



# Mid Term Review of Nepal Multi-Stakeholder Forestry Programme

## Volume 1: Main Report

### Final

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Prepared for //  
Ministry of Forest and Soil  
Conservation / SDC

Date //10 August 2015

By// MTR Team

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# Acknowledgements

The MTR team would like to acknowledge all the help and support that the team received during the MTR. A special thanks to the active engagement of people from the forest user groups that were visited. We wish to acknowledge the drivers who took us through some very difficult situations with good humour and in a safe manner. The support from the IAs and SSU teams to support the field work was very good and helped facilitate our visits in an effective manner. Our visits, including field visits with DFOs (District Forest Officer), DSCO (District Soil and Watershed Conservation Officer) and colleagues from NPC (National Planning Commission), PCO (Programme Coordinator Office) and MoFSC (Ministry of Forest and Soil Conservation) were important to enable us to understand their constraints and how things could work where there are strong commitments.

SDC have been supportive in taking the MTR forward and arranging meetings at the central level for MTR team members.

## Dedication

This report is dedicated to those people who were killed or injured in the 25<sup>th</sup> April and 12 May earthquakes and to those who will be helping to manage the important reconstruction process of infrastructure, bodies and minds.

# Acronyms (for volumes 1 and 2)

AFEC	Agriculture, Forestry and Environment Coordination Committee
AFO	Assistant Forest Officer
BCT	Brahmin Chhetri Thakuri
BS	Bikram Samvat (Bikram era used in Nepal)
CAP	Community Adaptation Plan
CAPA	Community Adaptation Plan of Action
CBD	Convention on Biological Diversity
CBFM	Community Based Forest Management
CBOs	Community Based Organisations
CBS	Central Bureau of Statistics
CC	Climate Change
CCA	Climate Change Adaptation
CF	Community Forestry
CFM	Collaborative Forest Management
CFUGs	Community Forest User Groups
COFSUN	Community Forestry Supporters' Network
CSO	Community Based Organisation
DAG	Disadvantaged Groups
DAS	Dalit Awareness Society
DDC	District Development Committee
DFID	UK Department for International Development
DFO	District Forest Officer
DFSCC	District Forestry Sector Coordination Committee
DoF	Department of Forestry, MoFSC
DSA	Daily Subsistence Allowance
DSCO	District Soil Conservation Office
DSCWM	Department of Soil Conservation within the Ministry of Forest and Soil Conservation
DSM	District Support Mechanism
EBA	Ecosystems Based Adaptation
EC	Executive Committee
EFLG	Environment Friendly Local Governance Network
FECOFUN	Federation of Community Forestry Users Nepal
FED	Ministry of Forest and Soil Conservation Forest Enterprise Development
FFA	Fund Flow Analysis
FNCCI	Federation of Nepalese Chambers of Commerce & Industry
FSS	Forestry Sector Strategy



GBV	Gender Based Violence
GDP	Gross Domestic Product
GESI	Gender Equity and Social Inclusion
GoF	Government of Finland
GoN	Government of Nepal
GoS	Government of Switzerland
GPSE	Gender Poverty Social Equity
Ha	Hectare
HH	Household
HIMAWANTI	The Himalayan Grassroots Women's Natural Resource Management Association Nepal
HR	Human Resources
HVAP	High Value Agriculture Project ( a joint project of MOAD, IFAD, FNCCI and SNV)
IA	Implementing Agency
ICS	Improved Cooking Stove
IF	Innovation Fund
IGA	Income Generation Activities
JFA	Joint Funding Agreement
LAPA	Local Adaptation Plan of Action
LDO	Local Development Officer
LFG	Local Forestry Group
LFP	Livelihoods and Forestry Programme
LGCDP	Local Governance and Community Development Programme
LIP	Livelihoods Improvement Plan
LIPOs	Local Implementing Partner Organisations
LSGA	Local Self Governance Act
M&E	Monitoring and Evaluation
MFI	Microfinance Institutions
MoAD	Ministry of Agricultural Development
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development
MoFSC	Ministry of Forest and Soil Conservation
MoSTE	Ministry of Science, Technology and Environment
MSSC	Multi-stakeholder Steering Committee
MSFP	Multi-Stakeholder Forestry Programme
MSME	Micro, Small and Medium Sized Enterprises
MTR	Mid Term Review
NAPA	National Adaptation Programme of Action
NCCSP	Nepal Climate Change Support Programme
NFSF	National Forest Sector Forum
NGO	Non-Governmental Organisations

NPC	Nepal Planning Commission
NPR	Nepalese Rupee
NRM	Natural Resource Management
NSCFP	Nepal Swiss Community Forestry Programme
OMS	Outcome Monitoring Survey
OP	Operational Plan
PCO	Programme Coordinators' Office
PES	Payment for Environmental Services
ProDoc	Common Programme Document
RD	Regional Directorate, MoFSC
SFM	Scientific Forest Management
SDC	Swiss Agency for Development and Cooperation
SNV	The Netherlands Development Organisation
SSU	Service Support Unit
TAL	Terai Arc Landscape
TOC	Theory of Change
VC	Value Chain
VDC	Village Development Committee
VFCC	Village level Forest Coordination Committee
WfD	Workforce Diversity

# 1 Executive Summary

Note that this Executive Summary is longer than normal. This is because this executive summary will be translated into Nepali. The MTR team have therefore expanded a number of sections to provide a higher level of detail to aid understanding when translated.

## 1.1 The Task

The overall purpose of the MTR is to 'provide an independent analysis of the goal, purpose, outcomes and outputs as set out in the MSFP Programme Document'. The evaluation has been designed to determine whether 'MSFP is on track compared with the targets and programme objectives and recommend adjustments if necessary.' It will also 'assess the progress of the MSFP in terms of 'completing the "benchmarks" set at the beginning of the programme'.

The MTR team consists of 7 core members (Team Leader, GESI (Gender and Social Inclusion) and Livelihood Specialist, Forest /Institutional specialist, Private Sector specialist and Climate Change specialist plus a Governance / Forest Policy specialist and a member of the National Planning Commission). Additionally 2 members of the Programme Coordination Unit joined field teams 1 and 3 and 2 staff from the Ministry of Forest and Soil Conservation (Department of Forest and Department of Soil Conservation and Watershed Management) joined Team 2.

The original plan was that the MTR (see Annex 1) would be undertaken during April – June 2015. However, as outlined below in the limitations, the earthquakes on the 25<sup>th</sup> April and 12<sup>th</sup> May led to a radical revision of the plan and deliverables. The MTR report has been finalised on the 10<sup>th</sup> August 2015 and consists of two volumes. The first (this volume) being the consolidated report and Volume 2 the 4 technical reports as well as field schedules and the list of key people who attended meetings with the MTR team. Where comments related to the refocusing of MSFP for the next phase these have also been included in Annex 11 where the MTR presents some matters for the design teams consideration.

## 1.2 Main points of Methodology

The MTR has worked around the Evaluation Matrix (see Annex 8) to enable systematic review of the evidence as well as the quality of the evidence that is available, both from the MSFP itself and from the MTR. A full inception and methodology report was prepared and presented to government, donors and senior project management team in April 2015 prior to the field work and submitted to SDC as per contract requirements. The methodology for the MTR was agreed with these key stakeholders. There were 3 field teams covering each of the main clusters as well as a number of thematic districts. Key informant interviews were undertaken at all levels, and one member of the team conducting specialist interviews at the national and international level.

A fully participatory approach was taken where possible and the MTR has engaged with as many stakeholders of the MSFP as possible within the limited time available.

The original plan for the MTR had an 'in-week' planned in Kathmandu for the MTR to undertake the detailed analysis and Strategic Option design. However this was cancelled due to the earthquakes and the subsequent rescheduling of the MTR.

## 1.3 Critical messages regarding management and governance of MSFP

The MTR wishes to highlights two areas of critical messages regarding management and governance. The first relates to where MSFP has been able to operate during a time of political challenge and where positive changes are occurring. The second presents a number of challenges, many of which

relate to management and governance, which will require attention as the MSFP moves forward under a revised management structure.

### *Areas where MSFP has been able to operate during period of political challenges*

During the design phase of the MSFP which led to the Joint Funding Agreement signed in January 2012 there was a degree of optimism concerning the agreement of the Nepal Constitution as well as the arrangements for federalism. This was reflected in the assumptions agreed at that stage. In the period 2012 – 2015 there have been a number of national processes ongoing which have yet to reach (August 2015) formal conclusion. However it should be recognised that during this period of uncertainty the MSFP has been able to operate and establish a number of innovations in forest sector governance. These are highlighted below:

- The MSFP has been able to start the process of enhancing the multi-stakeholder cooperation in forest governance, particularly the development of partnership between NGOs and Government agencies and the implementation of a high level multi-stakeholder steering committee. This has been linked to the development of a variety of multi-stakeholder mechanisms and processes down to local levels.
- The MSFP has shown that it is possible using national implementation to manage a national programme in the forest sector using multi-stakeholder (MS) approach promoting local ownership. However it has not always recognised the limits of that capacity in relation to fiduciary risk, capacity to private quality technical support (private sector and climate change) and to manage coherent multi-stakeholder learning processes.
- A large proportion of funding is being channelled to national and local level – including GESI compliant around inputs - whilst using processes that are generally (but not entirely) reflected in the national budget system
- MSFP has built on the work of LFP and NSCFP past inputs to contribute to the ongoing strengthening, and expansion in some areas, of local forestry groups in forest management.
- The MSFP has been involved in a number of forest sector policy processes including the Forest Sector Strategy (draft developed through a multi-stakeholder process) and the development of the arrangements for a National Forest Entity (NFE) (still in draft).

### *Challenges in the implementation of MSFP*

Whilst the MSFP has, as indicated above, managed to operate the ability of the programme to deliver has been constrained. Many of the constraints are linked to more internal arrangements related to management and governance. In addition there have been numerous changes of staff in all areas of programme management (Ministry of Forest and Soil Conservation / Programme Coordinators Office / Service Support Unit / Donor Focal Point and within the Implementing Agencies).

The MTR recognises that the start of a complex large scale programme is always slow (disbursement in rarely linear) and should have been planned for more carefully in the design. There are also a number of issues linked to management and governance arrangements which need to be highlighted as these have, in the view of the MTR contributed to slow delivery and too many of the external criticisms of the MSFP. Some of these are resolvable easily and could be implemented with almost immediately, if agreed by the MSSC, whilst others are more likely to help inform the post 2016 MSFP2. Given the findings of the Fiduciary Risk Assessment undertaken by the donors that this programme is of high risk as a result of the operational context it is vital that the management and governance arrangements are strong. This will enable results to achieve and protect staff (and the programme itself) from criticism.

Key points are:

- Insufficient programme accountability and leadership structure. The Governance arrangements as laid out in the Joint Funding Agreement and the Programme Document are considered by the MTR to be very 'light' for a programme of this scale and complexity. There is no Executive Committee that would meet at a minimum monthly to oversee the work of the PCO / SSU. In addition there seems to be no requirement for formal coordination (as opposed to informal meetings) between PCO / SSU as well as between SSU and the IAs (the main implementing agents along with the DFO and DSCWM) which are formally minuted.
- The MSSC agreed an expansion of the SSU following the use of multiple Implementing Agencies for both core and thematic areas. This has blurred the boundaries for many stakeholders between the role of the IAs and the role of SSU. In addition the MSFP expanded its work from the 23 Core Districts into a range of other contracts for thematic districts, innovation funds and micro-projects when it was already struggling with the 'set-up' for the Core Districts. The capacity to manage at the centre was not fully explored and led to Outcome Managers focusing on contract management rather than delivery of technical support and learning across the programme. The expansion did not take place on the basis of evidence from consolidated learning. However the operationalisation of the 23 core districts through 6 IAs is an important step forward following the initial failed procurement. The 6 IAs are of variable quality as highlighted by the Fiduciary Risk Assessment. As a result of this there was a decision by the MSSC to expand the SSU operations into the Cluster Coordination Offices to provide support at the District level. Whilst the IAs have recently put in place meetings to discuss management issues there is still limited learning and sharing (linked to limited budget or requirements in their TORs). Despite the quality of staff at the SSU-CCO level there has been confusion over the roles and responsibilities of the SSU-CCO in the eyes of wider stakeholders
- Confusions and overlaps between multi-stakeholder mechanisms (oversight and collaborative governance) and programme management (involving procurement of service providers). Multi-stakeholder processes are developing at all levels which is a major step forward in the forest sector. However there are concerns about the level of understanding of how multi-stakeholder processes e.g. design, planning and oversight are carried forward into programme management. There appears to be limited understanding of how competitive processes work and that not all NGOs / CSOs (Non-Governmental Organisations / Community Based Organisations) or private sector organisations can be implementing agencies. Whilst SDC procurement processes are in use within the MSFP there are issues to do with the levels of delegated responsibility (and thresholds) which are seen, by some as restricting full transparency in procurement as there is no presumption for competitive procurement for contracts that would be large in the context of Nepal.
- MSFP programme focus needs fundamental revision in the light of the changing context within Nepal. A number of the assumptions made in 2010/11 concerning constitutional progress have not been met. However in a period of dynamic change (post-earthquake) it will be important that MSFP management develops the skills to operate within this uncertain context. It is highly unlikely that, even if political and legal agreement is reached in the next few months, that the full implementation of federalism and possible devolution of local forest land management to local government will be finalised. Positioning, piloting and learning for adaptive management will be important for MSFP under these circumstances.
- National implementation programme management systems need to be efficient and effective to meet changing context within Nepal. As the MSFP is refocused management systems and processes need to be effective, efficient and designed for the level of capacity of participating organisations. Given the highly varied capacity of participating

organisations a strong learning system needs to be in place to provide locally owned solutions to local problems through 'scale-up' of successful approaches. MSFP management systems should be transparent (including publication of material on the web-site for all stakeholders to see), robust (independently verified through audit and other tools), suitable to the capacity of the managing agents and implementation agencies (Government and Non-government). They should be focused on tracking results and process change for differentiated and engaged stakeholders against a clear Theory of Change and Results Framework. Furthermore attention needs to be paid to the implications of national implementation in relation to capacity, financial management (fiduciary risk assessment), financial absorptive capacity and the ability to move beyond activity management to outputs and outcome based management.

- Ineffective mobilisation and use of donor focal point. For reasons that were beyond the control of the MSFP management there has not been continuity of input from the Donor Focal Point. For a programme with no direct Technical Assistance planned into the structure (linked with the strong emphasis on national implementation) the delay in finding a replacement for the original DFP left a major gap in supporting the MSFP at very difficult times. With the current DFP there has been a need to build trust with SSU management team leading perhaps to limited use of his particular skills in relation to M&E and MIS. For instance supporting work around the Community Forest User Group data base (of which there are 4 incomplete databases) and to support the highly technical GDP (Gross Domestic Product) study, Baseline and Outcome survey.

## 1.4 Main findings<sup>1</sup>

In this section the main findings of the MTR are presented (to be read in relation to section 1.3 above which focused on governance and management issues specifically). The MTR recognises that the MSFP operates in a complex and highly politicised environment and that the setup and operationalisation of a complex programme takes time in itself. As indicated above the expansion of the programme beyond the 23 core districts with 6 IAs has overstretched the programme. This has not enabled, for example, consideration of that the implementation approach may in some areas not be sufficient to make transformation change for poor people their households and their communities. Similarly approach to scientific forest management need to be well tracked to provide evidence for scale-out of possible successful innovations.

### *Policy work not focused on removing blockages but 'big picture'*

Whilst the MSFP has been active in relation to the FSS and lately the NFE the wider policy work has not been adequately focussed and targeted at issues related to removing blockages that hinder the development of the use of forests for livelihoods within local communities / private sector. Some key points are as follows:

- MSFP has put significant effort lately into the design of the NFE (managed by the PCO) as well as in the Multi-Stakeholder process for the development of the Forest Sector Strategy. Both are important elements of work but the process has not necessarily been well evidenced.
- MSFP has also been slow in developing evidence and learning from existing work (and past work of LFP / NSCFP) to inform a number of policy processes including that of Public Land Management. MSFP has an important opportunity to bring together critical evidence (including real-time developments) from a wide range of contexts in Nepal. Using this to inform policy processes would be a valuable role for the programme.

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<sup>1</sup> All detailed findings are given in the Technical reports in volume 2 and a wider presentation in the main Volume 1 report.

- Equally no systematic attempt to understand the key blockages for local forest user groups and private sector has been put in place. This type of evidence based work (coordinated by PCO under outcome 1) to remove 'blockages' to the use of forest resources through use of sustainable / scientific management practices is critical for longer term effectiveness of MSFP. For instance undertaking a 'coherence review' of local and national regulations in the use of timber / NTFPs within community and private sector businesses has not been fully carried out.
- This has limited the direct effectiveness of MSFP as a 'change agent' in the forest sector. For many local people it is the smaller regulatory changes e.g. location of businesses near forests, transport of forest products that are more likely to provide immediate benefits rather than the larger Forest Policy / Forest Sector Strategy in the short term.

### *Private Sector – a challenge of focus, capacity and limited wider investment*

Results are substantially OFF TRACK for Outcome 2 at the Outcome level whilst work at the output level is on track. However there does not appear to be a credible plan in place to bring performance back on track on its two key performance targets, although the recently updated "roadmap" for Outcome 2 indicates that thinking is beginning to move in a more positive direction. However, at the time of the MTR this had not been translated into action on the ground.

Critical issues that need to be actively addressed include:

- Moving beyond MSFP grant mechanisms for enterprises to building support for other sources of financing that may enable sustainability of enterprises over the longer term;
- Develop a more coherent definition of 'a job' that suits local conditions and distinguishes new jobs from pre-existing jobs (both formal or informal), temporary work (e.g. during the construction phase of the enterprise set-up), nor distinguish between jobs versus income earned as suppliers of raw material or shareholders.
- Develop a clear Theory of Change relating to private sector development which enables a clearly defined approach to be developed. The approach adopted to date has a narrow focus on community-partnership enterprises, typically supported as standalone enterprises. This is a management intensive, grant driven approach which may be partially appropriate in terms of providing an income stream for some Local Forest Groups (LFG) to support their own graduation. However, it is not easily replicable and its supply driven modalities and large grants create increased risk to the sustainability of the enterprises supported. Consequently the current approach has significant weaknesses in terms of achieving the necessary scale of wealth- and job-creating investment.
- Complement the current MSME community-partnership approach with a more strategic approach to inclusive development of value chains for selected flagship products based around developing competitive production clusters (in identified corridors) guided by local multi-stakeholder processes with genuine engagement of primary value chain actors. FNCCI and others have direct and current experience of implementing these approaches which should be built on.
- Capacity related to private sector and value chain development is narrow and highly variable. While there are individuals within the various implementing teams that demonstrate a good level of capacity and understanding of different approaches to enterprise and value chain development, in general in MSFP capacity is rather limited among MSFP implementers at an institutional level - including NGOs, DFOs, non-state IAs and the SSU. Where capacity does exist, it is often mostly limited to MSME development approaches as opposed to wider value chain or cluster based development approaches that are built on genuine local multi-stakeholder processes. This is an urgent issue and may require looking beyond Nepal for capacity to design and deliver the required quality process of systematic capacity building in

this technical area (which do not use standard value chain approaches). Care should be taken to ensure that the partners chosen to lead this capacity building process do indeed have the proven track record of this kind of capacity building in Nepal.

### *GESI and Livelihoods*

A large percentage of the programme budget was targeted to the poor and the disadvantaged, who were identified using the data on well-being ranking done by VDCs. Understanding has increased tremendously amongst LFGs about inclusive representation in Executive Committees and provision of direct budget support to the poor. MSFP is attempting to weaken gender and caste stereotypes in both the domestic and public spheres by creating micro-entrepreneur role models. The multi-stakeholder approach provided space for different perspectives and skills of local organisations to be recognised and used in programme implementation. GESI integration within MSFP is a core mandate with strong policy mandates for targeting and disaggregation. The systems of Fund Flow Analysis and Workforce Diversity ensure that tracking of these key aspects of GESI mainstreaming is being done. GESI expert positions within IAs ensure that technical support is available on GESI.

A key gap has been the inadequate mainstreaming of a GESI 'transformatory'<sup>2</sup> agenda into the programme – which started from the ProDoc itself. Activities are transactional and MSFP has had limited impact on substantive transformation of gender and power relations. The disaggregation categories of DAG (Disadvantaged Group) and Non-DAG and the absence of gender/power related transformative indicators in the logframe, have limited the application of the MoFSC and MSFP GESI policy mandates. There is an absence of analytical evidence on how structural aspects of GESI are being impacted and regarding the progress of sub-groups within the DAG and Non-DAG categories. Gender issues are subsumed and have not been dealt with explicitly. Analysis of gender, poverty, caste/ethnicity differentiated barriers, identification of measures to address the barriers and embedding GESI aspects into all programme processes is absent. Apart from Outcome 3, none of the other outcomes integrate GESI.

Interventions were found to be extremely inadequate for contributing to changing inequitable gender and power relations and identifying and addressing issues of violence against women and their impact on the programme activities. Even the Livelihood Improvement Plans, business plans, value chain analysis, Local Adaptation Plans for Action (LAPA) and Community Adaptation Plan for Action (CAPA) missed the key step of gender and social inclusion analysis. There has been a gap in the interventions implemented through the government channels and those implemented through the IAs. There is no recognition by MSFP that sexual and gender minorities and persons living with disability are sub-groups of the disadvantaged and discriminated and hence there are no special measures for these disadvantaged groups. The GESI financial allocation analysis tool used by the MTR identified that above 95 percent of MSFP's focus has been on improving livelihoods, which is very much needed for this target group, but very minimal attention has been paid to enhancing their capacity to influence or for shifts in structural discriminatory social norms. The capacity of the Implementing Agencies and skills across different levels of staff for mainstreaming GESI were found inadequate.

### *Climate Change Adaption and Livelihood Development*

The MSFP is actively bringing in climate change issues into the programme but without a clear Theory of Change around the role of livelihood development as well as social capital development

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<sup>2</sup> Definition: Transformatory GESI approach: is the approach which addresses structural inequalities and seeks to redistribute resources, responsibilities and power more equally between women and men and between the advantaged and the disadvantaged. It is the process of transforming existing GESI-differentiated discriminatory division of labour, access to resources and decision making authority which constrain empowerment and development of women, poor and the excluded. (Adapted from Institutions, Relations, and Outcomes: A Framework and Case Studies for Gender Aware Planning By Naila Kabeer, Ramya Subrahmanian, Kali for Women, 2000)



building climate resilience. Indeed as the table below shows<sup>3</sup> MSFP is not working extensively in areas where Climate Vulnerability is high or very high. Whilst the programme has been developing a number of LAP/CAPs the linkage of these to livelihood development is weak at best. Without this analysis and learning from the way that some IAs have operated (more intensive) the programme will not be able to clearly enable vulnerable people to improve their climate resilience through more effective use of forest resources (direct and indirect). There is a significant gap in the number of Adaptions Plans developed and implemented. There is evidence e.g. from Rukum and Dang that working in an integrative and intensive way is much more likely to achieve benefits for people and the forest/ watershed. It is interesting to note here that whilst the livelihood work is based on loans from CFUGs to the poorest, work on vulnerability reduction is on a grant basis and not obviously targeted to the most vulnerable households. This is not equitable and where MSFP is working on both themes in a single area likely to cause confusion at best and resentment at worst. Currently, the climate change adaption activities have been implemented as short-term engagement with communities following a project mode. Enhancing resilience requires long term engagement with the communities adapting a programme mode.

SN	Vulnerability category	Districts
1	Very high	Ramechhap, Jajarkot, Lamjung
2	High	Khotang, Okhaldhunga, Salyan, Dailekh, Kalikot, Achham
3	Moderate	Sankhuwasabha, Bhojpur, Nawalparasi, Myagdi, Baglung, Parbat , Rolpa, Rukum, Bajhang, Mustang, Kaski
4	Low	Tehrathum, Dhankuta, Kapilbastu, Dang, Pyuthan, Arghakhnachi, Gulmi
5	Very low	Rupandehi, Palpa

### *Data for management and for learning*

MSFP is an important vehicle for learning but it is also necessary to be able to track the inputs to outputs and outcomes. Without a clear M&E system that can track, in close to real time, not only expenditure but the attainment of outputs /outcomes in a logical manner then the programme will struggle to understand where 'its results' are being generated and where to put in management effort. Some examples of missed opportunities for data gathering and learning include:

- MSFP has yet to produce a single complete database of the Forest User Groups with which it is working (a sub-set of those within Nepal) to enable detailed analysis of the capacity, the engagement of DAG and other matters. Some IAs have prepared a detailed database in Excel which enables analysis of the situation of individual groups and District wide averages. Changes in this data over the programme would provide clear attributable change.
- The provision of simple and effective data from the programme could well be combined with data from the Nepal Census and the Forest Resource Assessment to enable MSFP to more clearly understand where it should target its resources and what it's comparative advantage actually is.
- Understanding where community forestry has 'reached a limit' in terms of changes in social-cultural requirements (migration) and potential of the resource. Where are the resources for development, ease of access to markets and group with high potential (currently or could be developed) for business development (household based, community or in partnership with wider private sector)?

<sup>3</sup> 2010 NAPA data

### MTR Rating of MSFP Outcomes against Evaluation Questions

The MTR was asked to provide analysis of the different outcomes against a set of evaluation questions. A summary of the evaluation matrix is presented below.<sup>4</sup> This table presents the MTR technical experts view for each individual outcome as well as the overall programme performance. We also make a rating of the Quality of Evidence which is available from the MSFP itself (directly from SSU or from individual IAs) as well as the quality of evidence that the MTR has used in its assessment. The detailed Technical Reports in Volume 2 present the evidence in more detail.

Evaluation Questions	O 1	O 2	O 3 GESI CC	O 4 Forest CC	Quality of Evidence from MSFP <sup>5</sup>	Quality of evidence from MTR	Overall Programme Performance
Results Analysis (TORs 4.1)	NFE & FSS now moving				I	S	Behind track but not unexpected in early stages.
Risk Analysis	Risks are high as MSFP doesn't have a strong governance structure. Management is fragmented and generally focused on contract management rather than technical matters and learning. The current dynamic context within Nepal is a risk but also an opportunity. The Fiduciary Risk Assessment would indicate that this programme remains a high risk programme BUT the possible rewards make this an important area to continue to work in. However the risks could be managed with the right governance structure. Strong donor engagement on governance issues (which are present in many areas in Nepal) would also be welcomed.						
Gender and Social Inclusion (GESI)	GESI needs to be mainstreamed	Women			S	R - O3	Needs a focus on mechanisms i.e. beyond numbers. Gender is diluted over the issue of social inclusion
		DAG				I - O2	
Relevance	But could be more relevant if focused on blockages for local	Narrow focus on jobs and community			S	S	The heart of the MSFP is highly relevant but it has had a number of 'additions'

<sup>4</sup> With the full table presented in Volume 1 Annex 8

<sup>5</sup> Quality of evidence is rated P = poor; I = indicative; S = supportive and R = robust.

Evaluation Questions	O 1	O 2	O 3 GESI CC	O 4 Forest CC	Quality of Evidence from MSFP <sup>5</sup>	Quality of evidence from MTR	Overall Programme Performance
	level implementation as well as national level.	partnership. Need wider approach.	Not intensive enough engagement to show results is norm	Greater attention to coordination across admin boundaries			which have diluted focus
Effectiveness (overall impression on the effectiveness of programmes current approaches and implementation modalities (4.2))	PCO / SSU limited coordination reduces effectiveness. Changing staff an issue	Very low performance at outcome level. MSFP data incomplete and not verified in field.			P	I	The assessment is based on the very poor performance at outcome level within the programme and often weak management. However work on multistakeholder process and GESI are important.
Effectiveness on policy and system strengthening including impressions on experiences and potentials of the Programme	Wider engagement across a range of policy issues. Often unfocused on issues of direct relevance to work at community level.	No observable impact at policy or system level at present. Need redefined approach.		TBA	P	P	Current work on NFE and FSS important. However work on evidence based policy processes is limited as is work on blockages that would improve local situations.
Efficiency including implementation machinery and management		fragmented modalities & standalone enterprises			S	S	Could be significantly improved to enable focus.
		Limited expenditure and hence					

Evaluation Questions	O 1	O 2	O 3 GESI CC	O 4 Forest CC	Quality of Evidence from MSFP <sup>5</sup>	Quality of evidence from MTR	Overall Programme Performance
		results.					
Sustainability	Too early to say given NFE & FSS not yet in place	Supply driven focus on standalone MSME. Need cluster approach?	TBA	TBA	P	P	It is early in the programme to have sufficient data regarding sustainability and without a clear TOC the 'pathways' are unclear
Impacts	Too early to say given NFE & FSS not yet in place	No formal comparable system in programme to measure. Not effectively aggregated and not verified.		TBA	P	I	At this stage in MSFP impacts are not yet being reached and would not be expected either.  What is missing however is any real understanding of how impact would be achieved.
Cooperation, compatibility, Complementarity	Limited in relation to inter-ministry cooperation e.g. MOFALD and MOEST.	Little cooperation between IAs and non-state/state actors. No practical role so far for FNCCI & FED.		TBA	P	I	Weak. MSFP needs to cooperate with other GoN and donor programmes at District and national level. Should other key national programmes be invited to observe at the MSSC?

## 1.5 Key Lessons learned

The primary lessons that can be learnt from the MSFP to date are the following:

- A multi-level, multi-stakeholder programme operating through national implementation is viable but that attention needs to be paid to the scope, scale and financial absorption capacity so as to minimise risks;
- Operating the MSFP in a dynamic environment is again viable but requires higher levels of attention to governance, systems and processes to minimise the effects of operating in a highly politicised environment;
- MSFP is a programme and the skills, systems and process that are needed for management of an extended portfolio of work are different from those used for project management;
- A clear theory of change, evidence sources and analysis are critical if the MSFP is to 'prove the concept' of using forest resources for livelihood and business development through active management that is based on climate resilient sustainable / scientific forest management;
- That the dynamics of change within Nepal from individuals, households, communities through to local and national level of government is creating opportunities that were unforeseen even 5 years ago. This then requires clear processes for understanding this change, the effect on the main TOC of MSFP as well as the ability to modify, if required, the focal areas and approaches of the programme.
- Learning and communication systems in a complex environment require careful planning and appropriate investment of time, resources and technical ability. Sharing of 'best practice' and successful approaches across the programme and with the wider stakeholder community is a vital role for the MSFP.
- Multi-stakeholder process facilitation is hard and can take a long time and require an engagement with different policy timeframes and actors to help to ensure coherence – especially in those areas that may affect the responsibilities of more than one ministry.
- Transformational change and mainstreaming GESI requires persistence and a framing of the problem that goes beyond 'counting'. Equally for a programme that operates across many different contexts MSFP needs to understand the important elements of discrimination and how they can be reduced in the forest sector. Without that there is a tendency to have a 'one size fits all' approach e.g. LIP (Livelihood Improvement Plans) grants, rather than a stronger contextual understanding e.g. of opportunity costs for poor Dalit women reliant on wage labour.
- For building social capital and long term climate change resilience intensity of engagement is essential. As is linking planning to wider VDC (local government) processes to support institutionalisation. Planning and climate smart investment then become critical – but the needs of the poor vulnerable must be clearly identified and addressed in the process.

## 1.5 Recommendations to July 2016<sup>6</sup>

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<sup>6</sup> Full details of the recommendations are in the Volume 1 consolidated report.

The MTR as tasked with providing recommendations for immediate improvement of the programme through to 2016 but these may also be useful for any refocusing/design work for post July 2016. Recommendations are presented in two sections. The first are related to governance and management with the second related to technical issues. The focus of the latter is in many cases to support learning and provide data for the design phase (if approved by the MSSC). These are the views of the MTR and it will be for the MSSC to decide to take these forward 'as is'; to adapt or to reject.

Recommendation	Short Narrative
<b>Governance and Management</b>	
G-1	Strengthen governance arrangements to provide greater oversight of the operations of the programme. This should include the setting up of an MSFP Executive Committee to support, guide and monitor the work of SSU and PCO and also to enhance collaboration between the MSFP PCO / SSU two units.
G-2	Review any work that has involved 'resettlement' of local as a result of implementation of development models of Collaborative Forest Management and / or PLM. Any work that may involve resettlement should be formally approved by the MSSC.
G-3	Undertake a thorough review of the MSFP logframe and Theory of Change immediately to enable clarification of results chain and key areas of work. This will help consider these issues in line with the design work.
G-4	MSFP expedites the work with the MoFSC regarding the delivery of the MSFP benchmarks in relation to the National Forest Entity and the Forest Sector Strategy.
G-5	Redefine GESI strategies i.e. moving GESI beyond livelihoods to include transformative change across all the 4 outcomes. This would include a much more formal and in-depth approach to GESI mainstreaming within MSFP.
G-6	Restructure SSU by a) relieving outcome managers of the burden of contract management to put more efforts on technical delivery and learning; b) relocating SSU-CCO to RD or transferring the staff to central level and giving monitoring, data management and learning synthesis tasks.
G-7	Make all contractual proceedings fully transparent via website - including contracts, outputs, etc. Compile a full set of accessible, dated agreed documentation covering all elements of the programme management (logframe, procurement guidelines, financial regulations, communication policy, M&E (Monitoring and Evaluation) database..... Include as a formal task for the SSU in the YPO 15/16. This to be published on web-site. This is a process / management issue but is linked closely with T-7.
G-8	Agree, as part of the YPO for 2015-16 what the process will be (time, resources and process) for the 'close-out' of the transition phase of the MSFP.
<b>Technical</b>	
T-1	Put on hold the current tender for Public Land Forest Management and Plantation and instead engage in clarifying the legal framework through high level engagement such as Parliamentary Committee on Environment and with MOFALD. The current tender could resume if legal clarification/amendment is secured to enhance the access of Mahesh people over forest and public land resources .  (NOTE: this doesn't stop work in the important area of PLM but just the

Recommendation	Short Narrative
	<u>current tender given the weakness of the TORs).</u>
T-2	Develop a gender responsive strategy for MSFP contribution to post-earthquake reconstruction
T-3	<p>Legal (including regulatory) and policy studies around community rights/tenure and governance for active, equitable management of forest and the development of community-owned forest business.</p> <p><i>An initial scoping study could be commissioned to July 2016 with more detailed work being carried out post July 2016. Compiling all relevant material would be a major first step – and would need to include material from many areas within Nepal.</i></p>
T-4	<p>That MSFP commission technical specialists to combine the data sets from the MSFP Baseline (September 2013), District Data from the Forest Resource Assessment (FRA), Vulnerability Assessments, roads, watershed, census data and the CFUG data sets. Also develop capacity within MSFP (preferably within the government system) to maintain the database.</p> <p>Note: This work is MSFP oriented but may also support, in due course, work of GoN in relation to reporting for the SDGs, in particular the forest related elements of SDG15.</p> <p><i>This is a priority issue for MSFP2 design – and a phase 1 scoping could be done using existing FRA data to map community engagement in forest management (all types) with the forest resource. Phase 2 work would be done post July 2016.</i></p>
T-5	<p>Commission a formal study of how local forest land management can be used for empowerment of women, socially excluded and to meet the rights expectations of Indigenous Peoples – considering forest products (timber and NTFPs), ecosystem services, and climate change.</p> <p><i>This is a priority issue for MSFP design.</i></p>
T-6	<p>Commission a study to examine the potentials and limitations of Scientific Forest Management (active use of all forest resources in a sustainable manner) under a changing climate regime and how this links to approaches for use of forest resources for climate change adaptation. This study should be used to review / rethink current strategies of CFUG-focussed CAPA development (instead of VDC focussed).</p> <p><i>This work could be scoped during the next few months with a view to producing a study protocol for implementation post July 2016.</i></p>
T-7	<p>The MSFP web site should be upgraded to a fully functional, accessible and interactive site that would help to build a 'community of practice' amongst stakeholders in the forest sector in Nepal. Consideration should be given for the site to be bilingual. It should be designed to enable MSFP documents to be located with ease to improve transparency.</p>
T-8	<p>MSFP GESI and Livelihood specialist to work with the GESI unit of the MoFSC to review the MOFSC strategy in the light of recent changes e.g. Forest Policy and draft Forest Sector Strategy and introduction of the Forest Enterprise Division as well as work of Agriculture, Forest and Environment Committee (AFEC) / District Forest Sector Coordination Committee (DFSCC) at the local level. This would then review capacity needs and process to implement with appropriate tools issues of gender and social inclusion in the forest sector.</p>

Recommendation	Short Narrative
T-9	That work on climate change adaptation plans that will be continued over the next 12 months be carefully targeted to enable 'clusters' of plans linked to both watershed and the targeting of vulnerable groups. No new areas of operation on planning should be opened up as no long term engagement can be guaranteed. Learning from current work, and that of related projects should be highlighted with a focus on 'how to do better planning and implementation' within MSFP2.
T-10	Work with the FNCCI and MoFSC FED to examine the critical blockages in the policy / regulatory framework that would support the speeding up of private sector (including community businesses) in the utilisation of timber and NTFPs for livelihoods, jobs and wealth creation.
T-11	Undertaken, in a number of key Districts, a Capacity Needs Assessment of the skills, knowledge, tools etc. that are going to be required to support local government management of local forest resources under a changing climate. This should start with a simple review of what other work is currently taking place within Nepal in relation to local capacity needs e.g. for climate change: <a href="http://www.gcca.eu/national-programmes/asia/gcca-nepal-climate-change-support-programme">http://www.gcca.eu/national-programmes/asia/gcca-nepal-climate-change-support-programme</a>  Initial Scoping of the ongoing work for Local Government Capacity Building in different areas of Nepal in related topics would enable design of the MSFP2 to focus on 'gap-filling' rather than duplication.

## 1.6 Strategic Options post July 2016<sup>7</sup>

### *MTR Assessment – key benchmarks not YET met*

It is the view of the MTR that the 'benchmarks' have not yet been met, though there has been a significant progress around the time of MTR fieldwork. It is important to note the current work in taking both the NFE and the FSS forward in a coherent manner, is itself a challenging task in the politically turbulent environment in Nepal. The latest NFE proposal and legal formation document (see Forestry and Institutional report volume 2 for further discussions) suggest that significant movement has been made. The legal approval of the NFE is an important first step towards its creation. However there will be a range of steps to be taken before it is fully operational. The implications of that are discussed a little further in the strategic options as is the possibility that an NFE may not be formally approved by the Cabinet in the coming months but need to go to Parliament for approval which may delay the process.

The FSS is currently being revised and it is hoped that the alignment with the Forest Policy (2071) will still retain the core elements of the FSS that emerged in 2014 from the multi-stakeholder process.<sup>8</sup>

MSFP currently, on the evidence that the MTR has presented in the 4 technical reports, is not on track regarding its logframe indicators (as per December 2014 logframe), partly because the programme has faced challenges in smooth and timely implementation, and partly because the logframe itself has

<sup>7</sup> Full details of the Strategic Options are included in Volume 1 consolidated report.

<sup>8</sup> Further detailed discussions on this are presented in the Forestry Report in Volume 2. There are concerns related to inadequate use of evidence and issues related to the inadequacy of the Strategy in covering all important aspects of the Forest Sector.



not been revised following the late start of the programme.<sup>9</sup> Moreover, many long term programmes take time to move forward at a full implementation pace so this should not be seen as unusual. Management and governance have challenges but are not insurmountable during the next 12 months as to provide learning for the MSFP implementation in any post transition phase.

National implementation is an important element of the programme, as is the multi-level, multi-stakeholder process which the MSFP is working with. However both these elements provide some limitations to the speed and absorptive capacity of stakeholders and this must be considered when setting realistic targets that also focus on processes that support sustainability post programme. The MTR is also surprised to see very few process indicators in the logframe when extensive effort of the programme is focuses on an ambitious multi-stakeholder approach to programme governance in such a politically complex situation. Again fundamental revision of the logical framework during implementation may have enabled the development of a focused logframe suited to the revised delivery modality.

