financial data as on:	30/09/2013

III. GRADINGS

1. Relevance and quality of design	A
2. Efficiency of Implementation to date	B
3. Effectiveness to date	B
4. Impact prospects	A
5. Potential sustainability	B

Note: a = very good; b = good; c = problems; d = serious deficiencies

3rd SEApeat Project Coordination Meeting;
17 December 2013, Selangor, Malaysia

IV. SUMMARY OF CONCLUSIONS

Note: This report is based on a second monitoring visit, during which activities in Malaysia, Philippines and Vietnam were visited. Activities in the four Mekong countries that are exclusively supported under the SEApeat project (Thailand, Myanmar, Cambodia and Laos) could not be visited.

1. Relevance and Quality of Design

The SEApeat regional project continues to be highly relevant, both from a donor policy perspective and from the perspective of the various target groups and beneficiaries. Target Groups of the action include Government policy makers and land use planners of ASEAN Member States, at national, sub-national and local levels, responsible for peatland and other forest management; managers of peatland resources and forests; peatland forest-dependent local people, and communities living in and adjacent to fire-prone/degraded peatland areas. The 2013 trans-boundary haze which caused serious health problems in the region has reminded policy makers of the need to address this phenomenon and its root causes; the haze seems to have strengthened the political commitment to identify and implement effective solutions. Increasing public awareness of environmental and health issues in the region also contributes to public support for actions aimed at stopping forest and peatland fires. The project continues to support ASEAN policies through implementation of the ASEAN Agreement on Trans-boundary Haze Pollution (AATHP) signed in 2002. The recent (Oct.2013) commitment to ratification of the agreement by Indonesia seems to have given a new impetus to the process of increasing trans-boundary cooperation. The main operational policy document, the ASEAN Peatland Management Strategy (APMS) is valid up to 2020 and has recently been updated, incorporating policies and practices based on lessons learnt from ongoing pilots. While the APMS concerns primarily peatlands, its implementation supports the joint (ASEAN) development of wider strategies and collaboration for climate change mitigation and forest and biodiversity conservation.

As such, the action has a clear Regional objective (of tackling the common problem of peatland forest degradation causing greenhouse gas emissions and haze) but also a high degree of national implementation, with a wide variety of activities across the participating countries. However, regular communication and exchange visits contribute to a gradually converging approach to the challenges. The visits to peatlands in Malaysia, Philippines and Vietnam confirmed the keen interest of park managers and land-use planners in gaining better knowledge of the peatland areas (which are often unidentified or unmapped as yet) and of best practices for their management. In the Philippines, for example, Local Government Units in charge of land use plans are actively involved in project activities, and policy Guidelines for peatland planners and developers are under preparation. In Vietnam, park managers show an active interest in developing new ways to value peatlands. For forest-dependent people and communities living in peat areas, the main interest in the project lies in improving their livelihoods; at local level, the pilot projects play an important role in alleviating poverty by identifying alternative land use practices for poor people in rather marginal areas, where land clearing and 'improvement' through drainage or otherwise, have often failed and contributed to poverty. From an EU perspective, the action is relevant as it strengthens the international environmental governance processes and contributes to the implementation of international commitments. It addresses climate change in a highly cost-effective manner, using an approach that is sensitive to the livelihood needs and realities of local communities. The action also aims at private sector engagement, in line with the EU's 'Agenda for Change', by involving palm oil producing and other companies in partnerships for the identification and implementation of Best Management Practices for peatland cultivation. For these reasons, the first ROM mission recommended exploring follow-up funding options under the 2nd Multi-annual Indicative Programme. A first outline of that programme (2014-2020) has now been prepared, aimed at pooling funding sources (GEF and EU) in one programme, effectively merging the complementary APFP and SEApeat projects.

