

Document: EB 2018/LOT/G.11
Date: 22 November 2018
Distribution: Public
Original: English

E



Investing in rural people

President's Report on a Proposed Grant under the Country-Specific Window to the Global Environment Centre for Technical Assistance and Knowledge Exchange for Sustainable Management of Peatland Ecosystems in Malaysia

Note to Executive Board representatives

Focal points:

Technical questions:

Roshan Cooke
Regional Climate and Environment Specialist
Environment, Climate, Gender and
Social Inclusion Division
Tel.: +39 06 5459 2156
e-mail: ro.cooke@ifad.org

Ron Hartman
Country Director
Asia and the Pacific Division
Tel.: +62 21 2980 2300
e-mail: r.hartman@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Chief
Governing Bodies
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant as contained in paragraph 18.

President's Report on a Proposed Grant under the Country-Specific Window to the Global Environment Centre for Technical Assistance and Knowledge Exchange for Sustainable Management of Peatland Ecosystems in Malaysia

I. Background and compliance with IFAD Policy for Grant Financing

1. Haze pollution and sustainable peatland management are key economic, social and environmental strategic priorities for Southeast Asian countries. Peatland fires and haze, both driven by and affecting smallholder farmers, cost the Association of Southeast Asian Nations' (ASEAN) economies over US\$30 billion annually on average. There is an urgent need to mitigate this critical social, environmental and economic problem, which affects millions of people in Southeast Asia. There is also a need to support effective policy development in partner ASEAN Member States on this important political issue.
2. IFAD and the Government of Malaysia have identified a series of practical, low-risk opportunities to build on IFAD's recent work with the Global Environment Facility (GEF) to combat haze pollution and support sustainable peatland management in the ASEAN region. Based on the results of an IFAD/GEF-funded regional project titled ASEAN Peatland Forests Project (2009-2014), under which pilot activities were conducted in Malaysia, the Government of Malaysia has requested that IFAD develop a GEF-funded country investment titled Sustainable Management of Peatland Ecosystems in Malaysia (SMPEM). The programme will be implemented by the Ministry of Water, Land and Natural Resources, formerly the Ministry of Natural Resources and the Environment, and state governments, in partnership with a wide range of actors that includes smallholders, the private sector and technical service providers. This initiative is expected to become one of the key strategic building blocks of IFAD's new Country Strategy Note for Malaysia.
3. The total proposed investment for the SMPEM is approximately US\$62 million. This includes GEF financing of US\$9.43 million and the Government of Malaysia cofinancing of approximately US\$48.67 million. Since GEF only finances activities that leverage "incremental environmental benefits," the implementing agency, in this case IFAD, is expected to provide cash cofinancing. Consequently, it is proposed that IFAD contribute a country grant of US\$1 million from Malaysia's 2016-2018 PBAS allocation to cofinance the SMPEM. This will enable IFAD to pursue its objective of supporting sustainable alternative livelihood options and meet its obligations as a GEF implementing agency.
4. As of 2015, more than 1.5 million hectares of peatlands in Malaysia had been converted for oil palm cultivation, agriculture and urban development. Plantation companies account for about 60 per cent of total palm oil production, and smallholder farmers, the remaining 40 per cent. The conversion of peatlands for other land use has resulted in the fragmentation, degradation and drainage of these ecosystems, leading to increasing fires, subsidence and flooding. In recent decades, the extent and severity of peatland fires has been growing due to climate change, with dramatic environmental and socio-economic implications nationally,

regionally and globally. These fires are a major contributor of global greenhouse gas emissions, thus creating a positive feedback loop between climate change and further peatland degradation.

5. In this regard, while the GEF grant and cofinancing focus on improving regulatory frameworks, knowledge management and on-the-ground investments for sustainable peatland management (SPM) and improved ecological services, the proposed IFAD country grant for the SMPPEM aims to increase the number of households benefitting from community-based alternative livelihood options.
6. The proposed programme is aligned with the goal and objectives of the IFAD Policy for Grant Financing (2015)¹ to promote innovative pro-poor approaches and technologies with the potential for scaling up for greater impact; strengthen partners' institutional and policy capacities; intensify advocacy and policy engagement; and generate and share knowledge for development impact. The proposal closely adheres to required IFAD grant financing principles to: (i) make a significant contribution to a global, regional or national public good related to IFAD's mandate; (ii) focus on interventions where grant financing has clear added value and a comparative advantage over regular loans; and (iii) not be used as a substitute for resources from IFAD's administrative budget. Finally, this proposal is aligned with IFAD's 2017 and 2018 priority areas for grant financing. This proposed grant is also closely aligned with IFAD's Strategic Framework 2016-2025, IFAD's Climate Change Strategy (2010) and IFAD's Policy on Environment and Natural Resource Management (2011).