Given the above analysis summary as well as the material presented in this volume of the MTR and the individual technical reports in volume 2 the MTR has indicated that there are a three Strategic Options for MSFP which could be implemented with / without the National Forest Entity. Whilst the MTR is focused on the assessment of the benchmarks the 'design phase' for MSFP will need to consider in detail the implications if the NFE is delayed. The options presented below could be taken forward with/without the NFE but in either case will require significant refocusing of the governance and management arrangements. If no NFE is in place by July 2016 a continuation of the current management arrangements will not be viable and a single management unit will be required under the MSSC and a fully functioning Executive Committee supported by an independent financial management team.

#### *Refocusing the MSFP: One programme, 4 projects and improved governance*

The MTR was asked to present a number of Strategic Options for the MSFP as it moves to the end of the transition phase. Clearly, as discussed above, the MSFP has not yet met its benchmarks, and yet there are important emerging opportunities for work in Nepal. The MTR team present the focus for the approach based on the agreed Goal and Purpose of the MSFP (ProDoc 27 December 2011)<sup>10</sup> which when taken in line with the Goal of the 2015 National Forest Policy<sup>11</sup> provides a strong basis to build on the evidence from past implementation at this moment of dynamic change in Nepal.

The MTR Strategic Options are presented in outline as there will need to be follow up process (if agreed at the September 2015 MSSC) to have a process to refocus the MSFP following the transition phase. At this point there are a number of unknowns regarding the status of the NFE in July 2016. So the MTR is proposing 3 options that could be taken forward with appropriate strengthened management and governance arrangements. The exact nature of these arrangements will need to be established over the next few months so that appropriate approvals (GoN and donor), fund allocation and governance arrangements can be put in place – including recruitment of an independent fund manager.

All three options are built around the use of 4 interlinked projects that sit within a single programme and these are outlined below. The four project components have emerged out of the following foundations:

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<sup>9</sup> This is unusual but key stakeholders (donor, government and SSU) put this lack of revision down to the fact that the logframe forms a formal part of the Joint Funding Agreement as it is contained in the Common Programme Document. The process for amendment is not explicit and was seen as likely to be time-consuming. This leaves the programme with a weak logframe as it doesn't represent the reality of the MSFP as currently operating.

<sup>10</sup> Goal: Improved livelihoods and resilience of poor households and disadvantaged groups in Nepal. Purpose: Nepal's forest sector contributes to inclusive economic growth and tackling poverty reduction and climate change.

<sup>11</sup> Goal: To maintain a balance between poor people's livelihood improvement and ecosystem by creating employment and increasing income through proper protection, management and utilization of forest, plants, NTFPs, wildlife, protected areas, biodiversity and watersheds. (unofficial translation).

- Strong community based forestry system which current evidence indicates has a strong role in rural livelihood development but that might be highly context sensitive;
- Regulatory barriers in practice creating major hurdles for active, equitable and commercial management of forests;
- Changing national political context and the implications of global forest/ climate/ development policies<sup>12</sup> on the national forest sector which provide opportunities for alignment and – need for restructuring
- Opportunities to generate, compile and systematise learning and evidence to inform practice, policy and program management (and also inform multi-stakeholder approaches to forest governance at different levels)

### *MSFP 2: A single programme with 4 projects but different delivery options*

MSFP should remain a single programme with one overarching governance and management structure. However given the uncertainties regarding the NFE the MTR presents three options (discussed in the next section) for implementation of the programme with its 4 projects.

The four projects that are proposed are outlined below (see main report for further detail) and would need to be expanded during the refocused/design phase (if approved by the MSSC in September 2015). The four projects would together deliver outcomes of the MSFP with some reformulation of the current outcome set – a) equitable livelihoods, b) sustainable and effective forest management; c) climate resilience, d) inclusive and multi-stakeholder forest governance, e) forest products enterprise and marketing delivering jobs. Each project would have a different outcome focus but could delivery elements that are important to achieve the overall purpose of MSFP2.

#### The four projects proposed to be part of the overall MSFP programme are:

Project A: Local Forest Management and Governance. This would provide support to households and communities and focus on sustainable forest management, livelihood and business development. The role of MOFALD and DDC (District Development Committee) and VDC (Village Development Committee) will be crucial in this work (or other forms of local government as they are developed and work undertaken to pilot possible direct funding to Local Government rather than through NGO IAs).

Project B: Policy Development covering Project A related ‘blockage removal’ through specific policy development. The aim would be ‘reducing the restrictions on local use of forest land and public land for livelihood development, economic development for all (women, poor and the excluded) including wider marketing of products (including timber)’. This would use an approach of ‘reform through implementation’ closely aligned to Project A.

Project C: Forest Sector Reform linked to the FP / FSS implementation including GESI, REDD, CBD etc. This would focus on improving cross department and cross-ministry coordination so that the Forest Sector in Nepal was able to deliver on agreed national (Forest Policy, Forest Sector Strategy, GESI, REDD+, private sector) aims and objectives as well as on international obligations through UNFCCC; Sustainable Development Goals, Biodiversity /Ecosystem conservation etc.). This would involve using evidence effectively to remove blockages to rational management of forests to enable the forest sector to play an important and transparent role in Nepal’s development.

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<sup>12</sup> Examples include REDD+, SDG agreement (including SDG15), adaptation financing including community disaster risk reduction

Project D: Evidence and Learning: Systematically collect evidence from routine monitoring in the forest sector (including the FRA and updates) as well as specific research studies to support learning. Effective management of evidence to inform policy development (including regulation development) would support all the projects above. Development of an Evidence and Learning framework that could support a wide range of monitoring processes linked to the use of forest resources (for development, for private sector/trade, for conservation and for wider ecosystem services) would enable, in due course, Nepal to be able to manage forests effectively and comply with Payment by Results agreements to unlock REDD+ and other climate related funding.

A set of phased options are proposed to take account of the uncertainty around the final form of the federal structure as well as the devolution of responsibility for local forest land management to local government. The three options are therefore:

### *MSFP Delivery Options*

This section presents in outline the three delivery options. Further detail is provided in the main report and would need to be further developed during the refocus/design period in the coming months (if approved by the September 2015 MSSC). Each of these options could be put in place with or without the NFE being in place.

#### *Option 1: Reformulated and refocused MSFP Governance / Management with use of IAs for local delivery*

This option would focus on a redesign and refocusing of the MSFP under new unified management with a focused intense set of Districts that are transparently selected to enable meeting outcomes set by a revised Theory of Change. It assumes no clarity in next 12 months regarding constitutional status of devolution and local forestry in particular.

MSFP would require, as a minimum, the following governance and management arrangements in place to continue to operate:

- Substantial improved governance arrangements including an expanded MSSC and an Executive Committee<sup>13</sup>
- A unified management team located in the MoFSC in an appropriate Department to foster cross-Ministry engagement;
- A revised financial management system which would be under an independent fund manager to oversee procurement and contract management but who would be contracted by the GoN with terms and conditions e.g. audit requirements agreed with the donors and the MSSC.
- Procurement of Implementing Agencies (Government and non-government) to facilitate implementation at the District level. District plans to be made and approved by the DFSSC and DDC (this option assumes no change in local government structure).
- A clear Theory of Change and logical (results) framework with an MIS system to support accountability of delivery by contractors as well as learning with stakeholders;
- Based on effective evidence, including the FRA, to develop a set of criteria for decision making on where the MSFP should focus its efforts. This would retain a balance between

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<sup>13</sup> Annex 14 presents draft TORs for the Executive Committee

poverty reduction (including short term subsistence gains) and larger scale private sector business and jobs using forest resources (timber and NTFPs).

- An updated baseline that is fully and independently Quality Assured given that MSFP2 could operate for 6 more years and measuring the attributable impact of work should be actively considered.

Option 2: Reformulated and refocused MSFP Governance / Management with use of IAs for local delivery AND piloting of devolved responsibility of local forest management

The assumption that guides this option is that the lines associated with the federal structure and devolution have been agreed in principle but not yet put into practice. Given the uncertainties surrounding devolution this option would pilot work first under the existing local government system and then to new Local Government structures during 2016-2018 provided that is political and legal clarity on roles and responsibilities within the new structure. This option means that a centralised component as well as devolved component of the MSFP 2 will go together. The piloting of work with direct local government implementation could take place within the existing and constitutional and legal system).

*Option 3 – Devolution of programme implementation for Projects A and part of B to Local and Provincial Government, with Forest Sector Reform component staying at the Central Ministry of Forest and Soil Conservation*

The delivery of this option is clearly linked to the implementation of the federal structure and devolution in Nepal as well as robust piloting under option 2 for 2 years so that evidence on how direct funding of Local Government might work in different contexts. This option is the most radical and would require extensive redesign of the implementation modality. Given the current pace of change in Nepal it is likely that Option 2 would take place first allowing some piloting (as well as learning from work taking place in the agriculture sector and more broadly in MoFALD) to enable clarity on the boundaries of local government responsibility as well as the capacity required. For this option Implementing Agencies (NGOs & CBOs) are likely to provide strong support in terms of capacity building in technical areas (private sector, climate change and grass-roots facilitation) to support relevant local and provincial implementation plans and grass-roots level organisations.

### 1.6 Fundamental Issues for post July 2016 design team consideration

This section presents a summary table of a number of issues (not comprehensive) that the MTR would like to draw to the attention of the MSSC in relation to future design.

Rating	MTR Key elements for design consideration
<p><b>FUNDAMENTAL</b></p> <p>Fundamental to the future success of MSFP</p> <ul style="list-style-type: none"> <li>• Design Principle</li> <li>• Essential for design process to transparently address.</li> <li>• Stakeholders should agree on these issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Principle that programme is led by the Government of Nepal</li> <li>• Principle of National Implementation (but with appropriate support as required)</li> <li>• Principle of Multi-level multi-stakeholder process</li> <li>• Principle of GESI and transformational change</li> <li>• Principle of non-discrimination</li> <li>• Evidence based targeting of work to provide an integrated and intensive engagement</li> <li>• Informed by the evidence of forest contributions to</li> </ul>

	<p>livelihoods in the context of migration, feminisation and aging of population in rural areas</p> <ul style="list-style-type: none"> <li>● Forests are central to the programme and it is the 'active and sustainable' use that enables climate compatible development</li> <li>● Use of a clear Theory of Change based on latest data (including FRA) to inform design.</li> <li>● Independent Fund Manager contracted by GoN for procurement, contracting, verification of budget / expenditure / results as well as drawing up of cost norms and other process guidelines. Works to the Executive Director and work is based on agreed YPOs.</li> <li>● Clear Conflict of Interest Policy, which is tracked in Annual Reports.</li> <li>● National implementation but with a clear understanding, based on performance to date, of the limitations of financial absorption capacity as well as results focus (beyond activities) linked to coherent planning. This has implications for a possible interim period with lower spend which can give 'proof of concept' before scale up during the final 4 years of the programme.</li> </ul>
<p style="text-align: center;"><b>IMPORTANT</b></p> <ul style="list-style-type: none"> <li>● Key element of design process</li> <li>● Affects the operational effectiveness of MSFP as well as need to ensure transparency of operation that minimises risks of political interference</li> <li>● Builds effective management systems and processes for use by the management team including clarity on levels of responsibility, authority (financial and planning)</li> <li>● Enables effective oversight of the MSFP</li> </ul>	<ul style="list-style-type: none"> <li>● A clear governance structure (Steering Committee and Executive Committee) that includes effective management oversight of a unified management team located in the MoFSC (with or without NFE);</li> <li>● Transparency in operations – including effective use of web site and publishing of data (security concerns to be addressed through good systems and management). Website to be used for local forest user groups to upload their own lessons / pictures / stories as well as to host regularly Nepal wide discussions (enables people beyond Kathmandu to join in moderated discussions);</li> <li>● Reporting (annual and 6 monthly) includes tracking of annual audit action plans to ensure compliance is achieved in a designated time.</li> <li>● Coherent targeting with results focus and, if possible, consideration of a 'reward' system for the best performing implementation and support agencies primarily at Local Government Level. This may include the consideration of 'co-finance' from the Forest Development Fund held by the Ministry of Finance (would be complex but may help to unlock these resources for well-planned results focused activities).</li> <li>● Consideration to be given to independent verification of results which could be linked to formal evaluation. This could include examination of the potential of a formal impact evaluation for the MSFP given the longer term nature</li> </ul>

	<p>of the interventions and the data that is available through the baseline, CFUG database (if finalised) and the FRA.</p> <ul style="list-style-type: none"> <li>● That there is a clear capacity building plan for key stakeholders based on a needs assessment and regular monitoring of effectiveness of inputs and possible barriers to implementation of skills and knowledge</li> <li>● That there is a clear communications strategy which is linked with MSFP wide (and ideally sector wide) learning based on evidence generated through robust studies. This could include participatory evaluation studies, formal thematic research studies; practical problem solving research around private sector development as well as future commissioned evaluations including, as indicated, an impact evaluation, mid-term and final.</li> <li>● That work on LAP/ CAP is closely linked to wider Local Government plan and that there is linked extensive engagement from the programme around implementation.</li> </ul>
<p>OPTIONAL</p> <p>A feature that would be 'good to have' but may be other priorities i.e. Optional</p>	<ul style="list-style-type: none"> <li>● An annual Multi-stakeholder forum to enable all stakeholders to join in wider learning;</li> <li>● A data base on LAPs / CAPs to link with any progress of MoEST on this issue or provide data for their system as develops;</li> <li>● Encourage cross-linking between FUGs who are facing similar problems to seek resolution;</li> </ul>

## 2 Implementation of mid-term review

### 2.1 Brief review of the intervention

The Multi-stakeholder Forestry Programme (MSFP) is the product of a multi-stakeholder process conducted over a 3 year period to design a programme to build on the achievements of the past 20 years of forestry work of the Government of Nepal (GoN) supported by the UK, Switzerland and Finland. It was designed with a transition phase from 2012 – 2015 initially (extended to July 2016) to be followed by full scale implementation through to 2021. The indicative budget for the MSFP over the 10 year period was equivalent to US\$150 million with an indicative budget of US\$61.8 for the first 4 years. Currency gains during the first 3 years of operation combined with a late start (December 2012 rather than January 2012) led to a 'no cost' extension agreed on 27<sup>th</sup> March 2014<sup>14</sup>. The programme agreement is contained in a Joint Funding Agreement (JFA) dated 23 January 2012 which has, as an annex, the Common Programme Document (ProDoc) which lays out the management, governance arrangements as well as the results framework detailing key results over the 10 year period as well as a detailed logframe laying out the targets for the 10 year programme.

The MSFP operates in 23 Core Districts implemented through 6 Implementing Agencies as well as an additional 20 thematic Districts with a further 3 Implementing Agencies. Map 1 provides an overview of the programme sites. The programme also has 30 separately contracted micro-projects and 28 Innovation projects implemented by a range of organisations. There are further commissioned studies and support contracts including the baseline and outcome survey.

The goal<sup>15</sup> of the MSFP is 'improved livelihoods and resilience of poor and disadvantage people', with the purpose of the Programme being given as 'Nepal's forestry sector contributing to inclusive economic growth, poverty reduction and tackling climate change'.

The programme is organised around 4 outcomes with outcome 1 being managed primarily by the Programme Coordination Office (PCO) located within the Ministry of Forest and Soil Conservation (MoFSC) with the remaining three outcomes being managed through the Service Support Unit (SSU) who contracts independently procured Implementing Agencies. The Outcomes are:

- Outcome 1: Government and non-state actors jointly and effectively implementing inclusive forest sector strategies, policies and plans.
- Outcome 2: Private sector (farmers, entrepreneurs, and financial institutions) increase investment and jobs in the forestry sector;
- Outcome 3: Rural communities – especially poor, disadvantaged and climate vulnerable people and households – benefit from local forest management and other investments;
- Outcome 4: Forest and trees sustainable managed and monitored by government, communities and private sector and climate resilient.

### 2.2 Purpose and scope of the mid-term review

The overall purpose of the MTR<sup>16</sup> is to 'provide an independent analysis of the goal, purpose, outcomes and outputs as set out in the MSFP Programme Document'. The evaluation has been

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<sup>14</sup> This is termed a 'no-cost extension' in relation to the MSFP itself due to currency gains, but enabled 'costed' extensions to Implementing Agency contracts.

<sup>15</sup> The section is based on the Joint Funding Agreement (JFA) signed on 23 January 2012 pages 2 and 3.

<sup>16</sup> As per TORs which are in Annex 13

designed to determine whether 'MSFP is on track compared with the targets and programme objectives and recommend adjustments if necessary.' The MTR will also 'assess the progress of the MSFP in terms of 'completing the "benchmarks" set at the beginning of the programme'.

The MTR team consists of 7 core members (Team Leader, GESI and Livelihood Specialist, Forest /Institutional specialist, Private Sector specialist and Climate Change specialist who undertook field work with a Governance / Forestry Policy specialist who worked in Kathmandu at the start of the MTR plus inputs from the National Planning Commission on behalf of the Government of Nepal). The field teams were joined by members of the Programme Coordination Unit (Teams 1 and 3) and staff from the Ministry of Forest and Soil Conservation (Department of Forest and Department of Soil Conservation and Watershed Management) joined Team 2.

The original plan was that the MTR (see Annex 1) would be undertaken during April – June 2015. However, as outlined below in the limitations, the earthquakes on the 25<sup>th</sup> April and 12<sup>th</sup> May led to a radical revision of the plan and deliverables.

This is the final report and is presented in two volumes. Volume 1 is the Executive Summary (longer than normal as will be translated into Nepali for wider circulation) and main consolidated report. Volume 2 contains the 4 technical reports, field work schedules, key informants as well as formal response to the comments received. This final report will be considered by the MSSC in September 2015. Recommendations through to 2016 are made for the current transitional programme. Also 3 Strategic Options are presented, in outline, which, along with Annex 11 are presented to help inform (if agreed) a refocusing/redesign over the MSFP for the next phase post July 2016.

## 2.3 Methodology used, data collection and analysis

During the first week of the MTR a detailed methodology was developed which was presented to a meeting of the donors, SSU, PCO and other stakeholders on the 10<sup>th</sup> April. The presentation and the final Inception and Methodology report (submitted on the 14<sup>th</sup> May 2015) are given in Annex Volume 2 Annex 3.

- Review the delivery of the MSFP against the original (2011) Programme Document and any subsequent amendments;
- Understanding the challenges around delivery of the multi-stakeholder elements in Districts with a history of community forestry (LFP and NSFP) as well as in new District in both the hills and Terai;
- Examining the influence of the MSFP on the development of key forest sector policies and processes including the Forest Sector Strategy and the National Forest Entity;
- Examine the learning that has and is taking place within the MSFP and associated stakeholders that would enable scale-up of successful innovations and processes.
- Assessing the level of substantive integration of cross-cutting issues such as GESI and climate change
- Review the contextual changes in Nepal since the MSFP design work in 2010/2011 and the strategic implications this may have for the future delivery of the MSFP, including the most appropriate delivery modality.

### *Key Approaches that were used*

The MTR worked around the Evaluation Matrix (see Annex 8 for questions and categorisation) to enable a systematic review of the evidence as well as the quality of the evidence that is available, both from the MSFP itself and from the MTR. There were 3 field teams covering each of the main



clusters and a number of thematic districts (see Vol 2 Annex 2 for the 3 teams field schedule). Key informant interviews were undertaken at all levels, and one member of the team conducted specialist interviews at the national and international level (see Vol 2 Annex 1 for compiled list).

A fully participatory approach was taken where possible and the MTR engaged with as many stakeholders of the MSFP as possible within the limited time available.

Key tasks were:

- Key informant interviews at all levels,
- Focus group discussions, especially at grass-roots level
- Document review
- Analysis of M&E and financial documents and systems
- Review of a selection of specialist studies

However as the MTR was also to focus on future delivery of the programme (post transition phase which ends in mid-July 2016) the MTR team were tasked with reviewing the programme benchmarks (Annex 8 of the Joint Funding Agreement) to assess progress. They were also requested to present a number of Strategic Options for the future of the programme given progress on benchmarks and the changing context in Nepal in relation to federalism and possible devolution of responsibilities of line ministries.

## 2.4 Limitations of the Mid Term Review

This MTR has been fundamentally affected by the earthquakes that have unfortunately hit Nepal on the 25<sup>th</sup> April and 12<sup>th</sup> May. The MTR team, at that time of the first earthquake, was in the field and was, except at a personal level, unaffected by it. However it was clear that the team would not be able to operate as previously planned – including the ‘in-week’ in Kathmandu as a team to prepare full analysis of data, recommendation agreement and achieve clarity on the Strategic Options. Discussions with SDC led to a revised schedule being laid out (Annex 1). This was based around a slated MSSC meeting for the 25<sup>th</sup> June but in the end this meeting was postponed until mid-July due to the Donor conference on Earthquake reconstruction. The MTR submitted an interim report to SDC on the 22<sup>nd</sup> May, primarily for contractual purposes, to show progress to that date. A full draft MTR report was submitted on the 3<sup>rd</sup> July with comments received from members of the MSSC. This final report reflects the MTR team’s consideration of these comments – and where related to the post 2016 design have included them in Annex 11. The process for this MTR was more protracted than envisaged and losing the ‘in-week’ meant joint analysis has been more limited. However the focus, post-earthquake on constitutional agreement also has presented new opportunities for the way MSFP may operate in the future.

The format of the MTR TORs means that there is extensive material presented by each of the technical consultants and those are included in Volume 2 to this report.

An additional issue which has caused some minor limitations was flooding in Cluster 6 area which meant that, even prior to the earthquake, Kalikot District had to be dropped. Swine flu also meant that Team 3 were unable to visit Jajarakot.

## 2.5 Structure of Report

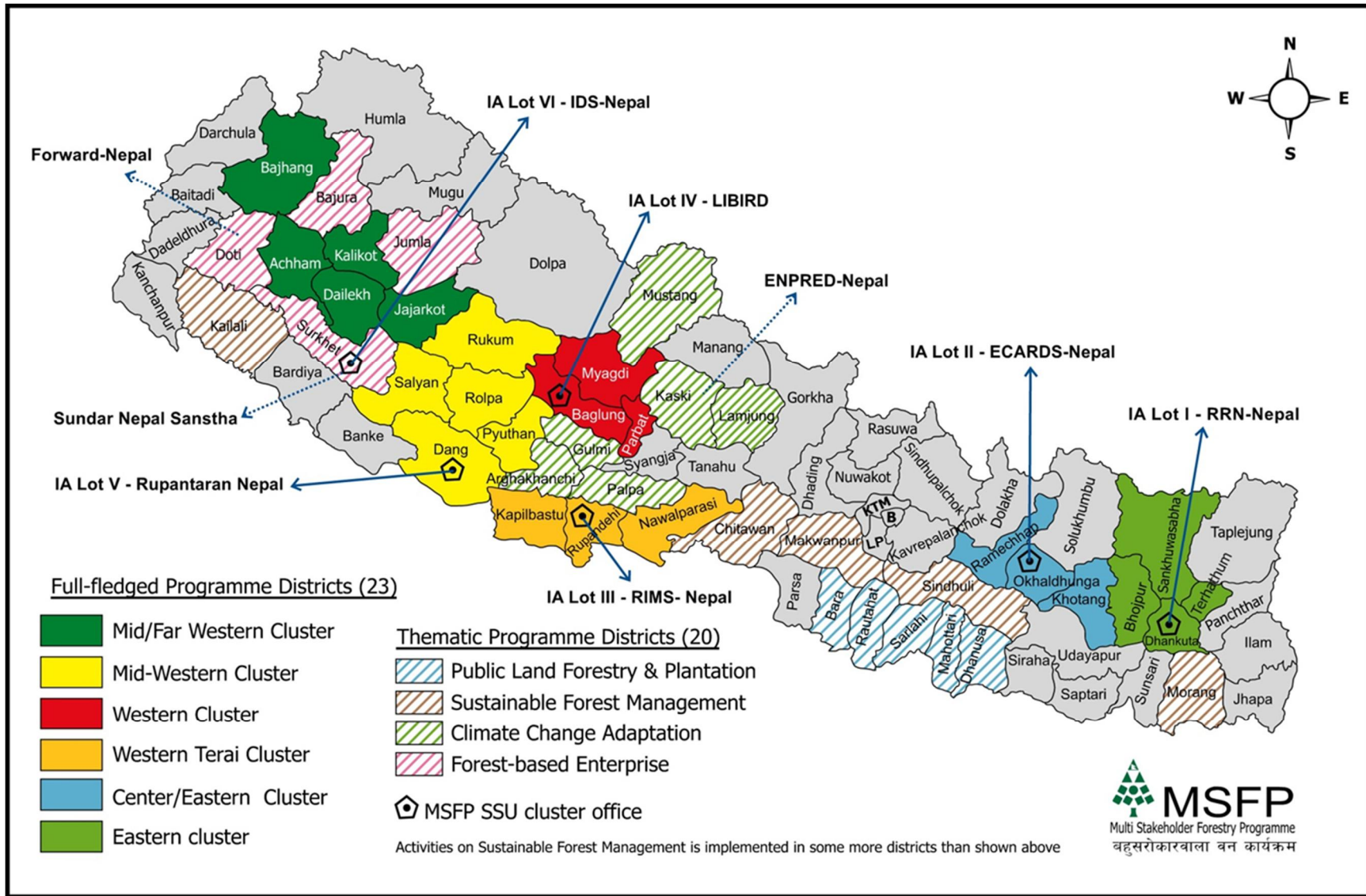
The MTR report is presented in two volumes. Volume 1 presents the main findings, conclusions and recommendations from the whole MTR process. Volume 2 presents the 4 technical reports namely, Forestry and Institutions; Private Sector; Gender and Social Inclusion; and Climate Change. Volume 2 also has the list of stakeholders met, field schedules and inception report.

This volume presents the key findings and conclusions from the MTR. The MTR team then uses these findings to present recommendations for the MSFP for the remaining period of the transition phase through to July 2016. As requested by the Terms of Reference (Annex 16) the MTR team also present a number of Strategic Options for the MSFP post July 2016. Annex 11 highlights a number of issues which the MTR wishes to draw to the attention of any subsequent design team should the Multi-Stakeholder Steering Committee at a future meeting<sup>17</sup> agree an approach to MSFP2 design. In Annex 12 the MTR team also present a narrative TOC for consideration by the MSSC and the design team which is based on our understanding of the goal and purpose of MSFP and the processes it is using to achieve them. This is for discussion only.

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<sup>17</sup> Possibly September 2015

Map 1: MSFP Districts



# 3 Key findings

This section needs to be read in conjunction with the 4 technical reports, which are presented in Volume 2. In addition Section 4 covers 'Managing MSFP for results' and Section 5 presents the MTR team's assessment of progress against the Benchmarks laid out in Annex 8 of the ProDoc.

## 3.1 Operational Context for MSFP and its challenges

The implementation management and governance issues related to the operational context are covered in detail in Section 4 following.

### *Contextual Analysis for the implementation of MSFP*

The MSFP has faced a number of challenges in the 3 years of formal operation. These include:

- The rapid expansion of work to become a large-scale programme operating across 6 clusters and providing support to numerous forest user groups and their members.
- The highly uncertain, politicised and transitional operating conditions in Nepal through to April 2015 have created risks to effective program management and productive multi-stakeholder processes' that are likely to continue.
- Now the country faces further significant problems as a result of the twin earthquakes. GoN is now focused on humanitarian and reconstruction work adding to the already overstretched administrative capacity of government. In addition, the need for reconstruction provides possible opportunities for innovation in relation to use of timber from community managed forests (see Annex 9) in those districts largely unaffected by the earthquakes. Annex 9 presents some ideas from the MTR around how the MSFP could actively contribute to the post-earthquake reconstruction.
- Significant changes in the people at all levels and all stakeholders in the MSFP including MoFSC, donors, IAs and civil society membership on the MSSC.

Despite this very challenging context, given the spread of MSFP, the work in the West /Mid & Far West as well as the Eastern area operations the programme has been actively working in areas that were involved in LFP and NSCF as well as new areas.

The context for operations in Nepal was never going to be easy and certainly changes towards stability have not happened as foreseen at the design stage. However it might actually be more appropriate to plan for levels of dynamic change as this type of situation can, if programmes are responsive enough, provide important opportunities for innovation. For instance, the MSFP now needs to examine how to move to possible local government management of local forest resources in line with existing legislation or under the revised federal structure. Past approaches to forest land management may not be the way forward as radical change in society continues – or at least understanding where innovation is required is critical.

The assumptions associated with the programme are examined in further detail in section 5.2.

## 3.2 Results and their sustainability

The current assessment of results and their sustainability suggests that this is much too early to discuss in detail.

- From the Outcome 1 it is clear that MSFP has involved significant multi-stakeholder engagement in policy discussions. The work on FSS is still on-going and the alignment with

the new Forest Policy has yet to take place. How the FSS is then implemented will be crucial in relation to issues of sustainability at an individual forest site level, in relation to on-going multi-stakeholder engagement and at the institutional level.<sup>18</sup>

- For outcome 2 the results are seriously lagging and as a consequence issues of sustainability (beyond those for micro and small enterprises). For instance issues of access to electricity (beyond MSFPs control) and clustering of small producers to provide a platform for larger supply chain management need to be more critically encouraged and planned for. Whilst it needs to be recognised that forestry engagement with the private sector has historically been limited examining where opportunities are possible e.g. strong resource base, active FUGs, good infrastructure would enable MSFP to target work relating to private sector enterprise creation<sup>19</sup> as well as more robust job creation.
- For outcome 3 results indicate that whilst immediate livelihood gains are important for disadvantaged group the likelihood of sustainability is very mixed, especially where forest resources are not being used to support e.g. livestock development. Poor women are being encouraged to buy goats but have no real sources of fodder (no private land) and as often involved in daily wage labour little time to manage the goats. Real transformational change for women and the socially excluded is not being pursued and is often seen as a side effect of increased income. For instance the 'standing' in a community can be improved for Dalits by active engagement in community forestry, but unless actively promoted Dalit engagement can become 'tokenistic' and discrimination in the use of forest resources still remain. Whilst important it suggests a limited understanding of differentiated discrimination.
- For outcome 4 results there is a limited understanding of how planting of trees will contribute to climate change resilience whether at the level of the ecosystem or in the social-cultural-economic system or ideally in both systems. It is important to have a strong understanding of 'scientific' and 'sustainable' forest management that combines current understanding of multi-purpose forest management (beyond timber) with a long term perspective in relation to the effects of climate change. Reducing vulnerability of poor households depends on appropriate risk reduction strategies within the resources they use, for building social capital and alternative livelihoods.

### 3.4 Effectiveness

The current programme is not being effective in the tracking of results and delivery at the outcome level. Some of this is due to the time of the MTR (just over 2 years of implementation following the late start) and some is due to poor performance generally. This is often down to poor coordination as well as limited models and tracking of what models are working, where, why and for whom.

In relation to the effectiveness in relation to policy strengthening this is mixed. There has recently been moves to develop the NFE and to take forward the draft (2014) FSS to draw into line with the Forest Policy (2071). It is still unclear how these policy benchmarks will come out eventually, despite increased level of commitment on the part of MFSC to deliver these. However limited attention is paid to work that would deal with blockages that are seen in the private sector and in relation to local forestry. Where MSFP has been involved in policy dialogue e.g. Public Land Management it has been very weak in preparing evidence based on the work that has been done by LFP / NSCFP and under MSFP. There are real concerns about the way MSFP SSU engages in these policy dialogues if no substantive evidence (independent reports) are prepared as then it becomes only opinion. The MTR saw sites where the presence of 'forest trees' has reduced the ability of local

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<sup>18</sup> For more details, please refer the Forestry, Institution and Policy report in vol 2.

<sup>19</sup> This could include community business, social enterprises as well as micro, small, medium and large scale enterprises.

people to use the site and reduced livelihood opportunities. A wider understanding of livelihoods and options for agroforestry / permanent agriculture systems which would provide wider soil and water protection values as well as crops for livelihoods (including economic studies) might show that Public Land may be managed in many different ways depending on site, potential, wishes of local people and local regulations (see Vol 2 Forestry, Institution and Policy report).

In relation to climate change the scattered nature of the inputs and the an issue of clear criteria for targeting – for instance only 9 MSFP districts fall into the High / Very High category of climate change vulnerability (2010 NAPA) (Table 1) and of the Climate Change Thematic Districts only 1 is rated high / very high.

Table 1: NAPA 2010 vulnerability rating of MSFP districts

SN	Vulnerability category	Districts
1	Very high	Ramechhap, Jajarkot, Lamjung
2	High	Khotang, Okhaldhunga, Salyan, Dailekh, Kalikot, Achham
3	Moderate	Sankhuwasabha, Bhojpur, Nawalparasi, Myagdi, Baglung, Parbat , Rolpa, Rukum, Bajhang, Mustang, Kaski
4	Low	Tehrathum, Dhankuta, Kapilbastu, Dang, Pyuthan, Arghakhnachi, Gulmi
5	Very low	Rupandehi, Palpa

#### MSFP Climate Change Thematic Districts

	District	Vulnerability Category
1	Palpa	VL
2	Mustang	M
3	Kaski	M
4	Lamjung	VH
5	Arghakhanchi	L
6	Gulmi	L

Equally work in Rukum/Dang suggests that a deep and intensive engagement provides much stronger effectiveness and is much more likely to lead to sustainability and resilience over the longer term. For further details see Vol2 Climate Change.

### 3.5 Efficiency

As indicated in the discussion in section 4.9 there are questions around the efficiency of the programme. The re-contracting process for the 6 core IAs was full of tension and there was a degree of confusion over requirements – possibly due to a late start to the process, and restricted communication of SDCs clear requirements from the SSU to the IA's. Different procurement processes have had to be cancelled and restarted (innovation fund, PLM as well as the initial failed IA recruitment). There is a high level of fragmentation across the programme – especially in the private sector component with a focus on management heavy stand-alone enterprises. Small grants given out by CFUGs under the LIPs are increasingly too small to meet the needs of different households (even through increased to 15,000 NR in 2015 this does cover a buffalo for example at around 45,000 NR and which may be important as more women are left to manage the land due to out migration of men) and when combined within limited planning on the use of forest resources doesn't aid efficiency.

The development of the SSU-CCO offices has not led to gains in efficiency but has, despite some good staff members, to confusion around the relationship between the IA and the SSU. There are instances of SSU staff being involved in the direct interview of IA staff which really blurs boundaries.

Currently the SSU doesn't track in real time, in one spreadsheet in real time, budget/expenditure/targets/achievements at output and outcome level. Tracking at outcome level is done 'after the fact' with no clear documentation on which contract will be providing the results for the programme so enabling management time to be focused there. The focus of SSU and IAs is on activity monitoring and expenditure. There is limited attention and motivation to be results focused (no payment by results systems are being experimented with) and the programme is, in its own terms, behind in each of the 4 outcomes (presentation to the MTR on 9<sup>th</sup> April 2015).

The SSU has to manage too many grants which has diverted attention of key SSU managers to administration rather than technical assistance. These grants are not focused and do not appear to have, in many cases a rational basis for contribution to the MSFP results.

### 3.6 Relevance

MSFP is probably of increased relevance to the forest sector and local livelihoods in this period of dynamic change. However unless the MSFP is radically reformed (with NFE or not) to focus on local government reform and devolution in line with the proposed federal structure it could easily become irrelevant. Also the widening of the work of MSFP without due consideration for the relevance and coherence of the work commissioned (Innovation Funds, micro-projects and thematic districts) has also possibly diluted the relevance of the work. In many cases the fact that the MSFP engagement lacked a real intensity i.e. multiple strands of work at a single site has reduced relevance as well – including for livelihoods, business development and climate change adaptation.

Targeting of MSFP operations has not been always sensible leading to a patchy approach rather than corridor based / cluster based which would enable greater attention to coordination and planning across administrative boundaries. Whilst the aim was to pick up LFP and NSCFP districts in the first instance (23 Districts) the expansion to 20 thematic districts has not retained that focus, nor has it been undertaken through detailed analysis of local conditions, opportunities and needs in a systematic evidence based manner.

Outcomes are generally relevant but they are likely to need updating. The following suggestions are made at this time:

- Following the NFE / FSS (assuming approved) then a new policy outcome will be required.
- Issues of Forestry and Climate Change resilience need either to be decoupled OR more closely linked so that the focus of climate change work is on how the management of forests contributes directly (through scientific use) and indirectly (ecosystem services) to local climate resilience.
- GESI and Livelihoods work need to be differentiated as GESI should be applied across the whole programme rather than being focused on livelihoods.
- Private sector work should focus on the development of more effective models for the use of forest products (timber and non-timber) that can support not only subsistence / local business but larger scale private sector engagement that may supply jobs in remoter areas.

Similarly limited up to date understanding of the dynamic changes in Nepalese society including migration, access, business regulations, differentiated discrimination as well as emerging opportunities e.g. Payment for Environmental Services restricts the relevance of MSFP. On the

ground it is seen as an extension of LFP / NSCFP rather than a new approach in its own right. This raises tension as 'incentives' that were the norm in the past are now not available, and there is no move to 'wean' group with higher capacity away from programme investments.

### 3.7 Compatibility

MSFP has through the MS processes at different levels increased attention to coordination through multi-stakeholder processes. However these are still weak and MSFP doesn't seem to cooperate well with other projects operating in the same area – including agriculture, energy development and social-welfare. For instance planning operations such as business development alongside possible increased energy supply would be an important first step in small-scale forest industry.

There is little cooperation between IAs, except for what they have put in place themselves. The meeting of the MTR with the 9 IAs was the first time they had all been together.

There is little inter-ministerial cooperation in relation to critical issues where MoFALD would have a direct interest e.g. Public Land Management, planning at VDC level. Nor is there coherence with MoEST in relation to where LAP/CAPs are done so that overlap is avoided.

Hariyo Ban (USAID) has now stopped work generally on Community Forestry Operational Plan development / revision. Where MSFP is operating in the same Districts MSFP is able to get revised plans approved much more quickly. This type of operational decision shows that there is a need to cooperate fully where multiple programmes are operating in the same districts. In this case Hariyo Ban made the change as a result of the blockages it was facing rather than positive cooperation between two programmes.

### 3.8 Effectiveness of MSFP progress towards GESI outcomes and impacts

This issue is addressed in depth in the Vol2 GESI and Livelihoods report.

A key gap has been the inadequate mainstreaming of a GESI transformatory<sup>20</sup> agenda into the programme document itself. Activities are transactional and MSFP has had limited impact on substantive transformation of gender and power relations. The disaggregation categories of DAG and Non-DAG and the absence of gender/power related transformative indicators in the logframe, have limited the application of the MoFSC and MSFP GESI policy mandates. There is an absence of analytical evidence on how structural aspects of GESI are being impacted and regarding the progress of sub-groups within the DAG and Non-DAG categories. Gender issues are subsumed and have not been dealt with explicitly. Analysis of gender, poverty, caste/ethnicity differentiated barriers, identification of measures to address the barriers and embedding GESI aspects into all programme processes is absent. Apart from Outcome 3, none of the other outcomes integrate GESI.

Interventions were found to be extremely inadequate for contributing to changing inequitable gender and power relations and identifying and addressing issues of violence against women and their impact on the programme activities. The Livelihood Improvement Plans, business plans, value chain analysis, Local Adaptation Plans for Action (LAPA) and Community Action Plan for Action (CAPA) missed the key step of gender and social inclusion analysis. There has been a gap in the interventions implemented through the government channels and those implemented through the IAs. There is no recognition by MSFP that sexual and gender minorities and persons living with disability are sub-groups of the disadvantaged and discriminated and hence there are no special

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<sup>20</sup> Defined as: Transformatory GESI approach: is the approach which addresses structural inequalities and seeks to redistribute resources, responsibilities and power more equally between women and men and between the advantaged and the disadvantaged. It is the process of transforming existing GESI-differentiated discriminatory division of labour, access to resources and decision making authority which constrain empowerment and development of women, poor and the excluded. (Adapted from Institutions, Relations, and Outcomes: A Framework and Case Studies for Gender Aware Planning By Naila Kabeer, Ramya Subrahmanian, Kali for Women, 2000 )



measures for these disadvantaged groups. The GESI financial allocation analysis tool used by the MTR identified that above 95 percent of MSFP's focus has been on improving livelihoods, which is very much needed for this target group, but very minimal attention has been paid to enhancing their capacity to influence or for shifts in structural discriminatory social norms. The capacity of the Implementing Agencies and skills amongst different staff for mainstreaming GESI were found inadequate.