2. Efficiency of Implementation to date.

Overall, the project is converting resources and inputs in a cost-effective manner into outputs; the continual exchange of experience and knowledge results in a cost-efficient use of the scarce resources available for peatland conservation, and the gradual development of common standards and models. Resources are spent in a transparent and accountable manner; proper administrative systems are in place and timely accounting for all activities by national-level partners has improved. Preparation of agreements and modalities for implementation of pilot actions in four countries has taken considerable time, but has resulted in relevant and well-designed micro-projects. The first ROM mission recommended a joint (EU/PM) work session on financial procedures in order to optimize budget use. This recommendation was

implemented and a Guidance Note for separation of expenses between APFP and SEApeat project was prepared, resulting in clearer rules for cost attribution. The issue of cost-sharing between the two projects is one of the reasons why ASEC/GEC are currently preparing for a single project - with multiple funding sources - for future funding (2014-2020). GEC's finance officer also benefited from a workshop organised by the EUD on budget management, and an EU audit in April 2013 further increased understanding of EU procedures. By and large, activities are implemented as scheduled, though there are delays in implementation in several countries (Cambodia, Myanmar and Thailand) related to a variety of reasons such as 'administrative arrangements' for the handling of SEApeat funds, or changes in staff acting as focal points for the action. Bottlenecks to implementation are identified and – as far as possible – addressed. Despite delays, it seems the expected results can be achieved in all countries, by end of project. Some of the key outputs produced and witnessed or verified by the monitor are: (1) Increased public awareness and outreach on peatland protection and management; (2) Identification and mapping of new peatland areas in the Philippines; (3) Collaborative development of peatland fire prevention strategies in Malaysia and the Philippines; (4) Rehabilitation of peatland forest sites in Malaysia, Philippines and Vietnam; (5) Development of sustainable peatland livelihood approaches for local communities (including raised bed farming; Green Contracts in Vietnam; Buying a Living Tree in Philippines); (6) Partnerships with the Malaysian plantation sector to enhance sustainability of oil palm plantations on peat. The quality of the outputs is good, and they clearly contribute to the intended outcomes of (1) increased capacities for peatland governance and protection and (2) strengthened regional cooperation on peatland management. National and Regional Technical Working Groups were found to be active and dynamic, and the collaborative management approach, whereby stakeholders are involved in activity preparation and implementation, contributes to actual use of outputs and to achievement of the project purpose.

3. Effectiveness to date.

The action is expected to produce five main outcomes, all of which are well on the way to being achieved. These outcomes are of good quality, and are being used by the intended target groups, as follows:

(1) National Action Plans for Peatlands are being prepared and implemented, resulting in better knowledge of peatlands and their distribution, increased public awareness of the importance of peatland conservation in the various countries, and a raised profile of peatlands. Project partners also participate in international and regional meetings and conferences, contributing to awareness of the importance of SEA peatlands. In all pilot sites, project activities are leading to increasing investment by local governments in conservation.

(2) Pilot projects have been established - though in different stages of implementation - and are overall successful in showing different models for sustainable use of peatlands. An exchange of Best Management Practices across the region is happening, and 'peer learning' is proving to be a useful mechanism for cost-effective extension of good practice. The first ROM mission's recommendation for an increased focus on water management (canal blocking, as a way to reduce fire risks) was put into practice; identification of areas with a potential for natural regeneration has improved. Still, water management should remain a point of attention as tree planting activities in naturally regenerating areas continues. For the Raja Musa reserve, proper identification and involvement of the actors responsible for fires still requires attention.

(3) Regional collaboration on identification of fire prone peatlands and development of a fire prediction and warning system is on the increase. With regard to this outcome, the first ROM mission recommended (to ASEC) developing one consistent set of data on peatlands and peatland forests, in particular for Indonesia, to serve as a baseline against which to measure project progress. This recommendation has been discussed within ASEC and gradually consistency in data reporting is improving. Meanwhile, the development of a Fire Prediction and Monitoring System and the related Fire Danger Rating System is making good progress, with strong support from ASEAN authorities.

(4) Promotion of incentive mechanisms for conservation and sustainable management of peatlands is the one outcome that takes more time to materialise; while the project is implementing activities and producing the related outputs, such as the Report for Policy Makers on the 'Development of Financing and Incentive Options for sustainable management of peatland and forests in South East Asia', the actual development of incentive mechanisms takes time. It requires negotiations with private companies and investors on such issues as payment for ecosystem services or carbon financing. However, discussions are underway, in particular in Malaysia, involving Palm Oil Plantation companies and governmental bodies.