II. The proposed programme

7. The overall goal of the programme is to provide technical assistance for the sustainable management of peatlands in Malaysia and facilitate SPM knowledge exchange in Southeast Asia and with Africa through South-South and Triangular Cooperation (SSTC).
8. The objectives of the IFAD grant are to (i) provide technical assistance for the development of policies, plans, guidelines and investment frameworks for sustainable peatland management in Malaysia; (ii) strengthen community participation in sustainable peatland management and sustainable alternative livelihoods in the targeted peatland landscapes in Malaysia; (iii) enhance knowledge exchange and understanding on SPM in Southeast Asia and with Africa through SSTC.
9. The target group will consist of 1,000 direct beneficiary households (50 per cent women) in the five targeted peat landscapes of the GEF SMPPEM programme, plus an additional 500 households that will directly benefit from the grant and 5,000 that will indirectly benefit through the GEF SMPPEM programme's scaling-up activities. This grant, moreover, will facilitate knowledge exchange on SPM with the following projects in Indonesia: GEF5 – Sustainable Management of Peatland Ecosystems in Indonesia (SMPEI) and GEF6 – Integrated Management of Peatland Landscapes in Indonesia (IMPLI), which will result in an additional 3,000 households indirectly benefitting from this grant.
10. The programme will be implemented over four years and will have the following components: (i) Technical assistance for SPM (ii) Community engagement for SPM; and (iii) SPM knowledge sharing and exchange.

¹ See EB 2015/114/R.2/Rev.1.

III. Expected outcomes/outputs

11. The programme is expected to have the following outcomes:
 - (i) Enhanced capacity and plans for SPM in Malaysia. The IFAD grant financing will provide technical support for mainstreaming peatlands into national policies and plans. This will be accomplished by reviewing and updating the National Action Plan on Peatlands 2011-2020 and developing the respective state action plans on peatlands for the sustainable management of targeted peatland landscapes, together with an associated investment framework at state and national levels, with their associated project concept notes. This outcome will be integrated with the SMPPEM objective to enhance policy dialogue and improve institutional capacity for peatland-related strategies and plans.
 - (ii) Strengthened community participation and improved livelihoods in SPM in targeted peatland landscapes in Malaysia. Community participation in SPM will be strengthened and related livelihoods improved in targeted peatland landscapes in Malaysia. This will be achieved through community engagement strategies that ensure that integrated management plans (IMPs) effectively take community interests and livelihoods into consideration. A strategy for engaging women, youth and indigenous peoples will also be developed. Building on these strategies, support will be provided for pilot projects and activities for selected communities in the targeted landscapes to enable them to support and benefit from SPM. This outcome will be integrated with the SMPPEM objective for the development and implementation of IMPs for important targeted biodiversity sites.
 - (iii) Enhanced knowledge sharing on SPM in Southeast Asia and with Africa through SSTC. The programme will enhance the exchange of knowledge, including traditional knowledge from indigenous people communities, and SPM between Malaysia and Indonesia, and broadly within Southeast Asia, as well as with targeted regions in Africa, through SSTC. This will involve sharing experiences, lessons learned and best practices and facilitating knowledge exchanges to strengthen capacity and mutual learning on SPM, which will also be accomplished via the International Tropical Peatland Center and the Global Peatlands Initiative. The grant will finance a strategy for mainstreaming SPM into IFAD projects and programmes in Southeast Asia and tropical Africa.

IV. Implementation arrangements

12. The Global Environment Centre (GEC) was directly selected as the grant recipient, as it is a specialized non-governmental technical organization with a specific mandate for peatland management in the ASEAN region. The ASEAN Member States have designated the GEC as the sole technical and operational support partner of the ASEAN Peatland Management Strategy 2006-2020 and the ASEAN Programme on Sustainable Management of Peatland Ecosystems 2014-2020.
13. The Director of GEC will oversee the management of the IFAD grant, which will be implemented by a core team that includes the key GEC staff, together with additional experts recruited for specific activities. The Project Implementation Manual specifies all management and governance arrangements related to the IFAD grant.
14. IFAD grant activities will be implemented by GEC, working with a range of stakeholders involved in the implementation of the SMPPEM programme—notably, the Ministry of Water, Land and Natural Resources (formerly the Ministry of Natural Resources and the Environment), the Forestry Department of Peninsular Malaysia and other federal agencies and state agencies from the four targeted states of Pahang, Sabah, Sarawak and Selangor. GEC will also work with various

stakeholders from the private sector (in particular, the palm oil sector), as well as local communities and civil society organizations. Activities will be coordinated through the governance mechanisms established for the SMPEM programme— notably, the National Peatland Steering Committee, the National Peatland Technical Committee and the respective state committees.

15. Activities in Indonesia will be coordinated with the Peatland Directorate of the Ministry of Environment and Forestry and the respective coordination mechanisms established for the SMPEI/IMPLI projects. Coordination will be undertaken with the IFAD and South-South and Triangular Cooperation hubs in Asia and Africa to further promote the experiences and lessons learned.
16. There are no deviations from standard financial reporting and audit procedures.

V. Indicative programme costs and financing

17. The IFAD grant is in the amount of US\$1 million, and GEC cofinancing, in the amount of US\$465,603 of which US\$265,603 is in-kind and US\$200,000 is a cash contribution.