### 3.9 Impact

It is too early to report on the impact of the programme at this stage (after only 2 years of effective implementation). However a note of caution should be made here in that the MTR was surprised at two things. First was how little technical oversight (including external peer review) there was of the baseline preparation and how this might be used for long term impact assessment. MSFP is a 10 year programme and the effective development of a baseline that addresses site specific changes along with contextual changes is vital. The relatively narrow focus of the baseline is important to understand. It doesn't really examine contextual changes or the site specific changes that could be tracked if a more comprehensive CFUG database was in place. Without this the measurement of 'attributable' impact to MSFP as opposed to the previous work of the LFP / NSCFP will be difficult (see Figure 1). The second is a result of a very weak TOC with no clarity on the 'pathway to impact' which will take place over an extended time period. In addition stakeholders need to be engaged in a positive way, with clear understanding, to take forward the scale up of successful models, to work on policy /regulatory change (in MoFSC and beyond). Without an understanding of how impact might be achieved i.e. the expected 'pathway to impact' and consistent monitoring against the baseline (quantitative, qualitative and contextual) the risk of not being able to substantiate robustly claims of impact will be reduced. An outcome monitoring plan developed annual is a good short term tool but doesn't necessarily enable an understanding of the longer term mechanisms to achieving impacts – particularly by the synergies that may develop across the 4 current MSFP outcomes.

### 3.10 Overall progress of the implementation of the intervention

The MSFP has a very slow start and effectively lost one year of operation until the 6 Core IAs were contracted towards the end of 2012. The MSFP has been granted an overall 'no-cost extension' through to 15<sup>th</sup> July 2016 but it is important to note that the 2 year contracts of the IAs were extended by one year (under slightly different TORs) with additional finance for the extra year of operation that comes from 'currency gains' due to the weakening of the Nepali Rupee the donor currencies. This is important as in the 2 years budgets were spent, including for the expanded SSU but delivery targets are well off track as presented to the team by the SSU at the start of the MTR process.

In this final section we summarise firstly some of the areas where MSFP has been able to operate and begin the process of effecting change in the forest sector. The next section will summarise some of the areas where there are a number of challenges which have restricted the ability of MSFP to function effectively during the last 4 years.

#### *MSFP areas of achievement*

The MTR recognises that during the period of high political and managerial uncertainty (e.g. staff changes) that the MSFP has been able to operate and establish a number of innovations in forest sector governance. These are highlighted below:

- The MSFP has been able to start the process of enhancing the multi-stakeholder cooperation in forest governance, particularly the development of partnership between NGOs and Government agencies and the implementation of a high level multi-stakeholder steering committee. This has been linked to the development of a variety of multi-stakeholder mechanisms and processes down to local levels.

- The MSFP has shown that it is possible using national implementation to manage a national programme in the forest sector using multi-stakeholder (MS) approach promoting local ownership. However it has not always recognised the limits of that capacity in relation to fiduciary risk, capacity to private quality technical support (private sector and climate change) and to manage coherent multi-stakeholder learning processes.
- A large proportion of funding being channelled to national and local level – including GESI compliant around inputs - whilst using processes that are generally (but not entirely) reflected in the national budget system;
- That private sector engagement in the forest sector is beginning to be seen as an appropriate way forward to build livelihoods, jobs and businesses through scientific and hence sustainable use of forest resources;
- MSFP has built on the work of LFP and NSCFP past inputs to contribute to the ongoing strengthening, and expansion in some areas, of local forestry groups in forest management.
- The MSFP has been involved in a number of forest sector policy processes including the Forest Sector Strategy (draft developed through a multi-stakeholder process) and the development of the arrangements for a National Forest Entity (still in draft).

#### *Ongoing challenges for MSFP: dynamic contexts and management requirements*

MSFP has had limited analysis of the deeper ways that change takes place in the forest sector in Nepal – including in the different contexts in which it operates. Policy processes are rarely straightforward and small regulatory issues may be more important for bottom-up development than grand narratives at the national level even when the latter can be vital for building wider engagement from multiple stakeholders. Targets for the MSFP need to be linked both to the level of expenditure over the 10 year timeframe as well as recognising the capacity issues related to national implementation (financial absorption and capacity) in a dynamic context. Being able to manage through a highly dynamic period requires skills, systems and processes that go beyond standard project management tools. Transparency and learning become key factors for management – not only through evaluation processes at discrete time periods but through the development of a ‘culture of learning’ within the programme. Although this programme is operating ‘at scale’ over time and sites it is actually innovative in relation to multi-stakeholder process engagement. The consequences of this are that review processes, including the Theory of Change and the Logical / Results Framework, need to be reviewed annually as part of a collective exercise with stakeholders rather than individual donor reporting processes. The MSFP may look very different from different stakeholder perspectives and in order to build trusted relationships processes to include these voices will remain critical. Key building blocks for management need to be put in place so that faster implementation can take place based on solid learning. There needs to be regular review of logframe targets and work streams and amendment where required. This would allow effective management responses to be developed to scale-up those areas that are working and replace those that are not.

In relation to reporting / attributing results to MSFP little attention has been paid to the question of how the MSFP is benefiting from the capacity and expertise that was generated through the previous 2 programmes. A failure to address this issue in a transparent manner now that baseline data is available (see updated logframe in December 2014) is something that needs to be urgently corrected.

As can be seen from the findings from the 4 technical specialists there are concerns across the 4 outcome areas (volume 2). Some of the issues are ‘rescuable’ e.g. developing a clearer transformative approach to GESI based on the learning from LFP. Equally the work in climate change, whilst at the moment often limited in reach, could with a much stronger articulation of how climate change adaptation might be operationalised in relation to forest management e.g. watershed management including protection and production aspects could contribute to better understanding

of where and how to make investments (climate intelligent investment) that would lead to climate compatible development through appropriate bottom-up participatory and multi-stakeholder processes. There are good examples of work across the MSFP but this is rarely shared formally across the programme. IAs do meet to discuss their common issues and this could provide a basis for more solid learning and development of an understanding of what works, where, for whom, why and how to enable scale –up (to policy development) and scale-out (to new areas) of good working models.

As a 10 year programme MSFP has an important opportunity to test approaches and to develop these to the mainstream. Even with 3 full years completed (2 years of actual operation) there is still time, if there is an strong willingness to reform the programme to enable focused work to be undertaken in an intensive way in Districts to provide real learning. A phasing up of the programme based on evidence could be worked through – but it would be linked, as per section 6 on Strategic Options – to a radical change in the management, governance and understanding of change processes to enable this to happen.

Section 5 presents the summary table of the status of the MSFP against key OECD-DAC criteria, with Annex 8 providing a more detailed analysis against the original question in the Terms of Reference.

# 4 Managing the MSFP for results

The MTR has found that many of the issues raised in the findings, and in the detailed technical reports, are due to weak governance arrangements and poorly focused management. The MSFP operates in a complex and dynamic environment and that this poses challenges for the management team. As a result more attention needs to be paid to management, systems and processes – including Governance oversight.

As a result the MTR have added in this section to the report. It will look at a number of issues that have caused challenges to the management team and which, if addressed effectively would reduce criticism (by a wide range of stakeholders at national and local levels) and allow a more focused and coherent approach to achieving results to be put in place. What is required is a set of governance arrangements and key tools that are used by programmes and projects to enable them to ensure a clear results focus. This is important to ensure that whilst activity / expenditure are tracked for contractual purposes and to know that the expected results are in line with the Programmes theory of change (and in this case wider results framework). This knowledge enables an assessment of whether results are being achieved in an efficient and effective manner. Whilst this process may appear 'backward looking' it is critical in relation to forward planning. It can highlight where attention is required to ensure delivery if the MSFP is to be continued and scaled up.

The analysis has worked with documents supplied primarily by the SSU including the Joint Funding Agreement and its attached Common Programme Document, the extension documents from 2014 (to extend through to 15<sup>th</sup> July 2016<sup>21</sup>) as well as the updated logical framework of December 2014.

This section will also undertake what is a short 'evaluability assessment'<sup>22</sup> of the MSFP. This is based on the premise that having a clear understanding of the data sources can enable clarity on focal areas for the programme evaluation. This approach was not initially included in the methodology, but following the change of approach due to the earthquake and issues raised by the MTR team regarding traceability of evidence (from all the technical areas) this section has been added to complement the technical analysis contained in the individual technical reports.

## 4.1 Comments on the Common Programme Document (ProDoc)

The Common Programme Document dated 27<sup>th</sup> December 2011 by the Government of Nepal (Ministry of Finance) and The Embassy of Switzerland in Nepal presents the key elements of the Multi-Stakeholder Forestry Programme. The MSFP was designed through a long process to build on the 'achievements of the past 20 years of forestry work of Government of Nepal (GoN) supported by the UK, Switzerland and Finland.'<sup>23</sup> The ProDoc is an 'integral part'<sup>24</sup> (Annex 1) of the Joint Funding Agreement (JFA). The JFA is between the Government of Switzerland (GoS) also representing the Government of Finland (GoF) and the Government of the United Kingdom / DFID and the Government of Nepal – Ministry of Finance (GoN) covering the period 23.01.12 to 31.03.2015. This was signed on 23 January 2012 and indicates that '[T]he annexes form an integral part of the present agreement.' The ProDoc contains both a summary of the logframe, a narrative description and a full logframe through to Year 10 (originally 2021 but following the delayed start to 2022).<sup>25</sup> What the logical framework in the ProDoc does not do, somewhat surprisingly given that the Joint Funding Agreement is only for 4 years, is to layout the targets for the end of the approved

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<sup>21</sup> Ministry of Finance, 27<sup>th</sup> March 2014

<sup>22</sup> A tool frequently used by DFID at both design and implementation stage to assess whether an programme is 'evaluable' see <https://www.gov.uk/government/publications/planning-evaluability-assessments>

<sup>23</sup> Common Programme Document (ProDoc) 27 December 2011, Para 1 page 5.

<sup>24</sup> Joint Funding Agreement, Article 4 on Common Programme Document.

<sup>25</sup> Table 1 Common Programme Document 27 December 2011

transition phase. Further analysis of the logical framework will be carried out below. In addition there are a set of key results (10 in number) for the MSFP.<sup>26</sup> Annex 4 presents the MTRs view of how the key results and logframe outcomes / outputs could link.<sup>27</sup>

## 4.2 Review of the Theory of Change

It is not technically correct to say that the MSFP has 'no theory of change' as one is implicit in the logical framework attached to the ProDoc. This presents a logical hierarchy from outputs through outcomes, purpose and goal. The ProDoc does not specifically lay out a detailed formal narrative of the programme, nor does it present detail of how the targets will be met and from where the data will be obtained. Normally that type of expansion of the formal agreed documentation would take place at the start of implementation. There is no evidence that this detailed work has been carried out by the MSFP management (MSSC / SSU / PCO). It is possible that the plan had been to leave this to the Implementing Agency that had won the initial bid. However despite the fact that the programme structure was fundamentally changed with the contracting of the 6 implementing agencies little work appears to have been done, in a coordinated manner on what these changes might mean for the MSFP. There was a paper, in 2012 on the expansion of the SSU ( to cluster offices in the field) but this did not address issues of what this might mean for the theory of change, the results framework or for management and learning.

Within one year the expansion further to the 20 thematic districts (although the public land management districts have yet to be procured) further raises questions regarding the Theory of Change, results framework and the management challenge.

The MSFP is a complicated programme operating in a complex environment. Understanding how change happens within the forest sector in Nepal is critical to laying out a management process that would enable coherent tracking of contracts and how each of these contracts would enable delivery on the agreed results framework. In addition having a good theoretical understanding of the change process would enable management to be responsive to new opportunities e.g. to develop an evidence influenced approach to Public Land Management. It would also help to grasp the implications of wider societal changes e.g. those posed by increased migration and the 'feminisation / gerontisation'<sup>28</sup> of the population in many communities. MSFP needs to have a good understanding of four particular areas of change and the relationship between them:

### Key Definitions from JFA

Poor: individuals and households with less than 6 months food self-sufficiency or those below the national poverty line (i.e. earning less than 1.25 US\$ a day income measured at PPP).

Disadvantaged denotes to the poor individuals and households who also suffer from social discrimination on the basis of caste, ethnicity, gender, religion and location.

Non-state actors comprise civil society, NGOs, communities and the private sector.

Local Forestry Groups comprise existing and potential community based groups organized together for the development of forests and trees. It also included the groups of private forest owners.

1. Implications of national implementation. MSFP took a bold step to operate a complex national programme through a national implementation strategy that was linked to the multi-stakeholder approach used during the design. However the implications of this in relation to available capacity, the size of the programme (23 Districts in the Transition phase) across 4

<sup>26</sup> Box 1 Common Programme Document 27 December 2011

<sup>27</sup> The DFP is also working on this issue as there is a degree of complexity in the way that MSFP M&E system uses different indicators for tracking and reporting.

<sup>28</sup> The social phenomenon related to the aging of the population in villages due to out-migration of young men and increasingly young women leaving behind older members of the community to manage the land, look after children and maintain community practices.

complex outcomes, with systems (financial, monitoring and planning) that would, in most cases be new to the implementation organisations (Government and non-government) was never fully assessed prior to procurement;

2. Relationships between the 4 outcomes: The 4 outcomes are very broad and include work across forest sector reform (outcome 1), private sector engagement in the forest sector (at all levels and types); livelihood development and sustainable management of forests to improve climate resilience. These are large theoretical and practical areas with a number of synergies and likely trade-offs. Being explicit about these can then help to develop appropriate process and project indicators that can combine quantitative and qualitative indicators. As highlighted in the technical reports 'siloes' has taken place with different modalities of investment in the same areas (loans and grants). Indicators for the outputs and outcomes are in many cases not connected or duplicated and do not, in the absence of a clear theory of change lead to the output/outcome. For instance planting of trees may or may not contribute to sustainable / scientific management of forests and climate resilience.
3. Targeting of MSFP to people, forest ecosystems or watershed or development corridors. MSFP has multiple outcomes and effective targeting of the programme may vary depending on what the priorities are. MSFP also works at Regional, District, VDC and community level. Understanding which particular 'geographical and social spaces' MSFP need to work in is critical. For instance for outcome 2 it may make more sense to target areas with high access so that viable businesses (including small-scale forest industry) could be developed, whilst for outcome 3 it may be that poor, more climate vulnerable people need to be targeted and they may live further away with limited options for development. Furthermore cross-programme comparative targeting could be helpful as livelihood categories A-D mean very different things in terms of poverty / social exclusion across the programme area (see Vol2 GESI and Livelihoods report). Figure 2 below in Strategic Options presents a visual analysis of where targeting may take place.
4. How change takes place at all levels within Nepal. The current political processes in Nepal post the 2006 Comprehensive Peace Agreement are still being worked through, including the development of the constitution and holding elections at the local level. Understanding not only the larger political change processes, but how society is changing (migration, private sector development, identity based political campaigns, increased expectations and connectivity, changing gender/caste based social norms) is critical for a 10 year programme. Being clear about the local decision making opportunities emerging as the country moves towards a federal state and the implications for local forest land management as a result of devolution. Key informant interviews at the national level have shown that MSFP has to operate in a highly politicised space and being clear then about how a programme influences change through different modalities e.g. being a trusted partner, providing high quality evidence based on effective implementation of approaches, and highlighting blockages to effective implementation, could help shape the way MSFP operates now and in the future.

It will be important for MSFP post July 2015 to have a clear Theory of Change (TOC) that addresses all the issues above in a transparent manner. Annex 12 presents a narrative and diagram as a result of discussions within the team and with the DFP. This is for discussion only as not all stakeholders will agree to all elements of the TOC. Ultimately the TOC is a management tool (as is the logframe) that can help inform the subsequent implementation so that the MSFP can provide evidence to substantiate or disprove the critical change elements and to foster dialogue around key assumptions. Being transparent here helps wider understanding of the process and enables engagement with the issues.

#### 4.3 Review of the logical framework / Results Framework

As indicated above the logframe (without milestones or baseline) is contained in the ProDoc of 27<sup>th</sup> December 2011. The logical framework was updated in December 2014 with elements of the

baseline added and, for some parameters milestones set at 2015/6 and at 2018. This is certainly an improvement on the original and will now be used for a detailed assessment of the logframe. Note the logical framework to 2021 covers the possible 'deliverables' from the totality of the programme which includes the use of thematic districts as well as possible 'scale up' to 61 districts.<sup>29</sup> However when the update took place no move was made (as this was seen by the SSU as a limited update) to review the assumptions in the logframe as well as changes in society in the last 5 years. Not all the assumptions remain valid (see analysis in section 5 below in relation to the benchmarks). In particular the range of dynamism / flux within society and the MSFP stakeholders probably should be seen as normal and something to manage directly rather than expect a 'settled' input for the next 6 years. This would apply to MoFSC staff, programme staff, donor staff and civil society inputs into MSSC and other processes.

For any future work on the logical framework it will also be important to recognise the implications of the two earthquakes in April and May 2015.

In June 29<sup>th</sup> 2012 there was a draft document reviewing the key results from the ProDoc with some proposed changes for the 4 year programme. There is no indication as to whether this was accepted and developed. In programmes of this size and scale an effective set of up to date working documents should always be available for use by the programme and by other stakeholders, including reviews/evaluations. A failure to do this leads to confusion at best and at worst people working to different results frameworks. This material should be published and kept updated on the programme website.

It is not intended here to review the whole logframe but to make some comments regarding the setting up of milestones as well as scope of the logframe itself. The MTR recognises that the logframe is a management tool but the embedded nature of the logframe in the ProDoc has meant that it appears to have been considered 'untouchable' when the way the programme was to have been delivered was amended.

Critical issues are:

- Developing a detailed logframe for the period to (originally) 2015 and as extended to 2016. Even with only 1 year to go to the end of the transition phase updating the 2014 logframe to be more representative of the transition phase would be an important immediate step for the MSFP, especially if it could be linked to the stronger articulation of the Theory of Change. It will also require adaptation to take account of the implications (positive and negative) for post-earthquake reconstruction.

It is the view of the MTR that the MSSC could agree to this process as logframes are 'working documents' for management.

- A clear logframe for the time frame of any future programme would have enabled clear milestones to be laid out. For example as part of the 'pathway' to achieving climate resilience for local people (output 3.3) the development of L/CAPAs could have been a 'milestone on the way to achieving a reduction in climate vulnerability rather than, as has been seen by the MSFP management as an aim in itself. L/CAPAs may, in conjunction with wider VDC / DDC planning and funding from relevant sources provide a stepping stone – but they do not give local people resilience as these are a measure of activities and not what they enable. Therefore the way that output 3.3 is addressed with an annual increment around 10% of the final target is an inappropriate way of thinking about whether climate resilience is likely to be

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<sup>29</sup> Article 3 Programme Area JFA page 4/13.

achieved. There are other examples of this approach which is not appropriate for the types of indicators – which are likely to see ‘clumping’ of results as for instance a L/CAPA is actually implemented in a VDC.

Furthermore the data sources are strangely limited given that some DDCs have pre-existing assessments of vulnerability (DRR focused) that could also be utilised alongside Food Vulnerability Index etc. Also the 2010 NAPA provides a national list of Districts and their climate vulnerability (see Annex 10). Clearly there are different views on what would make an individual / household/community more resilient but drawing out the ideas more clearly around the vulnerable, the poor, the excluded and building of resilience is vital. There are vulnerable richer people and building gabions to protect private land may, or may not, be the way MSFP should reduce vulnerability and increase resilience. Without clarity on the TOC and hence the logframe the MSFP suffers from a fragmented implementation profile and is less a programme than a collection of ‘ad-hoc’ initiatives.

- Ensuring traceability of results to the logframe. No document has been provided to the MTR and we have not yet been able to create one that would show where the results shown in the logical framework would come from. At the very least a simple excel spreadsheet showing the following heading on an annual basis would be necessary (this is discussed further below):
  - Outcome / Output
  - Target for year / for transition period (July 2016)
  - Target for delivery from each IA per year (in separate traceable column)
  - Actual delivery from each IA per year
  - Results from Innovation Funds
  - Results from other contracts (specified)
  - Budget for Output
  - Actual spend per output
- The limited clarity regarding the elements of climate change work that crosses Outcome 3 and Outcome 4, as well as the indicators for Output 3.1 being based on a set of indicators that are highly technocratic in nature and could perhaps sit more sensible under Outcome 4. Output 3.4 for instance is also based on a limited approach to the development and implementation of plans without any indication of the quality of the plans or the processes that enabled them to be put in place. Climate change is now a cross-cutting issue like GESI and should, ideally be represented in all outcomes in a sensible manner. This would then allow a focus on climate intelligent investment e.g. around value chains and infrastructure to support climate compatible development which would include group capacity to increase social capital.
- Are the results /outcomes a measure of the MSFP inputs? Whilst accepting that some of the work in Outcome 1 may have led to an improvement of deforestation the level of ambition in Result Area 5 (Halve the deforestation rate in programme districts from 1.7 to 0.8%) it is possible to ask how far this might be attributed to the work of MSFP? The focus of the MSFP is on local management / community forestry and to a lesser extent private sector forestry, but it is not working on conservation forestry per se. Having this indicator at the outcome level raises concerns about attribution to MSFP. This should ideally be a Goal level indicator as a reduction in the rate of deforestation (but still a reduction in forest cover) will be the results of many interventions and not just MSFP.
- Possible ‘missing elements’ from the logframe? The logframe focuses very much on number based deliverables and yet there are important process elements of the work, especially at the community level, which are not captured. Whilst focusing on delivery of



L/CAPAs for instance the issue of social capital is not addressed and yet this is a key part of building resilience and improving recovery from disasters. Equally gender aspects of the development of 'women-only' forest areas e.g. small leasehold areas within community forests which can increase the standing of women within households and in the community. Or where small areas of public land that women manage can give them the confidence to address processes that do not take their needs into account. These process type results are fundamental to the success of the programme and yet are not documented and reported. This does a disservice to the extensive work that is being undertaken at the grass-roots level in building voice to hold others to account and to enter into development processes as equal individuals i.e. individual 'agency'.

- The availability of the Forestry Resource Assessment, maps and data sets. The availability of the FRA data presents the MSFP with a major dataset which could be used within the programme. Ideally this data, and the corresponding maps, will be placed in the public domain shortly to enable areas of the logical framework to be checked e.g. the possible areas of forest available for forest user group management – both new and existing. In-filling between existing groups to ensure that all available accessible land is under local forest user groups would be an easy 'low hanging fruit' for MSFP and Districts if the forest resource/existing FUG boundaries and other key factors like settlements/roads were available in map form.
- Updating definitions. Annex 5 provides the MSFP 'take' on a number of definitions used in the logical framework – including the thorny issue of 'what is a job'? Not only is the definition important but the methodology for measurement so that aggregation can take place. For instance the current job definition suffers strongly from the following flaws<sup>30</sup>:
  - Covers a very narrow range of work and makes no comment on the permanence of the work. For example the International Conference of Labour Statisticians who define items for official purposes indicate that jobs are related to tasks, while the wage employed, farmers, and the self-employed refer to the people who do them.<sup>31</sup> This is not the whole picture but indicates that the issue of job creation (formal and informal) is complex and needs to be related to the MSFP Theory of Change.
    - Doesn't take into account seasonal work that may be regular
    - Counts a full time paid work opportunity of whatever level equal to a part time low grade job
    - Doesn't differentiate when the 'work' has moved from home as a supplier of products to a factory. Not a gain in income but a change in location
    - There seems to be a blurring of 'wage labour' and 'job' with rate of payment around NR3-500 per day (or less).

Vol 2 Private Sector presents some further arguments around this issue as people change status but have no significant changes in their income.
- The outcome, outputs and indicators position the poor and vulnerable as receivers, beneficiaries (of jobs, budget, forest products) but there is no thinking about how MSFP's interventions can result in more equitable gender and social power relations i.e. transformational change;

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<sup>30</sup> See World Development Report 2013 for a detailed analysis of the whole issue of 'What is a job'.  
[http://econ.worldbank.org/external/default/main?contentMDK=23044836&theSitePK=8258025&piPK=8258412&pagePK=8258258&cid=EXT\\_FBWPubs\\_P\\_EXT](http://econ.worldbank.org/external/default/main?contentMDK=23044836&theSitePK=8258025&piPK=8258412&pagePK=8258258&cid=EXT_FBWPubs_P_EXT)

<sup>31</sup> World Development Report 2013 page 63

- There is no agreed revision process for the logical framework itself. It is seen by the MSFP SSU, and to some extent the donors as 'set' as it is part of the ProDoc. However logical frameworks are management tools and can be modified – even if the final targets on which Value for Money and cost/benefit analysis assumptions are more fixed. Without the ability to modify (through a well-documented process) the programme cannot adapt to evidence from implementation.

#### 4.4 Results Tracking – traceability of evidence

It is critical when working with a programme with multiple implementing agencies (Government and non-government) that there is clarity over what is being tracked, by whom, how and that data is obtained. Are comparative methodologies being used which allow aggregation? The MTR has tried to track the results and link with expenditure at the output level as well as the outcome level in particular (see Annex 4). The purpose of tracking at output level, at this stage in the programme, is to ensure that activities are delivering on key output indicators of the logical framework as, given the integrated nature of the MSFP, the need to achieve multiple outputs to reach outcomes will be critical to understand. Equally the management inputs need to be linked to the delivery of outputs and ultimately outcomes in the programme. Each IA has a different contextual challenges but there is limited standardisation of overhead (ranges from 3 – 7%)<sup>32</sup> the MTR team has taken the data supplied by the SSU on output level budget usage for the period 1 March 2013 to 31<sup>st</sup> March 2015 (Annex 4).

Issues raised with the current tracking are the following:

- Most of the reports at this level are based on activity reporting e.g. events held rather than what those events enabled. In the majority of the cases no indication of the quality or the final achievement was made.
- The balance between management costs and overheads in many cases reaches between 23 (LIBIRD) and 30% (Rupantaran) of the budget spent.
- The IAs spent in the two years between 83% (ECARDS) and 100%(LIBIRD).
- A wide variety of both activity to output reporting across the 6 core IAs included for both programmatic and management /overheads. Tracking who is delivering on what output at what time is a core management function and should be taking place 'in real time'.
- That only 2 IAs of the 5 analysed contributed to Output 1 (policy development)
- that only 1 IA has a budget line for Output 2.1 (*potential and constraints of private sector investment jointly identified by the private sector and other stakeholders*) whilst ALL IAs are working on Output 2.2;
- Annex 4 also contains a summary of the 'targets' and achievements of the core IA based on information provided by the SSU. This uses the 20 'outputs' from the MSFP rather than logframe indicators and contributes to the difficulty of tracking real progress to results as well as the linked expenditure at output level. There is a need to be much more consistent and focused in relation to indicators, budget, reporting and achievements.

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<sup>32</sup> Despite SDC clearly stated requirements on this issue that it should be based on well documented calculations. In many cases overheads are charged even when office running costs are charged – the differences between the two budget lines are far from clear.

## 4.5 Need for simple but robust monitoring data

Clearly a complicated programme such as MSFP needs to have simple and robust systems for tracking deliverables and financial expenditure. There is an important balance to be achieved between robust and simple given the capacity constraints that have been highlighted by the Fiduciary Risks Assessments (2011 and 2013). In addition there are debates around the capacity of government and non-government IAs as well as the SSU to function effectively (timeliness of disbursement, moving beyond activity monitoring to results, planning in an efficient and effective manner). An example of issues around monitoring data is given in Box 1 in relation to the status of a complete Community Forestry User Group Database.

The data needs of the MSFP need to be able to:

- Monitoring contract delivery and hence financial payments
- Monitoring achievement of results (not just activity monitoring) with disaggregation, not only of DAG and Non-DAG but for women, poor and the excluded separately
- Monitoring for learning across the MSFP 'portfolio of work' that enables 'context' specific issues to be addressed.

### Box 1: Community Forestry User Databases with MSFP stakeholders

Currently there are at least 4 CFUG databases in existence. None of which are complete. The 4 that the MTR is aware of are:

1. Database held by the Department of Forestry. This is based on legal requirements and reporting from DFOs and has received input from donors in past. It needs updating but did not appear to be the focus for MSFP work in this area (not supported by MSFP);
2. MSFP database on CFUGs that the programme works with. A word document was circulated to IAs on this topic but no agreed template. The databases from the IAs therefore vary in consistency of layout and content. This will make compilation (not yet done) very difficult;
3. MSFP Baseline development consultants have a 'sampled' database constructed as part of their work;
4. Innovation Fund Grant has been let out to construct a CFUG database – not yet complete.

For a programme working with CFUGs and other user groups having clear baseline database on the CFUGs would enable clarity on inputs (to high/medium/low capacity groups) as well as attributing change due to MSFP inputs. There are legal reporting requirements for a national database which, ideally, MSFP should have been able to use to provide information for its work. In the absence of a complete up to date database the MSFP should have examined its options on this work more carefully – including longer term operations and maintenance of the database.

A simple excel database should be constructed of ALL local forest user groups that MSFP is working with and this should be published for other to use as well (no personal data is included).

## 4.6 Quality of key evaluation data for attribution of change due to MSFP

MSFP was designed to build on the legacy of the DFID Livelihoods and Forestry Programme (LFP) as well as the Nepal Swiss Community Forestry Programme (NSCFP). Whilst this provides an opportunity to continue much valuable work it does provide an attribution challenge as many of the

forest user groups (of all types) that MSFP will be working with were set up and given extensive capacity building under the earlier programmes. There are three issues that are of particular relevance when considering the quality of MSFP data. These are

- Ability to differentiate ongoing gains made from LFP / NSCFP inputs (which would continue beyond the lifetime of those projects is successful even with no MSFP);
- Ability to understand contextual changes that affect opportunities for FUGs e.g. improved road access, migration, changes in policy
- Levels of independence and oversight of a) contracting b) any QA process and c) technical oversight for large studies such as the Baseline and outcome assessment?

### *Attribution issues and MSFP*

The MSFP is in an unusual situation in that it has 'inherited' the capacity at the forest user group level that was developed through LFP and the NSCFP. For MSFP this ought to give a 'flying start' to the programme rather than the normal slow start as capacity, knowledge and systems are developed. However this 'inheritance' can have difficulties as the modalities of MSFP are different at the local level and for DFOs and GoN stakeholders. Gone are some of the elements, including incentives such as DSA (Daily Subsistence Allowance), study tours and building of infrastructure, that helped achieve 'buy-in' from stakeholders who are not overly enthusiastic about community forestry. Also at the local level whilst relationships in some cases still exist but no move has been made to 'graduate' CFUGs from donor funded support. Many times LFP was mentioned in Clusters III and IV during field work as 'giving more'. This is not an unusual circumstance for a long term project finishes and a new programme starts in the same area, often with similar staff.

However this does raise a question about the attribution of change as a result of MSFP rather than ongoing gains made by the work of the two previous programmes. In addition there has been work by DFOs and by general changes in the context e.g. roads, markets and wider development projects. The baseline data added to the logframe in December 2014 illustrates some of the problem in relation to Indicator Output 3.1 in relation to area of forest management by local forest user groups.

It could be possible to assume that development would, over time, bring benefits to forest communities through normal actions (including investment from remittances). What one is looking for are catalytic step changes through investment from outside (LFP / NSCFP) as well as MSFP. The question for MSFP is whether the level of investments e.g. in Income Generation Activities (IGAs) or through work on policy change to enable sale of timber from Scientific Forest Management schemes can enable effective climate intelligent investment for short and long term development. Over time many development initiatives will be undertaken which will affect the 'attribution' of change to a programme. This is where having the most appropriate baseline can be important. For instance having a baseline that can track the progress of the individual groups i.e. site specific baseline which is then linked to a broader contextual baseline that might provide an 'average' view of the changes within the district as a comparator. In this type of long term projects where many development activities are being implemented, as well as wider societal changes e.g. migration and political/cultural changes e.g. reduction in caste discrimination it is vital to have a strong understanding of change processes to enable both direct attribution e.g. per group as well as wider contribution analysis across a District or Region. The issue can be illustrated as in Figure 1.

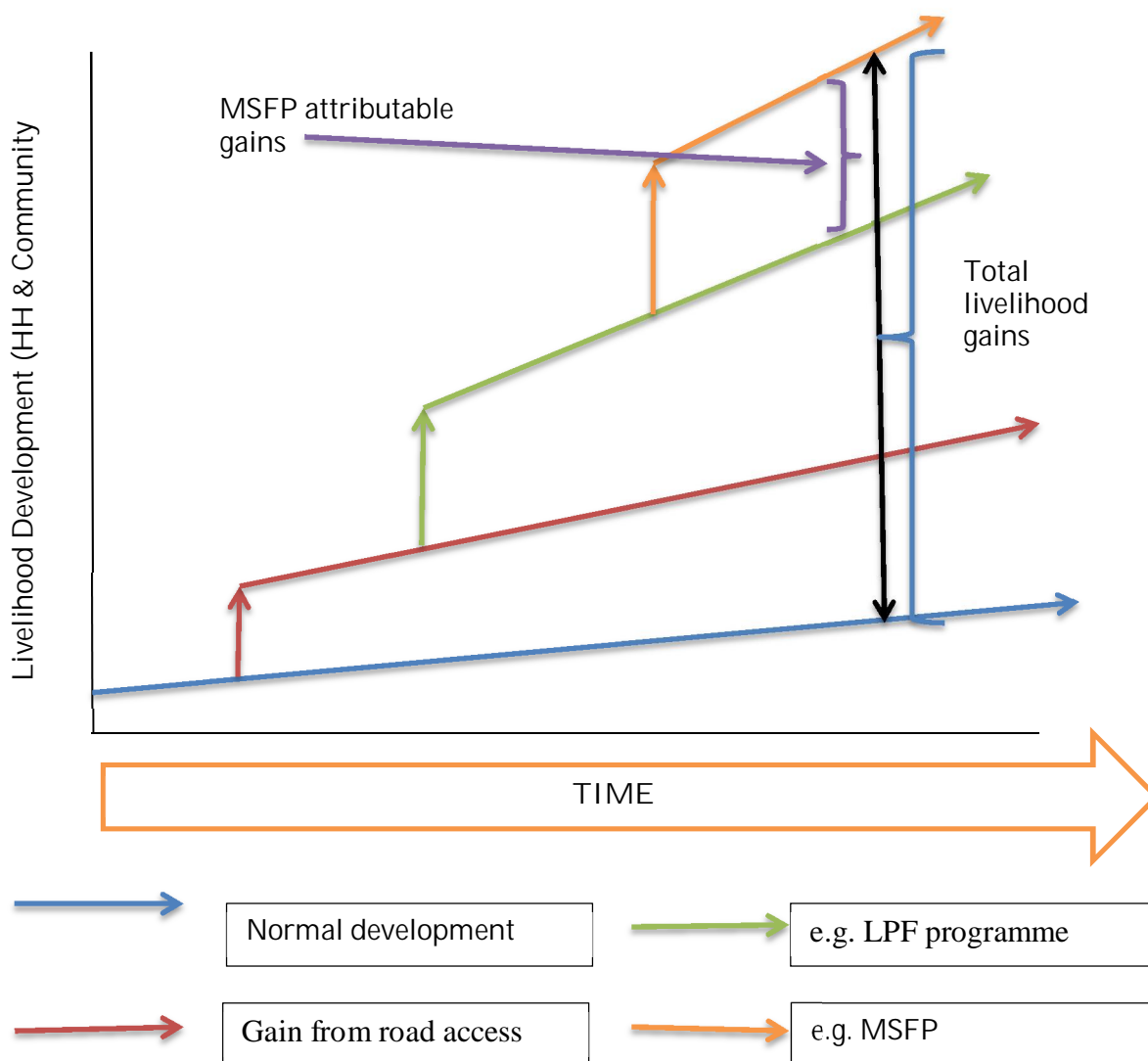
To achieve the expected 'step-change' in results from MSFP the programme would need to focus its efforts more clearly and provide opportunities for significant investment e.g. beyond the NR7,000 often mentioned in relation to 'revolving fund' investment in livelihoods. In addition many of the grants made were not to use the resources from the forest – even fodder resources were often highly limited. The MSFP needs to consider where its 'core' work lies in relation to building livelihoods. Is it a generic livelihood programme or is the focus on the use of forest resources. Annex 10 highlights that only 1 out of 14 CFUGs visited in clusters I and II reported that they had sufficient resources from the programme. This was also repeatedly mentioned in clusters III and IV. It highlights a core

issue for MSFPs TOC i.e. whether the use of forest resources (timber, NTFPs and indirect benefits such as water) can fundamentally improve livelihoods and generate economic prosperity.

### *Understanding Contextual Change at local, District and National Levels*

The current MSFP is working in the 23 core districts and 20 thematic districts and so is covering a lot of ground. Plans to expand to 61 Districts (as per the JFA) will place real demands on understanding what is working, where, why, for whom and how to enable effective plans for scale-up and scale-out to be put in place. Scaling out (to new locations) may not have such intensive engagement planned in – or be done through different institutions (local NGOs or government agencies or private businesses themselves). In that case during the 'proof of concept' stage the MSFP needs to understand very clearly the contexts (political, cultural, social and environmental) in which it is operating. That would enable it to be clear about the necessary and sufficient conditions to achieve success – including the engagement with key partners, that could support scale up either through policy development or scale out to other locations that have not experienced the approach before.

Figure 1: Simplified Diagram related to attribution of change to MSFP?



The diversity of contexts within Nepal make a national programme difficult to implement. This is made more difficult when there is no clear Theory of Change, or a process of continual review as quality evidence is obtained. However it is vital for both accountability and learning within a programme that explicitly wishes to move to scale and to work around policy and regulatory framework reform to foster effective management of forest resources for livelihoods, economic prosperity and environmental sustainability.

Understanding contextual changes is also absolutely vital for the effective transformative power of working on GESI within MSFP i.e. beyond simple counting approaches. True transformational change, which is also ultimately linked to issues of social capital and hence resilience to shocks, including climate change is vital. The rate of change in Nepal means that no historical analyses are likely to hold true and must constantly be challenged through appropriate transparency and dialogue. These two points are key features of multi-stakeholder dialogues and processes should be developed to give these more prominence.

### *Independent verification*

Whilst the MSFP has in place some 3<sup>rd</sup> party monitoring it would not be unusual for a programme of this size, complexity and length of operations to have a fully independent organisation undertaking independent verification of results on a 'real time' basis. In addition the organisation would usually be involved in setting baselines, undertaking outcome surveys, being involved in reviewing TORs for learning studies as well as commissioning them, as well as setting up formal approaches to results and impact studies using qualitative and quantitative approaches. The team would work with the MSFP implementation stakeholders (PCO / SSU / IAs /MSSC and others) to develop the TOC and appropriate results framework as well as the systems and processes that would allow routine monitoring to provide quality data for evaluation exercises including annual reviews, mid-term reviews as well as a final impact assessment. The contracting of this organisation would be by the donors, in conjunction with the GoN but would be totally independent of the implementation team.

## 4.7 Types and quality of studies

As part of the methodology proposed for this MTR the team have examined a number of studies against a standard set of criteria. As the MTR progressed it is clear that there are five types of studies that the MSFP commissions i.e. :

- Formal and complex studies using accepted standard methodologies which will provide important evidence around the way that the forest sector operates, as a whole, in Nepal. Example GDP study.
- National Policy studies which will provide inputs into different processes . Example NFE consultant study.
- Studies to support implementation. Example Private Sector study.
- Studies to support monitoring, evaluation and learning. Examples are baseline and Output Survey.
- Ad hoc studies. Examples include value chain studies which may be commissioned by the IAs.