(5) Guidelines for integrated management of peatland plantations have been developed, distributed and adopted by the RSPO, and published in October 2012. In June 2012, a meeting with 100 private sector participants agreed on the preparation of similar guidelines for existing forest plantations on peatlands. Considering current progress across the five result areas, the twofold Project Purpose (1) improved capacities for peatland forest management through NAPs and (2) strengthened regional cooperation for implementation of the APMS is

likely to be achieved within the project's timeframe. Regarding the first specific objective, the mission observed that the action contributes to capacities of actors at all levels, from national-level policy makers down to managers (governmental or community-level) of the peatland forests, through a variety of activities (meetings, workshops, training, exchange visits). Considering however, that the monitor was unable to visit any of the four Mekong countries (Myanmar, Cambodia, Laos and Thailand) where the project reportedly meets with more obstacles, it seems appropriate to foresee visits to at least two of these countries during a final evaluation mission.

4. Impact prospects.

The action's Overall Objective is *to reduce deforestation and degradation of peatland forests in SE Asia by strengthening governance and developing incentives to promote their integrated management, sustain local livelihoods, reduce GHG emissions and conserve biodiversity*. The project is making an important contribution to strengthened (peatland) governance, planning, and policies. At the time of the ROM-visit, ratification (at the 23rd ASEAN summit) by Indonesia of the regional haze agreement (adopted in 2003) meant achievement of an important milestone in cooperation between Indonesia and Malaysia, the two countries with vast peatland areas. It seems to pave the way for more open sharing, among the countries most affected by the haze, of data on land-use, concessions and fire-prone areas, allowing governments to respond more effectively to fires. In this context, national and regional institutions – such as the Malaysian Meteorological Department - are strengthened as their services are made available for use within the region. However, the extent to which these outcomes result in reducing peatland deforestation and degradation remains to be assessed, despite an earlier ROM recommendation to report on achievements against the related OVIs, such as the *'number of hectares (of the targeted 40,000 by 2014) with an enhanced protection status*. For the other three indicators, an indication of progress would also be useful, and the original recommendation is therefore reiterated. Nonetheless, evidence suggests there are significant changes in terms of (1) protection status of peatlands, (2) designation of peatland forest sites as 'regionally important', (3) reduction of peatland fires and (4) decisions by government agencies concerning peatland forest protection and fire prevention, which the project has contributed to. In Indonesia, for example, a new regulation on peatlands was adopted by the Ministry of Environment and by the Public Works Division. In several countries (Indonesia, Philippines), pilot projects sponsored by SEApeat are being adopted as models. Active community involvement, such as in *Harapan Jaya* (Indonesia), is now serving as a model for good peatland management, and it was acknowledged that the area was one of the Sumatran peatlands least affected by the serious 2013 peatland fires. Improved peatland management is also starting to result in more sustainable livelihoods of households depending on peatlands, though some of the pilot projects are still in a very initial stage. Replication of Best Management Practices (BMPs) across countries is happening, such as the adoption of floating gardens or raised bed (sorjan) cultivation, or adoption of the 'Buying a Living Tree' system in the Philippines based on examples from Thailand and Indonesia. The latter initiative was tailored to the specific needs of Philippines to serve both environmental (peatland restoration) and social welfare (income opportunity for poor households) goals. All SEApeat supported initiatives visited by the monitor have a clear poverty reduction focus, and are being reported on in a gender segregated manner. The monitor observed that the quality of the livelihood support activities is particularly good when these are supported by a local NGO or CBO, such as in the case of the PASSAK Inc. in *Agusan del Sur*, Philippines. In the absence of such support structure, livelihood activities tend to be less well prepared or implemented and results tend to be less convincing. It seems therefore recommendable to further study the effectiveness of different implementation modalities. Project impact is further enhanced by increasing commitment from the private (palm oli) plantation sector to peat-land conservation. Following guidance from two BMP manuals by the Round-table for Sustainable Palm Oil (RSPO) prepared with SEApeat support, since April 2013 the RSPO Principles & Criteria include specific provisions for peat, such as Special Management measures to minimize degradation of peat soils in plantations, the maintenance of the water table, or the maintenance of buffer zones and High Conservation Value areas adjacent to plantations. Given the mainstreaming of these principles in the operations of major palm oil companies, the impact is both significant and sustainable. An increasing percentage of peatland fires reportedly occurs outside the larger concession areas, and may be associated with illegal clearing rather than palm oil cultivation per se.