Table 1
Costs by component and financier
(Thousands of United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>GEC cofinancing</i>	<i>Total</i>
Technical assistance for SPM	487	88	575
Community engagement in SPM	254	262	516
SPM knowledge sharing and exchange	185	82	267
Subtotal	926	432	1 358
Management fees /overhead	74	34	108
Total	1 000	466	1 466

Table 2
Costs by expenditure category and financier
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>	<i>GEC cofinancing</i>	<i>Total</i>
Consultancy	292	9	301
Equipment and materials	12	4	16
Goods, services and inputs	211	238	449
Operating costs	49	11	60
Salaries and allowances	209	121	330
Workshops and training	59	28	87
Travel and allowances	94	21	115
Direct costs	926	432	1 358
Management fees/overhead (8 per cent of direct costs)	74	34	108
Total	1 000	466	1 466

VI. Recommendation

18. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Technical Assistance and Knowledge Exchange for Sustainable Management of Peatland Ecosystems in Malaysia, shall provide a grant of one million United States dollars (US\$1,000,000) to the Global Environment Centre for a four year period, upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Gilbert F. Hougbo
President

Results-based logical framework

	Objectives-hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	To provide technical assistance for the sustainable management of peatlands in Malaysia, and facilitate Sustainable Peatland Management (SPM) knowledge exchange in Southeast Asia and with Africa through SSTC.	Technical support provided to the Government of Malaysia for implementation of the SMPPEM project, and SPM promoted to multi-stakeholders, lessons learned and experiences shared between Southeast Asia and Africa	Annual progress reports, reports assessing effectiveness of community engagement	Stakeholders involved and participated in the multi-stakeholders platforms/forums and knowledge and experience shared, documented and disseminated
Objectives	<p>(i) To provide technical assistance for the development of policies, plans, guidelines, and investment frameworks for sustainable peatland management in Malaysia;</p> <p>(ii) To strengthen community participation in sustainable peatland management and sustainable alternative livelihoods in the targeted peatland landscapes in Malaysia; and</p> <p>(iii) To enhance knowledge exchange and understanding on SPM in Southeast Asia and with Africa through SSTC.</p>	<p>i) At least six Malaysian national and state level policies, plans and investment frameworks relating to peatlands developed or revised by year 4</p> <p>ii) Increased level of effective participation and engagement of targeted communities and other stakeholders in SPM in the five project landscapes of the SMPPEM</p> <p>iii) Increased level of knowledge and experience exchange on SPM between Southeast Asia and Africa enhanced through publications, conferences and exchange programmes by year 4</p>	Annual progress reports, reports assessing effectiveness of community engagement and knowledge products developed and knowledge-sharing events held	- Government's commitment towards the protection and conservation of the peatland ecosystems (may not be in the priority list of the current government)
Outcomes/ Outputs	<p>Outcome 1: Enhanced capacity and plans for sustainable peatland management in Malaysia</p> <p>Output 1.1: Technical support provided for mainstreaming peatlands into national policies and plans review and updating NAPP</p> <p>Output 1.2: Technical assistance for development of SAPP and sustainable management of targeted peatland landscapes</p> <p>Outcome 2: Strengthened community participation and improved livelihoods in sustainable peatland management in targeted peatland landscapes in Malaysia</p> <p>Output 2.1: Strategies for community engagement in SPM in targeted landscapes</p> <p>Output 2.2: Pilot projects for community participation and livelihoods linked to SPM</p> <p>Outcome 3: Enhanced knowledge exchange and understanding on SPM in Southeast Asia and with Africa through SSTC</p> <p>Output 3.1: Best practices on peatland management shared between Indonesia and Malaysia</p> <p>Output 3.2: Experience and lessons learned from peatland management in Southeast Asia shared with targeted stakeholders in Africa</p>	<p>Outcome 1 Elements of peatland management mainstreamed into at least six national and state levels policies and plans by year 4.</p> <p>Output 1.1 National Action Plan on Peatlands (NAPP) reviewed by year 1 and new NAPP developed for 2021-2030</p> <p>Output 1.2 Framework for SAPP and IMPs in place by year 1 and plans finalised by year 4.</p> <p>Outcome 2. Communities effectively participating in landscape management in three landscapes by year 2 and five by year 4.</p> <p>Outcome 2.1 Strategies for community engagement prepared for five landscapes by year 2 and integrated into IMPs by year 4.</p> <p>Outcome 2.2 Pilot projects operational in three landscapes by year 2 and five by year 4</p> <p>Outcome 3. BMP and lessons learned documented, and disseminated in Indonesia and Africa</p> <p>Output 3.1 At least 5 knowledge products disseminated and 3 knowledge exchange events between Indonesia and Malaysia undertaken by year 4</p> <p>Output 3.2: At least four knowledge briefs and input to three dialogues to share knowledge with Africa by year 4.</p>	Annual progress reports, and reports from the stakeholders platform meetings/forums/ knowledge-sharing events; knowledge products developed; and policies plans, strategies, pilot projects and collaboration frameworks	<p>- Acceptance of the national and state level government agencies on the importance of the peatland ecosystems (including ecological, socio-economic values)</p> <p>- Willingness of the stakeholders to be involved in the project implementation especially from private sector and local community</p>