What has become increasingly clear to the MTR is that the SSU and PCO have little internal capacity to manage complex study processes. One can argue that it is not their role to have that level of capacity and the MTR would agree with that. What is therefore required is the establishment of a robust peer review process that would enable experts to be involved in the

writing of TORs, evaluation of technical elements of bids, inception reports/ methodology approach papers as well as interim and final reports. Expecting the SSU Coordinator or M&E expert to contribute to the Technical Working Group on the GDP study does not seem an appropriate use of their time (beyond simple contract management). Where complex studies are to be undertaken (and this would include baselines and outcome surveys as well as wider action / learning research) agreeing to set up a panel of experts to oversee the work can be very productive and is likely, despite some extra costs, to lead to more robust studies.

The second critical point is that many of the studies are not being used in actual implementation design and monitoring. Whilst the baseline study has given some figures for the logframe it doesn't appear to have a broader role in learning and understanding in the programme. So this report would only be rated amber even if it is internally coherent (green). The outcome survey is also not being used except as a way of presenting similar data to that which the SSU should already be collecting. It is neither independent (using a lot of SSU generated data) and is contracted by SSU – hence directly responsible to them. Whilst internally coherent – the use of this report is limited within SSU.

In relation to studies to inform implementation again what use is made of even strong documents e.g. Private Sector report? Whilst this may be a good study in itself (internally coherent and hence green) given it is not used to inform planning (or at least not to date) then overall it would be rated amber on the criteria given in Annex 14.

In reality, and especially in relation to the key studies that are recommended to be undertaken in the next 12 months, the SSU needs to draw on relevant national, regional and international expertise to set up robust studies that are defensible. There are often multiple ways of obtaining data – beyond household survey approaches – that combine quantitative and qualitative data. Using mixed methods can provide an opportunity to link contextual understanding with the quantitative data. In some cases in Nepal there exists good quality quantitative data (from census and other surveys) which could be combined with spatial data (FRA, watershed....) and context specific qualitative data around changing social dynamics (more participatory / ethnographic). SSU itself, as indicated above would not be expected to have these skills 'in-house' but should be able to develop an effective management process, through use of peer review, to ensure good quality surveys are commissioned (TORs and bid evaluation processes) as well as tracking of methodology (and any changes), inception reports as well as interim / final reports.

### *Review of Baseline*

The SSU commissioned a baseline which was submitted in September 2013. The MTR team has seen the formal report Volume 1 – Main Text, and Volume IIA methodology development. Neither of these reports contains the original TORs which makes assessing whether the reports meet the TORs impossible. However the material as available has been reviewed (not a full Quality Assurance) but an overview of the approach and possible usefulness of the data included. From the Methodology Annex it is clear that the focus is on setting a baseline for tracking of the logframe indicators and aims to address some of the broader contextual issues as well. This was a 12 month study. For such a major study it would be normal to have a specialised 'reference group' that would be able to ensure that the original TORs were appropriate for the task being procured and would undertake formal Quality Assurance around the proposed methodology, inception report and final report. This is important as this highly technical piece of work is providing a baseline for a 10 year programme and mistakes in the design of the work, and in the analysis have long term consequences. It is certainly common practice for DFID to commission QA on baseline work for long term projects of this size and scale.<sup>33</sup>

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<sup>33</sup> DFID has a Specialist Evaluation and Quality Assurance Service (SEQAS) which undertakes this work free to the programme itself. Turnaround time is 10 working days so does not interfere with implementation especially if material is up to standard. The TORs may have been prepared pre-

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There is no articulated MSFP TOC on which the design of the baseline is based, but it is noteworthy that they use a Livelihoods Assessment Approach for Climate Resilience. Without the MSFP TOC the baseline team have made assumptions such as:

'The main objective of community forestry is to fulfil the need of basic forest products, including fuel wood, fodder, bedding materials for livestock and timber. However, in recent years, greater emphasis is being placed on livelihoods and poverty alleviation.' (page 33 Volume IIA)

This is not in line with issues around the use of forest resources for business development in outcome 2 in particular.

However, the baseline is clearly a major piece of work and goes well beyond just providing information for the logframe baseline update (undertaken in December 2014). What is far from clear is how the material in this report will be used by MSFP to inform design and ongoing learning. A missed opportunity as there are clearly areas of the Baseline report that are very important to understand and to use. Being able to link this information to the data set of the Forest Resource Assessment could provide a potentially vital tool for monitoring, design and learning within MRSP.

### *Outcome Study*

The SSU commissioned in 2014 an Outcome Study which was published in March 2015. Unfortunately the TORs for this study are not available for the MTR team.<sup>34</sup> The MTR team have access to a hard copy of the main report and the 4 separate outcome reports. This is, as the baseline, a highly technical piece of work and there does not seem to have been any technical support to work with the SSU to ensure that the approach and findings are valid. In this case much of the data that is used from in the report relies on data from the MSFP itself and are not verified independently in the field. This raises a question of exactly what the purpose of the outcome study actually was as it was 'to synthesize and cross-verify the programme made by the programme' (page 13 Outcome Survey Report). The main data for the 39 indicators considered (10 were not considered) was primarily taken from secondary data i.e. the programme itself.

As with the baseline the use of a more formal approach based on a clear TOC and results framework would enable approaches that built on the baseline study at household / group level. The selection of a number of households and FUGs as possible 'panel' members to be tracked each year would enable, through a mix of quantitative questions and qualitative discussions a better understanding of the dynamics of change taking place at the grass-roots level in particular. This outcome study was something of a missed opportunity to explore beyond the MSFP database and verify the actual results in a number of sampled areas.

## 4.8 Management and Governance for effective delivery

The JFA and ProDoc lay out the main governance arrangements for the programme including the roles of the Multi-stakeholder Steering Committee (MSSC), the PCO and the SSU. For a programme of the size and complexity of the MSFP the governance and oversight arrangements are light. Moving from two bilateral projects to a country wide programme with national delivery was highly ambitious and yet the MSSC is only slated to meet twice per year (Article 6 of the JFA indicates that the 'MSSC will meet as necessary, but not less than twice a year to provide strategic guidance.'<sup>35</sup>).

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SEQAS (1 Dec 2012) but certainly the main report could be sent for QA. The MSFP MTR Team Leader is the Programme Manager for this service. Even now it may be useful for the baseline report, TORs and methodology to be subject to QA i.e. beyond the support already given by the Donor Focal Point. The data is available and archiving / using this material is going to be vital for any longer term impact assessment that might be planned.

<sup>34</sup> It may be a minor point but it is normal practice that a study contains the TORs against which it was prepared and includes, if appropriate, any agreed changes to the TORs. This allows, especially for reports that are likely to have validity over the longer term when staff may well have changed, to be clear about what was contracted and why.

<sup>35</sup> JFA page 5/12 Article 6.1 (emphasis added)



The MSSC has no 'executive committee' that might meet monthly to oversee the work of MSFP. Whilst the donors met frequently during the 'set-up' period due to issues of procurement of IAs and alignment of different approaches the PCO / SSU are almost 'self-contained' in their approach to the MSFP implementation. The strategic importance of the MSFP is recognised in that article 9.8 of the JFA indicates that 'The National Planning commission shall classify the Programme as a core Programme of national priority. This shall, through MSSC, involve in monitoring, providing strategic direction and help remove hindrances to strategic question for forestry Programme planning and operation.'

### *Consequences of MSFP modality change and expansion?*

The MTR was repeatedly informed that altering the ProDoc or the logframe would be a difficult process. However the JFA does contain provision for amendment (Article 17.2) as witnessed by the 1 year no cost extension (March 2014). Yet important issues such as the inclusion of the Ministry of Federal Affairs and Local Development (MoFALD) in the list members of the MSSC (Article 6 JFA) have not been apparently considered. Much of the work of MSFP takes place within the Districts and VDCs where MOFALD have a specific legal and organisational interest.

When the first procurement of a single IA to implement in the 23 District failed there was no consideration of how the SSU needed changing BEFORE the procurement of the 6 core IAs. The Fiduciary Risk Assessment and perceived low capacity of the IAs was used instead to develop the SSU at cluster level rather than the systems and processes at national level to manage the expanded portfolio. This was then followed by an expansion to 20 thematic districts (5 are still under procurement) to 'attain numbers' in relation to logframe delivery. When this was combined with the development of the innovation projects and micro-projects it led to the national level SSU itself being overwhelmed. A limited attention to the Theory of Change, the processes for monitoring and implementing a large multi-site programme and a project mentality has led to a range of fragmented inputs. For instance many Districts do not know how the innovation funds were selected and it is often 'by chance' that they are aware of work being undertaken in their area of operations. No thinking was given to 'District level' problem solving or effective learning to support policy change e.g. assessment of the work on PLM to inform the working group in the MoFSC. The consequences of this has been that SSU technical staff are spending between 40 – 80% of their time (depends on time of year) on contract management rather than technical inputs.

### *Donor vision for MSFP – coherence and ambition?*

Donor partner support has been available to enable coherent working across the three donors. However the focal areas of the three donors appear to vary in relation to the programme itself with DFID having a strong emphasis on the climate elements as the MSFP is part of DFID's wider International Climate Fund portfolio. There will always be areas of differential interest but for a programme of the size and scope of the MSFP a number of areas of good practice do not appear to have been put in place. Some of this leads back to the ProDoc e.g. limited of independent monitoring and verification of results (although some joint monitoring did take place) which is common in complex programmes of the size of MSFP. Linked to this is a limited (until December 2014) attention on fundamental issues relating to development of the logframe, the theory of change and effective management of a programme that moved to scale very fast. Even under the ProDoc the idea that there was a need to bring all 23 Districts into play in year 1 of the transition phase – to provide an ongoing bridge between LFP and NSCFP – may, with hindsight, have been overly optimistic. Not only has it kept the LFP / NSCFP mentality alive within the SSU and the CFUGs (expectations about the type and style of support) it provided a real challenge to the national modality which is at the heart of this programme.

Whilst results from a 4 year transition phase were clearly required, learning was also going to be important to enable the option of taking the MSFP to scale i.e. the 61 Districts once the proposed NFE (or other modality) had been set up. This needs to be linked to building a strategic partnership with an appropriate technical institution for GIS based socio-economic and environmental resource

management and knowledge management. This would enable data to be used within MSFP, to support sound evidence for policy at a national level and contribute to the Government of Nepal's possible future data and reporting requirements to international processes such as the UNFCCC and the Sustainable Development Goals (e.g. SDG 15 includes forestry).

However limited formal learning has taken place within the MSFP even around relatively uncontentious issues such as 'when does a CFUG become self-sustaining' i.e. graduates from donor funded support (may still retain support /backstopping from DFO and related agencies). It is important to note that the MSFP does not have a learning or communication strategy. Whilst approaches have been made to ICIMOD to set up a contract for Knowledge Management the wider elements which link to this i.e. how to get evidence into appropriate forums for policy making and wider learning have yet to be grappled with. When 3 donors are actively working together (a strong positive from MSFP) it is important that there is clarity around what support individual donors could provide to the lead donor and the programme to ensure technical support is provided and formal reporting arrangements are managed in a coordinated manner.

### *MoFSC ownership and role of PCO*

The Forestry/Institutions report in Vol2 explores in detail the engagement of the PCO with the programme. The JFA does indicate that the PCO should be 'led by a Joint Secretary deputed by the Ministry of Forests and Soil Conservation as Programme Coordinator (PC).' 36 It is strongly recommended that during this important transition year that the MoFSC takes note of the requirement in the JFA for a Joint Secretary to lead the PCO.

In addition the JFA<sup>37</sup> indicates that 'MoFSC shall provide personnel as defined in the Pro-Doc for the Programme at the central level particularly at the PCO and reduce their transfer to a minimum.' The MTR has had repeated reports regarding transfer of staff not only within the PCO but at a very senior level within the MoFSC with 8 Secretaries within the 4 years of the programme. Given that the Secretary chairs the MSSC that does provide a continuity challenge for the MSFP and all stakeholders. However in this time of change within the Government itself this change process might have been foreseen and taken into account in planning and management arrangements e.g. having a deputy chair from another Ministry or the NPC which between the two may have provided more continuity.

## 4.9 Financing mechanisms

Article 9.5 of the JFA lays out the percentage of finance that over the 10 years will be 'together, approx. 37% of the total project fund will be channelized through the GoN line agencies' with Table 2 below highlighting the main funding channels. The JFA raises two issues which are of interest when considering the future of the MSFP namely:

- Article 10 JFA lays out the process for GoN implemented activity financing including timely disbursement of funds (10.1) and Article 11 covers accounting and auditing.
- Ownership of items – exclusive use of the programme until the 'end of the transition phase of the Programme, or the next Programme phase' (Article 13.1). end of programme all assets transfer to the GoN (unless already agreed auction).

Despite the JFA, and the 'No-Cost Extension' letter of the 27<sup>th</sup> March 2014 an issue has been raised by the MoFSC in that the detail in the JFA and ProDoc is insufficient for it to process, in a timely way, based on Yearly Plans of Operation (YPOs) the budget for District level implementation activities. Specific issues that arose in a number of discussions with DFOs were late arrival of funds,

<sup>36</sup> JFA page 7/13 Article 8.2

<sup>37</sup> Article 9.7 page 8/13 emphasis added

insufficient funds to implement activities at field level (relating to DSA and cost norms), lack of incentives including capacity building and study tours as well as broader issues of capital investments in infrastructure – notably Ilaka offices. What is clear is that there are many different perspectives around what Government Ownership means in relation to the commitments in provision of ‘an agreed level of funding in kind to the MSFP’<sup>38</sup> the level of detail in the ProDoc continues to provide opportunities for elements within the MoFSC to restrict support to the MSFP for work at national and District levels. During June 2015 discussions have taken place at a high level between the MoFSC and MoF to resolve a number of these issues including providing a more detailed budget and a resolution to the issue of DSA for the PCO. This is warmly welcomed and hopefully resolution will be in place in the near future.

Table 2: Main Funding Channels for MSFP

Item	Total Budget (covered in JFA from 23.01.2012 – 31.03.2015)	% total budget
GON (Treasury) (reimbursed after submission of internal audit reports)	754,260,000	17%
GoN – direct funding against annual plan and budget of the PCO.	886,319,500	20%
Implemented through non-GoN service providers (competitive grants, off treasury)	1,900,130,000	43%
Implemented through Service Support Unit (SSU) (Direct, off-treasury)	909,290,500	20%
Budget to be reflected in the GoN Annual Budget Book (Red Book)	4,450,000,000	100%

From the GESI analysis (Vol2) it is clear that the wide range of activities are classified in very different ways by each IA which leads to questions about whether there is an effective and systematic classification of key activities and hence results that is used across the programme. Without this tracking of expenditure and results is highly problematic.

#### *Contracting IAs for 2015-16*

The MTR wishes to focus on one issue in this section regarding the process of contracting IAs, including issues of process, assessment and time line. In March 2014 the Ministry of Finance agreed to a ‘no-cost’ extension to the MSFP through to July 2016 due to currency gains. At this point the core IAs were approximately one year through their initial contract. It was clear from the 2013 Fiduciary Risk Assessment that some of the IAs were finding processes challenging and that some internal reforms were required. At this time the IAs were all on separate but similar contracts for delivery of the programme. However it took until end March 2015, including a 15 day no-cost extension to existing contract, before the SSU and IAs were contracted through to July 2016.

<sup>38</sup> Preamble JFA page 2/13

Critical issues that highlight management and process challenges within the SSU, the IAs and to a lesser extent SDC itself. These are laid out below:

- Whilst the 'no-cost' extension was known about no formal notification to the IAs regarding a 'costed' extension was given at that time (March 2014) which led to uncertainty and in some cases to key staff being lost by the IAs;
- It took 3 months (October – December) for the SSU to make an assessment of the IAs capacity despite the 2013 Fiduciary Risk Assessment, 2014 audit report and agreed action plans. Expenditure to results was not tracked properly to see the 'value for money' of each IA.<sup>39</sup>
- In January 2015 a meeting was held in Pokhara between SSU, SDC and IAs where a 'framework' was agreed on the process. However no formal guidelines (other than individual IA TORs) were issues. No guidance on controversial issues such as overheads, care hire, staff salary bands.... or templates for submission of budgets, proposals were issued. SDC did issue clarification to the SSU regarding this matter, but the IAs are clear that they were not, as a group given the detailed requirements that SDC required – including issues regarding compliance with SDC overhead policy.
- The IAs submitted proposals in many different formats and did not use standard approaches to calculation of overheads and other expenses. Tracking to results was also weak with the TOR results not obviously being linked to logframe results at output level.
- SSU doesn't have meetings with the IAs as a group to resolve these issues preferring to deal one by one. This leads to outcome managers and technical leads, who are managing these contracts, to give contradictory information and not to coordinate well. This leads too much to/fro and SDC are unable to get proposals in a well presented format in good time.
- A 15 day no-cost extension is given to cover the end of existing contracts prior to agreement on the 15 month extension.
- No account is made in the plans/budgets for the 'close-out' in July 2016 i.e. do the IAs need to close down activities by say end March to enable financial reconciliation with the current no-cost extension for MSFP. This cannot be addressed, as was indicated to the MTR, next year at the last moment, but should be transparently planned for now as it is clear that a decision is required at a high level on this.

Overall this process was very 'messy' and time-consuming. It has also helped to reduce trust between the SSU and IAs as well as between the SSU and SDC. Managing contract extensions, especially, when the opportunity to do so is known 12 months in advance, should be a carefully managed, time bound activity. Work on assessing the capacity of the IAs should have been in place much earlier given that this was a known issue – evidence was available (or should have been) from the Fiduciary Risk Assessment / Audit as well as progress tracking /independent verification. A failure to manage this process highlights limited management focus on critical risk related issues and an awareness of how the SSUs behaviour affects the contract holders in a negative way. It increases costs, reduces staff retention in IAs (hence losing capacity that has been built in the previous 2 years) and reduces the ability to deliver the programme effectively.

#### 4.10 Building Capacity for Delivery

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<sup>39</sup> Note that this is not the same as the wider Value for Money study that the MSFP has contracted which was sent to the MTR team on 7<sup>th</sup> August 2015.

The programme took an important decision to use a national implementation approach to ensure that the MSFP itself contributed to building capacity and learning within Nepal. This was a bold decision and one that has led to extensive issues around the 'capacity to plan, manage, implement, monitor and learn'. Some of the resultant capacity claims are down to the poorly developed systems and processes that are tailored to the capacity of the key stakeholders, others are due to the ambition of the programme whilst others are due to a limited both project and technical capacity to enable strategic planning and implementation to take place. Some of the issues that have emerged through the MTR are:

- No documented needs assessment showing the skills necessary for IAs, LIPOs and DFOs to implement the programme. As a result there is no clear capacity development plan in place to support capacity strengthening for government staff, for NGO staff and for communities. Capacity building can also build confidence amongst new staff or staff dealing with new situations – particularly at the local government level. Given the model of national implementation by Nepal organisations (government and non-government) attention to the capacity issue should have been built into the programme at an early stage with a highly phased approach as clear capacity / skills / processes were developed. The change in modality at the beginning to 6 IAs should have 'triggered' more attention to this especially following the Fiduciary Risk Assessment. Whilst the SSI has support IAs to prepare action plans on financial management these areas are still not universally addressed. Laying out what skills are required would help more clearly when procurement of services is undertaken as there would be an objective list for consideration and scoring of bids.
- Poor coherence of funding streams at VDC level including LAPA processes which are not linked to VDC planning, or do not provide the ground work for VDC planning of 'climate resilient development',. There are tensions between the use of the VDC as a unit of the projects geographical focus and the way funding is channelled. If the LAPA is endorsed by a VDC then this can aid wider planning – but still issues of funding coordination would remain.
- Limited attention to the process of linking forest and climate adaptation planning to local planning processes in many areas including through the DFSSC. Where it has taken place it has been limited to coordination and not about planning and learning. Linking the DFSSC to wider DDC planning for periodic and annual operational plans is critical for MSFP. This can include aligning to 'pick up' opportunities such as new road /bridge building thus improving access to markets, or energy provision thus supporting small scale industrial development based on forest products;
- Quality of staff in key positions in SSU and PCO and their ability to build a shared understanding of the MSFP within the MoFSC and more broadly in the GoN. A failure in strategic leadership and to provide the dynamisms necessary to move a large programme into operational mode and to build linkages across different activities and implementation modalities. There was a contract for a national level organisation for capacity strengthening but this has not worked.<sup>40</sup> Also there was a requirement not just for 'single training' but for a capacity building process that was continuous at all levels. This was not in place beyond what support the Donor Focal Point could give around M&E in the last year or so.
- Inclusion of a range of extra work streams including innovation fund, quick impact funds without attention on the core elements of the MSFP. This extra work did not take into account any consideration of the additional effort to achieve 'numbers' to address logical

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<sup>40</sup> The MTR team has not been able to speak with this service provider.

framework targets rather than formally understanding what was required to move from project to programme as well as review logframe targets in a comprehensive way following the failure of the initial procurement and hence late start. These were not focused on how they would contribute to the achievement of the programme goals and also how it would place extra burdens on the staff of SSU or the IAs / DFOs.

- The changes in social composition at village level due to migration and in some areas increased wealth e.g. feminisation, gerontisation (i.e. older people in village) and wider options for jobs in some areas as roads and other communication infrastructure is built have not yet been taken into account in relation to planning and understanding the implications for local forest land management;
- The MSFP did not actively examine how to build on LFP / NSCFP systems and processes for a changing social-economic climate rather than just continue existing approaches. This is highlighted by limited attention to how to 'graduate' CFUGs to independent existence i.e. no longer reliant on donor programme financing. Another example is that GESI has lost the excellent focus that LFP had on addressing the structural issues of discrimination.
- Quality of technical support at all levels in particular in relation to climate change adaptation and business development (including small scale industry or high value products). This includes limited formal coordination between DFOs and NGO implemented activities. Modalities of operation at District level need to be more clearly aligned and agreed through the DFSCC;
- Unclear framework of collaboration and partnership among multiple partners at the district level (insufficient collaboration). This is important also in relation to monitoring and learning issues where the DFO as well as IAs and LIPOs should be jointly learning, with other stakeholders, for accountability purposes as well as identification of what works or where any blockages are. There are some moves to increase this collaboration but it is still limited in many districts visited by the MTR.
- Insufficient understanding of GESI principles and their application. GESI work is primarily limited to targeting and not to comprehensive analysis and addressing of barriers. There is a need to move beyond counting numbers and measure the quality of inclusion. This has also included the size of the budget for income generation activities which has generally been limited (leading to a focus on low cost purchases such as goats) rather than enabling a more comprehensive livelihood development package which may include, particularly in areas near District towns new ideas such as non-land based skills training.

#### 4.11 Critical Messages regarding management and governance of MSFP

Based on numerous interviews and a reviews of MSFP documentation as well as the findings from the field work there are concerns about the management and governance arrangements for the MSFP. Some concerns come from a failure of the management team (SSU / PCO/ MSSC / donors) to translate the initial Prodoc into a more detailed document for regular use. This vital step would be normal in any programme, but in the case of the MSFP it was even more important that this was done following the collapse of the initial procurement of a single Implementing Agency. At the point there the MSFP needed to reconsider its fundamental operating arrangements and focus of the programme. Examples of areas that required attention include updating the MSFP M&E system documentation (dated August 2011 i.e. before the JFA itself was signed), as well as considering the Theory of Change and logical framework as part of the paper on Strengthening MSFP SSU Capacity (November 2012). To be fair the team charged with managing the MSFP were more used to managing a single unified project that a large and complex programme that would develop through 6 core IAs, with DFO inputs, often in the same District as well as extensive work on Outcome 1. The issue was made worse by the rapid expansion of the MSFP into thematic districts as well as innovation funds and micro-projects.

Programme management systems are very different from single project systems. One needs to have harmonised reporting systems but these also need to be sufficiently flexible to enable the delivery of the portfolio of work in the very different implementation contexts across Nepal. This step change in understanding was needed and the very limited external Technical Assistance on practical programme management, rather than forestry matters, available to the management team probably restricted critical thinking regarding this matter. Going forward the above analysis indicates that the following matters need to be addressed if MSFP is to continue in one form or another.

- It is vital on a complex and large scale programme with the level of funding that MSFP has (over the transition period (4 years) and the longer term) that a robust set of management systems in place. Any future design work must consider practical management issues alongside wider issues of multi-stakeholder engagement. Without a strong basis in good management practices any wider development of multi-stakeholder processes may fail as operational issues and ownership are not developed. Multi-stakeholder processes thrive on shared learning and a sense of achievement which can only come through solid and systematic programme management.
- The management systems should be transparent (including publication of material on the web-site for all stakeholders to see), robust (independently verified through audit and other tools), suitable to the capacity of the managing agents and implementation agencies (Government and Non-government). They should be focused on tracking results and process change for differentiated and engaged stakeholders against a clear Theory of Change and Results Framework.
- Key 'building blocks' should be in place with signed, dated current documentation. Alongside this should be a clear review process that enables management to respond to learning around what is working, for whom, where, why and how. This would enable 'off-track' issues to be addressed through cancellation if inappropriate or focusing management time and capacity (technical, skills and systems) to support innovation or 'hard to delivery' elements.
- Transparent agreement on results (process related as well as measurable numbers) that are tracked contract by contract to enable clarity on where results will be obtained and over what time-frame.
- Clarity around how to use a logical framework to track milestones of the process as much as the resultant numbers (targets). This should also be linked to the Theory of Change and learning strategy. In a 10 year programme with ambitious targets understanding how individual, household and community resilience is achieved requires a clear understanding of the 'pathway to impact' and what needs to be in place (policies, plans, investment finance, social capital, monitoring systems.....) to enable resilience to be built.
- Proof of concept to enable scale up (to policy level) and scale out (to other locations) requires a formal learning strategy that includes implementation stakeholders as well as others in the multi-stakeholder space who may be instrumental in enabling scale up and out to take place.
- Governance arrangements should be robust, including multi-stakeholder inputs on a very regular basis (ideally monthly for an Executive Board).

# 5 Conclusions and recommendations

## 5.1 Indicative assessment of the 4 outcomes and MSFP against Evaluation

### Matrix

Table 5 below provides an assessment of the 4 outcomes and programme outcome against the key evaluation questions. A full assessment is given in Annex 11. In addition to assessing the current situation the MTR also has made an assessment of the level of evidence to support the MTR conclusions. The criteria for this assessment are given in Table 5. It is clear that in a number of areas the MSFP is not able to provide robust information for 'accountability' or for 'learning'.

Table 5: Summary Rating of the 4 outcomes against key questions, quality of evidence and overall programme performance. Note that this table links to the detailed table given in Annex 8.

Rating	Criteria
Robust (R)	Strong and robust evidence from different sources which is mutually supportive of the conclusions that are drawn. Evidence is widespread across the operational contexts.
Supportive (S)	Evidence from different sources is mutually supportive of the conclusions that are drawn. Whilst weaknesses may be seen in some areas the 'density' of evidence provides confidence in the conclusions.
Indicative (I)	Evidence from different sources does not always agree. There are general weaknesses and gaps and therefore the conclusions that are drawn should be seen as provisional and perhaps used as an indication that, if the topic is fundamental to an understanding of the modality that further targeted research work is required.
Poor (p)	Limited or no evidence available from any source. Main evidence limited to 'hearsay' and very localised experiences. The main conclusions that are possible in this situation would be that further work may well be required in these areas, especially if significant claims to operational effectiveness are required.

For achievement we could use the following criteria:

Rating	Criteria
Above Expectations	Results are on track and above expectations when compared to the logical framework (for results) or any wider documentation in relation to TOC / IA contracts / DFO deliverables etc. Clear evidence is available to support this either from within programme or from the MTR itself.
On track	Results are on track and above expectations when compared to the logical framework (for results) or any wider documentation in relation to TOC / IA contracts / DFO deliverables etc. Clear evidence is available to support this either from within programme or from the MTR itself.
Off track in terms of time but clear plan for moving forward	Results are off track when compared to the logical framework (for results) or any wider documentation in relation to TOC / IA contracts / DFO deliverables etc. There is a clear plan in place to address issues relating to slow delivery and there is evidence is available to support this either from within programme or from the MTR itself.
Off track and not plan for moving forward.	Limited or no results being achieved that are of relevance to the programme. No clear plan to take work forward e.g. through a clear TOC, project 'uplift' plan or capacity building to support critical delivery.



Evaluation Questions	O 1	O 2	O 3 GESI CC	O 4 Forest CC	Quality of Evidence from MSFP <sup>41</sup>	Quality of evidence from MTR	Overall Programme Performance
Results Analysis (TORs 4.1)	NFE & FSS now moving				I	S	Behind track but not unexpected in early stages.
Risk Analysis	<p>Risks are high as MSFP doesn't have a strong governance structure. Management is fragmented and generally focused on contract management rather than technical matters and learning. The current dynamic context within Nepal is a risk but also an opportunity. The Fiduciary Risk Assessment would indicate that this programme remains a high risk programme BUT the possible rewards make this an important area to continue to work in. However the risks could be managed with the right governance structure. Strong donor engagement on governance issues (which are present in many areas in Nepal) would also be welcomed.</p>						
Gender and Social Inclusion (GESI)	GESI needs to be mainstreamed	Women			S	R - O3	Needs a focus on mechanisms i.e. beyond numbers. Gender is diluted over the issue of social inclusion
		DAG				I - O2	
Relevance	But could be more relevant if focused on blockages for local level implementation as well as national level.	Narrow focus on jobs and community partnership. Need wider approach.			S	S	The heart of the MSFP is highly relevant but it has had a number of 'additions' which have diluted focus
		Not intensive enough engagement to show results is norm	Greater attention to coordination across admin boundaries				

<sup>41</sup> Quality of evidence is rated P = poor; I = indicative; S = supportive and R = robust.

Evaluation Questions	O 1	O 2	O 3 GESI CC	O 4 Forest CC	Quality of Evidence from MSFP <sup>41</sup>	Quality of evidence from MTR	Overall Programme Performance
Effectiveness (overall impression on the effectiveness of programmes current approaches and implementation modalities (4.2))	PCO / SSU limited coordination reduces effectiveness. Changing staff an issue	Very low performance at outcome level. MSFP data incomplete and not verified in field.			P	I	The assessment is based on the very poor performance at outcome level within the programme and often weak management. However work on multistakeholder process and GESI are important.
Effectiveness on policy and system strengthening including impressions on experiences and potentials of the Programme	Wider engagement across a range of policy issues. Often unfocused on issues of direct relevance to work at community level.	No observable impact at policy or system level at present. Need redefined approach.		TBA	P	P	Current work on NFE and FSS important. However work on evidence based policy processes is limited as is work on blockages that would improve local situations.
Efficiency including implementation machinery and management		fragmented modalities & standalone enterprises Limited expenditure and hence results.			S	S	Could be significantly improved to enable focus.
Sustainability	Too early to say	Supply driven	TBA	TBA	P	P	It is early in the programme to

Evaluation Questions	O 1	O 2	O 3 GESI CC	O 4 Forest CC	Quality of Evidence from MSFP <sup>41</sup>	Quality of evidence from MTR	Overall Programme Performance
	given FSS not yet in place	focus on stand alone MSME. Need cluster approach?					have sufficient data regarding sustainability and without a clear TOC the 'pathways' are unclear
Impacts	Too early to say given FSS not yet in place	No formal comparable system in programme to measure. Not effectively aggregated and not verified.		TBA	P	I	At this stage in MSFP impacts are not yet being reached and would not be expected either.  What is missing however is any real understanding of how impact would be achieved.
Cooperation & compatibility & Complementarity	Limited in relation to inter-ministry cooperation e.g. MOFALD and MOEST.	Little cooperation between IAs and non-state/state actors. No practical role so far for FNCCI & FED.		TBA	P	I	Weak. MSFP needs to cooperate with other GoN and donor programmes at District and national level. Should other key national programmes be invited to observe at the MSSC?

## 5.2 Assessment of the Common Programme Document 'benchmarks'

At this point in the life of the MSFP i.e. more than 3 years since the start of the programme (Transition Phase) and just over 1 year until the end of the Transition Phase of the programme. The MTR is tasked with taking a view on whether the programme has or will meet the Transition Benchmarks which are laid out in the Common Programme Document signed on 27<sup>th</sup> December 2011. The following table provides an indicate assessment of the CPD benchmarks based on the evidence from the MTR to 26<sup>th</sup> June, including field work, document review as well as key informant interviews with stakeholders.

Table 3: Benchmark Analysis

	Benchmark	Reasons
A1	Programme on track – outcome and output milestones >X% achieved	Limited attention to a coherent results framework (logframe is number focused rather than process focused). Traceability of results and expenditure is limited and there is limited independent verification of results.
A2	National Forest Sector Strategy developed by MOFSC through a multi-stakeholder process, prepared and approved by GoN	Prepared but being adjusted to take into account framing of Forest Policy and not yet approved. Seven working groups in place to take forward MoFSC concerns. Once new FSS has been prepared will need to be reviewed through a multi-stakeholder process.
A3	Inclusive National Forest Sector Forum (NFSF) in place involving government, NGO, civil society and private sector.	No knowledge of this benchmark and has not arisen during KII's at national level with GoN, donors or Civil Society and private sector.
A4	Implementing agencies internal governance systems (including financial and procurement systems ) annually audited as conforming to the concerned implementing agencies (GoN, DFID, SDC, GoF) standards)	<p>There is a biannual Fiduciary Risk Assessment (2011 and 2013 completed) which has indicated high risks are still in place. A work plan on this is in place but the 2015 review has yet to be finalised due to the earthquake. SSU reports to SDC separately on the Audit Action Plan but this should be part of the formal reporting system to ensure compliance.</p> <p>Different IAs follow the Fiduciary / Audit Action plans with different intensity. Some find this process helpful for their wider organisational development (these tend to be more substantive and organised IAs in the first place that recognise the value of this process).</p>

In addition there are specific benchmarks relating to Entity design and approval benchmarks.

	Benchmark	MTR assessment of status at 10 <sup>th</sup> August 2015
B1	Option design, appraisal and selection study completed and recommended by MSSC and	MoFSC Working Group has prepared a revised report and legal document were submitted to the July MSSC meeting. Concerns of donors and non-

	Benchmark	MTR assessment of status at 10 <sup>th</sup> August 2015
	approved by GoN	state actors were shared during the meeting. A need for further consultation with concerned line ministries has been raised.  This will be further discussed at the September 2015 MSSC meeting.
B2	Detailed design of selected entity option completed and approved by MSSC	The detailed design would take place once the main document approved. However it is important to note that there are then issues of how long it would take to set up the NFE once legal approval has been given. This may take 6 – 12 months to set up with Board, key staff, systems & processes and to be able to take over the running of MSFP. Given currently the MSFP systems are based on SDC systems (finance) a quick move without consideration of the linkage with any new system could lead to a significant break in relation to procurement and implementation. This will be addressed further under strategic options.
B3	Entity specific benchmarks approved by MSSC	It is unclear what this benchmark actually means and could be subsumed in the one above in relation to set up etc.
B4	Entity approved by GoN	The proposal and legal order have yet to be submitted to the relevant authorities (Cabinet or Parliament) for formal approval. However there is a current dynamism regarding the creation of the NFE. For this assessment however the rating remains red as on 10 <sup>th</sup> August 2015 no approval is in place.

### *Risks and Assumptions*

When discussing with MSFP management at all levels there is a tendency to indicate that because the assumptions included in the ProDoc have not been met that this has seriously affected the work of the programme. Whilst there is some merit in this argument it would be much more useful to acknowledge that the MSFP has been, and will continue to operate in a period of highly politicised dynamic change. The change processes can go very slowly or, as seems to be the case post April/May earthquakes at a much faster period. What is therefore required, and this would be a key point for the design team is to have a management team that was flexible and able to operate in a period of radical change.

The MTR does recognise that the significant changes in staff and stakeholders involved in the MSFP does impact on the time required to orient people into the way MSFP operates it should be accepted that this is unfortunately normal. Changes in MoFSC staff due to changes in Government and changes in Donor Focal Point are beyond the control of the management as are changes in stakeholder representation in the various multi-stakeholder bodies. However within the programme the MSFP management does have control over processes such as re-contracting IAs which could run much more smoothly and limit staff changes – but ultimately staffing of IAs is a matter for them.

However for completeness the MTR has reviewed the assumptions and has the following comments. These do not materially affect any decision to move from the transition period, especially as indicated above, the ability to manage a complex programme through a period of dynamic change is part of normal reality in Nepal rather than the exception.

	Assumption	Comments as of 10 <sup>th</sup> August 2015
D1	Programme to be revised once the new constitution clarifies respective roles of central, federal and local state bodies in relation to forest management and sharing of authority / forest revenues.	<p>Constitution not yet agreed but there is now a strong movement to take forward. The devolution of power and responsibility within the forest sector may create important opportunities that MSFP could exploit through the piloting of good models once the political structures are better defined.</p> <p>No apparent discussion on use of Forest Development Fund. This could however be a design issue and linked to achievement of results by local government around sustainable / local forest management (cofinance inputs as a reward for good performance?)</p> <p>MoFALD is not part of the MSSC due to interpretation of local government as NAVIN and others not the Ministry. A key recommendation of the MTR is to amend this situation.</p>
D2	Clear roles and responsibilities between different Ministries involved in MSFP especially with respect to climate change mitigation and adaptation.	Remains an issue even within the MoFSC in relation to relationship of DoF / DSCO with the MSSC and in the ProDoc.
D3	Fiduciary risk mitigation arrangements in place as specified in the fiduciary risk assessment (to be done during prior to the start of MSFP [sic])	2011 and 2013 reports with actions plans in place. 2015 report is delayed due to earthquakes. Remains an issue. Future design should consider this alongside questions of financial absorption and capacity to achieve results during the next 6 years.
D4	Implementation of the GON law and procedure against the misuse of authority or funds in the forest sector are in place and enforced at different levels.	Donors are conducting an audit into complaints regarding IDS (Lot VI). Donors also have responded to CIAA interest in MSFP. CIAA complaints in relation to the forest sector is attributed to have contributed to the DFOs to take limited actions e.g. in relation to harvesting of forest timber and updating Operational Plans.
D5	Compliance with provision that satisfactorily performing GoN staff deputed to MSFP or programme districts remain in post for at least 2 years.	Staff turnover in PCO is high as it is a Secretary level in MoFSC. Equally the DPF has changed and has seen continuity gaps. This may be a 'fact of life for MSFP and should be taken into account when designing the next phase.

#### *MTR Assessment – key benchmarks not YET met*

It is the view of the MTR that the 'benchmarks' have not yet been met (August 2015). It is important to note the current interest in taking both the NFE and the FSS forward in a coherent

manner. The latest NFE proposal and legal formation document (see Forest, Institutional and Policy report volume 2 for further discussions) suggest that significant movement has been made. The legal approval of the NFE is an important first step towards its creation. However there will be a range of steps to be taken before it is fully operational. The implications of this are discussed further in the strategic options as is the possibility that an NFE may not be formally approved by the Cabinet in the coming months but need to go to Parliament for approval.<sup>42</sup>

The FSS is currently being revised and it is hoped that the alignment with the Forest Policy (2071) will still retain the core elements of the FSS that emerged in 2014 from the multi-stakeholder process.

Clearly the context in Nepal is very politicised and dynamic and a number of initial assumptions presented in the ProDoc did not come to pass. However, as discussed above this dynamic context should be considered the norm for Nepal and the MSFP should be designed to operate within this situation. This has implications for the management skills as well as the monitoring systems but is not insurmountable.

MSFP currently, on the evidence that the MTR has presented is not on track regarding its logframe indicators (as per December 2014 logframe). However many long term programmes take time to move forward at a full implementation pace so this should not be seen as unusual. What is more worrying is that some of the basic building blocks of an effective monitoring system are not yet in place e.g. an agreed database of local forest user groups with which the programme is working and which would provide evidence of attributable change in relation to programme inputs. Equally the necessary learning mechanisms are missing, as are basic understanding of discrimination issues within forestry that lead to exclusion on social, cultural and economic grounds. Management and governance remain challenges but are not insurmountable during the next 12 months as to provide learning for the MSFP implementation in any post transition phase.