5. Potential Sustainability.

There is full political support for continued provision of project services and benefits, and ASEAN MS commitments are increasing. The creation of a special Task Force charged with advising the ASEAN COM on peatland conservation matters - financed through ASEAN country contributions - is a more

permanent structure compared to the time-bound APFP and SEApeat projects, and illustrates the more structural support for implementation of the ASEAN Peatland Management Strategy. In this regard, it is attempting to further promote a shift in investment from fire fighting to fire prevention as a much more cost-effective approach to conservation, with multiple benefits (health, biodiversity). Still, a degree of external (donor) support seems required, in particular to consolidate and scale up the pilot projects. In this regard, the first ROM mission recommended exploring the possibilities for follow-up funding under the Multi Annual Programme for Asia. This has resulted in the organisation of a planning workshop (Sept 2013) in which all relevant stakeholders contributed to strategic planning of a broad outline of a future ASEAN peat-land programme (2014-2020). A point of some concern is the financial sustainability of livelihood support activities (such as in the Vietnam pilot) which are based on grants rather than embedded in a micro-credit or group savings and loans structure; the financial viability of the supported activities remains to be confirmed. On the other hand, the direct linkage between park management and households in the buffer zone, through financing of livelihood activities in exchange for protection support, seems to generate an effective partnership. From the point of view of financial sustainability, another point of attention concerns the limited progress in development of pilot incentive mechanisms in the form of payments for ecosystem services or carbon financing, as long-term financing strategies for conservation objectives; this component should receive more support during the remaining period and in an eventual follow-up action. As early participation of all stakeholders in the development of such mechanisms is imperative, the project is rightly involving all target groups and relevant stakeholders in planning, decision-making and implementation of activities, and the sense of ownership is high at all levels. Partners and stakeholders also participate in capacity building events, in the form of workshops, conferences, study visits or training courses (GIS, peat assessment, etc.) and as a result, technical, institutional as well as management capacities are being developed to ensure a continuation of project services beyond end-of-project.

V. KEY OBSERVATIONS AND RECOMMENDATIONS

The mission confirms good overall progress of the SEApeat project, as a highly relevant and well-designed action in support of local, regional and global environmental objectives, with a high degree of local ownership. The project addresses climate change in a very cost-effective manner, using an approach that is sensitive to the realities and livelihood needs of local communities, with benefits for regional collaboration and integration, national policy processes and local natural resources conservation.

The mission recommends:

To Project Management/ASEC: (1) To enhance the project's focus on the implementation of two pilots for financial incentive mechanisms for sustainable management of peatland and forests in SE Asia, so as to ensure two functional models by end-of-project;

(2) to explore opportunities for embedding livelihood grant projects in a structure of a group savings and loan or micro-credit structure, so as to enhance sustainability of the supported activities;

(3) to conduct cost-benefit analyses of the livelihood projects and study the effectiveness of the various implementation modalities, with a focus on the support role played by local NGOs or CBOs.

To the EU: (1) to continue its support for preparation and implementation of a follow-up project pooling donor funds and merging APFP and SEApeat objectives and activities;

(2) in this context, to foresee a final evaluation mission – which has not been budgeted for in the action's budget – including visits to at least two of the following four Mekong countries: Myanmar, Cambodia, Laos and Thailand, in order to facilitate the identification of lessons learned.

3rd SEApeat Project Coordination Meeting;
17 December 2013, Selangor, Malaysia