National implementation is an important element of the programme, as is the multi-level, multi-stakeholder process which the MSFP is working with. However both these elements provide some limitations to the speed and absorptive capacity of stakeholders and this must be considered when setting realistic targets that also focus on processes that support sustainability post programme.

Given the above analysis summary as well as the material presented in this volume of the MTR and the individual technical reports in volume 2 the MTR has indicated that there are a number of Strategic Options for MSFP. These are laid out below in the next Section of the report.

### 5.3 Lessons learned

The primary lessons that can be learnt from the MSFP to date are the following:

- A multi-level, multi-stakeholder programme operating through national implementation is viable but that attention needs to be paid to the scope, scale and financial absorption capacity so as to minimise risks;
- Operating the MSFP in a dynamic environment is viable but requires higher levels of attention to governance, systems and processes to minimise the effects of operating in a highly politicised environment;

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<sup>42</sup> Which some key informants have indicated could take around 2 years given the current backlog of legislation related both to the forest sector and more broadly.

- MSFP is a programme and the skills, systems and process that are needed for management of an extended portfolio of work are different from those use for project management;
- A clear theory of change, evidence sources and analysis are critical if the MSFP is to 'prove the concept' of using forest resources for livelihood and business development through active management that is based on climate resilient sustainable / scientific forest management;
- That the dynamics of change within Nepal from individuals, households, communities through to local and national level of government is creating opportunities that were unforeseen even 5 years ago. This then requires clear processes for understanding this change, the effect on the main TOC of MSFP as well as the ability to modify, if required, the focal areas and approaches of the programme.
- Learning and communication systems in a complex environment require careful planning and appropriate investment of time, resources and technical ability. Sharing of 'best practice' and successful approaches across the programme and with the wider stakeholder community is a vital role for the MSFP.
- Multi-stakeholder process facilitation is hard and can take a long time and require an engagement with different policy timeframes and actors to help to ensure coherence – especially in those areas that may affect the responsibilities of more than one ministry.
- Transformational change and mainstreaming GESI requires persistence and a framing of the problem that goes beyond 'counting'. Equally for a programme that operates across many different contexts MSFP needs to understand the important elements of discrimination and how they can be reduced in the forest sector. Without that there is a tendency to have a 'one size fits all' approach e.g. LIP grants, rather than a stronger contextual understanding e.g. of opportunity costs for poor Dalit women reliant on wage labour.
- For building social capital and long term climate change resilience intensity of engagement is essential. As is linking planning to wider VDC (local government) processes to support institutionalisation. Planning and climate smart investment then become critical – but the needs of the poor vulnerable must be clearly identified and addressed in the process.

Note that each of the individual technical reports also provides a number of important lessons for their subject area.

## 5.4 Recommendations for improving governance and management to July 2016

The recommendations presented here are those that the MTR team believes could and ideally (if agreed) should be implemented immediately to improve governance and management of the MSFP during the remaining 12 months of the transition phase. Below are listed a number of technical issues that could be addressed during the next 12 months in parallel to work on the design of MSFP2. These should, ideally, be formally discussed at the MSSC planned for September 2015.

In making these recommendations the MTR is mindful that the MSFP management and governance is vital for programme effectiveness. In addition sound governance and management (transparent processes, policies and procedures) are critical to protect whilst the MSFP as a whole (individual staff members, PCO, SSU, IAs and other contract holders) from any perception of unfairness in decision making as well as arbitrariness in application of agreed procedures e.g. in procurement.

Sound governance and management oversight arrangements are critical to minimise risks and ensure that a results focus informs all decision making. Without these e.g. a well-functioning MSSC



with an operational Executive Committee a programme could be subject to a twofold risk. Firstly, to reduce any risk of perceived and actual financial irregularities. Secondly, to protect key staff who are working in a highly politicised environment. Transparency, including publication on a well-functioning web-site, of all documents – including meeting minutes – can also help to reduce tensions for the programme for the multiple stakeholders who have an interest in the operation of MSFP.

Post 2016 options are discussed in the following section and will require a design team (see Annex 11) that is separate from the PCO / SSU so that the current teams are able to effectively implement the 2015/16 Yearly Plan of Operations as well as see through the monitoring / evaluation /financial management as the current transition phase contracts end in July 2016.

<p>Recommendation: G-1</p>	<p>Strengthen governance arrangements to provide greater oversight of the operations of the programme. This should include the setting up of an MSFP Executive Committee to support, guide and monitor the work of SSU and PCO and also to enhance collaboration between the MSFP PCO / SSU two units.</p>
<p>For whom?</p>	<p>MSSC, donors and MoFSC</p>
<p>Timeline for implementation</p>	<p>To be discussed at September 15 MSSC meeting for ideally immediate effect. This is primarily for the period through to July 2016 but would have importance for MSFP operations post 2016, especially if no NFE is in place.</p>
<p>Content of recommendation</p>	<p>This recommendation has a number of parts:</p> <ol style="list-style-type: none"> <li>1. Establish an MSFP Executive Committee (chaired ideally by MoFSC Secretary or his nominee with no more than 5 people, 3 from Government and 2 from non-government selected by the MSSC itself but understanding the commitment required ) which meets monthly to receive full reports from SSU and PCO on progress, procurement, financial expenditure – including audit report follow up. Provide regular review of progress and provide forum for solving problems in MSFP. See Annex 14 for the DRAFT TORs for the Executive Committee.</li> <li>2. Following the establishment of the Executive Committee expand the MSSC membership to include MoFSC 's Departments of Forest and Soil Conservation and Watershed Management as well as the MoFSC GESI focal point; MoFALD and a wider range of rights based civil society organisations including Indigenous People's Organisation, Dalit's organization, women's organization and Madhesi organization. For Civil Society organisations they must present how they then consultant with their members in their representational role and how do they ensure a wide coverage of voices of their members and how any Conflict of Interest is formally addressed if they are applying for funding from MSFP.</li> <li>3. Establish an Annual Multi-stakeholder Forum for Forestry that would enable all stakeholders with an interest in MSFP to attend. This would have a learning focus and enable a greater number of groups to be involved, even if in a minor way, in MSFP.</li> <li>4. Set up a formal roster of meetings between SSU / PCO (weekly and minuted); SSU and IAs (monthly and minuted); LDOs / DFOs / IAs and other MSFP projects operating at District level – through DFSSC or other mechanisms (ideally monthly). These minutes to be submitted to the Executive Committee for information with full details of formal meetings appended to the annual and 6 monthly reports;</li> </ol>

<p>Recommendation: G-1</p>	<p>Strengthen governance arrangements to provide greater oversight of the operations of the programme. This should include the setting up of an MSFP Executive Committee to support, guide and monitor the work of SSU and PCO and also to enhance collaboration between the MSFP PCO / SSU two units.</p>
	<ol style="list-style-type: none"> <li>5. Set up a more regular financial 'sign-off' system as outlines in Annex 13.</li> <li>6. Audit report action plans should be formally submitted as part of the July 2015 Annual Report (for IAs, for SSU as well as PCO) and at the 6 monthly and final report stage. This enables clear oversight of progress on these critical issues.</li> <li>7. July 2015 Annual Report should also report for each contract the expenditure and contribution to results achieved (not activities) so that there is a greater ability to track performance of all contracts.</li> <li>8. A new protocol should be established for contracting technical studies that includes effective quality assurance process, from qualified independent technical experts around quality of TORs, quality of bids received, quality of inception reports/ methodology and interim and final reports. All studies should be clearly linked to the delivery of the programme outputs / outcomes or for specialist work e.g. GDP study at Goal level. Studies therefore should, in the TORs themselves, if not in an initial 'justification' for the study include how the study will link to both internal programme process and, where appropriate, local and national policy and learning processes.</li> <li>9. DFP to establish, based on the YPO (to be discussed at the July meeting) where he will provide appropriate Technical Assistance to the SSU e.g. on technical studies in his area of competence as well as work related to the Logframe / Theory of Change / MIS improvement. DFP should also provide assistance in preparing more robust reporting from SSU and PCO – incorporating results, challenges, critical management issues so that donors stay better informed of the work and progress of MSFP</li> <li>10. Establish a single MIS system that enables tracking of expenditure against results for all contracts (bring together two independent systems);</li> </ol>
<p>Risk if not implemented</p>	<p>The current governance arrangements for a programme of the size of MSFP are extremely weak with the MSSC only meeting twice a year for around 2 hours (except when a field visit is included). This leaves the management team in PCO and SSU exposed to perceptions of arbitrary use of procurement power due to minimal oversight. Issues of failed procurement and the limited acceptance of competitive approach (bid losers not willing to accept the outcomes) play into this perception and risks, in what is a highly politicised working environment, need to be much more carefully managed.</p>

<p>Recommendation: G-2</p>	<p>Review any work that has involved 'resettlement' of local as a result of implementation of development models of Collaborative Forest Management and / or PLM</p>
<p>For whom?</p>	<p>SDC to review issues and MSFP / donor requirements in relation to resettlement.</p>

Timeline for implementation	SDC to review as soon as possible. MSSC to take a view on this issue as well.
Content of recommendation	There are examples in the Terai (one at least visited by the MTR) where people who had been long term resident (almost 30 years) in areas now seen as forest land i.e. they are termed encroachers have been resettled. MSFP has no policy or safeguard in relation to issues of resettlement of people and this should be reviewed immediately.
Risk if not implemented	Reputational risk for the donors, MoFSC and the MSFP through possible media attention.  Risks for local people who have no 'right of appeal' against any decisions and are often left significantly worse off than previously with limited livelihood opportunities.

Recommendation: G-3	That a thorough review of the MSFP logframe and Theory of Change is instituted immediately to enable clarification of results chain and key areas of work. This will help consider these issues in line with the design work.
For whom?	SSU/PCO/MSSC and stakeholders. DPF is undertaking some work on this and should lead (with SSU / PCO) the work within current programme. It may however require external facilitation as well.
Timeline for implementation	Over next 3 months.
Content of recommendation	The current logical framework (both as in the ProDoc and from December 2014 update) is very lightweight and incomplete. Furthermore in places does not relate to what the MSFP itself can delivery in relation to scope and scale over both the period to July 2016 and to 2022 (even under current design). Without clarification on this AND clarity on where the results are to be obtained from (core IA contracts, thematic IAs, DFO, other studies and inputs) then there is no real understanding of the results chain.  The current results chain is overly complicated (see Annex 5) and at the contract level is too focused on activities rather than the delivery of results. The work e.g. of Outcome 3 is far behind – even on a more restricted view of what might be delivered, and yet all IAs were close to spending 100% of their initial 2 year budget. Without enabling the IAs to focus on results delivery and knowing what the individual IA targets are within the contract then the MSFP SSU / PCO (as same applies to the DFO inputs) will continue at the level of activity focus.
Risk if not implemented	That the MSFP will remain in project delivery mode focused only on activity to budget expenditure rather than understanding the 'game change' that is required to enable a focus on results at this point at the output level, but linked to a clear pathway to impact to outcome level over the remaining years of the programme.

Recommendation: G-4	MSFP expedites the work with the MoFSC regarding the delivery of the MSFP benchmarks in relation to the National Forest Entity and the Forest Sector Strategy
For whom?	MoFSC / PCO / SSU / MSSC
Timeline for implementation	Ongoing to build on work under way
Content of recommendation	<p>The work on the NFE and the FSS are benchmarks for the MSFP move from transition. Ensuring that the appropriate legal and multi-stakeholder processes are followed to a formal conclusion is important. The work however, needs to take into account the dynamic context in relation to federalism and devolution of responsibility for local forest management. FSS should ensure local rights in forestry and NFE should ensure functional autonomy and multi-stakeholder oversight.</p> <p>(further details on this are contained in the Forestry, Institutional and Policy Technical report, Volume 2)</p>
Risk if not implemented	<p>The current JFA and ProDoc indicate that these benchmarks should be achieved as part of the move from the transition phase through to implementation. Given the late stage in relation to the development of the NFE the design team will need to consider progress not only in relation to the 'legal entity' but to the 'functional entity' and time is now short through to July 2016. The design team for post 2016 will need to consider a possible 'Plan B' and this is covered in the section on Strategic Options.</p>

Recommendation: G-5	Redefine GESI strategies i.e. moving GESI beyond livelihoods to include transform change across all the 4 outcomes. This would include a much more formal and in-depth approach to GESI mainstreaming within MSFP.
For whom?	MSSC / SSU /PCO and Donor Focal Point
Timeline for implementation	Starting immediately to inform work and learning through to July 2016
Content of recommendation	<p>MSFP has a strong mandate to work with the poor and excluded. However , partly due to technical understanding the programme has not focused so well on transformational change for different people and groups. Attention needs to be paid to issues such as:</p> <ul style="list-style-type: none"> <li>● Differential social mobilisation requirements</li> <li>● Livelihood and climate change packages need to meet the needs of the poorest with the current asset base as well as their aspirations and time;</li> </ul>

<p>Recommendation: G-5</p>	<p>Redefine GESI strategies i.e. moving GESI beyond livelihoods to include transform change across all the 4 outcomes. This would include a much more formal and in-depth approach to GESI mainstreaming within MSFP.</p>
	<ul style="list-style-type: none"> <li>● Clarity around engagement and opportunity costs – especially for household reliant on day labour to feed family;</li> <li>● Focus on voice issues and understanding individual / household /community discrimination during planning and implementation;</li> <li>● Whilst disaggregation is being followed by MSFP important it needs to be expanded to include gender, income, caste/ethnicity and location. Understanding of the differences between social and economic exclusion is important.</li> <li>● A 'domains of change' approach should be adopted by MSFP in order to assess whether voice and informal practices/values are being addressed along with the livelihoods and empowerment aspects.</li> <li>● Revise the Fund Flow Analysis to include specific gender (including gender minorities), income, location and caste/ethnic groups.</li> <li>● Position women and people of excluded groups more clearly as core actors for forest management.</li> </ul> <p>(further details on this are found on pages 40 – 42 of the GESI and Livelihoods report in Volume 2)</p>
<p>Risk if not implemented</p>	<p>That MSFP will only continue to focus on numbers of people but without substantive approaches to help foster transformative change which is vital for long term sustainability of livelihood, development processes and forest land management by local people.</p>

<p>Recommendation: G-6</p>	<p>Restructure SSU by a) relieving outcome managers of the burden of contract management to put more efforts into technical delivery and learning: b) relocating SSU-CCO to RD or transferring the staff to central level and to undertake monitoring, data management and learning synthesis tasks.</p>
<p>For whom?</p>	<p>SSU / MSSC / MoFSC</p>
<p>Timeline for implementation</p>	<p>Immediate now that there is a Deputy SSU Team Leader</p>
<p>Content of recommendation</p>	<p>Currently the Outcome managers and technical team may spend more than 50% of their time on contract management and administration rather than focusing on their technical work. At times this can rise to over 80% of their time. In addition they are often asked to undertake activities that should not be within the SSU's responsibility e.g. interviewing for staff recruitment within IAs. The way that the SSU manages contracts with IAs and other contract holders too easily blurs lines of responsibility and contributes to</p>

Recommendation: G-6	Restructure SSU by a) relieving outcome managers of the burden of contract management to put more efforts into technical delivery and learning; b) relocating SSU-CCO to RD or transferring the staff to central level and to undertake monitoring, data management and learning synthesis tasks.
	<p>unclear lines of responsibility. Even if the SSU thinks these are clear contract holders do not have the same impression especially as different outcome managers provide different advice.</p> <p>Staff roles and responsibilities should be more clearly defined (there are differing views around the clarity of TORs amongst staff) and as contracts are closed out, and only a very limited number of targeted studies are contracted Outcomes Managers and senior technical staff in SSU should focus on their core responsibilities.</p> <p>It is recommended that the SSU- CCOs are closed and key technical staff brought to the centre to manage contracts or, where skills are suitable, to support the monitoring / learning function of MSFP through to July 2016. This would remove a blurred (and confusing) structure at the District level and enable the IAs to take responsibility for delivering on their contracts directly with appropriate oversight from the central SSU.</p>
Risk if not implemented	That SSU staff are working on inappropriate tasks such as contract management or working groups for which they do not have the technical knowledge which leads to a poor focus on their core technical role and minimises their attention to monitoring / evaluation / learning.

Recommendation: G-7	Compile a full set of accessible, dated agreed documentation covering all elements of the programme management (logframe, procurement guidelines, financial regulations, communication policy, M&E database..... Include as a formal task for the SSU in the YPO 15/16. This to be published on web-site. This process / management issue is closely linked with T-7
For whom?	SSU
Timeline for implementation	Starting immediately
Content of recommendation	The MTR has found it hard to obtain a complete set of 'formal documentation' for the programme. This should be 'to hand' and signed / dated as approved by the MSC. This would be updated regularly as required and a tracking sheet of the updates kept.
Risk if not implemented	That the PCO / SSU and programme as a whole do not have a single set of agreed regulations for operation. This causes great problem at contracting stage for IAs and leads to confusion and time wasting generally.

Recommendation: G-8	Agree, as part of the YPO for 2015-16 what the process will be (time, resources and process) for the 'close-out' of the transition phase of the MSFP.
For whom?	MSSC / PCO/ SSU / MoFSC / MoF / donors / IAs
Timeline for implementation	To begin process during YPO discussions and before finalisation
Content of recommendation	<p>The current contract of the IAs for their costed extension runs to mid July 2016. The current agreement on the 'No Cost Extension' (MoF 27<sup>th</sup> March 2014) gives a closing date of 15<sup>th</sup> July 2016. For a programme of the complexity of MSFP there will be a need for a 2-3 month financial reconciliation / audit process to take place. The MSFP has two possible options (there may be more):</p> <ul style="list-style-type: none"> <li>• Stop programme delivery on 31<sup>st</sup> March leaving 2.5 month to close down all contracts, reconcile, audit and pay outstanding monies. Current plans for delivery by the IAs are through to July so this would be highly disruptive to them.</li> <li>• Continue implementation through to current contract period but request a 3 month no-cost extension from the MoF to 'close out' the financial matters of the transition period. In addition to formal approval there will need to be a recognition that IAs are likely to require some staff in place to enable this – thus there are cost implications for IAs and hence contract issues.</li> </ul>
Risk if not implemented	If this matter is not dealt with transparently over the next few months the MSFP will be unable to close out the transition phase in good order. Some staff at IAs and SSU with detailed knowledge are likely to leave for other jobs making this task much harder. Clarity on requirements and process should be achieved in the next 2 months to minimise risks.

## 5.5 Recommendations for technical issues through to July 2016

In this section the focus is on recommendations linked with technical matters within the MSFP. Given that the 2015/16 YPO is currently under construction and will be discussed at the July MSSC these recommendations are presented, so that if there is general agreement they could be added to the YPO.

Recommendation: T-1	Put on hold the current tender for Public Land Forest Management and Plantation and instead engage in clarifying the legal framework through high level engagement such as Parliamentary Committee on Environment and with MOFALD. The current tender could resume if legal clarification is secured.
For whom?	SSU and SDC as well as the MSSC
Timeline for	IMMEDIATE

Recommendation: T-1	Put on hold the current tender for Public Land Forest Management and Plantation and instead engage in clarifying the legal framework through high level engagement such as Parliamentary Committee on Environment and with MOFALD. The current tender could resume if legal clarification is secured .
implementation	
Content of recommendation	<p>That the current procurement process for Public Land Forest Management and Plantation is cancelled. There is limited information in the TORs for the tender in relation to this work. There are no agreed guidelines for PLM and neither is there any learning produced by MSFP around the issue of existing PLM work that was implemented by LFP and continued by MSFP. There are a series of issues that have arisen from current practice that call into question the livelihood effects of the PLM model: planting of forest trees (timber) means that there are only long term and uncertain livelihood gains for local people as well as only short term low paid jobs rather than consideration of longer term 'multi-purpose' use of this land.</p> <p>The current working group is chaired by the MoFSC and does not involved MOFALD who would be the agency responsible for much of the public land in the Terai area. Alternative models including for small areas intensive livelihood forestry under oversight of forest user groups and AFECs (for land e.g. &lt;5 ha at VDC level) may need to be considered. DDC oversight with the DFO / DFSSC for land 5 – 50 ha and possible multiple communities engagement – again with multi-purpose long term management should be considered. Above 50ha may require greater engagement and focus on timber trees along with multi-purpose areas i.e. zonation.</p> <p>Note: This does not mean that the PLM work in MSFP should stop but that it should be linked to evidence gathering as well as a wider stakeholder process to support cross-ministerial / government work on this topic. The current TORs are not strong enough to support this work effectively. PLM has an important role to play in developing Terai livelihoods.</p>
Risk if not implemented	That the MSFP will be complicit in removing land currently used by poor people from their long term livelihood strategy as models of PLM are focused by the programme and the MoFSC on forest tree plantation rather than on design of multipurpose land use including fodder / fruit and timber trees, fish ponds (where water available) as well as other crops e.g. Rosemary for livelihood development. There is an important opportunity for multi-purpose land use in the Terai which needs to be taken forward.

Recommendation: T-2	Developing a gender responsive strategy for MSFP contribution to post-earthquake reconstruction
For whom?	SSU / SDC / donors and MSSC
Timeline for implementation	IMMEDIATE



Recommendation: T-2	Developing a gender responsive strategy for MSFP contribution to post-earthquake reconstruction
Content of recommendation	<p>As part of the considerations taking place between the donors, SSU and MoFSC the MTR team have made a suggestion (Annex 12) in relation to putting in place a simple system for harvesting timber (and where appropriate bamboo) from:</p> <ol style="list-style-type: none"> <li>1. Districts where earthquake damage is extensive and may include forest areas – salvage operations ;</li> <li>2. Districts in MSFP with high levels of standing timber which could be harvested according to a simple regulation in an orderly manner over the next 2-3 years.</li> </ol> <p>Clearly it is not the MTR's role to design this work but the MoFSC needs to be able, with MSFP support, to develop flexible and rationale approaches to enabling communities to sell timber into the open market to support reconstruction. Approaches should ensure access to resources for women, poor and excluded. Simple tracking mechanisms e.g. photographs along with simple decision would enable well-meaning groups to rise to the challenge.</p>
Risk if not implemented	That harvesting would take place in a dis-orderly manner or that communities would miss an opportunity to be able to harvest and sell mature timber. Gaps in the market would be met by imports rather than 'home-grown' timber. Private land forestry is unlikely to be able to supply enough timber in the short term leading to price hikes for people who currently have limited access to resources.

Recommendation: T-3	Legal (including regulatory) and policy studies around Forest Sector, communities and business enterprise
For whom?	SSU / SDC to commission but with a specialist legal and governance peer review team to review TORs and the methodology / report. This would be a specialist study which no-one in SSU / PCO would have the necessary technical skills to oversee.
Timeline for implementation	IMMEDIATE – has implications for the strategic option design. <i>An initial scoping study could be commissioned to July 2016 with more detailed work being carried out post July 2016. Compiling all relevant material would be a major first step – and would need to include material from any areas within Nepal.</i>
Content of recommendation	<p>A formal legal / regulations study is carried out and we could suggest five areas of specific focus:</p> <ol style="list-style-type: none"> <li>1. For all forms of community participation in forest land management or public land (formal registered community forestry; formal registered collaborative forestry, leasehold forestry (formal and informal i.e. within a CF area);</li> <li>2. For private forest owners</li> </ol>

Recommendation: T-3	Legal (including regulatory) and policy studies around Forest Sector, communities and business enterprise
	<ol style="list-style-type: none"> <li>3. Use rights over products, including timber from the different types of forest land.</li> <li>4. Examine the impact of regulations in relation to the movement and sale of forest products and NTFPs; regulations governing processing plants, including sawmills; veneer production etc.</li> <li>5. Regulations for DFSSC / AFEC and local management of forest resources and how the regulatory environment of MoFALD and MoFSC can be enhanced to support cooperative working at local levels in particular;</li> <li>6. Contradictory provisions in forest laws and other sectoral laws that affect local forest management</li> <li>7. Assessment of regulatory gaps/bottlenecks in recognizing competent private sector/non-governmental service providers on services related to technical forest inventory, management plan development and ongoing technical guidance services</li> </ol> <p>Aim would be to help to identify key bottlenecks (conflicts and synergies as well as any GESI issues) to community / private sector / enterprise development? Whilst the work would focus on national level within the forest sector it would also focus on the issues of decentralised authorities. This would enable identification of areas where key actors e.g. DFO / LDOs have opportunities for discretionary powers or powers from non-forestry sector legislation e.g. some in the local government / democracy sectors.</p>
Risk if not implemented	That there is continued possibly contradictions within the legal framework for operation of community / local forestry as well as private sector engagement. The first step to clarifying policy is to understand the current legal landscape.

Recommendation: T-4	That MSFP commission technical specialists to combine the data sets from the MSFP Baseline (September 2013), District Data from the Forest Resource Assessment (FRA), Vulnerability Assessments, roads, watershed, census data and the CFUG data sets. <sup>43</sup>
For whom?	SSU / PCO / donors
Timeline for implementation	To start immediately with the compilation of an agreed CFUG database that builds on the DOF legal requirements as well as the data held within MSFP. Linking through to the existing data sets (not requiring additional data collection) will be important so that both the current MSFP and the future design have a set of maps for planning, management and targeting. Adjustments to any future changes in institutional boundaries would then

<sup>43</sup> In addition there are public data sets that could be used (no cost) e.g. The Third Pole <http://data.thethirdpole.net/>

Recommendation: T-4	That MSFP commission technical specialists to combine the data sets from the MSFP Baseline (September 2013), District Data from the Forest Resource Assessment (FRA), Vulnerability Assessments, roads, watershed, census data and the CFUG data sets. <sup>43</sup>
	<p>be easy to carry out.</p> <p><i>This is a priority issue for MSFP2 design – and a phase 1 scoping could be done using existing FRA data to map community engagement in forest management (all types). Phase 2 work would be done post July 2016.</i></p>
Content of recommendation	<p>There is substantial data with MSFP e.g. Baseline study which looks as if it could be combined, at the District level, with wider data e.g. census /roads, District DRR maps as well as data from the FRA. The CFUG database (of which there are currently 4 incomplete) could be finalised and used for input into this work.</p> <p>Data, and associated maps, could enable for example identification of forest resources that could be easily allocated to existing FUGs as adjacent to land already managed or identify good sites for new group formation and hence management.</p> <p>This data may be able to link with data on location of forest businesses to enable ‘corridors’ to be identified easily (along with roads and energy supply) for rapid scale out of businesses/ value chains.</p>
Risk if not implemented	That important data (which took over 12 months to obtain) will not be put in the public domain and used by the MSFP and others to provide good quality evidence not only for change facilitated by MSFP but wider changes that are taking place in relation to community based forest management, business development, livelihoods and climate resilience

Recommendation: T-5	To undertake a formal study of how local forest land management can be used for empowerment of women, socially excluded and to meet the rights expectations of Indigenous Peoples.
For whom?	SSU and MSSC to commission a formal study with a qualified peer review team to provide sound methodological oversight.
Timeline for implementation	<p>To commence in the next 2-3 months.</p> <p><i>This is a priority issue for MSFP2 design.</i></p>
Content of recommendation	<ul style="list-style-type: none"> <li>Understanding of how the highly differentiated social / cultural context in MSFP Districts (and forest user groups) affects the way forest use is seen. This would focus on key issues such as :</li> <li>existing gender differentiated division of labour, access to</li> </ul>

Recommendation: T-5	To undertake a formal study of how local forest land management can be used for empowerment of women, socially excluded and to meet the rights expectations of Indigenous Peoples.
	<p>resources and decision making patterns impacting use and management of forests across different social / cultural groups</p> <ul style="list-style-type: none"> <li>● Dalit's and social exclusion</li> <li>● Indigenous people's with a focus on those suffering exclusion including mobile IP groups (e.g. Raute in Dailekh). Understanding the relationships between different IPs within a District / CFUG can also be critical. IPs have highly differentiated responses to the use of forest which can be both cultural and social/economic.</li> <li>● Demographic trends with migration leading to a high gender imbalance at local level as well as an older population of men – but linked to the possible utilisation of remittances for investment e.g. in a local saw mill, carpentry business.....</li> <li>● Implications for management e.g. need for multiple social organisers with a District to foster inclusion / conflict resolution mechanisms between different social/cultural groups</li> </ul>
Risk if not implemented	MSFP will continue to have a limited understanding of the way rapid social / economic changes (including migration) are affecting the multiple dimensions of discrimination and exclusion within the local forest sector. Implications of contextual understanding could then be transferred into coherent planning and budgeting e.g. how social mobilisation takes place within highly differentiated societies in which deep rooted cultural exclusionary practices are common.

Recommendation: T-6	A scoping study on Scientific Forest Management (active use of all forest resources in a sustainable manner) under a changing climate regime and how this links to approaches for use of forest resources for climate change adaptation and hence long term impacts. This should use emerging research being developed regionally and internationally. <sup>44</sup>
For whom?	MoFSC including DoF / DSCWM and PCO
Timeline for	To start within the next 2 months to produce a study protocol for

<sup>44</sup> See for instance recent work published by Profor (2015). *Understanding Long-Term Impacts in the Forest Sector: Predictive Proxy Indicators*. Downloadable from: <http://www.profor.info/node/2249>. This report indicates that there is a need examine how multiple indicators, considered together, can have strong predictive potential (page 8).

<p>Recommendation: T-6</p>	<p>A scoping study on Scientific Forest Management (active use of all forest resources in a sustainable manner) under a changing climate regime and how this links to approaches for use of forest resources for climate change adaptation and hence long term impacts. This should use emerging research being developed regionally and internationally.<sup>44</sup></p>
<p>implementation</p>	<p>implementation post July 2016.</p>
<p>Content of recommendation</p>	<p>There is increased interest in how forms of scientific forest management / sustainable forest management can be effectively implemented, under a changing climate, to support active use of forest resources for livelihood / business /GDP development. However current analysis is highly limited and may increase the risks to poorer household through the planting of inappropriate species of trees and NTFPs. Enabling, through use of FRA data and other sources, greater consideration of the challenges of long term forest management under a changing climate would be designed and implemented (adaptive management).</p> <p>In the first instance a scoping study on this work could be commissioned. It is likely that this type of longer term study could be included in the next phase as it has a real effect on the potential economic impact on livelihoods.</p> <p>For the scoping study an initial assessment could use the national vulnerability mapping to assess the Climate Change Adaptation potential of effective and active management of forests (for use as well as protection of watershed /biodiversity) on different groups (including vulnerability of women and people of different social groups). What are the best approaches from the last 3 years work of MSFP and other programmes? How can these be scale up and out to other areas? What are the capacity barriers? What are the policy / regulatory environment barriers? How can Climate Change Adaptation work be linked to climate compatible development at the local level in relation to planning / investment targeting? Understanding vulnerability not only to the threat(s) themselves but also the how easy or not it is for recovery within communities, within households and between communities. Understanding of these issues could help to provide a better contextual understanding for how climate resilience is developed (hard e.g. river bank protection and soft issues e.g. capacity and social capital improvement) within diverse and highly differentiate communities.</p>
<p>Risk if not implemented</p>	<p>That MSFP will put forward models of forest land management that are not informed by the latest understanding of climate change and scientific / sustainable forest land management. That the learning from local people regarding changes in their community forests over time will be lost and appropriate models and techniques not developed and scaled out.</p>

Recommendation: T-7	The MSFP web site should be upgraded to a fully functional, accessible and interactive site that would help to build a 'community of practice' amongst stakeholders in the forest sector in Nepal. Consideration should be given for the site to be bilingual. It should be design to enable MSFP documents to be located with ease to improve transparency.
For whom?	SSU / PCO / donors / MOFSC and MSSC
Timeline for implementation	To start immediately
Content of recommendation	<p>The current web site of the MSFP operates at a very low level of content and hence activity. MSFP should be a forest sector flagship and as such use a more interactive design (and be in Nepali as well as English) for the publication of materials (documents, videos, recordings, photo-stories.....) as well as formal programme documentation. It should host on a regular basis topic based moderated discussions e.g. on issue of Public Land Management that could foster engaged consultation across Nepal and not just with those present in Kathmandu.</p> <p>CFUGs should be encouraged and enabled to add their work to the web site – especially now that use of smart mobile phones enables local groups to build a photographic record of their own work.</p> <p>MSFP web site should be the 'go to' site for material and links to other active sites / organisations working in the forest sector (broadly) in Nepal .</p>
Risk if not implemented	A current limited transparency is perceived as poor by stakeholders and an opportunity is being missed to present the programme, enable learning and build a good 'community of practice' in Nepal.

Recommendation: T-8	That the MSFP GESI and Livelihood specialist works with the GESI unit of the MoFSC to review the MoFSC strategy in the light of recent changes e.g. Forest Policy and draft Forest Sector Strategy and introduction of the Forest Enterprise Division as well as the work of the AFEC / DFSCC at the local level. This would then review capacity needs and processes to implement, with appropriate tools, the issues of gender and social inclusion in the forest sector.
For whom?	MSSC / MoFSC including GESI focal point / PCO / SSU and donors
Timeline for implementation	To be linked to the study proposed in recommendation T-5.
Content of recommendation	<p>I think we can add that the MoFSC GESI Strategy has not been implemented well as yet despite being approved in 2007 and to do that the GESI unit has to be strengthened.</p> <p>Whilst the MoFSC has a GESI strategy approved in 2007. However</p>

<p>Recommendation: T-8</p>	<p>That the MSFP GESI and Livelihood specialist works with the GESI unit of the MoFSC to review the MoFSC strategy in the light of recent changes e.g. Forest Policy and draft Forest Sector Strategy and introduction of the Forest Enterprise Division as well as the work of the AFEC / DFSCC at the local level. This would then review capacity needs and processes to implement, with appropriate tools, the issues of gender and social inclusion in the forest sector.</p>
	<p>implementation is not strong and to enable more robust implementation during the current period of dynamic change. It is recognised that GESI is an important issue in the forest sector and as reorganisation and decentralisation take place it will be extremely important for staff, at all levels within the MoFSC, including DFOs and local staff are effectively sensitised to, and operate with effective guidelines on GESI. The proposed study to draw out better contextual understanding could be used to develop approaches for use within the MoFSC / GESI unit, through a more evidence led strengthening, in a number of ways including:</p> <ul style="list-style-type: none"> <li>● Learning by doing as part of the action research proposal in recommendation T-5:</li> <li>● Development of guidelines following findings to ensure that best practice is used within the local level forest planning and management structures and in engagement with communities and households across all types of forest land management;</li> <li>● Training courses / manuals – but more importantly follow up on the benefits of implementing best practice;</li> <li>● Better monitoring of gender and social inclusion within processes rather than just counting attendance;</li> </ul>
<p>Risk if not implemented</p>	<p>That GESI is never fully mainstreamed into the work of the MoFSC and remains a marginal issue. Counting is the dominant modality for GESI rather than examining how, in forestry, empowerment and livelihood development for poor and excluded can be facilitated in a cultural appropriate manner that is not based on forms of explicit or implicit discrimination.</p>

<p>Recommendation: T-9</p>	<p>That work on climate change adaptation plans that will be continued over the next 12 months be carefully targeted to enable 'clusters' of plans linked to both watershed and the targeting of vulnerable groups. No new areas of operation on planning should be opened up as no long term engagement can be guaranteed. Learning from current work, and that of related projects should be highlighted, with a focus on 'how to do better planning and implementation' within MSFP 2.</p>
<p>For whom?</p>	<p>MoFSC/SSU/PCO and MOSTE</p>
<p>Timeline for</p>	<p>Starting immediately and included in the YPO for 2015/16.</p>

Recommendation: T-9	That work on climate change adaptation plans that will be continued over the next 12 months be carefully targeted to enable 'clusters' of plans linked to both watershed and the targeting of vulnerable groups. No new areas of operation on planning should be opened up as no long term engagement can be guaranteed. Learning from current work, and that of related projects should be highlighted, with a focus on 'how to do better planning and implementation' within MSFP 2.
implementation	
Content of recommendation	<ul style="list-style-type: none"> <li>• Climate change adaptation plans have been prepared at VDC or community levels. These administrative boundaries do not align with forest/watershed or ecological boundaries. Future work in this area should examine coordination and clustering of adaptation plan preparation and implementation to build synergies and ensure effective coordination of activities. Working to ensure upstream/downstream linkages are more likely to build synergies that enhance forest ecosystem and community resilience.</li> <li>• Building capacity and system to enable strong local level coordination mechanism sat the watershed level that can coordinate and facilitate the implementation of adaptation plans.</li> <li>• Building more focused attention on the needs of vulnerable groups have been identified in the plans is critical. Many current plans are very general and do not provide sufficient attention to vulnerable people's needs.</li> </ul>
Risk if not implemented	The adaptation measures adopted will be more of stand-alone nature. Enhancement of ecosystem resilience would be elided affecting community resilience.

Recommendation: T-10	Work with the FNCCI and MoFSC FED to examine the critical blockages in the policy / regulatory framework that would support the speeding up of private sector (including community businesses) in the utilisation of timber and NTFPs for livelihoods, jobs and wealth creation.
For whom?	PCO / SSU and MoFSC FED plus FNCCI
Timeline for implementation	To start as soon as possible with funding from MFSP
Content of recommendation	<ul style="list-style-type: none"> <li>• Private sector developments (of all types) continue to be hampered by a lack of business friendly regulations. However the extent of the issues and the level of constraint is not well documented but is highly anecdotal.</li> <li>• Establishing collectively a priority list of regulations that may hinder private sector engagement in the forest sector as well as identifying gaps would be an important first step in enabling a process of 'blockage' removal.</li> </ul>
Risk if not	That private sector continues to be not well integrated into the sustainable



Recommendation: T-10	Work with the FNCCI and MoFSC FED to examine the critical blockages in the policy / regulatory framework that would support the speeding up of private sector (including community businesses) in the utilisation of timber and NTFPs for livelihoods, jobs and wealth creation.
implemented	use of forest resources in Nepal and hence jobs, livelihoods and economic development from this sector remain depressed.

Recommendation: T-11	Undertake, in a number of key Districts, a Capacity Needs Assessment of the skills, knowledge, tools etc. that are going to be required to support local government management of local forest resources under a changing climate.
For whom?	MoFSC especially DoF / DSCO with inputs from MoFALD. Coordinated by PCO.
Timeline for implementation	<i>Initial scoping of the ongoing work for Local Government Capacity Building in different areas of Nepal in related topics would enable design of the MSFP 2 to focus on gap-filling rather than duplication.</i>
Content of recommendation	<ul style="list-style-type: none"> <li>This should start with a simple review of what other work is currently taking place in nepal in relation to local capacity needs e.g. for climate change . <a href="http://www.gcca.eu/national-programmes/asia/gcca-nepal-climate-change-support-programme">http://www.gcca.eu/national-programmes/asia/gcca-nepal-climate-change-support-programme</a></li> </ul>
Risk if not implemented	That the MSFP will not be aware of the different processes, tools and methods that are already being developed. A coherent Capacity Needs Assessment if the first step on a planned and 'monitorable' Capacity Building Programme.

# 6 Strategic Options post July 2016

In the previous section the MTR has presented a number of recommendations for the MSFP through to July 2016. In this section, which should be read with Annex 11 (on issues for the design team) and Annex 12 (Theory of Change for MSFP), the MTR presents its thinking on the Strategic Options for the MSFP going forward. These strategic options build on the analysis of the benchmarks presented in section 5.2 above where the MTR indicates that the benchmarks have not yet been met. However progress is continuing in relation to the NFE and the FSS and it is hoped that by some refocusing of the management of MSFP that the outputs in the current logframe will increasingly be met.<sup>45</sup>

## 6.1 MTR approach to framing the strategic options for MSFP

In this section the MTR team present a number of options for consideration by the Multi-Stakeholder Steering Committee. These options, along with the material presented in Annexes 11 and 12 are put forward here to inform the decision making process relating to the post July 2016 form of the MSFP. The operational context for the MSFP is changing as a result of a number of processes within the forest sector directly e.g. the working group on the National Forest Entity; the linkage of the Forest Policy with a revised Forest Sector Strategy. It is also affected by the national processes that are working on the formation of the federal structure (8 Provinces with a revised local government structure) and the possible devolution of responsibility for elements of the forest sector – mainly community / local management of forest areas – to local government. Whilst the changing dynamics can be of concern to some, given the levels of uncertainty, these processes provide an opportunity for MSFP to pilot and then scale up new mechanisms to support the development of local forestry (community, leasehold, collaborative, private and public land management). These mechanisms could support subsistence livelihood stabilisation and development, and, where the resource is suitable, to make a 'step-change' in the utilisation and active management of forest resources.

The MTR is also mindful that implementing MSFP2 (in whatever form) will require new modalities. These include the proposed National Forest Entity as well as continued national implementation within a new constitutional and managerial context. This will present a number of challenges that need to be considered. For example the issues of financial absorption trajectory i.e. possible slow in an interim period 2016 – 2018 with scale up for the period 2018 – 2022 will need to be considered by the four governments. In addition changing financial systems from SDC to Government of Nepal or agreed formats will require additional capacity building work for the management team as well as any contracted suppliers. This would help to ensure that fiduciary risks are minimised whilst sustainable processes and livelihoods are achieved for poor and marginalised groups.

### *Crafting Strategic Options to operate with or without an NFE*

Even with the current positive movement on the NFE there are still a number of important hurdles to be overcome before the NFE is legally constituted and then put into operation. As a result the options presented below are put forward so that they could be operated with or without an NFE or

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<sup>45</sup> However, as discussed above, there are serious concerns about the current logical framework in relation to the indicators and targets but at this stage in the transition phase it is accepted that only minor changes might be possible. The addition of the logical framework to the Programme Document as part of the Joint Funding Agreement means that it is often seen as having a high formality rather than being used as a working management tool. The desire not to change the logframe, along with limited tracking of the source of results from each contract (at output as well as outcome level) means that as the programme expanded during the transition phase from 1 IA to 6 core IAs, plus 3 thematic IAs as well as innovation funds and micro-projects the logframe currently doesn't represent the programme very well either in terms of quantitative indicators nor in the limited use of process indicators for this complex multi-stakeholder programme.

with a phased approach of transferring management responsibility to an NFE once it has been fully established and systems / processes agreed.<sup>46</sup>

If there is no NFE then the following is proposed for the longer term management for an interim period (or even the whole programme life):

- Single MSFP Management team located in MoFSC but closely linked with MoFALD (especially for devolution option). FOCUS ON PLANNING, MONITORING AND LEARNING
- MSSC would be retained but extended membership (35?) with possible Executive Committee (7 people – monthly meetings) and annual MS Forum where all can attend;
- Independent Fund Manager for procurement, contract and fund management. FOCUS IS ON CONTROLLING AND VERIFICATION
- IAs (could be NGOs / CBOs as well as Government) covering three types of work:
  - Implementation (unless radical devolution option)
  - Capacity strengthening / technical backstop (key role in devolution option)
  - Learning coordination / evidence production / advocacy (key role especially for member organisations / rights holder organisations / research organisations as well as IAs)

### *Implications of National Implementation*

The MTR is highly supportive of the principle of national implementation. However MSFP is a complex programme delivering in a dynamic context around issues which do not have a set of settled models for implementation. This poses a challenge for any management team and it is always wise to ensure that the most appropriate experts are used by the MSFP to ensure effective and efficient delivery whilst building strong national and local ownership that supports long term sustainability. Future design work will need to keep in mind the following points which have emerged from the MTR:

- The political nature of the forest sector both at a personal and a party level. This major concern makes it more difficult to deliver a complex programme in a context where there is limited agreement on the constitutional settlement and the current (August 2015) limited clarity of how the forest sector will be integrated into any federal structure. It will be important to keep these political changes under review during any design process.
- Equally the challenge posed by the twin earthquakes and damage to the central area of Nepal – including Kathmandu – should be recognised.
- In addition, capacity issues at all levels, to enable rapid delivery of a large programme, suggests that the level of ambition needs to be more limited over the short to medium term (1-3 years).

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<sup>46</sup> Phasing of finance, managerial responsibility and scale would be important elements for the design process to consider.

- A more careful and focused approach would enable proof of concept of any approach to be carefully developed and any new financial, procurement and M&E systems to be put in place and tested fully before expanding to a broader implementation area.
- Protecting the MSFP management team from any accusations of political bias is critical. Using independent fund management could reduce these risks and help to build broader trust around how the programme hires organisations to deliver key elements of the programme.

#### Box 2: Fundamental Issues for MSFP Option Design

- Principle of Multi-level multi-stakeholder process
- Principle of GESI and transformational change
- Principle of non-discrimination
- Evidence based targeting of work to provide an integrated and intensive engagement
- Forests are central to the programme and it is the 'active and sustainable' use that enables climate compatible development
- Promotion of community forestry, including other community based forest management and watershed management to enhance local livelihoods, inclusive forest governance and sustainable forest management.
- Use of a clear Theory of Change based on latest data (including FRA) to inform design.
- Independent Fund Manager contracted by GoN procurement processes that oversees procurement, contracting, verification of budget / expenditure / results as well as drawing up of cost norms and other process guidelines. Works to the Executive Director and work is based on agreed YPOs.
- Clear Conflict of Interest Policy which is tracked in Annual Reports.
- National implementation but with a clear understanding, based on performance to date, of the limitations of financial absorption capacity as well as results focus (beyond activities) linked to coherent planning. This has implications for a possible interim period with lower spend which can give 'proof of concept' before scale up during the final 4 years of the programme.

#### *Issues for move from transition MSFP to MSFP2*

For all options there are a number of issues regarding the move from the current transition phase to MSFP2. These will apply whether there is an NFE or not. Critical questions which need to be agreed at an early stage are:

- Close out of existing contracts before /after July 2016?<sup>47</sup>

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<sup>47</sup> There are indications that there would be a request for a further 'no-cost' extension to ensure orderly close out so leaving the YPO to run through to end of June/early July 2016.

- Financial regulations for MSFP2 and building capacity within the management team and amongst potential contract holders, including local government;
- Timing of start of new programme? How quickly could a new programme start operations and fund disbursement in an orderly manner.
- How to target areas of operation and how to close out support to local forest user groups without building expectations of continued support from MSFP.
- Managing parallel processes during 2015/16 and how to include this (or not) in the YPO?

## 6.2 MTR Options for MSFP 2

At this stage in the process the MTR would like to put forward three options that could be developed during the design phase (see Annex 11 for key issues for design team consideration). Any of these options will require a management team that has a high capacity and could respond effectively, using evidence based processes, to the changing institutional context in Nepal over the next 6 years. It would be critical that each option is carefully targeted and that the programme moves beyond simple use of past LFP / NSCFP sites as these (as per Annex 10) may not be those where most learning could take place. The targeting should be evidence based and include data from the FRA, vulnerability maps, watershed as well as census data, CFUG database data (when agreed) and enable clustering to ensure intensity of engagement at local government level.<sup>48</sup> As laid out in Annex 11 there are a number of key design principles which inform these options but the most fundamental are given in Box 2.

### *Option 1: Reformulated and refocused MSFP*

This option would focus on a redesign and refocusing of the MSFP under new unified management with Districts that are intensively engaged with. These should be transparently selected to enable meeting outcomes set by a revised Theory of Change (see Annex 12 for initial thoughts on this). It assumes no clarity in next 12 months regarding constitutional status of devolution and local forestry in particular.

In this option there would be a need to build effective management structures, including fund management and a likely independent M&E system under an Executive Board (meeting at least monthly) to provide more engaged oversight. This Board would report to the MSSC and annual Multi-stakeholder Forum.

The work of MSFP would then focus on 4 projects operating under one programme management structure as shown in Box 3.

The focus would be on no more than 15 - 20 districts based on full transparent criteria for selection linked to a clear TOC and revised logframe. There would be NO innovation fund / micro-projects or thematic districts. Each district would have an intensive engagement around 1 District 1 Plan approach and include DFOs / DSCO/ IAs working together to build synergies based on their respective core competencies as well as the legal duties of the DFOs and DSCO. A 'learning fund' closely linked to both problem solving and cross-programme learning could be developed.

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<sup>48</sup> A critical finding from a recent Hario Ban evaluation as well which was communicated to the MTR verbally.

Figure 2: Possible area of targeting focus for the MSFP?

	'Subsistence Level' primarily focus	Low Access / Infrastructure	High Access / Infrastructure	
Capacity of local forest use group	High	<p>Small resource with no high value products but usable for subsistence / livestock development?</p> <p>Social capital gains from empowerment / capacity development can support some subsistence gains but increase access to wider development options.</p> <p>Important for marginalised communities – but care regarding opportunity costs for day labourers.</p>	<p>Examine how to overcome bottlenecks based on access / energy? High value &amp; low volume crops?</p> <p>Policy and planning within District / local government as well as FUG.</p>	<p>Critical areas for development of business / jobs and small-scale industry (timber &amp; NTFPs).</p> <p>High Value Business Development through partnerships and enabling investment (not direct from MSFP)</p>
	Low	<p>Low capacity &amp; Low resource potential (scale and quality) – what are the transaction costs / gains for local communities of managing forest resources?</p> <p>May be a time issue to enable rehabilitation of resource?</p> <p>Opportunity costs for marginalised people – is forestry the best way forward?</p>	<p>Requirement to build capacity to exploit resources in line with wider development planning.</p> <p>Capacity / policy and planning at District level as well as FUG.</p>	<p>Urgent needs to build capacity to support livelihoods/jobs/business etc.</p> <p>Critical to build partnerships with business and FUGs.</p>
	Low	Productivity of Resource	High	

*Option 2 – reformulation and piloting devolution*

The assumption that guides this option is that the lines associated with the federal structure and devolution have been agreed in principle but not yet put into practice. The main outline for this option is given in Box 4. Given the uncertainties surrounding devolution this option would pilot work to new Local Government structures during 2016-2018 provided that is political and legal clarity on roles and responsibilities within the new structure. If this is not available during the next 12 months then this option would be put in place as clarity is achieved.

*Option 3 – Devolution of programme implementation for Projects A and part of B to Local Government*

The delivery of this option is clearly linked to the implementation of the federal structure and devolution in Nepal as well as robust piloting under option 2 for 2 years so that evidence on how direct funding of Local Government might work in different contexts.

### Box 3: Strategic Option 1 - 4 key projects in one programme

Project A: Local Forest Management and Governance. This would provide support to households and communities and focus on sustainable forest management, livelihood and business development. The role of MOFALD and DDC and VDC will be crucial in this work (or other forms of local government as they are developed and work undertaken to pilot possible direct funding to Local Government rather than through NGO IAs). Current lessons from the field need to be used carefully to develop strategies to work even when there is no elected local government. This project implements modified forms of the current Outcomes 2 – 4 and include a focus on 'climate intelligent investment' to enable climate compatible development. It would also provide an intensity of engagement at district level which would, over time be expanded into a more regional level and to the new federation state level if that is the case;

This could include three possible areas of work (see Figure 2 which would be refined during the next 12 months as a focus for data gathering and alignment):

- a focus on areas of high capacity, high potential (forest resources) and effective infrastructure (no black-out Districts, good road network and supportive local government) to test work on high value focused business development.
- this could sit alongside work to build capacity in areas of high potential
- as well as enabling those local forest user groups with limited potential for commercial exploitation of forest resources to use their social capital to foster wider livelihood development.

Project B: Policy Development covering Project A related 'blockage removal' through specific policy development. The aim would be 'reducing the restrictions on local use of forest land and public land for livelihood development, economic development for all (women, poor and the excluded) including wider marketing of products (including timber)'. This would use an approach of 'reform through implementation' closely aligned to Project A.

Project C: Forest Sector Reform linked to the FP / FSS implementation including issues of GESI, REDD, CBD etc.

Project D: Evidence and Learning: evidence, learning and research (including impact study)

### Box 4: Strategic Option 2: As option 1 but piloting for devolution

- Option 2 would have the same 4 projects as Option 1 but would, as the details of the federal structure and devolution of responsibility for local forest land management moves to Local Government MSFP would set up a number of pilot programmes to enable building capacity within different contexts to enable active forest land management for benefit of local communities, local economies and to enable sustainable protection of key resources within watershed and biodiversity.
- Requires clarity on devolution under new political agreement is achieved even if the legal frameworks are not yet in place.
- Target areas: Be based on same areas as option 1 but ideally linked to work taking place in agriculture using devolved management and finance systems (e.g. SDC).

Box 5: Strategic Option 3: Scale up of devolved funding pilots – building on Option 2

- Option 3 would have the same 4 projects as Option 1 but would, based on piloting under option 2 be focused on a scale up of direct funding to Local Government especially for Project A. Understanding the contextual requirements (capacity, absorption, types of forest and social/cultural issues as well as environmental constraints) will be required. It is unlikely that a 'one size fits all' approach will work across Nepal and therefore understanding the key conditions for success through the pilots in option 2 will be vital. .
- Requires full constitutional, political and legal agreement to enable scale up the devolution of local forest management to local government.
- Target areas: At this stage, based on clear criteria the programme should be in a position to scale out to new Provinces/ Local Government areas in a phased manner.



# Annex 1: Original MTR schedule

(field schedules are in Annex 2 of volume 2)

## Original

Date	Day	Time	Activities/description	Venue	Responsibility
8 April	Wednesday	9-12 AM	MTR initial meeting	SDC Consultant room	Team Leader with MTR team.
		12 – 1330	Meeting with the 3 donors and the MTR team	SDC	Antti
		2.30 – 3.30 PM	Introductory visit to SSU Team	SSU	Manohara Khadka (MK)
		3.30- 4.30 PM	Introductory visit to PCO Team and MTR WG of MSFC	PCO	MK
9 April	Thursday	2-5 PM	MSFP Briefing by SSU and PCO jointly <ul style="list-style-type: none"> <li>• General (overview)</li> <li>• Outcome/thematic (6 presentation)</li> </ul>	SSU	Dhananjaya Paudel (DP)/Ramu Subedi (RS) MSFP Thematic Managers
10 April	Friday	2-4 PM	Meeting with MSFP Donors, PCO, SSU and MOFSC MTR Working Group (WG)  Debriefing by MTR Team on methodology, revisit plan & expectation of MSFP donors	SSU	MK MTR team
13 April	Monday	10- 11.30 am	Courtesy meeting with NPC	NPC	MK/DP/RS
		11.30 -12.30 pm	Courtesy meeting with the Forest Secretary, Singha Durbar	MoFSC	DP/RS
		1-2 PM	Lunch	SSU	Sapana Paudel (SP)
		2-3 PM	Courtesy meeting with MOFSC Officials	MOFSC	DP
		3-4 PM	Courtesy meeting with MSSC members CSOs (5 members)	SSU	RS/Sushila Thapa (ST)
		4-5 PM	Courtesy meeting with MSFP NGO Implementing Agencies Focal Persons	SSU	Kanti Risal (KR)
15-29 April	Wed-Thu		Field visit		PCO staff and SSU Focal Persons will join in the respective cluster
29 April	Thursday		Return from field		
1-9 May	Friday-Sat		Interview, data analysis, in Kathmandu. This may also include stakeholder meetings with people not yet visited. A separate schedule will be drawn up for these visits with the person/people who will visit identified.	A meeting room is required for the 4 – 8 <sup>th</sup> .	MK, Thematic Managers
11-14 May	Mon-Thur		Individual report finalization		MK/ RS
15 May	Friday	09-11 am	Debriefing with MSFP donors, SSU, PCO, WG	SSU	RS/DP/MK
18 May	Monday	11-01 PM	Debriefing with CSO (Followed by Lunch)	Hotel	RS/MK
25 June	Thursday	02-05 PM	Debriefing with MSSC (Followed by	Hotel	MK/DP

Date	Day	Time	Activities/description	Venue	Responsibility
			Hi-tea)		

## Revised

Date	Item	Responsibility / Comments
18 <sup>th</sup> May	Completed draft technical reports from all 4 technical experts so that they can be used / included in the draft interim report	Technical Experts  All reports can be submitted in earlier draft before this date so that the material can be used for the main interim report analysis
22 <sup>nd</sup> May	Submission of DRAFT Interim report. That will focus on the outputs from the main field work and related data analysis. It can include some of the analysis of Outcome 1 in relation to what is already known but that section will be provisional.	Team Leader  This will have a short Executive Summary (3- 5 pages including the key recommendations) which will be translated into Nepali. It will also highlight outstanding issues that will be addressed in June visit.  This was submitted to donors but not circulated.
13 – 26 <sup>th</sup> June	Stakeholder meetings in Kathmandu. MSSC meeting on the 25 <sup>th</sup> was cancelled due to Government of Nepal / donor meeting on Earthquake reconstruction.  KIIs with stakeholders 14 – 26 <sup>th</sup> June.  Presentation of revised options and status update to the donors and SSU management on 23 <sup>rd</sup> June.	Team Leader, Forestry / Institutional specialist as well as GESI and Climate Change specialists.
3 <sup>rd</sup> July	Finalised DRAFT complete report based on comments from 25 <sup>th</sup> June	Team Leader to coordinate. This will be the final date for the technical annexes to be completed included Forestry / Institutional.
Through to 26 <sup>th</sup> July	Stakeholder comments to be collated by SDC.	SDC
10 <sup>th</sup> August	Completed report submitted to SDC and MoFSC	Team leader. There may be some final input from team members addressing comments that are raised during this period but these can be done remotely.

# Annex 2: MTR Methodology and presentation

Inception and methodology Report



Inception &  
Methodology report 1

Revised presentation of Methodology

(click to open)

MSFP MTR Methodology

REVISED

110415

# Annex 3: 23<sup>rd</sup> June Donor Presentation and MoFSC Status Update

MSFP MTR update  
Donor meeting 23 June 2015

MTR Team



MoFSC MTR Status  
Update

# Annex 4: Results Tracking

## A. Mapping of Results to Outcome, Output and MSFP Key Outputs

	Key results of MSFP (from 2011 document) (for 10 years)	Outcome (as per log-frame)	Outputs as per the 2011 logframe	Key Outputs (20 used) (Perhaps KEY PERFORMANCE INDICATORS)
R6	Improve forest sector governance and support in establishing a multi-stakeholder national forest entity	Outcome 1: Government and non-state actors jointly and effectively implementing inclusive forest sector strategies, policies and plans.	<p>1.1 Multi-stakeholder National Forest Entity establishment is facilitated and functional in line with the GON approach paper (2010) approved by NPC.</p> <p>1.2 National Forest Sector Strategy and other relevant forest sector policies, plans and guidelines preparation and/or revision processes initiated by GON through multi-stakeholder approach and facilitated.</p> <p>1.3 Government and non-state actors in multi-stakeholders structures have optimised capacity for forestry sector governance and implementation at different levels.</p>	<p>12. No. of AEFC formed</p> <p>13. No. of AEFC reformed / strengthened</p>
R3	Increase the contribution of the forest sector to GDP from 9% to 10.4%	Outcome 2: Private sector (farmers, entrepreneurs and financial institutions) increase investment and jobs in the forestry sector.	2.1 Potential and constraints of private sector investment jointly identified by the private sector and other stakeholders	<p>1. Value chain of forest products explored</p> <p>2 No. of enterprise Strengthened</p> <p>3. No. of Enterprises established</p> <p>4. No. Jobs created (enterprise)</p> <p>5. No. Jobs created (SFM)</p>
R7	Increase private sector investment in the forestry sector and create an additional 80,000 jobs for poor and marginalised people.		2.2 Lasting Business Partnerships established between private sector, local forestry groups, and farmers for forest-based enterprises.	

	Key results of MSFP (from 2011 document) (for 10 years)	Outcome (as per log-frame)	Outputs as per the 2011 logframe	Key Outputs (20 used) (Perhaps KEY PERFORMANCE INDICATORS)
R1	Contribute to lifting 1.7 million poor people out of income poverty	Outcome 3: Rural communities - especially poor, disadvantaged and climate vulnerable people and households - benefit from local forest management and other investments.	3.1 Local forestry groups managing and accessing more and better forest resources	6. No Forestry Groups Formed 7. Area of forest handed over 8. No. of HHs covered 9. No. of Operation Plan revised 10. No. of Operational Plan Prepared 11. No of LFGs intensively supported with social mobilisation, livelihood and forest management activities +E2 14. No. of HHs supported with livelihood improvement activities / Quick impact activities 15. No. of Adaptation Plan Prepared 16. No. of Adaptation Plan implemented 17. No. of HHs received adaptation services to reduce their vulnerability
R2	Reduce the climate vulnerability of 550,000 households		3.2 Local forestry groups and multi-stakeholder structures practice good governance	
R4	Double the contribution of forest-based activities from 3% to 6% of household income in programme districts		3.3 Poor, disadvantaged and climate vulnerable households receive targeted goods and services (including finance) from local forestry groups and multi-stakeholder structures.	
R8	Increase the area of forest managed by local forestry groups by 100,000 hectares		3.4 Local forestry groups implement plans and constitutions that reflect sustainability and improve climate resilience	
R5	Halve the deforestation rate in programme districts from 1.7% to 0.8%	Outcome 4: Forests and trees sustainable managed and monitored by government, communities and private sector and climate resilient	4.1 Forests and ecosystem products and services restored, managed and enhanced scientifically;	18. No. of Seedlings Planted 19. Afforested / Reforestation Area 20. Area of afforestation under scientific prescription
R9	Double the area of forest converted from degraded to improved through the sustainable management		4.2 Climate change and forestry monitoring capacity, knowledge and information management developed and applied.	
R10	25% of the forest in districts under scientific management			

## B: Core IA expenditure against Output

Summary sheet - expenditure per output and IA (Not RNN)													
IA		Lot 1 - RRN		Lot II ECARDS		Lot 3 RIMS		Lot IV LIBIRD		Lot V Rupantaran Nepal		Lot VI IDS	
Output as per logframe	Additional Outputs	Budget	Expenditure - Mar 15	Budget	Expenditure - Mar 15	Budget	Expenditure - Mar 15	Budget	Expenditure - Mar 15	Budget	Expenditure - Mar 15	Budget	Expenditure - Mar 15
1.1		-	-	-	-	-	-	896,797	867,316	-	-	-	-
1.2		-	-	-	-	-	-	75,000	75,000	-	-	-	-
1.3		-	-	-	-	-	-	267,053	267,053	-	-	484,000	483,395
	1.4	-	-	-	-	-	-	169,025	167,485	-	-	-	-
<b>TOTAL Outcome 1</b>		-	-	-	-	-	-	1,407,875	1,376,854	-	-	484,000	483,395
2.1		-	-	-	-	-	-	-	-	-	-	876,500	874,800
2.2		15,660,000	15,547,016	9,735,937	7,524,656	12,231,225	11,682,635	16,825,645	16,639,841	23,733,720	21,032,403	26,489,142	27,280,957
<b>TOTAL Outcome 2</b>		15,660,000	15,547,016	9,735,937	7,524,656	12,231,225	11,682,635	16,825,645	16,639,841	23,733,720	21,032,403	27,365,642	28,155,757
3.1		17,408,000	17,235,242	15,758,779	9,472,949	24,646,149	23,611,626	10,003,396	8,511,180	13,355,503	9,770,102	32,781,272	31,141,602
3.2		12,560,000	11,103,911	4,872,652	4,106,916	3,125,650	2,973,805	8,864,822	9,414,281	8,342,915	7,430,250	45,954,350	46,733,550
3.3		22,782,000	22,604,615	35,879,276	34,448,482	41,021,318	40,718,529	33,223,383	36,699,903	46,105,210	42,950,636	1,200,000	946,824
3.4		8,022,900	8,212,134	27,390,193	20,935,793	-	-	12,082,906	11,650,837	72,664,787	69,375,362	22,010,845	22,594,008
<b>TOTAL Outcome 3</b>		60,772,900	59,155,902	83,900,901	68,964,140	68,793,117	67,303,960	64,174,507	66,276,200	140,468,415	129,526,350	101,946,467	101,415,984
4.1		20,267,500	19,309,957	9,842,648	9,038,543	11,961,144	11,594,304	11,155,629	9,602,885	16,108,653	11,440,075	10,272,315	10,311,888
4.2		-	-	-	-	4,664,514	4,603,853	-	-	-	-	8,618,015	6,706,038
<b>TOTAL Outcome</b>		20,267,500	19,309,957	9,842,648	9,038,543	16,625,658	16,198,157	11,155,629	9,602,885	16,108,653	11,440,075	18,890,330	17,017,927
<b>TOTAL IMPLEMENTATION (MTR)</b>		96,700,400	94,012,876	103,479,486	85,527,339	97,650,000	95,184,752	93,563,657	93,895,780	180,310,788	161,998,828	148,686,439	147,073,063
Management Costs		24,654,100	22,727,553	35,617,223	30,141,149	32,057,600	32,294,448	20,729,333	20,021,072	64,204,245	59,098,118	42,740,021	43,359,302
Overheads		11,516,542	10,698,990	4,172,902	3,475,437	7,782,455	7,648,752	8,000,509	7,974,180	12,225,752	11,054,847	18,030,574	17,906,672
<b>TOTAL</b>		132,871,042	127,439,419	143,269,611	119,143,925	137,490,056	135,127,952	122,293,499	121,891,032	256,740,785	232,151,793	209,457,034	208,339,036
% (management / overheads)		27	26	28	28	29	30	23	23	30	30	29	29
% budget spent		96	96	83	83	98	98	100	100	90	90	99	99

C: Core IAs against MSFP '20 Outputs' for period Jan 2012 – Dec 2014

S. n	Key Outputs	Unit	TOTALS		RRN		ECARDS		RIMS		LIBIRD		Rupantaran		IDS	
			Target total	Total (Jan2012 - Dec 2014)	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14
1	Value chain of forest products explored	Product	0	45	0	17		8		8		12		-		-
2	No. of Enterprise Strengthened	Enterprise	0	138		40		38		17		21		21		1
3	No. of Enterprise established	Enterprise	0	104		19		15		5		25		39		1
4	No. of Jobs Created-Enterprise	People	8700	8539	1300	749		2,114	1200	1,016	1500	1,404	2200	1,865	2500	1,391
5	No. of Jobs Created-SFM	People	0	0		-		-		-		-		-		-
6	No. of Forestry Groups Formed	LFG	1150	199	140	7	100	64	155	20	100	35	280	69	375	4
7	Area of forest handed over	Ha	0	15428.596		565		4,802		63		3,979		5,315		703
8	No. of HHs Covered	HHs	0	16597		853		4,782		1,646		3,340		5,528		448
9	No. of Operation Plan Revised	OP	4700	1146	700	255	500	289	700	18	600	59	1000	365	1200	160
10	No. of Operation Plan Prepared	OP	0	199		7		64		20		35		69		4
11	No. of LFGs intensively supported with social mobilisation, livelihood and forest management activities	LFG	0	5166		337		1,426		1,044		140		2,219		-
12	No. of AEFC formed	AEFC	1037	275		82		5		8		-		180		-
13	No. of AEFC reformed/Strengthened	AEFC	0	824	164	1	188	337	223	65		239	231	102	231	80



S. n	Key Outputs	Unit	TOTALS		RRN		ECARDS		RIMS		LIBIRD		Rupantaran		IDS	
			Target total	Total (Jan2012 - Dec 2014)	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14	2 yr target IAs	Total to Dec 14
14	No. of HHS Supported with livelihood improvement activities/Quick impact activities	HHS	32000	31259	4000	4,177	4000	5,074	4000	5,996	4000	6,034	8000	6,036	8000	3,942
15	No. of Adaptation Plan Prepared	Plan	0	1679		217		510		68		335		406		143
16	No. of Adaptation Plan Implemented	Plan	0	965		23		178		28		237		459		40
17	No. of HHS received adaptation services to reduce their vulnerability	HHS	155000	80692	26000	1,099	24000	7,842	24000	17,767		13,641	44000	38,206	37000	2,137
18	No. of Seedlings Planted	Seedlings	1770000	2023767	400000	80,187	110000	633,912	50,000	248,227	200000	81,290	110000	280,151	900000	700,000
19	Afforested/Reforestation Area	Ha	0	759.13		20		39		168		171		123		238
20	Area of afforestation under scientific prescription	Ha	0	0		-		-		-		-		-		-

# Annex 5: MSFP definitions to ensure coherence when reporting on performance?

Request by the MTR TL 020415

In the logframe / results framework a number of terms are used which are complex and can be interpreted in many different ways. To be sure that the MTR (and others) use terminology in the same way it would be good to know what definitions / explanations the MSFP has developed over the last three years for the following terms in particular. More may be added.

This process is not to indicate whether the definitions, approach or criteria used by MSFP are right /wrong but to ensure consistency of use by the MTR team with the MSFP usage.

Term in results framework / logframe	MSFP definitions / approach /criteria?	Issues that might arise?
Issues in the MSFP 20 Outputs which are tracked by IAs		
Output 1: forest products explored?	Key economically potential species identified, and value chain of the identified species developed considering the market potential in mind	What does explored mean? How deeply? What happens after the exploration?
Output 2: Enterprises Strengthened?	Support the entrepreneur/s where they feel gap/s, market linkage support provided to existing enterprise, instrument support if required, skills development support provided	What does this cover? What would an enterprise be able to do after the strengthening that it couldn't before?
Output 3: enterprises established	Fully functional enterprise with value chain, market link. Normally the enterprise last with end of project which support them.	Is there any attempt to know how long they last?
Output 5: Jobs created (full time, part time, seasonal)	Full time job- at least three month full time a year, earning above than 1.25\$/ day;  part-time: earning above 1.25\$ / day but less than three months a year; seasonal job; job that are available at the time of forest product harvesting,	Is there evidence of how long they might last?
Output 6 and Output 12: groups formed	Formation of forest user committee to make local community ready to take a patch of GoN managed forest as Community forest. Normally, member of one group may not be the member of other group. In some cases, such dual	What are the differences? Do the same people belong to both groups?

Term in results framework / logframe	MSFP definitions / approach /criteria?	Issues that might arise?
	membership can be found. But, MoFSC has now ruled out the dual membership	
Output 9 and 10? OPs	Operational Plan (OP) of the Community Forest Users Groups CFUGs are the forest management plan developed by users group, which are expired in every five to ten years. Large numbers of OPs are now expired. MSFP support to renew the OPs in partnership with DFOs and NGO IAs. About 2900 OPs are revised, and submitted for approval to DFOs in respective MSFP districts. About 50% of the submitted OPs are approved already and started implementation by CFUGs.	Are these approved and being put into practice?
Output 13: AEFC strengthened?	Agricultural, Forestry and Environment Committee (AFEC) strengthening term is basically used to integrate forestry sector/actors/issues in this committee and in the activities of the committee. As this committee is largely dominated by agriculture sector plans, policies and activities for this purpose, AFEC by-laws has been amended locally from forestry perspective to make forestry visible. In addition to this support is also provided to capacitate the member of AFEC in governance, local planning, monitoring, forest management, and climate change, record keeping, and office management. Before strengthening, they were just formed, and members of the committee were not aware about the role, responsibilities of their position, and even not aware about the role, and responsibilities of AFEC itself.	What does this cover? What would an AEFC be able to do after the strengthening that it couldn't before?
Output 14: HH and quick impact?	Poor and Disadvantaged households (HH) selected by community through the well-being ranking process are targeted for support -	Selection of the households? Is this by community or by the IA or a mixture of both?  Selection of DAG and Poor

Term in results framework / logframe	MSFP definitions / approach /criteria?	Issues that might arise?
	<p>financial, training, and social mobilization for diversifying their livelihood options e.g. goat keeping, fodder tree plantation, poultry farming, pig farming, NTFP cultivation, instrument and tool support for micro enterprise e.g. mixture for Nettle powder, bamboo product.</p> <p>Quick impact activities refers to income generating and supporting activities planned by the community for the benefit of poor and vulnerable HHs and MSFP supports those with partial funding in most cases, This is rather flexible window created for quick response to community need. As this flexibility is addressed now largely by HH livelihood support and adaptation support, quick impact activities are not significant now.</p>	<p>household from Wellbeing ranking tool is done by the community themselves if LGCDP (Local Governance and Community Development Programme) data of Well-being is not available in the VDC, with the facilitation support from the social mobilizers.</p>
Output 17: vulnerability?	<p>We do not have our own definition of Vulnerability, as we follow the NAPA/ LAPA document of the GoN Nepal. As per the adaptation action suggested for key vulnerability in NAPA, and framework for formulation of local adaptation plan suggested by LAPA framework 2011, we planned the adaptation action in MSFP. As per LAPA framework, local communities categorise the vulnerable groups-HHs and MSFP supports such vulnerable group-HH as per community plan.</p>	<p>In context of MSFP how defined?</p>
Output 18: Seedlings planted	<p>Selection of species are based on the ecological zone of country, and are selected the species in coordination with DFO of respective districts. Past experience (year 2014) revealed that 64% seedling survived. In MSFP area example in lot 2 ECARDS area survival rate is more than 70%</p>	<p>Survival rates / suitability for local area...</p>

Term in results framework / logframe	MSFP definitions / approach /criteria?	Issues that might arise?
	(GRC)	
Output 20: Scientific prescription	The scientific prescription Nepal forest is carried out as per the SFM guideline 2015, and before that as per the approved Operational plan, the SFM used to be carried out.	In context of Nepal forests what does this mean? Approved plans or something more?
<b>Issues in the Outputs in the logframe</b>		
1.3 'optimised capacity'	Capacity refers to skill, knowledge, finances, plans; and optimised basically refers to value addition. No absolute bench marking as such exists for optimisation.	What would this look like? Is there an agreed set of skills / competencies that government and non-state actors should have at all levels?
2.2 Lasting business partnerships	Generally more than 5 years	Any agreement of timeframe?
3.1 Managing and accessing more and better forest resources	Accessing generally refers to state of getting forest handed over for management.  Accessing more refers also to state of forest management with meeting demand of users with increased rate.  Better forest resource refers to increase in volume, high value, locally demanded resources.	Who is access defined and what is 'better' forest resource? High value, increased volume?
3.2 Standards of good governance	It means principle of good governance basically, transparency, accountability, inclusion, rule of law and non-discrimination.	Are there agreed criteria to assess good governance? Yes at users' level CFUG categorization.
3.3 poor, disadvantaged and climate vulnerable	Income poverty - absolute poverty those who are earning less than 1.25 \$ a day income (measured at PPP) or have less than six month food self-sufficiency.	MSFP definitions that are used across programme to enable comparison? Yes definition of DAG and Poor socially discriminated economically poor
3.4 sustainability and improve climate resilience	Sustainability here refers to interventions with socially accepted and technically sound plans. Improve climate resilience refers to state of implementing adaptation interventions as per plan and benefitting from such interventions	How does MSFP define these two terms in the context of its operational focus?
4.1 products and services 'restored, managed and	Restored mainly refers to reforestation in degraded areas	How is progress measured and against what baseline?

Term in results framework / logframe	MSFP definitions / approach /criteria?	Issues that might arise?
enhanced scientifically'	<p>and afforestation.</p> <p>Enhanced refers to increase in quality, volume, species distribution. Measured mainly by afforestation/reforestation record and forest inventory.</p> <p>MSFP baseline is in logframe. Community baseline is in their operation plan as per forest inventory carryout out.</p>	
4.2 Building capacity	Capacity refers to skill, knowledge, finances, plans; and optimised basically refers to value addition. No absolute bench marking as such exists for optimisation.	What skills, capacity and competency is required and how is progress measured within the MSFP?
Key Results of MSFP		
6. Improved forest sector governance	<p>Governance checklist independently rated bi-annually across five dimensions:</p> <ul style="list-style-type: none"> <li>- transparency, accountability and public participation</li> <li>- reliability of forest institutions and conflict management</li> <li>- quality of forest administration</li> <li>- coherence of forest legislation and rule of law</li> <li>- economic efficiency, equity and incentives</li> </ul> <p>Based on Global Witness checklist (2010)</p>	How is this to be defined and by whom?
9. conversion degraded to improved	mainly refers to reforestation in degraded areas and afforestation – both with tree or NTFP species	Baseline and agreement on sustainable management given there may be tensions between management for NTFPs, for timber and for ecosystem services.
10. scientific management	Yes	Is this under agreed management plans?

# Annex 6: Reference materials

The technical reports contain the main materials reviewed by the MTR team. The team wish to recognise the material given to the team on the 9<sup>th</sup> April by the SSU as well as subsequent materials from the IA.

Additional material that informed the MTR included:

1. Formal programme documentation including the Joint Funding Agreement and the Common Programme Document.
2. MoFSC No-cost Extension 27<sup>th</sup> March 2014
3. Logical Framework update 2014
4. Baseline documentation
5. Outcome survey
6. Donor Focal Point Reports and minutes of donor meetings
7. Presentation material from the SSU / PCO on the 9<sup>th</sup> April 2014 and additional documentation.
8. Tender documents and contracts for Core and Thematic Districts
9. Financial and annual reports
10. Performance audit of the Finnish Development Aid to Nepal – Multi-stakeholder Forestry Programme in Nepal 12 December 2014
11. DFID Annual Reviews (2012, 2013 and 2014) and Business Case as well as International development committee review of DFIDs bilateral programme in Nepal (14<sup>th</sup> Report of Session 2014-15)
12. Forest Policy and draft Forest Sector Strategy
13. Draft NFE design documents
14. UN-REDD (2014) Understanding drivers and casuses of deforestation and forest degradation in Nepal: Potential policies and measures for REDD+
15. MoFSC REDD-Forestry and Climate Change Cell. Development of a Measurement, Reporting and Verification (MRV) System for Emissions and Removals Working Paper No. 5 (Feb 2014)
16. MoFSC REDD-Forestry and Climate Change Cell. Development of a REDD+ Forest Reference Level in Nepal. Methodological Steps and Presentation of the Forest Reference Level (Feb 2015)
17. MoFSC July 2014. Churia Forests of Nepal (Forest Resource Assessment)
18. MoFSC April 2014. Terai Forests of nepal 2010-2012 (Forest Resource Assessment).

## Annex 7: Responses to Key questions from Cluster 1 and Cluster 2

LFG	Type	Adequate Forest products supply	Budget for poor, DAG	Representation in Ex Com	Forest mgmt practice	Public hearing /public audit per year	Revised OP with DAG provisions	Financial & In-Kind support for DAG , CV	climate resilient adaptation (MSF P support)	Relevance and effectiveness of support	CAPAs prepared and endorsed, implemented, LAPA	GESI planning skills
Latijhoda Collaborative Forest, Sundarpur, Morang	Thematic			Women: yes	Scientific: tree marking, fellin g, fire line							
Hariyali CFUG	Thematic	no		Women: yes								
Namuna CFUG	Innovative	no	yes	Women: yes					nursery	Relevance: limited Effectiveness: limited	no	Representation, pro-poor activities
Kamalpur CFUG, Letang, Morang	Innovative	no	yes	Women: yes; social diversity: yes	nursery	yes	yes	yes	Fruit trees	Relevance: yes Effectiveness: limited	no	Representation, pro-poor activities
Bajeni pakha CFUG, Dandabazar	Intensive	no	Yes	Women: yes; social diversity: yes	Yes: seedlings planted	yes	yes	yes	Water source protection	yes	LAPA	Coaching recd; representation, budget for poor
Dhoje Dharapani CFUG, TankhuwaD hankuta	Non Intensive	no	no	Women: no; social diversity: no	Plantation, nursery	yes	no	no	no	no	no	no
Tinjure Handmade Enterprise, Tute Deurali, Sankhuwas abha	Enterprise.Pvt company		yes	Mgmt com: no	plantation	yes	na	yes	Water source conservation	yes	CAPA in some	Limited: pro-poor budget
Chaite CFUG, Ratopati, Terhathum	Intensive	yes	yes	Women: yes, social diversity: no	FFS, plantation, fire line	yes	yes	yes	Water source conservation	Yes: FFS; limited in others	CAPA	Representation, pro-poor budget
Sansari Danda CFUG Katunje	Intensive VDC	no	yes	Women: 4/11 Social diversity: no	Yes: 3 ha	na	yes	yes	trg	limited	CAPA , LAPA prepared	limited
Thulo-Pahire CFUG Katunje	Intensive VDC	no	yes	Women: yes; social diversity: no	Yes: 6 ha	yes	yes	yes	Plantation of broom grass, bambo	limited	LAPA	limited



LFG	Type	Adequate Forest products supply	Budget for poor, DAG	Representation in Ex Com	Forest mgmt practice	Public hearing /public audit per year	Revised OP with DAG provisions	Financial & In-Kind support for DAG , CV	climate resilient adaptation (MSF P support)	Relevance and effectiveness of support	CAPAs prepared and endorsed, implemented, LAPA	GESI planning skills
									o			
Mahila Jagriti CFUG Rumjatar	Non-intensive VDC (fighting case)	no	No	yes	Yes (DFO support)	na	yes	no	no	limited	no	no
Anganekhop CFUG Rumjatar	Non-Intensive VDC	no	no	no	Trg on pruning	no	yes	no	no	no	no	no
Hattidhunga Sallaghari CFUG: Diktel Municipality, Khotang	Intensive VDC	no	yes	yes	Yes: protection, thinning, pruning	yes	yes	yes	Plantation, home garden	limited	CAPA	limited
Mude-odare Pakha Mahila CFUG Bahunidanda	Intensive VDC	no	yes	All women, diverse: yes	Yes: protection, thinning, pruning	yes	yes	yes	Amriso plantation	limited	CAPA	limited

## Annex 8: Completed Evaluation Matrix

Rating	Criteria
Robust (R)	Strong and robust evidence from different sources which is mutually supportive of the conclusions that are drawn. Evidence is widespread across the operational contexts.
Supportive (S)	Evidence from different sources is mutually supportive of the conclusions that are drawn. Whilst weaknesses may be seen in some areas the 'density' of evidence provides confidence in the conclusions.
Indicative (I)	Evidence from different sources does not always agree. There are general weaknesses and gaps and therefore the conclusions that are drawn should be seen as provisional and perhaps used as an indication that, if the topic is fundamental to an understanding of the modality that further targeted research work is required.
Poor (p)	Limited or no evidence available from any source. Main evidence limited to 'hearsay' and very localised experiences. The main conclusions that are possible in this situation would be that further work may well be required in these areas, especially if significant claims to operational effectiveness are required.

For achievement we could use the following criteria:

Rating	Criteria
Above Expectations	Results are on track and above expectations when compared to the logical framework (for results) or any wider documentation in relation to TOC / IA contracts / DFO deliverables etc. Clear evidence is available to support this either from within programme or from the MTR itself.
On track	Results are on track and above expectations when compared to the logical framework (for results) or any wider documentation in relation to TOC / IA contracts / DFO deliverables etc. Clear evidence is available to support this either from within programme or from the MTR itself.
Off track in terms of time but clear plan for moving forward	Results are off track when compared to the logical framework (for results) or any wider documentation in relation to TOC / IA contracts / DFO deliverables etc. There is a clear plan in place to address issues relating to slow delivery and there is evidence is available to support this either from within programme or from the MTR itself.
Off track and not plan for moving forward.	Limited or no results being achieved that are of relevance to the programme. No clear plan to take work forward e.g. through a clear TOC, project 'uplift' plan or capacity building to support critical delivery.

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
Results Analysis (TORs 4.1)	<ul style="list-style-type: none"> <li>Achievements against outcomes / outputs in logframe</li> </ul>		<p>Outcomes</p> <p>Outputs</p>			P for PS	S for PS	But not unexpected for a programme in early stages
	<ul style="list-style-type: none"> <li>Progress against set Benchmarks laid out in the Terms of Reference for the MTR: <ul style="list-style-type: none"> <li>Programme on track-outcome and output milestones achievement</li> <li>Forest Strategy developed by MOFSC through a multi-stakeholder process, prepared and approved by the GoN</li> <li>Inclusive National Forest Entity (NFE) in place involving government, NGO, civil society and private sector</li> <li>Implementing Agencies internal</li> </ul> </li> </ul>	Not yet met	<p>Outcomes</p> <p>Outputs</p>	<p>Review indicates GESI addressed by draft still not approved</p> <p>Gender / social inclusion and women's empowerment is one of the themes for NFE but no consensus on NFE.</p>		S (GESI) P (PS)	S	Not yet met but there is progress on key benchmarks

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
	governance systems (including financial and procurement systems) annually audited as conforming to the concerned implementing agencies (GoN, DFID, SDC, GoF) standards.							
Risk Analysis	<ul style="list-style-type: none"> <li>Assess risks and assumptions of MSFP to examine unintended positive and/ or negative outcomes of programme.</li> </ul>	Risks are high as MSFP doesn't have a strong governance structure. Management is fragmented and generally focused on contract management rather than technical matters and learning. The current dynamic context within Nepal is a risk but also an opportunity. The Fiduciary Risk Assessment would indicate that this programme remains a high risk programme BUT the possible rewards make this an important area to continue to work in. However the risks could be managed with the right team, structures, intellectual leadership and processes. Strong donor engagement on governance issues (which are present in many areas in Nepal) would also be welcomed.						
Gender and Social Inclusion (GESI)	<ul style="list-style-type: none"> <li>What is the coherence of the MSFP GESI framework both internally and in relation to wider work on GESI in Nepal?</li> </ul>			MoFSC GESI strategy and GESI conceptual framework		S	R	More work required
	<ul style="list-style-type: none"> <li>Does it address issues of three domains of change</li> </ul>					S	R	Transformational change in

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
	i. livelihood empowerment and ii. social mobilisation empowerment and of iii. changing the rules of the game i.e. revising formal and informal policies, mind-sets and social practices which discriminate against women, poor and the excluded?							not considered.
	<ul style="list-style-type: none"> <li>How is it applied in the MSFP in relation to the IAs, innovation fund, M&amp;E and other policies and processes? What policies, guidelines, strategic directives exist to mandate all stakeholders to address GESI issues?</li> </ul>					S	R	
	<ul style="list-style-type: none"> <li>How have institutional systems and structures, working environment and human resource issues of IAs and MSFP related projects addressed GESI?</li> </ul>			WFD (Work force Diversity), FFA Zero tolerance of GBV (Gender Based Violence)		S	R	
	<ul style="list-style-type: none"> <li>How were financial allocation analysis of MSFP and IAs budget</li> </ul>			FFA		S	R	

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
	allocation and expenditure done to identify what percentage of the budget was directly spent on women, poor and the excluded; was supportive in creating an enabling environment for GESI mainstreaming and what percentage was spent on activities/interventions that were neither specific or supportive for women, poor and the excluded?							
	<ul style="list-style-type: none"> <li>How do monitoring and reporting systems disaggregated data and collect GESI related information for analysis, how are the information analysed and reported on? How do the M&amp;E and reporting templates, formats and processes integrate GESI?</li> </ul>			Disaggregation is followed of DAG, non DAG but this is not detailed enough; GESI analytical evidence is not collected or monitored		S	R	
	<ul style="list-style-type: none"> <li>What are the results that specifically flow from the MSFP GESI strategy application?</li> </ul>			Targeted program to poor & disadvantaged		S	S	

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
				representation on decision making committees but very inadequate efforts for transformation of inequitable social and gender relations				
	<ul style="list-style-type: none"> <li>Are there any specific challenges that face the MSFP across the programme e.g. local context, low priority to addressing GESI, resistance of advantaged social groups?</li> </ul>			Many challenges including limited understanding of GESI and specific barriers to different groups not addressed.		I	S	
	<ul style="list-style-type: none"> <li>Does the learning from MSFP help to inform wider work on GESI issues in the forest sector and/or other areas e.g. local development planning?</li> </ul>			No links		S	S	
	<ul style="list-style-type: none"> <li>How is the GESI related</li> </ul>			No		S	S	

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
	learning disseminated and shared with forums such as SIAG (Social Inclusion Action Group) of donors and civil society under the IDPG?			dissemination but still to be confirmed with SDC / SSU				
Relevance	<ul style="list-style-type: none"> <li>To what extent are the objectives and modalities of the MSFP relevant in the current context of the new political situation and new forestry sector strategy for Nepal?</li> <li>How relevant are MSFP's interventions in achieving its GESI related objectives?</li> </ul>	Relevance is even more important given wider changes in Nepal.	<p>Overall relevance</p> <p>Re Objectives current situation</p> <p>Re Modalities</p>	Targeted approach but no addressing VAW, strategic issues of structural discrimination are not addressed	Requires more attention to active management and use of resources.	S	R (GESI) S (PS)	But should be green – but stuck in older approaches due to lack of understanding of changed contexts since design. The heart of MSFP is highly relevant but it has had a number of 'additions' which have diluted focus.
Effectiveness (overall impression on the effectiveness of programmes current approaches	<ul style="list-style-type: none"> <li>Effectiveness and value added of the different modalities being used to deliver the programme: <ul style="list-style-type: none"> <li>Full districts</li> <li>Thematic districts</li> <li>Innovation grants</li> </ul> </li> </ul>	Lack of attention to local blockages	RED - Low Effectiveness of Thematic district and Innovation funds and	Different modalities allowing diverse issues to be addressed: GESI not well	In some areas limited understanding and synergies between inputs.	S	S	Weak with some good elements relating to eh MS approach and livelihood targeting. Fund flow to



Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
and implementation modalities (4.2)	<ul style="list-style-type: none"> <li>o Funded Studies</li> <li>o Other activities?</li> </ul>		studies is extremely low and most should be stopped	embedded in Thematic or Innovative programmes.				local level high – but level of effectiveness still limited.
	<ul style="list-style-type: none"> <li>• What is the level of achievement of GESI objectives? What factors contribute to these?</li> </ul>			Targets not achieved; delayed start of project		S	S	
	<ul style="list-style-type: none"> <li>• Contribution to the establishment of an effective of multi-stakeholder mechanisms at all levels: <ul style="list-style-type: none"> <li>o National</li> <li>o District</li> <li>o VDC</li> <li>o Community</li> </ul> </li> </ul>		Low in relation to Outcome 2, despite the fact the FNCCI does this well in other projects		Contradictions in way CC work is linked to wider processes.	S	S	
	<ul style="list-style-type: none"> <li>• Effectiveness of fund disbursement modalities channelized through: <ul style="list-style-type: none"> <li>o Government organisations</li> <li>o Non-Government implementing agencies</li> <li>o Forest-user groups</li> </ul> </li> </ul>	Poor problem solving around issues	but this only applies to non-governmental implementing agencies as almost all Outcome 2 activities have been implemented by them.	Delayed disbursement	Mixed in many cases.	S P for PS	S	
Effectiveness	<ul style="list-style-type: none"> <li>• Has the learning from</li> </ul>	In latter				S	S	For NFE issues

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
on policy and system strengthening including impressions on experiences and potentials of the Programme	the work of the MSFP contributed to the design and establishment of a multi-stakeholder 'National Forest Entity'?	stages of transition period. For NFE recent work				(GESI) P (PS)	(GESI) P (PS)	and other policy processes. However often not linked to clear production of evidence to support decision making
	<ul style="list-style-type: none"> <li>What has MSFP contributed to the Forestry sector (including REDD+) policies and strategies development, governance improvement and accountability including understanding constraints?</li> </ul>	Mixed – no background analysis / evidence to support policy making	Unclear in relation to private sector aspects			S	S	
Efficiency including implementation machinery and management	<ul style="list-style-type: none"> <li>What changes are needed in the Programme orientations and working modalities to contribute to the national goals and to the strategy more effectively?</li> </ul>	Need joint management team not split between PCO / SSU	Green - in terms of financial efficiency but problem is that the current approach cannot be scaled to the required level	See text of report.	Limited approach and understanding of key issues and how affects the poor.			But could be substantially improved to enable focus
	<ul style="list-style-type: none"> <li>How is the collaboration with wider stakeholders in the forestry sector and</li> </ul>		very poor, even among stakeholder			I	S	

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
	with the implementing agencies in the field?		s within MSFP (e.g. between IAs, FNCCI, DFOs and FED)					
Sustainability	<ul style="list-style-type: none"> <li>What opportunity is there for scale up of the lessons from the MSFP phase 1 in relation to: <ul style="list-style-type: none"> <li>Linkages with climate change e.g. REDD+</li> <li>Wider livelihood development?</li> <li>Work on trade and private sector development?</li> <li>Reaching women, poor, disadvantaged groups and local forestry groups?</li> <li>GESI mainstreaming in IAs and other stakeholders?</li> </ul> </li> </ul>	Level of ownership low and linkages with wider work e.g. MOFALD / MOEST limited.	no meaningful lessons to scale up from MSFP Phase 1 on Outcome 2 but there are useful lessons from other projects in the same districts.		Too early to say really but limited attention to innovation.	S (GESI) P (PS)	S (GESI) P (PS)	It is early in the programme to have sufficient data regarding sustainability and without a clear TOC the 'pathways' are unclear.
Impacts	<ul style="list-style-type: none"> <li>What are the current attributable benefits of the MSFP to: <ul style="list-style-type: none"> <li>Livelihood</li> </ul> </li> </ul>	Until FSS is in place and operated	very small outreach in terms of job creation etc.		No coherent theoretical work on what active	P	S	At this stage in MSFP impacts are not yet being reached

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
	<p>development for forest dependent people / communities (disaggregated by gender, caste/ethnicity, regional identity, income status and location)</p> <ul style="list-style-type: none"> <li>○ To disaster risk reduction in key watersheds (and / or ecosystem services)?</li> <li>○ What are the contributions of MSFP to the development of a long term GESI responsive Forest Sector Strategy?</li> <li>○ In relation to innovation in the forest sector?</li> </ul>	along with federalism and devolution hard to indicate. Potential for impact	Individual household impact have been substantial in some cases, especially household producing high value products, but in aggregate the impacts a very low compared to targets.		forest management under climate change would look like in Nepal. Issues of species choice for planting on an 80 year rotation?			(and neither would one expect that). What is missing however is any real understanding of how impact would be achieved.
Cooperation & compatibility & Complementarity	<ul style="list-style-type: none"> <li>• How does the multi-donor element of the MSFP operate? Is this viable for the long term?</li> </ul>	Needs more focus	Not specifically related to Outcome 2		Needs to balance the climate issue with other areas of work	I	S	Weak – MSFP needs to cooperate with other GoN and donor programmes at District and
	<ul style="list-style-type: none"> <li>• What specific benefits does a multi-stakeholder</li> </ul>	Workable – but requires	None as yet for Outcome 2,			I (GESI P (PS)	I (GESI) S (PS)	

Evaluation Criteria	Key questions	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Quality of Evidence from MSFP	Quality of evidence from MTR	Overall Programme Performance
	approach bring to work in the forest sector in Nepal?	constant effort	but could be very substantial if could have genuine collaboration between DFOs, IA, FNCCI to facilitate inclusive growth of various forest-based value chains					national level. Should other key national programmes be invited to observe at the MSSC.
Value for Money	<ul style="list-style-type: none"> <li>Efficiency and effectiveness of delivery approaches including Value for Money</li> </ul>		Amber - financial efficiency is reasonable as there has been low disbursement and low results. Major issue is the inability to scale up the current approach.			P	I	

# Annex 9: MTR Team suggestions regarding MSFP and post-earthquake reconstruction

## *MTR suggestions regarding MSFP and post-earthquake reconstruction*

290415 – amended in relation to social inclusion issues on 080515 and amended post 12 May earthquake.

These are some early suggestions for consideration based on the collective knowledge of TL, Private Sector and Forest/Institutions MTR team members. These are given in confidence and they do not reflect any intentions regarding wider recommendations of the MTR but focus on the possible engagement on the emergency situation.

Based on as assessment of the following MSFP districts as on OCHA District map 28<sup>th</sup> at 1900 hrs the following MSFP districts have been affected but none are in the 'core affected areas' where death tolls are more than 50 per district. This would possibly imply that limited private house collapse and therefore the focus would be on public works related to water/sanitation/landslides.....

	District	Thematic / core
1	Kaski	Thematic (climate change adaptation)
2	Lamjung	Thematic (climate change adaptation)
3	Nawalparasi	Core (RIMS)
4	Chitwan	Thematic Sustainable Forest Management
5	Makwanapur	Thematic Sustainable Forest Management
6	Sindhuli	Thematic Sustainable Forest Management
7	Bara	Thematic Public Land forestry and Sustainable Forest Management (not yet tendered)
8	Sanahi	Thematic Public Land forestry and Sustainable Forest Management (not yet tendered)
9	Dhanusa	Thematic Public Land forestry and Sustainable Forest Management (not yet tendered)
10	Ramechhap	Core (ECARDS) - – suffered serious damage from Earthquake 2 on 12 <sup>th</sup> May.
11	Okhaldunga	Core (ECARDS) – suffered serious damage from Earthquake 2 on 12 <sup>th</sup> May.
12	Bhojpur	Core (RNN)

## *MSFP Budget issues*

Given the scale of expenditure to date and need for re-organisation of the MSFP we think that the MSFP project budget to the end of this phase could be reduced in the order of \$10 million without any substantive effect on delivery. Given the current rate of expenditure and the likely reduction in disbursement rate over the next twelve months, it is highly unlikely that the MSFP would be able to spend the current budget in any 'good order' in the next 12 months. This unused budget should be used outside MSFP for humanitarian / reconstruction work.

## *Set up practical mechanisms to obtain timber from community forests*

- Aim to is enable the release of timber from CFs in the region into an organised system for public and private sale that based around key principles:
- Based on existing operational plans with harvest plans that this are fully operationalised i.e. unused surplus are harvested and put into the market very quickly i.e. 1 – 3 months;
- Update any update OPs only around basic harvesting of timber that could come into the market over the next few months i.e. 3 – 18 months.

Note: We have not included here collaborative forest or any Public Land Management areas. We have focused only on the core elements of MSFP i.e. Community Based Forestry Management.

Key points for this are:

- 4 RDs in Far West, mid-west, west and east to lead with key competent IAs (see comments elsewhere from MTR concerning issues of capacity of some IAs) and FNCCI. This tripartite leadership should then work with DFSCC in each District to rapidly operationalise this. This would then bring in the LDO into the process as well. DFSCC should be seen as a facilitation mechanism.
- The donors should work urgently with the MoFSC and MoFALD to make relevant decisions at Secretary level to ensure that this emergency work is enabled in alignment with wider emergency planning processes of GoN. The Secretary should then authorise the SSU to work with the RDs to agree a formal budget and plan of operations. This will not be on red-book but a direct grant from the SSU to RD to operationalise this work. SSU should assign a senior staff member e.g. the new private sector expert, to coordinate this work at Regional level with the SSU-CU and IAs working with the DFSCC and the RDs.
- Management & Budget Issues:
- Budget to be provided to DFO staff to field to check OPs and logging arrangements etc.
- Budget lines will be with RD as well as DFO / IAs /SSU as appropriate with control laying with the SSU-CU to make the final decision in this emergency situation.
- Setting up simple District level holding sites/depots for timber from CFUGs to allow the aggregation of supply within the Districts/Ilaka. Local arrangements for depot management to be finalised but primarily non-state actors should manage and could include e.g. competent CFUGs / IAs or private sector but not DFO. Final decision by the DFSCC with consent of concerned CFUG. If site not already fenced / guarded then budget may be required.
- Initial focus would be on MSFP districts with possible expansion to other areas at minimal extra budget cost.
- This would allow the private / public sale of timber for emergency work through simple mechanisms – the timber is most likely to be required into the private system for household purchase.
- Clear public audit and decisions mechanisms should be a priority;
- CFUGs have the right to agree or not depending on what is put in place at the local level and how comfortable they are that this is a) managed well b) going for reconstruction and is c) transparent.

*MSFP VDCs which have sustained damage*

MSFP should for next 3 – 6 months:

- Map which areas have been affected at VDC level and use the relevant assessments done by the L-DO /C-DO (unless not being done in their areas);
- IAs in the affected areas to work with L-DO /C-DO to align any MSFP work with District disaster committee planning etc. Funding would move to suit the local situation e.g. VDCs / CFUGs / IAs . The IAs should coordinate with other line agencies and WCP to ensure reproductive age women CFUG members receive required support. CFUGs to ensure the support needed is provided to women HH and women led businesses / IGAs.
- Rehabilitation/replacement of water supply and ensuring toilets / sanitation facilities are reconstructed as well as low cost housing support for poor and women headed households;
- Cash for work activities regarding public works (roads / embankments) and community driven infrastructure processes e.g. houses / irrigation. This should be based on equal opportunities and equal wages for men and women.
- CFUGs manage money but can go to members and non-members for cash for work on rehabilitation.
- Provide appropriate technical advice into communities to re-inforce existing and future buildings in a low cost manner. Facilitated by IAs and CFUGs in coordination with the District Disaster Committee e.g. TOT within District with support from MSFP.
- DFOs must not block wider community use of CFUG timber to facilitate reconstruction.
- Donors to review in 6 months (at the latest) regarding the situation to see what is still required in the MSFP affected VDCs.
- Two points added as a result of key informant interviews in June 2016:
- MSFP to work with CFUGs to support rehabilitation of community infrastructure that had been developed through community use of forest benefits
- MSFP to work with CFUGs and other forest user groups to 're-document' if legal materials e.g. operational plans have been lost in earthquake / landslides.



# Annex 10: Population characteristics and vulnerability of Program Districts

SN	Districts	Climate Vulnerability ranking *	Population **	Absentee pop **		Annual growth rate **	sex ratio **			Poverty rate ***	Prosperity ranking ***
				number	% of total		2001	2011	Change		
Full fledged program districts											
1	Tehrathum	L	101709	9656	9.49	-1.06	94	87	-7	14.6	13
2	Dhankuta	L	164133	14455	8.81	-0.14	97	88	-9	15.9	15
3	Sankhuwasbha	M	159649	12056	7.55	0.03	96	91	-5	21	26
4	Bhojpur	M	183918	15151	8.24	-0.99	93	89	-4	24.4	30
5	Khotang	H	209130	18176	8.69	-1.01	95	90	-5	25	31
6	Okhaldhunga	H	148320	10488	7.07	-0.55	93	87	-6	20.5	25
7	Ramechhap	VH	205312	11835	5.76	-0.34	90	86	-4	25.6	35
8	Kapilbastu	L	570612	28683	5.03	1.69	106	100	-6	35.5	57
9	Rupandehi	VL	886706	61142	6.90	2.24	104	97	-7	17.3	20
10	Nawalparasi	M	635793	63220	9.94	1.22	98	90	-8	17	19
11	Myagdi	M	113731	14347	12.61	-0.06	87	83	-4	28.6	44
12	Baglung	M	270009	42652	15.80	0.04	85	79	-6	22.9	28
13	Parbat	M	147076	22148	15.06	-0.71	86	80	-6	12.7	11
14	Dang	L	557852	42953	7.70	1.88	98	90	-8	25.1	32
15	Salyan	H	243575	14237	5.85	1.32	100	92	-8	28.8	46
16	Pyuthan	L	235165	37878	16.11	1.01	86	79	-7	32.2	53
17	Rolpa	M	227075	24173	10.65	0.78	94	85	-9	26	39
18	Rukum	M	210878	13181	6.25	1.13	103	92	-11	26.3	40
19	Jajarkot	VH	172565	4439	2.57	2.46	103	100	-3	37.7	60
20	Dailekh	H	236835	11490	4.85	1.58	96	95	-1	35.8	58

SN	Districts	Climate Vulnerability ranking *	Population **	Absentee pop **		Annual growth rate **	sex ratio **			Poverty rate ***	Prosperity ranking ***
				number	% of total		2001	2011	Change		
21	Kalikot	H	141620	2142	1.51	2.94	102	101	-1	57.9	74
22	Achham	H	258022	31485	12.20	1.09	89	87	-2	47.2	68
23	Bajhang	M	196277	23731	12.09	1.61	93	92	-1	56.8	73
Climate Change Adaptation districts											
1	Palpa	VL	269372	40210	14.93	0.03	87	79	-8	21.6	27
2	Mustang	M	13799	1479	10.72	-0.82	120	113	-7	40	63
3	Kaski	M	490429	57238	11.67	2.54	95	92	-3	4	1
4	Lamjung	VH	169104	21293	12.59	-0.46	89	85	-4	16.8	18
5	Arghakhanchi	L	200446	41023	20.47	-0.39	86	79	-7	28.8	47
6	Gulmi	L	283577	59667	21.04	-0.45	82	76	-6	25.6	34

H: High, L: Low, M: Moderate, VH: Very high, VL: Very Low

#### Data Source

\* GoN/MoE 2010. National Adaptation Programme of Action to Climate Change. Kathmandu

\*\* Central Bureau of Statistics, 2011. Preliminary Results of National Population Census, Kathmandu

\*\*\* Central Bureau of Statistics, 2013. Nepal Small Area Estimates of Poverty, 2011

# Annex 11: Design issues for post MSFP Transition to 2022

In this annex the MTR presents initially some key points that are considered fundamental, important or optional for the design team to consider. It further presents a narrative covering a number of approaches that would enable issues which the MTR team have discussed. These are presented as suggestions based on the field work in particular.

TableA11.1: Outline Suggestions for design team from the MTR

In making the suggestions below the MTR is using its professional judgement based on information available to it at the time of this report. Given the fast changing nature of a number of processes e.g. constitutional change, NFE formation and FSS agreement a number may be out of date by the time the design team begins its work. In making these suggestions we have assumed that the design team will (as indicated below) be separate from the current management of the MSFP so that they can focus on delivery / learning during the next 12 months.

The MTR has rated the suggestions as follows:

Rating	MTR Key elements for design consideration
<p style="text-align: center;"><b>FUNDAMENTAL</b></p> <p>Fundamental to the future success of MSFP</p> <ul style="list-style-type: none"> <li>• Design Principle</li> <li>• Essential for design process to transparently address.</li> <li>• Stakeholders should agree on this issue.</li> </ul>	<ul style="list-style-type: none"> <li>• Principle that programme is led by the Government of Nepal</li> <li>• Principle of National Implementation (but with appropriate support as required)</li> <li>• Principle of Multi-level multi-stakeholder process</li> <li>• Principle of GESI and transformational change</li> <li>• Principle of non-discrimination</li> <li>• Evidence based targeting of work to provide an integrated and intensive engagement</li> <li>• Forests are central to the programme and it is the 'active and sustainable' use that enables climate compatible development</li> <li>• Use of a clear Theory of Change based on latest data (including FRA) to inform design.</li> <li>• Independent Fund Manager contracted by GoN procurement processes that oversees procurement, contracting, verification of budget / expenditure / results as well as drawing up of cost norms and other process guidelines. Works to the Executive Director and work is based on agreed YPOs.</li> <li>• Clear Conflict of Interest Policy which is tracked in Annual Reports.</li> <li>• National implementation but with a clear understanding,</li> </ul>

	<p>based on performance to date, of the limitations of financial absorption capacity as well as results focus (beyond activities) linked to coherent planning. This has implications for a possible interim period with lower spend which can give 'proof of concept' before scale up during the final 4 years of the programme.</p>
<p style="text-align: center;">IMPORTANT</p> <ul style="list-style-type: none"> <li>• Key element of design process</li> <li>• Affects the operational effectiveness of MSFP as well as need to ensure transparency of operation that minimises risks of political interference</li> <li>• Builds effective management systems and processes for use by the management team including clarity on levels of responsibility, authority (financial and planning)</li> <li>• Enables effective oversight of the MSFP</li> </ul>	<ul style="list-style-type: none"> <li>• A clear governance structure that includes effective management oversight of a unified management team located in the MoFSC (with or without NFE);</li> <li>• Transparency in operations – including effective use of web site and publishing of data (security concerns to be addressed through good systems and management). Website to be used for local forest user groups to upload their own lessons / pictures / stories as well as to host regularly Nepal wide discussions (enables people beyond Kathmandu to join in moderated discussions);</li> <li>• Reporting (annual and 6 monthly) includes tracking of annual audit action plans to ensure compliance is achieved in a designated time.</li> <li>• Coherent targeting with results focus and, if possible, consideration of a 'reward' system for the best performing implementation and support agencies primarily at Local Government Level. This may include the consideration of 'co-finance' from the Forest Development Fund held by the Ministry of Finance. (would be complex but may help to unlock these resources for well-planned results focused activities).</li> <li>• Consideration to be given to independent verification of results which could be linked to formal evaluation. This could include examination of the potential of a formal impact evaluation for the MSFP given the longer term nature of the interventions and the data that is available through the baseline, CFUG database (if finalised) and the FRA.</li> <li>• That there is a clear capacity building plan for key stakeholders based on a needs assessment and regular monitoring of effectiveness of inputs and possible barriers to implementation of skills and knowledge.</li> <li>• That there is a clear communications strategy which is linked with MSFP wide (and ideally sector wide) learning based on evidence generated through robust studies. This could include participatory evaluation studies, formal thematic research studies; practical problem solving research around private sector development as well as future commissioned evaluations including, as indicated, an impact evaluation, mid-term and final.</li> <li>• That work on LAP/ CAP are closely linked to wider Local Government plan and that there is linked extensive</li> </ul>

OPTIONAL	engagement from the programme around implementation.
A feature that would be 'good to have' but may be other priorities i.e. Optional	<ul style="list-style-type: none"> <li>● An annual Multi-stakeholder forum to enable all stakeholders to join in wider learning;</li> <li>● A data base on LAPs / CAPs to link with any progress of MoEST on this issue or provide data for their system as develops;</li> <li>● Encourage cross-linking between FUGs who are facing similar problems to seek resolution;</li> </ul>

## MTR and future programme design

Clearly at the stage of finalising this MTR report there are a number of uncertainties around the context in which the next phase of MSFP may operate. There are in the view of the MTR three particular challenges which need to be taken into account whether an NFE takes on the management challenge post July 2016 immediately or whether there is an interim arrangement with a unified management structure. These are clustered around four important areas.

- Design process managed by a multi-disciplinary team and using a multi-stakeholder process
- Modalities for financial management
- Modalities for delivery for results – 'proof of concept' and then scale up
- Focus of the design of the programme through to 2022

## Design Team and design process

Whatever modality is used for delivery of the MSFP going forward (for up to 6 years with a phased scope of implementation and related budget distribution) significant design work will be required. The level of design work, sitting as it does alongside the continued delivery of the transition phase of the MSFP should will require significant time and leadership especially from the MoFSC and the donors. The staffing of the design team and the process to be used will be critical – but time is short if a revised programme document is to be prepared by December 2015 for approval by all parties. It is not recommended that there is a series of short contracts for ongoing management of MSFP as this leads to confusion amongst stakeholders (lessons from interim forest programme phase as well as the extension of the current IA contracts). Significant design work is required for the MSFP around governance, financial management, target areas as well as implementation modality.

To meet these challenges it is suggested that the design team has the following expertise:

- Policy / Governance
- Economist / Financial management specialist to cover financial management / fund flow / fiduciary risk and Cost Benefit /VfM
- Legal specialist (especially if NFE is agreed and will be used)
- Gender and Social Inclusion
- Forestry / climate
- Private sector with focus on use of forest resources for business development
- Monitoring / evaluation / impact assessment and MIS systems development

It is also suggested that this team is overseen by a multi-stakeholder steering group for the redesign / refocus is set up with the following membership:

- MFSC, Secretary
- MoFALD
- MOEST
- NPC - Chair (forestry and conservation portfolio)
- MoF
- Civil society (federation of local forestry groups)
- Private sector
- Rights holders (Dalits, Women, Indigenous Peoples)
- MSFP Development Partners.

## Modalities for financial management

The current programme is directly managed by SDC following their operational procedures with SSU acting effectively as 'agents'. However as the MSFP moves forward with / without an NFE there is a need to revisit the modality for delivery of the finance side of the programme. On all sides there are concerns regarding the financial management and levels of delegated authority with limited formal oversight due to a weak governance structure for a programme of the size of MSFP.

The MTR suggest that the design team explore the use of a fully independent fund manager to manage procurement, contracts, verification of expenditure against planned results as well as to foster the development of systems and processes that are suitable to a programme that is using a national implementation modality. Using an independent fund management would reduce the overall fiduciary risk and remove a number of sensitive matters around procurement from the management team. Given the level of politicisation of many aspects of MSFP an independent fund management reporting to an Executive Director under appropriate governance arrangements, would reduce the risks to management from stakeholders who are not selected for funding through competitive processes. Ideally this fund management would be contracted by the Government of Nepal and use national standards but be subject to international standard external audit in addition to any internal government audit requirements.

### *National Implementation, capacity, scope and risk management*

An important point in the management of the MSFP is the national implementation. However working out the costs / benefits of national implementation is not as simple as looking at fee rates for staff. It is important for any redesign to much more carefully look at what capacity there is in the country to implement what may be a radical programme around devolved responsibility. The Fiduciary Risk Assessments from 2011 and 2013 (2015 is in progress but delayed due to the current humanitarian crisis) suggests that there are on-going issues with the capability of Nepali organisations (Government and non-government) in relation to financial and monitoring systems and processes. This has implications for design as it may be that the way different organisations are contracted for different roles (implementation, learning, research and social mobilisation / training at grass-roots level) may need to be smaller than those currently used by MSFP. When considering the targeting of the programme then alongside geographical areas and any new administrative areas consideration of 'clustering' needs to be taken into account.

The ability of a fund manager to track multiple projects and inputs within the whole portfolio of work that would be MSFP also needs to be considered in the design phase. Doing a smaller number of sites intensively and well to 'prove the concept' may in the longer term enable greater ownerships of results even if disbursement is slower at the beginning of the next 6 years and scales up after say a 2 year interim period.

There are a number of recommendations for the period to July 2016 to increase the understanding of how the highly differentiate social / cultural / environmental context in Nepal affects delivery of the programme e.g. in areas of high differentiation, low capacity and potential for development then additional costs may be required in the short term to support social mobilisation for inclusion as well as understanding of the value chains that may be possible for individual sites as well as clusters within a given district / region.

### *Changing financial management systems*

The change from transition to implementation (with or without NFE) will necessitate attention on a number of practical issues as currently the MSFP operates to SDC regulations for finance and procurement. If SDC does not continue in this role then there are several significant issues to consider.

Firstly, the current systems and processes are set up to follow the SDC formats. Changing the management agent may see new systems and processes put in place which would cause a significant delay in the first year of post-transition implementation. Coupled with the need to put in place a coherent MSFP programme and governance arrangement this would need to be planned for in relation to delivery of the programme against targets in any results framework.

Secondly, it is highly probably that a new round of procurement of IAs (for implementation, support work as well as research / learning / training) would be required as the programme decides on different delivery modalities. As indicated above there may need to be a greater number of IAs if the fiduciary risk / capacity issues of national IAs are not seen as appropriate. Unless partnerships are permitted with organisations that do have the capacity e.g. some International NGOs or private sector organisations then there will need to be a larger number of contracts for national implementing agencies set up through revised TORs. This will also require higher levels of management oversight, capacity building and investment in learning across organisations.

Thirdly, designing effective systems and processes for the management of a large 'portfolio' programme to ensure learning is captured to feed into the policy programme and contract monitoring for results takes place. This would include the key building blocks for a coherent programme that can be evaluated and to which changes (positive and negative) can be attributed;

Fourthly, independent verification and evaluation of the MSFP which should be a separate contract under the management of the parties to the JFA II i.e. the donors and the Government of Nepal. This would enable an effective 'baseline' for phase 2 to be established and provide routine verification of results as well as enabling annual reviews, midterm and final evaluations. This team would work with the programme management to ensure that effective, simple monitoring systems were in place and to set a revised site specific baseline, whilst update the more context related existing baseline.

Fifthly, the twin aims of national implementation of a national programme presents challenges given the current capacity within the forest sector at all levels and all types of organisations (government, civils society and private sector). The fiduciary risk analysis shows that even well run national organisations have challenges delivering for results on complex but fragmented activities. The MSFP has not made the situation easier for the IAs it has limited clear systems and processes, and has not developed a simple set of results against which progress was tracked (see discussion in Section 3). When capacity is known to be a constraint then simple systems linked to robust verification of results. This should be linked to a clear and sustained capacity building programme for the IAs (state and non-state) that runs in parallel to the main programme activities and has its own performance milestones/results etc.

## Modalities for delivery for results – ‘proof of concept’ and then scale up

### *Designing for Proof of Concept – focused intensification of engagement*

The MSFP transition phase was designed to operate in 23 Districts (mainly those that had been involved in LFP and NSCFP) to enable what could be termed a ‘proof of concept’ that built on learning from the two previous programmes, but was designed to address the changing social, environmental and political context in Nepal. The transition phase has not yet enabled this to happen so that the phase 2 could ‘go to scale’ i.e. move from 23 core districts to 61 districts (including thematic – but the current JFA is not entirely clear). However for ‘proof of concept’ to be undertaken a clear set of programme building blocks need to be in place e.g. Theory of Change which leads to a number of testable ‘models’ for engagement in a synergistic manner (rather than the silos that the 4 outcomes have become). Greater clarity on the concepts being piloted is required to enable the development of ‘scaleable’ inputs that use a more routine approach (thus enabling different organisations to be involved in the longer term ‘roll-out’). For this the MSFP would need to consider setting up a clear set of criteria for consolidation of sites to enable ‘intensity of engagement’ that would include:

- Focusing on fewer Districts with a higher number of VDCs in the district to enable ‘contiguous’ forest land management approaches to be taken alongside the development of competitive local clusters for flagship forest-based industries / commodities (but reducing the number of VDCs overall to provide intensive engagement);
- These districts to be in two or three regional clusters either ideally with one in the east and two in the west / mid- and far west (though not all current 23 Districts). However the second earthquake has affected a number of the current MSFP districts in the east more significantly and they may not be in a position to move forward quickly. However, working in these districts should not be ruled out, as there is already a good capacity base from which to build following their previous extensive engagement with LFP and NSCFP as well as MSFP.
- Use the FRA data to see where ‘in-fill’ could take place in relation to land allocation to existing groups or the establishment of new local forest management groups. This would also enable clustering of Districts around watersheds or a forest ecosystem or a road corridor that could enable forest business development at scale (including small-scale industry);
- Examine clustering within the District in relation to DRR vulnerability mapping, poverty levels and other explicit criteria such as forest resources;
- Working with Districts that are ‘progressive’ in relation to their current engagement in MSFP;
- Consider whether ‘remote’ areas with limited access are where MSFP should operate in its proof of concept phase, or can planning be put in place to support areas that will be ‘connected’ in the next 2 – 5 years (roads, electricity.....); this is important if private sector is the driving force for implementation. Alternatively areas that have good access and those that do not could be considered and ‘models’ developed suited to the present opportunities (e.g. payment for environmental services / downstream & upstream linkages in watersheds) at these different types of sites.
- Examine issues of gender, poverty and social inclusion to ensure good understanding of the context specific issues in the areas where the project is thinking about focusing. This would be more than just ‘counting people’ and focus on how the MSFP could foster transformative change that is much more likely to enable sustainability and impact (i.e. understanding



more clearly the 'pathway to impact for women, the poor and socially excluded people and groups).

### *Planning to move to scale with clear context appropriate approaches*

The post MSFP transition will need to focus on 'proof of concept' models that are suited to different contexts, types of forest resources and communities. It can consider models in relation to those that may support climate intelligent investment and therefore climate compatible development. Over the 6 year period there would be a restricted number of Districts in Years 1-2 for proof of concept, a possible doubling in years 3-4 through direct 'in-fill' with a final tranche in year 5 giving 2 years operational work. These latter districts would, ideally, be within the same regions and linked with existing districts to enable rapid implementation. Districts would be added in one of two ways:

- By in-fill i.e. Districts /VDCs that are adjacent to existing areas of work and where work on FRA and related mapping shows that there are areas that would provide relatively 'low hanging fruit' in relation to existing CFUGs / FUGs in place;
- By moving to new districts with new partners using a simple tested approach. This could enable new entrants into the management mix, including local NGOs who could, with appropriate technical support, implement clear guidelines using their social mobilisation skills.
- By sharing participatory planning approach for climate intelligent investment and climate compatible development in a manner so that it could be incorporated into GoN planning processes at District and VDC level.

### Focus of the design of the future programme whilst running MSFP to July 2016

As clarity is obtained regarding the future situation regarding the NFE, the federal structure and any devolution of responsibility for local forestry, including community forestry, MSFP needs to prepare a revised Programme Document and Joint Funding Agreement for December 2015. This would then enable formal approvals to be obtained by all 4 governments (Nepal, Switzerland, Finland and UK) in time for a July 2016 start. The timing of redesign is critical and needs to avoid, if possible, a break in the delivery of MSFP following July 2016.

### *Effective targeting of MSFP 2*

When considering the design work necessary for MSFP 2 the time has come to look beyond perhaps the 'continuation' of LFP / NSCFP districts. Despite the absence of a good quality database of community forest user groups there are indications that a number of CFUGs, as well as perhaps other local forest user groups have high capacity and could move forward 'on their own' with support from normal government services. What has yet to be done by MSFP is a real analysis of not only the capacity of the FUGs but the quality of the forest available to them. Neither has any detailed analysis been done recently concerning what land may be suitable for local FUG management (of all types) in different locations. The design process should be based on using the most up to date data available in relation to Forest Resources in Nepal i.e. the FRA to see how the data and accompanying maps can be utilised at regional and district level to pinpoint possible 'low hanging fruit' around extending forms of community engagement to ensure forest land is under sustainable forest management regime that incorporates, through up to date operational plans scientific management of timber harvesting operations for Community use as well as public auction

and ideas of multi-purpose forest management<sup>49</sup>. The FRA data, combined with current data available to IAs and others on existing community forestry sites (using existing data and that from LFP with some 'ground truthing by the current IAs and other stakeholders).

Once the scope of possible sites (approx. ha of land, number of VDC, location vis a vis watersheds (climate resilience) and poverty / ethnic mix (census data) as well as WFP / GoN Food vulnerability indices; development corridors (roads / energy)) modalities e.g. with MoFALD, MoFSC or direct to Regional / District level could be explored. Further consideration needs to be given to approaches to 'corridor' development approaches that could foster private sector enterprise / small scale industry development could also inform an initial scoping document for more detailed design.

A fundamental question for the design process would therefore be around the balance of opportunity for expansion of the use of forest resources for commercial use and reaching the poorer areas of the country. A deliberative approach to site selection to create opportunities for appropriate 'model' development would be required.

In relation to the design work, and the suggested use of a structure that would clearly link to the proposed federal structure of provinces and municipalities with Districts for coordination (as at end June 2015). This would enable the MSFP to respond to the contextual changes in a rational manner.

#### *Critical Issues for Project 1A: Provincial / District/ Municipality / VDC and community level implementation*

If the programme is to focus on community engagement in management and governance in relation to forest resources for climate intelligent investment and climate compatible development then there would need to be a real understanding of the Theory of Change as it relates to issues of local planning and investment at local government levels. Clearly with the current impasse on both federal structures and local elections the MSFP would need to work around the 'art of the possible' and focus on strong participatory processes that provide a longer term model for robust operations. To enable this Project 1A would need to:

- Agree key focus of the MSFP at the grass-roots level is around a community forestry (including where appropriate leasehold, collaborative and public land management) that is likely to give adaptive change in different situations. This will enable the testing of key approaches using a 'bottom-up' method. Piloting of new approaches, with appropriate support could be facilitated, but would be linked to critical work on important livelihood development (a step change).
  - Targeting (as discussed above in relation to District selection) would also see the concentration of the budget at VDC level so that one can create an intensity of change. VDCs would be selected using a number of criteria including:
  - Focused geographical areas e.g. watershed and / or a group of 3-4 VDCs that may become new rural municipalities so that synergies in the management of forest resources (e.g. corridors / adjacent land) can be managed appropriately or saw-mills / processing at greater scale be established;
- Focused product areas (flagship products) using a corridor approach and local multi-stakeholder processes for Value Chain (VC) development based on existing good practice projects in Nepal (each corridor may have more than one flagship product that are relevant);

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<sup>49</sup> This could include zonation within large CF areas so that areas that are proximate to settlements can be used for fodder cultivation (grass and tree based) as well as fruit and other perennial crops e.g. woody plants suitable for essential oil production. Additionally the development of fish production ponds in wetland areas (not of conservation interest) and agroforestry systems could be explored.

- Linkages and learning with wider programmes
- Graduating CFUGs when they reach appropriate standards related to 'the four pillars for CFUG graduation' namely:
  1. Governance (including gender inclusion and social equity) – first priority before any significant MSFP or other financing is made available
  2. Capacity (to manage finances, manage forest resource etc.)
  3. Forest as a resource - the CFUG managing its forest as a resource
  4. Independent regular income stream
- The aim of the work at the agreed local government level would be to have a Common Plan which enables climate intelligent investment and climate compatible development, through a good process which whilst taking account of national approaches to the LAPA would more fully 'mainstream' resilience into all development planning rather than a 'stand-alone' process. This would also enable much more fully the MSFP to identify where its comparative advantage lies in addressing issues around productive use of forests (timber and a wide range of NTFPs), active watershed management (not just protection) for flood protection / water supply and linkage with agricultural development. Planning and implementation processes would need to be inclusive around poverty, vulnerability and social exclusion and recognise the demographic changes brought in by migration for employment thus leaving women and older men often in villages. Clear guidelines on this process would need to be in place. Through the focused approach would be looking to achieve coherent participatory planning and investment in each local government area which would include current revolving fund of the CFUG but would allow one approach for investment planning (which would, if elections are held provide a model for future use).
- Realign the delivery of the programme to cover in the early stage perhaps only 3 provinces rather than 6 clusters. Once the interim phase (2 years through to 2018) has been completed then, if 'proof of concept' has been achieved scale up to further provinces could be easily taken forward. This would see a short term reduction in financial spend but with the promise of larger more effective scale up between 2018 and 2022. A deliberative selection process would be undertaken which would be linked to the integration of government and NGO implementing agencies;
- A fully revised management and governance structure will be required with careful attention to :
- Minimising and managing fiduciary risk;
- Independent fund management (as above) to enable the minimising and management of fiduciary risks as well as political challenges. Publication of cost norms, financial regulations, monitoring systems etc. in advance to all contracted parties to enable transparency of operations;
- Longer term contracts for IAs including those doing training / learning work (e.g. a 6 year framework with continuation on a biannual basis on the delivery of results);
- Single management unit with any provincial support located with the relevant provincial forestry department (with buy in of technical expertise if required);
- Central management
- All current thematic districts would be cancelled and consideration given to inclusion in core districts where there is clear learning / results / innovation to inform the wider programme e.g. Palpa.

- Economic Development would focus on twin areas of ‘flagship product development’ which would support early adopters and provide a mechanism, once the risk has been reduced to bring in poorer/risk adverse households, and social enterprises for CFUG income streams as well as wider welfare e.g. handicrafts. The twin track would require clear Theories of Change on how the short /longer term benefits can be achieved for different categories of household including vulnerable, poor and socially excluded. In many cases the primary benefit may be for the household ‘as producer’ where the aggregation of supply then comes to the attention of traders. Not all groups need to engage in downstream processing! There is a need to ensure that income generation activities and economic development fit into a wider systematic process to foster growth with the aim of fostering economic prosperity?
- Flag-ship products (High Growth Value Chains): these may come from private land e.g. honey, rosemary, mushrooms whilst some e.g. Arimiso (broom grass) from forest land (leasehold or community forests). Longer term investments e.g. Cinnamon may be important when linked to other products e.g. Arimiso / fodder production but time line can be long term.

For implementation may wish to split into two distinct teams for technical support as require different skills and focus:

Team 1: support to high growth value chains. This area would need to ensure that the work was rooted in a strong GESI analysis before work started as well as during the process. This would be essential to ensure that the work and skills /capacity building did not miss out women, poor and the excluded. Ensuring *ex ante* analysis could provide opportunities for developing approaches that were more inclusive and provided opportunities for greater inclusion over time as skills are actively built.

Team 2: support for development of timber production including sawmills / carpentry etc.

- Social Enterprise Development: this may be important for wider social values but the enterprises that are developed must be commercially viable beyond donor funded support over time and serve a clear and present market demand. Split into two distinct areas:

Micro-Enterprises to support the CFUG income streams

Handicrafts (often can be important for women and those with care responsibilities as an alternative to day labour). However where are markets – and should not be oversold! At present a lot of work seems to be ‘tinkering around with one or two products with no market analysis’. Linkages to wider markets have to be made to be useful.

- Ownership arrangements - e.g. of sawmills and group assets. Here good advice is required especially when a mix of private sector as well as CFUG interests e.g. fish ponds on public land management by a forest user group.

### *Critical Issues for Project 1B Community Forestry Management and Governance ‘blockage’ removal*

This complementary project to Project 1A is designed to enable lessons from the implementation of the Community Forestry Governance and Management work to be brought through appropriate levels to ensure that ‘blockages’ are removed in a speedy manner, and wider lesson learning is shared. The latter could help inform other work in the forest sector and in multi-stakeholder processes relating to REDD+ and to Protected Area management. From the MTR process a number of specific areas could be considered as priority areas including:

- Project B-1: Specific Policy Development. The focus of this would be on removing the critical bottlenecks that are causing restrictions on the local use of forest land and resources as well as public land for livelihoods, economic development and product marketing. This work would include issues of district pilots, evidence gathering (both legal

analysis and formal case studies) as well as facilitation of learning and feeding in robust evidence into respective policy and advocacy processes. Critical areas already identified (and there may well be more include):

- Public Land Management: beyond the current working group within the MoFSC to include MoFALD (who should be included on the MSSC with urgency) as well as the MoF and maybe MoAD (Ministry of Agricultural Development) as livelihood options for use of this land are likely to be beyond timber trees into longer term agroforestry, fisheries and multi-purpose land use especially on small (<5ha) sites;
- Collaborative Land Management: to clarify roles and responsibilities within the collaboration;
- Leasehold forestry – regulatory framework and links with CFUGs?
- CFUG regulations including links with development of Scientific Forest Management (harvesting arrangements over time);
- Presidential Churia regulations and CFUG rights and responsibilities
- Development of Scientific Forest Management to support the harvesting of mature timber on land managed by communities both for their own use and for public auction.

#### *Project 1A and 1B: Governance*

Governance arrangements need to be much stronger and more transparent. There needs to be monthly oversight meetings of the MSFP through an Executive Board. This would oversee a unified management unit with / without the NFE. A multi-stakeholder steering committee would still be in place to ensure 'buy-in' from stakeholders but would be expanded to include other areas of government including MoFALD, other Departments within the MoFSC (Department of Forestry and Department of Soil Conservation as well as the new Forest Enterprise Division) as well as one key area of civil society i.e. Indigenous People's organisations<sup>50</sup>. Initial thoughts on the implementation arrangements are:

For a programme of the complexity of MSFP operating in a dynamic environment it is critical that the donor partners are agreed on the 'art of the possible' and the level of direct support they are willing to commit to process development (by their own advisors) or indirect support such as the Donor Focal Point and other Technical Assistance. A single annual review process, well-functioning meetings and critical reflection will be vital. Linked to this is a full set of project management documentation including Theory of Change, results framework, M&E&L strategy, communications / knowledge management strategy as well as Operations manual covering financial and reporting guidelines to be produced within the 6 month inception phase of the revised programme. These documents would inform any procurement process for implementation agencies so that the bidders are fully aware of the requirements that they will need to meet.

As an opportunity to operationalising Multi-stakeholder oversight in the forest sector one element seems to be missing. It is important that the MSFP is not only accountable to current stakeholders but that this is linked to Parliamentary oversight as well (including any devolved provincial elected bodies). There also needs to be a National Forum on Forestry for public verification and learning where all stakeholders with an interest in the forest sector may attend. Learning from systems that implement Agenda 21 Article 10 on environmental transparency and public engagement e.g. the Aarhus Convention could provide some important benchmarks to measure Nepal's progress against.

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<sup>50</sup> In line with the Government of Nepal's obligations under ILO 169 and UNDRIP both of which the Government has ratified.

### *Critical Issues for Project 2 Support to multi-stakeholder FSS implementation*

The Forest Sector Strategy, if agreed through a clear multi-stakeholder process, will be a potentially important vehicle for the development of the forest sector in Nepal for the next 5 – 10 years. Issues including community forestry, private sector forestry and the links between production and conservation of forest resources and biodiversity are important issues for the country. Developing the systems and processes to create an appropriate 'enabling environment' within the 'enforcement framework' of the MoFSC will be important. Transparency of decision making at local, District, Regional and national levels could help to reduce the risks to forest resources from illegal use as well as poorly designed management planning systems.

This project would still retain a focus on the issues that are relevant for MSFP rather than the whole of the FSS. For instance issues relating to watershed management and soil conservation could be linked to livelihood development and protection under a changing climate. The changing federal structure along with devolution presents some immediate questions for this particular programme. For instance:

- How can the opportunities being created by the work on the new constitutions support governance reform in the forest sector? This may include consideration of the way MoFSC operationalises its regulatory and facilitation branches across the new levels of government.
- How does this link to wider work in MoSTE / MoFALD in relation to local development, management of forests as local and national resource as a major driver internally in Nepal and REDD+ as an external /national driver?
- How can the National Forest Development Fund, currently held by Ministry of Finance, be used to support the funding of local government support to the forest sector in a way that rewards a results based planning approach through co-financing enhanced implementation (not capital costs but training, capacity, regulation development, piloting/ scale up of well evidenced initiatives etc.)?

### **Building Results focused learning and accountability systems**

For a programme of the size, scale and complexity of the MSFP the current monitoring, evaluation and learning systems are extremely lightweight. They are not focused on achieving results nor in being able to document results (at output and outcome level) in a transparent way. As indicated earlier too many of the claims made are based on the lasting effects of LFP and NSCFP (not a bad thing in itself, but not attributable to MSFP) e.g. area of land under community management with number of community forest user groups. What is lacking is a clear rationale for the indicators selected as well as the methods for verifying the results.

For the new phase of MSFP the design work should consider whether, as often happens in large, complex and innovative programmes managed through DFID, that there is a separate Monitoring, evaluation and learning contract. This would work closely with the MSFP management to design systems for monitoring and provide data for baselines, annual reviews and other evaluation activities. It would also enable a focus not only on contact accountability by the Programme management team but enable learning processes to be designed – including commissioning focused studies on key live issues or problems e.g. issues of long term management of public land management models or changing roles of women within forest land management due to migration.

This contract would provide independent verification of results<sup>51</sup> (like an audit) and may if thought appropriate consider formal impact evaluation given that there is a further 6 years for the programme to run. Critical issues for consideration are:

- Real time reporting to IAs, project management team, donors as well as MSSC and any executive board;
- Use of existing data streams that could inform decision making within the programme that would enable a focus on results (output and outcome) monitoring linked to the geographical / group structure of the major inputs e.g. the CFUG OPs often have key data already available, some Districts e.g. Baglung have details of all CFUGs published, LFP had database of all CFUGs it worked with;
- Using the FRA data and other relevant GIS (open source) data sets for each District and where possible VDC in relation to the Forest Resource Data, CFUGs, census data, watershed, vulnerability maps (DRR at District level ) etc. so that there is a clear basis to make targeting decisions;
- Cross-comparison of local A-D wealth ranking between VDCs within / across Districts to ensure comparability when data is aggregated. Harmonisation with improved systems in this area from other part of GoN should be explored e.g. use of system of Poor ID cards being introduced by Ministry of Cooperatives and Poverty Alleviation. Whilst this is recognised to be a wider issues than MSFP appropriate support to use wealth ranking / vulnerability / exclusion data in a more comparative manner could enable effective targeting. For instance very poor areas even those ranked A are likely to be poorer than those ranked D in other locations;
- To set, with the implementation agencies, key standards and methods for comparative measurement e.g. of jobs, supply chain, benefits that can be 'attributed' to MSFP whilst recognising the contribution of others e.g. DFO support, LFP / NSCFP, FAO & IFAD.....
- Enable effective use of wider information and links with GoN monitoring systems?
- GESI monitoring which moves beyond data disaggregation of head count to enable an understanding of the issues which constrain/strengthen women, poor and the excluded to access resources/benefits of the programme itself and in particular the forest resources. This would include more specific understanding of issues such as women's mobility, decisions, violence against women, caste based discrimination. How these issues then impact on the ability of women, poor and the excluded's ability to benefit from MFSP's work on high value chain economic development etc. This would significantly affect design issues based on a greater attention to a Theory of Change that understood and fostered 'enabling' designs within the MSFP implementation.
- MSFP monitoring work in relation to GESI needs to specifically include the three domains of change: assets, voice and shifts in formal and informal policies;
- Setting a clear usable baseline around site specific, as well as wider contextual data that could enable more comprehensive attribution of change to the project inputs. This could provide data for longer term impact assessment give that even the reformulated programme could be operational for 6 years. If a phased approach to inclusion in the programme is taken, and there are a range of approaches it ought to be possible to set up a

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<sup>51</sup> This approach is used in Nepal as part of the Global Sanitation Fund (UNHABITAT) work with sub-grantees (like IAs). An international standard audit / technical project management company is contracted to undertake this work and report to both management and the funding agency.

series of formal case studies (quantitative and qualitative) using an agreed approach to measure impact and also to enable better understanding of how change (positive and negative) can be achieved. The latter is vital given the complexity of the social, political, cultural and environmental contexts in which MSFP is operating.

## Comments from MSSC members for design team consideration

From Whom	Issue raised
MoFSC	
Investment	Priority issue is to invest resources on infrastructure development and capacity strengthening of human resources involved in the forestry sector.
Independent Fund Manager	Roles and responsibilities need to be clarified.
Implementation modality post 2016	Relationship between IAs and local government.
Recurrent costs	How to allocate recurrent costs for effective programme implementation by the government agencies.
FNCCI	
Engaement of FNCCI	To be effectively included in post 2016.
Investment finance	Finding modalities to increase the security of investment by private sector in forest related business. This needs to include better analysis of oportuntiiies in the sector that could be supported by private investment. Information dissemination / evidence / studies may be as important as financial support in some cases.
Role of the Forest Development Fund	This fund sits ith the MoF and as yet there is no agreed way of using this money for improving private sector (or other) engagement in the forest sector. An important issue for the future.
NAVIN	
Capacity building	Changes in federal structure will require significant capacity building in all area including analysis for evidence based policy development.
Linking Planning processes	It will be important to link together planning processes in forestry with local development. How this works in practice will be a key element of the piloting post July 2016.
Revenue Sharing	How will this work following decentralisation? What role will MSFP play in work on this issue?
FECOFUN	
Use of local experts for design	To support Leadership of GoN and ownership of the stakeholders is ensured.
NFE	To manage MSFP PhaseII
Priority areas	In line with the new forest policy and strategy and decentralised forestry under the framework of the new constitution and federalism.
Local implementation	To ensure aid effectiveness, to enhance local ownership and to strengthen the country system
Other General recommendations	1 . Options for the future project/program are recommended in the isolation, which is not appropriate. It would be good to design projects for the future under single program and management to implement various theme.



2. The MTR has not analyzed the future risk and opportunities of the program and without analyses the future scenario, it would be risky to design new program.

3. Most of recommend future program are related to cross-sectoral and there is not recommended any coordinating mechanism.

4. If it is a forestry program, it is require to focus on forestry program rather than cross-sectoral program.

# Annex 12: Possible Theory of Change for MSFP

Below the MTR presents a narrative of a possible high level theory of change for the MSFP. More detailed work would need to be done on this, including drawing out the individual TOC elements in more detail to make them operational. Below is a diagram, drawn up by the Donor Focal Point following discussions with the MTR team. These twin elements are presented for discussion only and not as a 'final' product.

## High Level Theory of Change Narrative

Effective management and use of forest resources in Nepal (public, private and community) for livelihood development and climate compatible development

### *Requires*

An effective enabling environment (clear policy, strategies, implementation regulations, governance, capacity and investment strategy .....) *as the management and use of forest resources is essential for:*

- the provision of ecosystem services for agriculture, domestic water, biodiversity, climate mitigation.....,
- building of social capital within communities (includes aspects of transformational change for women and the socially excluded);
- developing forest based business (timber and non-timber forest products);

Outputs: Need to be put in place by the programme. Plus a process related output around the management of ms LEARNING AND EVIDENCE

*Together these elements can, through the use of clear multi-stakeholder process for planning, management and investment (including climate smart investment that recognises the time element of forest land management),*

*lead to the development of livelihoods:*

- directly through subsistence use (primarily stabilisation and localised improvements)
- directly and indirectly through a 'step change' that is generated from a range of private business developments (micro/small/medium/large), job creation, supply chain improvement and new product development and processes that are fundamentally based on the use of forest resources, both timber and non-timber;
- linked to the active management of the forest resource

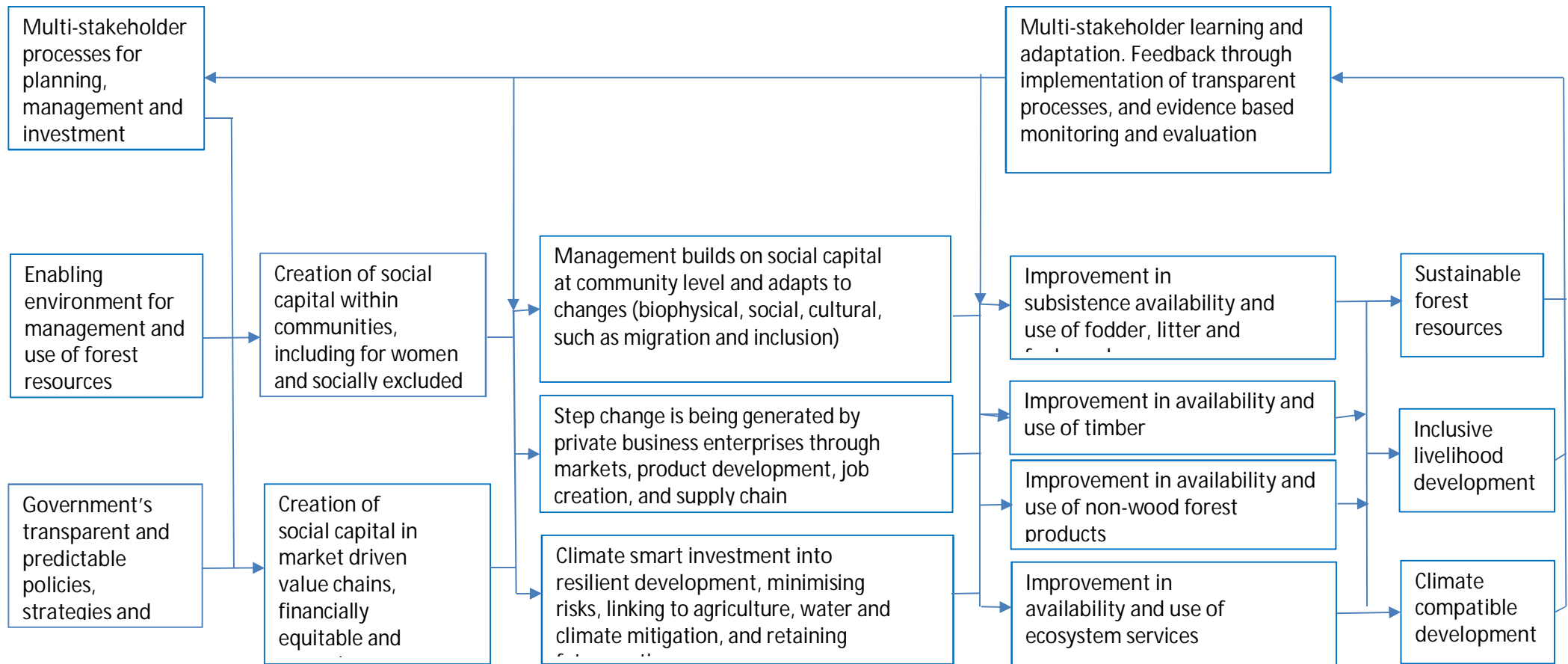
Outcome: livelihoods / private sector and one on the quality of the resource and its improvement. Quality of the MS processes in relation to their institutionalisation and ability to supply evidence / plan etc. and ability to adapt to changing national contexts.

*These processes, their interactions and multi-stakeholder learning / adaptation are what enables*

- Climate Resilient Development that minimises risks and retains management options for the future. The ongoing adaptive management cycle then builds on
- social capital at community level which can adapt to changes in situation (biophysical, social cultural e.g. migration or social inclusion and market opportunities)
- social capital within private sector led value chains (trusted, financially equitable.....)
- transparent, clear and predictable application of government policies, strategies and investment planning and financing.
- Quality feedback and learning /adaption through the implementation of transparent multi-stakeholder processes, which are linked to monitoring and evaluation of evidence.

(Purpose is to achieve climate compatible development through the active management and use of forest resources).

TOC narrative in diagrammatic form (from DFP following discussions)



# Annex 13: DRAFT Effective Financial and Contract Management

This Annex is presented to enable two things in particular:

1. To ensure that the MSFP has effective financial control within the structures that it operates with (current SDC financial regulations) through to July 2016 (process may change for MSFP2 post July 2016);
2. To ensure that the SSU management team are protected from claims of perceived inappropriate procurement (the MTR is not saying that there has been mis-procurement from its analysis) by having transparent systems and processes in place that enable approval and 'sign-off' of goods and services procurement in a transparent and formalised manner.

The approach below is presented for MSSC to develop and agree. Given the aims above it is important that this is discussed at the September 2015 meeting. All the process and procedures will need to be in line with the SDC regulations and any revised levels of delegated authority.

## Principles of good financial and quality control for MSFP

The following principles are laid out (and need to be confirmed with a financial specialist) to that there is clarity around the processes and procedures used as well as the 'sign-off' under any devolved mandate.

1. That all processes should be transparent and published well in advance and follow the agreed procedures laid down by SDC (until July 2016) and follow-on regulations (SDC / GoN or other);
2. That TORs and schedule of works above an agreed value (and splitting into multiple small contracts to counteract this would not be accepted) would be approved by the proposed Executive Committee.
3. Where work is of a highly specialised nature there should be a Peer Review Group set up with leading experts to ensure that the TORs, the selected bids and subsequent work (methodology design, inception report, intermediate and financial reports) will be delivered on time, on budget and to a high quality. (MSFP should explore whether any of the donor partners have services that could be used to support this – especially in the area of evaluation, baselines, outcome assessment and complex survey work).
4. In the context of Nepal it is important that the procurement / contracting work is managed independently thus reducing the risk of complaint and perceived poor attention to individuals and organisations ideas and innovations which are important to them, if not relevant to MSFP.
5. That TORs are clearly laid out in three sections. The first is a detailed scope of work that is being procured including clarity on how the bids will be assessed. The second is the details of the organisational competency and how this is 'evidenced' – including whether there will be a fiduciary risk assessment prior to contracting for larger contracts. The third is the results framework on which the contract will be made – including how this work 'fits' into the wider work of the MSFP. This will show how it is expected that the contract will be tracked, what quality checking processes are in place, when reports are due and how these will be laid out as well as financial reporting requirements (including value for money assessments for larger contracts).

6. That Conflict of Interest statements are clearly laid out, in writing, within any procurement process – including family and other relationships with MSFP staff and the organisation/individual making the tender/application. This does not mean that it is never possible to engage people that are already known but that there is a transparency in the declaration. For larger contracts / recruitment of key staff this could be reviewed by the Executive Committee to ensure that the declaration is sound and that the relationships do not pose a Col within MSFP. This documentation is retained as part of the bid documentation and decision making process for any future audit or other possible queries / investigations.
7. That audit / fiduciary risk action plans are followed up on a regular basis (with proposed Executive Committee) and progress reports appended to the 6 monthly and annual reports.
8. Setting levels of 'sign-off' for contracts that are suitable for the situation in Nepal (high fiduciary risk) whilst not slowing down operational activities unduly (planning required to allow for any extra time required) and providing protection for MSFP staff. There should be no contract that is agreed and signed by only one signature.
9. Procurement of services should be based on the presumption of competitive tender. Accepting that this is not always possible in the context of Nepal there are a number of mechanisms that could be used to support transparent procurement processes:
  - Set up a number of pre-qualified consultants. A number of services could be identified as likely to be required for a programme such as MSFP. In this instance it could be possible to then hold a competitive procurement of consultants (individuals and organisations) who could be used for 'call-down' purposes / mini-competitions for services.
  - Direct call for consultants (or call down contract) up to a figure of \$10,000 (CHF 10,000). Contract to be signed by 2 people minimum within SSU and reported monthly to the Executive Committee and also to SDC. The latter is a formal requirement as per the delegation of power. The reporting is designed to improve the quality assurance of procurement and delivery on contracts.
  - Call down contract / or 3 vendor quotation procurement up to a figures of \$100,000 (CHF 100,000) internally managed by with TOR approved by the Executive Committee. Contracts for this work to be signed by 2 people within SSU following approval by the Executive Committee (SDC to agree if in line with their regulations). In line with the SDC financial regulations approval from SDC is also needed.
  - Competitive procurement for all contracts over \$100,000 (CHF 100,000) with the TORs approved by the Executive Committee and an independent procurement management committee established by the EC as to July 2016 there will be no independent fund manager. Until July 2016 there will be no independent fund manager so there is a need to have, for any large scale procurement in the next 11 months (very unlikely) to have more independent review of the procurement process – including bid assessment. SDC will remain the main source of Fiduciary Risk assessment and anti-corruption measures.

If a large and complex bid is to be managed through to July 2016 then there should be a technical Peer Review Team established by the Executive Committee and endorsed by the MSSC. This team would review the TORs and follow through supervision of the delivery of the contract. Recommendations for hiring the service provider to be approved by the Executive Committee before contract signature. Signatories to include SDC as well as SSU Team Leader and Finance Manager.

Table A13.1: Procurement and Contract Signature suggested revised levels to July 2016<sup>52</sup>

Size of contract <sup>53</sup>	TOR (or schedule of work) approved by?	Procurement process	Contract Signature and 'follow-up' supervision.
Up to \$10,000	Executive Committee	Direct call or use of pre-tendered 'call down' service contract.	<p>2 SSU signatures one must be Finance Manager</p> <p>Tracking required to ensure that larger contracts are not broken down to small ones to use this procurement mechanism</p> <p>Ensure that technical and financial progress of the project is the responsibility of the SSU with appropriate reporting to the Executive Committee.</p>
\$10,000 - \$100,000	Executive Committee and if for complex work a special Peer Review team established to provide technical oversight.	Call down contract or 3 vendor quotation or competitive	<p>Up to \$20,000 formal approval by the EC and then 2 person signature including Finance Manager and inform EC (or in line with SDC regulations).</p> <p>Between \$20 - \$100,000 EC must <u>approve contract</u> before signature by 2 SSU team including Finance Manager (or in line with SDC regulations).</p> <p>Ensure that technical and financial progress of the project is the responsibility of the SSU with appropriate reporting to the Executive Committee.</p>
Above \$100,000	<p>MSSC ideally and especially for TORs with value over \$100,000.</p> <p>If complex work a Technical Peer</p>	Competitive process with independent procurement management team (not SSU managed). Executive Committee <u>approve before signature</u> .	<p>SDC as well as SSU Team leader and Finance MANAGER. If regulations allow Chair of the Executive Committee or Chair of MSSC.</p> <p>Ensure that technical and financial progress of the project is the</p>

<sup>52</sup> Note that any future procurement regulations will need to be decided as part of the design process and will depend on whether the MSFP is managed through an NFE or other modality – including independent financial manager.

<sup>53</sup> Note this is in US\$ but the exchange rate would be 1US\$ = 1CHF / 1US\$ = 100 Nepali Rupee

Size of contract <sup>53</sup>	TOR (or schedule of work) approved by?	Procurement process	Contract Signature and 'follow-up' supervision.
	Review team established (or use of donor / GoN existing mechanisms).	<u>If the contract value is over \$1,000,000 then MSSC approval required (unlikely to be required through to July 2016)</u>	responsibility of the SSU with appropriate reporting to the Executive Committee.



# Annex 14: DRAFT Outline Terms of Reference for the MSFP Executive Committee

## Introduction

These TORs are based on the premise that the MSFP Multi-stakeholder steering committee (MSSC) will continue to operate as per the Annex 5 of the Common Programme Document dated 27th December 2011. As per that TOR the MSSC will provide the 'overall strategic direction.... for major decisions related to the execution of the programme'.

As the MSSC meetings are around twice a year the MTR recommends that there is an Executive Committee established with immediate effect to provide a more robust 'management oversight' function for the MSFP (both the current PCO and SSU).

## Function of the Executive Committee

Within the framework of the Joint Funding Agreement / Common Programme Document and other strategic decisions made by the MSSC the EC has the responsibility to oversee the management of the programme and to hold the PCO / SSU (and any future management team) to account in relation to the delivery of agreed plans (YPOs, audit / fiduciary plans, GESI plan.....).

Where progress is not being achieved then the EC will work with the management team to prepare an action plan to bring the MSFP back on track. This will have time-bound deadlines against actions / responsible persons which can be explicitly followed up at subsequent meetings until completed.

### *Key Tasks of the Executive Committee*

- To receive written reports (1 week prior to meeting) from the PCO / SSU management team on the progress of the 4 outcomes and cross-cutting issues e.g. GESI against plans. These to be presented by the SSU TL / DTL and Outcome managers (normally) so that the Executive C can discuss outstanding issues;
- To receive reports from the current 9 implementing agencies concerning management / delivery of the programme and issues from implementation at the grass-roots level e.g. policy blockages. This is for information only and should focus on any outstanding issues in relation to management and delivery of these large contracts. Ideally these reports will be presented in written format with one member of the IAs designated to answer questions. However if there are issues with an IA e.g. a poor fiduciary risk assessment and the SSU has not been able to manage improvement satisfactorily the EC can request an agenda item on this issue and specific attendance at an EC by the specific IA focal point;
- To receive regular updates from the SSU management regarding the Audit / Fiduciary Risk Action Plans (to be appended to minutes);
- To give review, comment and endorse the draft YPO prior to submission to the MSSC for approval;
- To track expenditure against results on a monthly basis for key contracts and receive notice of all new contracts issued. Tracking of contracts issued to ensure that where possible competitive procurement is utilised and that large contracts are not being broken down to small ones to circumvent competitive procurement regulations. This should not focus on detail but enable a clear track of the work that is taking place and what is falling behind. This is to ensure that the PCO / SSU are managing contract delivery effectively.

- To approve Terms of Reference / Bidding Schedules for procurement of goods and services so that it is clear how the procurement links to the wider work of the MSFP. Where the value of services/goods being procured is over a value of \$15,000 EC will 'sign-off' all procurement over the value of \$15,000 thereby providing assurance that a) the procurement process has followed SDC requirements (or other requirements in the future) and b) that the services / goods are essential to the work of the MSFP.
- To approve the TORs for staff recruitment for the SSU and to track the staffing levels of the PCO.
- Signal to the PCO / SSU any opportunities for sharing learning with stakeholders (conferences, workshops, policy processes);
- Assess that all decisions and interventions of the MSFP are GESI responsive and report to the MSSC accordingly.
- Review any work through any contract that may involve resettlement and make recommendation to the MSSC as to terms and conditions for any continuation (in line with Government of Nepal and donor policies on this issue).

## Relationship of the Executive Committee with the MSSC

The MSSC is the overall body responsible for the strategic direction of the MSFP (transition phase and implementation phases). The Executive Committee will be a 'sub-committee' of the MSSC and will be directly responsible to the MSSC through its Chair (Secretary of the MoFSC). All minutes of the EC meetings will be subject to review by the MSSC members and a full report (written and oral) will be made by the Chair of the EC to the MSSC at its regular meetings.

Ideally the EC will operate on consensus but there may be occasions where a majority decision is reached (minutes would reflect that). If it is not possible for the EC to reach agreement on an issue that is of strategic or managerial importance then the Chair of the EC will report directly to the Chair of the MSSC to either resolve the issue (if a time constraint) or call an Extraordinary MSSC to finalise any decision.

## Membership of the Executive Committee

The Executive Committee final composition will be decided by the MSSC but members must be committed to meeting at a minimum of once a month for around 4 hrs.

1. Chair: joint Secretary of the MSFP Division in which MSFP is situated (a decision to be made by the FOFSC Secretary but likely to be either Foreign Aid or Planning). If not agreed then the Joint Secretary of the Foreign Aid Department. The Chair would also need to be an *ex-officio* member of the MSSC to provide continuity.
2. *Ex officio Secretariat: Provided by the MoFSC*
3. One Civil Society Representative from member organisations: to be selected by the MSSC civil society representatives. An *alternate* member should be agreed in the event that the main member cannot attend. Consideration to gender balance should be given;
4. One Civil Society Representative from rights holders: to be selected by the MSSC civil society representatives. An *alternate* member should be agreed in the event that the main member cannot attend. Consideration to gender balance should be given;
5. One Local Government Representative: If the MSSC is expanded this person should be from MoFALD;
6. One MoFSC Representative from implementation side i.e. Department of Forestry or Department of Soil Conservation and Watershed protection mindful that this should not be an individual directly implementing MSFP activities.

7. GESI Focal Person of MoFSC with specific responsibility to ensure GESI transformation is mainstreamed in the MSFP.
8. One donor representative with alternative the Donor Focal Point.

## Frequency of Meetings

The Executive Committee will meet a minimum of once per month to receive reports from the PCO / SSU on progress and to track action plans as agreed and review/endorse any procurement proposals. Meetings could be held more frequently on special issues as required.







## Outputs

Minutes of the meeting will be prepared and published in a timely manner. Where the minutes contain discussions of a confidential nature (financial aspects of bids or personnel issues) these elements will not be published. The minutes will include, in Annexes, the outcome manager reports, GESI report as well as the tracking of audit/fiduciary action plans (where appropriate).

# Annex 15: Criteria for Study Assessment

Standard	Criteria that can be used for assessing the quality of the study	Comments
Excellent Study	<ul style="list-style-type: none"> <li>• Clear purpose in commissioning</li> <li>• Good TORs for study</li> <li>• Well- structured report which responds to TORs effectively with good evidence</li> <li>• Study in use within programme for further work e.g. value chain analysis now being implemented</li> <li>• This study is contributing to significant change / implementation within the MSFP OR study shows that the idea is not suitable for MSFP to progress with clear reasons</li> <li>• Study has been published (unless confidential) for stakeholders to engage with in Nepali and English</li> </ul>	<p>Looking here for studies that were 'actively' commissioned, where designed well and where to inform MSFP work to achieve one or more outputs and contribute to the achievement of an outcome.</p>
Good Study	<ul style="list-style-type: none"> <li>• Clear purpose in commissioning</li> <li>• Good TORs for study</li> <li>• Well- structured report which responds to TORs effectively with good evidence</li> <li>• Study was designed to contribute to the MSFP process but may not yet be in use. i.e. it has the potential to contribute to MSFP implementation</li> <li>• Study has yet to be published in both Nepali and English.</li> </ul>	<p>Where the study was 'speculative' then there are clear reasons why its findings were not taken forward presented (and documented) by the SSU / PCO.</p>
Weak but could be useful	<ul style="list-style-type: none"> <li>• Not very clear why report was commissioned as doesn't link to existing or future processes</li> <li>• TORs not clear or the TORs were not followed</li> <li>• Report may be well structured but the purpose is not clear and hence recommendations are likely to be weak.</li> <li>• Study was not designed explicitly to contribute to the achievement of the MSFP outputs and outcomes.</li> <li>• Study has not yet been published in either Nepali or English.</li> </ul>	
Very weak and unlikely to contribute to MSFP Outcomes	<ul style="list-style-type: none"> <li>• Not clear why report was commissioned</li> <li>• TORs not clear or the TORs were not followed</li> <li>• Report weak and not well structured.</li> <li>• Study was not designed explicitly to contribute to the achievement of the MSFP outputs and outcomes.</li> <li>• Study has not been published in either Nepali or English.</li> </ul>	

# Annex 16: Terms of Reference

Terms of Reference Type	File
Mid Term Review	 MTR
GESI	 GESI TOR
Climate change	 Climate Change TOR
Forestry / Institution	 Forestry TOR
Private Sector	 Private Sector TOR
Team Leader	 TOR - TL

